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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, 2008

OR

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

For the transition period from __________to__________

Commission File Number: 000-23593

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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, 2008, was $4,081,193,953 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 January 31, 2009: 192,328,689 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2009 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Overview

We are the trusted provider of Internet infrastructure services for the networked world. We offer a comprehensive spectrum of products and services that help a growing number of organizations and individuals to communicate and conduct commerce with confidence.

As of December 31, 2008, our business consists of two reportable segments: (1) Internet Infrastructure and Identity Services ("3IS"), which consists of Naming Services, Secure Socket Layer ("SSL") Certificate Services, Identity and Authentication Services ("IAS"), and VeriSign Japan, and (2) Other Services, which represents continuing operations of non-core businesses and legacy products and services from divested businesses. Prior to 2008, our business consisted of the following two reportable segments: Internet Services Group ("ISG") and the Communication Services Group ("CSG"). As a result of a comprehensive review of our business strategy, we changed our reportable segments in 2008. Comparative segment revenues and related financial information for 2008, 2007, and 2006 are presented in Note 16, "Segment Information," *Description of Segments*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We have reclassified prior period amounts to conform to current period presentation. We have operations inside as well as outside the United States ("U.S."). For a geographic breakdown of revenues and changes in revenues, see Note 16, "Segment Information," *Geographic Revenues*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

The Naming Services business is the authoritative directory provider of all *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain names. The SSL Certificate Services business enables enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. The IAS business includes identity protection services, fraud detection services, managed public key infrastructure ("PKI") services, and unified authentication services. These services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of SSL Certificate Services and IAS.

The Other Services segment consists of the continuing operations of our non-core Pre-pay billing and payment services ("Pre-pay") business as well as legacy products and services from divested businesses. We are in the process of winding down the operations of the Pre-pay business. In Other Services, the legacy products and services from divested businesses primarily include the following: our former Jamba! business ("Jamba"), which provided mobile entertainment to consumers; the Retail Data Solutions ("RDS") business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers; and the Content Delivery Network ("CDN") business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale.

During the fourth quarter of 2007, we announced a change to our business strategy to allow management to focus its attention on our core competencies and to make additional resources available to invest in our core businesses. The strategy calls for the divestiture or winding down of all the business lines in our former CSG and all business lines in our former ISG except for our core businesses. The business lines that we expect to divest, including those that have been sold since the fourth quarter of 2007, accounted for approximately 50% of our overall revenues in fiscal 2007. These businesses are classified as disposal groups held for sale as of December 31, 2008, and their results of operations have been classified as discontinued operations for all periods presented. The continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions, including further developments in the current economic condition and potential continued deterioration of the credit markets. While we are executing our divestiture plan, we will experience additional risks, including, but not limited to the disruption of our business and the potential loss of key employees; difficulties separating operations, services, products and personnel; the potential

damage to relationships with our existing customers; and the delay in completion of transition services. For example, our divestiture plan will require a substantial amount of management, administrative and operational resources. Once our divestiture plan is completed, the scale and scope of our operations will decrease in absolute terms, which we expect will allow our remaining core businesses to benefit from a more efficient and streamlined operational structure. However, we cannot assure you that we will be able to achieve the full strategic and financial benefits we expect from the divestiture of our non-core businesses and there is no guarantee that the planned divestitures will occur or will not be significantly delayed, all of which may result in future variability in our results of operations.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 487 East Middlefield Road, Mountain View, California 94043. Our telephone number at that address is (650) 961-7500. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. The information on our website is not a part of this Form 10-K. VERISIGN, the VeriSign logo, the checkmark circle, GEOTRUST, THAWTE, and certain other product or service names are trademarks or registered trademarks of VeriSign and/or its subsidiaries 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 www.verisign.com.

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

Internet Infrastructure and Identity Services Group

The Internet Infrastructure and Identity Services ("3IS") Group consists of the Naming Services business, SSL Certificate Services business, IAS business, and VeriSign Japan.

Naming Services

Naming Services: The Naming Services business operates the authoritative directory of all *.com*, *.net*, *.cc*, *.tv*, *.name*, and *.jobs* domain names.

We are the exclusive registry of domain names within the *.com* and *.net* generic top-level domains ("gTLDs") under agreements with the Internet Corporation for Assigned Names and Numbers ("ICANN") and the U.S. Department of Commerce ("DOC"). As a registry, we maintain the master directory of all second-level domain names in these top-level domains (e.g., johndoe.com and janedoe.net). These top-level domains are supported by our global constellation of domain name servers. 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").

We are also the exclusive registry for the *.tv* and *.cc* country code top-level domains ("ccTLDs") and domain names within the *.name* gTLD and we operate the back-end systems for the *.jobs* and *.edu* gTLDs. These top-level domains are 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. Currently, IDNs are available in more than 350 languages.

Domain names can be registered for between one and ten years, and the fees charged may only be increased according to adjustments prescribed by ICANN over the term of the applicable agreement. Revenues for registrations of *.name*, *.cc* and *.tv* domain names 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.

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

SSL Certificate Services

SSL Certificate Services: SSL Certificate Services enable enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. We issue SSL Certificates for one, two, or three years. The average certification issued by our SSL Certificate Services business is fifteen months, as many customers prefer to commit to shorter certifications due to the fact that certifications are tied to servers, and these servers may be replaced before the certificate expires. An SSL certificate, when installed on a server hosting a website, allows the site visitor to identify to whom the site belongs and encrypts communications between the Web server and the client browser. The SSL certificate also contains information about the certificate subscriber and the website domain to which the certificate was issued.

We currently offer the following SSL Certificate Services:

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

Identity and Authentication Services

The IAS business offers a variety of strong authentication methods to help enterprises deploy secure remote access and secure business applications through PKI, digital certificates, or one-time passwords. We offer a suite of Identity and Authentication products and services, including VeriSign Identity Protection service, our Fraud Detection Service, our Managed PKI service, and our Unified Authentication service. Revenues in our IAS business are derived from a one-time credential sale to the customer seeking network services and a one-time set-up fee. We also charge an annual service fee based upon the number of individual users authorized by the customer to access its network and a customer support fee.

- *VeriSign Identity Protection Service*: Our VeriSign Identity Protection (“VIP”) services are a comprehensive suite of identity protection and authentication services that help enable consumer-facing

applications to provide a secure online experience for end users. Our VIP Authentication service provides a visible means for businesses to easily issue and/or accept multiple credentials from users. As part of the VIP Authentication service, we provide access to the VIP Shared Authentication Network where it is anticipated that consumers will be able to use a single second factor authentication device to access multiple online accounts.

- *Fraud Detection Service:* Our Fraud Detection service provides an invisible means of delivering proactive protection to consumers by detecting fraudulent logins and transactions in real-time without affecting a legitimate user's Web experience.
- *Managed PKI Service:* Our Managed PKI service helps enterprises to easily secure intranets, extranets, VPNs, email, and e-commerce applications while retaining full control of access to information and leveraging VeriSign's service infrastructure for cost effective provisioning and validation.
- *Unified Authentication Service:* Our Unified Authentication service provides a single, integrated platform for provisioning and managing all types of two-factor authentication credentials used to validate users, devices or applications for a variety of purposes, such as remote access, windows logon, and Wi-Fi access. Unified Authentication supports strong authentication using smart cards, device-generated one-time passwords and digital certificates, as well as PKI-based encryption, digital signing and non-repudiation. Unified Authentication can be run by the customer at its location or through VeriSign's infrastructure.

VeriSign Japan

VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of SSL Certificate Services and IAS.

Other Services

The Other Services segment consists of the continuing operations of our non-core Pre-pay billing and payment services ("Pre-pay") business as well as legacy products and services from divested businesses. We are in the process of winding down the operations of Pre-pay. In Other Services, the legacy products and services from divested businesses primarily include: Jamba, which provided mobile entertainment to consumers; the RDS business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers; and the CDN business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale.

See Note 16, "Segment Information," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information relating to our segments and geographic information.

Assets Held for Sale and Discontinued Operations

During the fourth quarter of 2007, we announced a change to our business strategy to allow management to focus its attention on our core competencies and to make additional resources available to invest in our core businesses. The strategy calls for the divesture or winding down of a number of non-core businesses in the Company's portfolio, such as Communications Services, Enterprise Security Services ("ESS"), and Messaging and Mobile Media Services, as well as other smaller businesses. These businesses, except for Pre-pay, which we are currently in the process of winding down, are classified as disposal groups held for sale as of December 31, 2008, and their results of operations have been classified as discontinued operations for all periods presented.

Communications Services

The Communications Services business provides managed solutions to fixed line, broadband, mobile operators and enterprise customers through our integrated communications and commerce platforms.

Billing and Commerce Services: Our licensed and managed solutions for prepay billing customers deliver rating and billing services. Our full suite of billing and commerce services includes Billing Services, Global Consulting Services for Billing, Real-Time Rating and Payment Services, Real-Time Roaming Services, and Settlement and Exchange Services.

Connectivity and Interoperability Services: Through our Connectivity and Interoperability Services, we provide connections and services that signal and route information within and between telecommunication carrier networks.

- *SS7 Connectivity and Signaling Services:* Our Signaling System 7 ("SS7") network is an industry-standard system of protocols and procedures that is used to control telephone communications and provide routing information in association with vertical calling features, such as calling card validation, local number portability, toll-free number database access and caller identification.
- *Voice and Data Roaming Services:* We offer wireless carriers roaming services using the ANSI-41 and GSM Mobile Application Part signaling protocols that allow carriers to provide support for roamers visiting their service area and for their customers when they roam outside their service area. Our International Roaming Services manage signaling conversion and implementation anomalies between different countries to provide activation processing, seamless international roaming, international customer care, and fraud protection, while our Wireless Data Roaming Service enable carriers to offer wireless data roaming to their subscribers over Wi-Fi, CDMA2000 and GSM/GPRS networks.
- *Voice Over Internet Protocol ("VoIP") Services:* The VeriSign® IP Connect Services allow VoIP providers, cable operators, Multi-Service Operators and mobile operators to extend VoIP services across multiple access methods and provides routing directory services to support interconnection of VoIP networks. VeriSign's directory routing services also enable efficient delivery of mobile messaging and mobile content.

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

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

On March 2, 2009, we entered into a binding agreement to sell our Communications Services business to Transaction Network Services, Inc. for $230.0 million subject to certain adjustments to reflect normal fluctuations in working capital. The transaction is subject to Hart-Scott-Rodino Act review, and the agreement contains customary closing conditions. The parties anticipate that the transaction will close within 60 days.

Content Portal Services

Our Content Portal Services ("CPS") provide Web and wireless application protocol ("WAP") services that enable media companies to sell digital content through mobile devices or on the Web. With VeriSign's CPS, our customers can: create and launch their own branded storefronts using WAP, Web, short messaging services ("SMS"), and multi-media messaging services ("MMS"); use our robust content management platform to deliver content types; and access digital rights management protection, life-cycle management, multi-lingual interface options, and other services.

Enterprise Security Services

The ESS business provides a comprehensive approach to information security and IT risk management through the assessment, design, deployment and management of security solutions and the response to real-time threats and vulnerabilities.

Global Consulting Services: Our Global Consulting Services help companies understand corporate security requirements, comply with all applicable regulations, identify security vulnerabilities, reduce risk, and meet the security compliance requirements applicable to the particular business and industry.

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

Managed Security Services ("MSS"): Our MSS business enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, every day of the year while reducing the associated time, expense, and personnel commitments by relying on VeriSign's security platform and experienced security staff. Our MSS include: Firewall Management Service, Intrusion Prevention Management Service, Intrusion Detection Management Service, Wireless Intrusion Prevention Service, Security Risk Profiling Service, Log Management Service, Vulnerability Management Service, and Phishing Response Service.

International Clearing

Our International Clearing business enables financial settlement and call data settlement for wireless and wireline carriers.

Messaging and Mobile Media Services

The Messaging and Mobile Media Services business provides secure and scalable media solutions for Internet, broadband, and mobile applications, which allows for the efficient distribution and delivery of content that best fits our customers' needs.

Interactive Application Services: Our Interactive Application Services enable service providers to extend entertainment and interaction to mobile devices so they can provide compelling customer experiences that drive use, loyalty, and revenues.

Mobile Delivery Services: Our Mobile Delivery Services assist carriers and content providers in the delivery of wireless messaging, distribution of mobile content, efficient handling of billing, and offer user-friendly features that enhance service offerings and increase revenue opportunities for our customers. Our Mobile Delivery Services cover a multitude of mobile delivery functions, from infrastructure, distribution, and monitoring, to billing, security, and media storage.

Real-Time Publisher Services

Our Real-Time Publisher ("RTP") Services allow organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises, Web-portal developers, application developers and consumers. RTP Services also make it easier for publishers of all sizes to distribute and track their content feeds, which may improve the reliability and quality of their real-time content.

Completed Divestitures

On December 31, 2008, we sold our EMEA Mobile Media ("EMM") business which offered mobile application services that included interactive messaging applications, content portal services, and messaging gateway services. Our 3united Mobile Solutions business, which we acquired in 2006, was divested as part of the EMM business. The historical results of operations of the EMM business have been classified as discontinued operations for all periods presented.

On December 31, 2008, we sold our Post-pay business which enabled advanced billing and customer care services to wireless telecommunications carriers. The historical results of operations of the Post-pay business have been classified as discontinued operations for all periods presented.

On October 31, 2008, we sold our Communications Consulting business, which offered a full range of strategy and technology consulting, business planning, sourcing, and implementation services to help telecommunications operators and equipment manufacturers drive profitable new business and technology strategies, in a management buyout transaction. Our inCode Telecom Group business, which we acquired in 2006, was divested as part of the Communications Consulting business. The historical results of operations of the Communications Consulting business have been classified as discontinued operations for all periods presented.

On April 30, 2008, we sold our Digital Brand Management Services ("DBMS") business, which offered a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity. The historical results of operations of the DBMS business have been classified as discontinued operations for all periods presented.

On April 30, 2008, we sold our CDN business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale. Our Kontiki business, which we acquired in 2006, was divested as part of the CDN business. We retained an equity ownership in the CDN business and have accounted for our investment in the CDN business on an equity method basis. As a result of our continuing involvement in the CDN business, the historical results of operations of the CDN business have not been classified as discontinued operations.

On March 31, 2008, we sold our Self-Care and Analytics ("SC&A") business, which provided on-line analysis applications for mobile communications customers and on-line customer self-service with a single view of billing across multiple systems. Our CallVision business, which we acquired in 2006, was sold as part of the SC&A business. The historical results of operations of the SC&A business have been classified as discontinued operations for all periods presented.

On December 31, 2007, we sold our RDS business, which specialized in intelligent supply chain services. As the historical results of operations of the RDS business were not significant, they have not been classified as discontinued operations.

On September 1, 2007, we sold our wholly-owned Jamba Service GmbH subsidiary ("Jamba Service"), which marketed insurance and extended service warranties to consumers for mobile electronic equipment and products. The historical results of operations of Jamba Service have been classified as discontinued operations for all periods presented.

In addition to the divestiture of the non-core businesses listed above, on October 6, 2008, we sold our remaining 49% ownership interest in the mobile entertainment joint ventures (“Jamba joint ventures”) to Fox Entertainment (“Fox”), a subsidiary of News Corporation.

See Note 4, “Assets Held for Sale and Discontinued Operations,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our revenues that relate to our discontinued operations.

Operations Infrastructure

Our operations infrastructure consists of secure data centers in Mountain View, California; Dulles, Virginia; Lacey, Washington; Providence, Rhode Island; Overland Park, Kansas; Melbourne, Australia; London, England; Berlin, Germany; Kawasaki, Japan and Fribourg, Switzerland. We have also recently completed construction of a new data center in New Castle, Delaware. Most of these secure data centers operate on a 24-hour a day, every day basis, supporting our business units and services. Key features of our operations infrastructure include:

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

As part of our operations infrastructure for our Naming Services business, we operate all authoritative domain name servers that answer domain name lookups for the *.com* and *.net* zones, as well as for the other top-level domains for which we are the registry. We also operate two of the thirteen externally visible root zone server addresses, including the “A” root, which is considered to be the authoritative root zone server of the Internet’s domain name system (“DNS”). The domain name servers provide the associated name server and Internet Protocol (“IP”) address for every *.com* and *.net* domain name on the Internet and a large number of other top-level domain queries, resulting in an average of over 40 billion responses per day, and peak loads of over 50 billion responses per day, during 2008. These name servers are located around the world, providing local domain name service throughout North America, South America, Europe, and Asia. Each server facility is a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the Internet’s DNS infrastructure.

In 2007, VeriSign initiated a large-scale infrastructure upgrade called “Project Titan.” This effort is intended to increase the capacity of domain queries handled by our DNS infrastructure. Project Titan is also designed to further fortify our infrastructure to repel significant distributed denial of service (“DDoS”) attacks and provide enhanced monitoring and logging capabilities. Project Titan is scheduled to be completed by the end of fiscal 2010. As of December 31, 2008, this project is on target for the scheduled completion; all of the U.S. facilities have been upgraded and significant progress has been made in upgrading our European and Asian facilities. As part of Project Titan, we have also deployed more than 40 regional resolution sites throughout the world to support the initiatives of Project Titan in specific locations.

To provide our Communications Services, we operate a SS7 network composed of specialized switches, computers and databases strategically located across the U.S. These elements interconnect our customers and

U.S. telecommunications carriers through leased lines. Our network currently consists of 13 mated pairs of SS7 signal transfer points (“STPs”) that are specialized switches that route SS7 signaling messages, and into which our customers connect. We own nine pairs of STPs and lease capacity on four pairs of STPs from regional providers. Our SS7 network control center, located in Overland Park, Kansas, is staffed 24 hours a day, every day of the year.

Call Centers and Help Desk: We provide customer support services through our phone-based call centers, email help desks and Web-based self-help systems. Our California call center is staffed 24 hours a day, every day of the year and employs an automated call directory system to support our SSL Certificate Services and IAS businesses. Our Virginia call center is staffed 24 hours a day, every day of the year to support our Naming Services business. Our Washington state call center is staffed from 8:00 a.m. to 5:00 p.m. Pacific Time and employs an automated call directory system to support our Communications Services business. All call centers have a staff of trained customer support agents and 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 distributed network operations centers are 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 Naming Services business maintains dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity. Our SSL Certificate Services and IAS businesses are similarly protected by having service capabilities that exist in both of our East and West Coast data center facilities. Our critical data services (including digital certificates, domain name registration, telecommunications services and global resolution) use advanced storage systems that provide data protection through techniques such as mirroring and remote replication.

Marketing, Sales and Distribution

We market our services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, direct marketing through all media, mass merchandisers, value-added resellers, systems integrators and VeriSign International Affiliates (each a “VeriSign Affiliate”). VeriSign established the VeriSign International Affiliate Program in the 1990s to recruit resale partners to resell PKI services in regions where VeriSign does not offer PKI services. VeriSign enables the VeriSign Affiliate to operate all aspects of a PKI service business by licensing to the VeriSign Affiliate the VeriSign Processing Center software platform, which provides a scalable certificate authority service platform capable of supporting thousands of enterprises and millions of end users. The VeriSign Affiliate is responsible for localizing PKI services according to its local country regulations and requirements.

Our direct sales and marketing organization at December 31, 2008, consisted of 607 employees, including those related to our disposal groups held for sale. We have field sales offices throughout the world.

Research and Development

As of December 31, 2008, we had 769 employees, including those related to our disposal groups held for sale, dedicated to research and development. We believe that timely development of new and enhanced Internet security, e-commerce, information, and technologies are necessary to remain competitive in the marketplace. During 2008, 2007 and 2006 our research and development expenses were $91.5 million, $100.2 million and $89.8 million, respectively.

Our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and services. In the past, we have developed our services both independently and through efforts

with leading application developers and major customers. We have also, in certain circumstances, acquired or licensed technology from third parties. Although we will continue to work closely with developers and major customers in our development efforts, we expect that most of the future enhancements to existing services and new services will be developed internally or acquired through business acquisitions.

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

Competition

We compete in the naming services, SSL certificate services, identity and authentication services, enterprise security services, communications services, and messaging and mobile media services markets. We compete with numerous companies in each of these services categories. The overall number of our competitors may increase and the identity and composition of competitors may change over time.

Competition in Naming Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the *.info*, *.org*, *.mobi*, *.biz*, *.pro*, *.aero*, *.museum* and *.coop* gTLDs and registries offering services related to ccTLDs. ICANN currently has registry agreements with 14 registries for the operation of 16 gTLDs. In addition, there are over 240 ccTLD registries.

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

In addition, to the extent end-users navigate using search engines as opposed to direct navigation, we may face competition from search engine operators such as Google and Yahoo!.

Additional competition to our business may arise from the upcoming introduction of new Internationalized Domain Name TLDs (“IDN TLDs”) and new gTLDs by ICANN. These new domain extensions could become available by the third quarter of 2009 in the form of translations or transliterated versions of the *.com* and *.net* TLDs and by the last quarter of 2009 in the form of new gTLDs. We do not yet know the impact, if any, these new domain extensions may have on our business, but the increase of name availability in the marketplace could introduce new choices for end-users as well as create end-user confusion around brand preference, which could have a material adverse effect on our business. While we may apply for one or more of these new domain extensions, there is no certainty that we will ultimately be successful and even if we are successful in obtaining one or more of these new domain extensions, there is no guarantee that such extensions will be any more successful than the domain name extensions obtained by our competitors.

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

Principal competitors generally fall within one of the following categories: (1) companies such as RSA Security Inc. (“RSA”), a security division of EMC Corporation, and Entrust Technologies, which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as Digital Signature Trust Company (a subsidiary of Identrus) that primarily offer digital certificate and certification

authority-related services; (3) companies focused on providing a bundled offering of products and services; and (4) companies offering competing SSL certificate and other security services, including domain name registrars. We also experience competition from a number of smaller companies, and we believe that our primary long-term competitors may not yet have entered the market. Furthermore, AOL and Microsoft have introduced software products that enable the issuance and management of digital certificates, and we believe that other companies could introduce similar products.

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

Competition in Managed Security Services: Security services and product firms, telecommunications companies, and consulting companies or professional services groups of other companies with Internet expertise are current or potential competitors to our managed security services. These companies include large systems integrators and consulting firms such as Accenture and IBM Global Services, security product companies such as Symantec, and telecommunications providers such as Verizon Business and BT Counterpane.

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

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

Competition in Content Services: The market for content services is extremely competitive. Competitors include developers of content and entertainment products and services in a variety of domestic and international markets, such as Infospace, Itouch, Arvato mobile, Monstermob, and Motricity. This business also faces competition from mobile network operators such as Cingular, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, O2, Orange, E-Plus and Telefónica, as well as Internet portal operators such as Yahoo!, AOL, T-Online and Google. Additional competitors are handset manufacturers such as Nokia and software providers such as Microsoft and Apple. As the market for wireless data, including information and entertainment data, matures, new categories of competitors, such as mobile phone companies, broadcasters, music publishers, other content providers or others have begun to develop competing products or services.

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

Industry Regulation

Naming Services: Within the U.S. Government, oversight of Internet administration is provided by the DOC. On September 29, 2006, the DOC and ICANN signed a Joint Project Agreement to continue the transition of the coordination of the technical functions relating to the management of the Internet Domain Name and Addressing System to the private sector.

As the exclusive registry of domain names within the *.com*, *.net* and *.name* gTLDs, we have entered into certain agreements with ICANN and the DOC:

.com Registry Agreement: On November 29, 2006, the DOC approved the Registry Agreement between ICANN and VeriSign for the *.com* gTLD (the "*.com* Registry Agreement"). The *.com* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The *.com* Registry Agreement provides that it shall be renewed for successive terms unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.com* Registry Agreement and has failed to cure such breach. The DOC shall approve such renewal if it concludes that approval will serve the public interest in (a) the continued security and stability of the Internet domain name system and the operation of the *.com* registry including, in addition to other relevant factors, consideration of VeriSign's compliance with Consensus policies and technical specifications and its service level agreements as set forth in the *.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.

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

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

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

.name Registry Agreement: On October 1, 2008, we acquired The Global Name Registry Ltd. ("GNR"), the holder of the *.name* Registry Agreement which provides that GNR will continue to be the sole registry operator for domain names in the *.name* top-level domain through August 15, 2012. The renewal provisions are the same as for the .net Registry Agreement.

The descriptions of the *.com* Registry Agreement and Amendment No. 30 of the Cooperative Agreement are qualified in their entirety by the text of the complete agreements that are incorporated by reference as exhibits to this Form 10-K.

Identity and Authentication Services: Some of our security services utilize and incorporate encryption technology. Exports of software and hardware products utilizing encryption technology are generally restricted by the U.S. and various non-U.S. governments. We have obtained approval to export many of the security services we provide to customers globally under applicable U.S. export law. As the list of products and countries for which export approval is expanded or changes, government restrictions on the export of software and

hardware products utilizing encryption technology may grow and become an impediment to our growth in international markets. If we do not obtain required approvals or we violate applicable laws, we may not be able to sell some of our security services in international markets and may be subject to fines and other penalties.

There are currently no U.S. federal laws or regulations that specifically control certification authorities, but a limited number of states have enacted legislation or regulations with respect to certification authorities. If we do not comply with these state laws and regulations, we will lose the statutory benefits and protections that would be otherwise afforded to us. Moreover, if our market for digital certificates grows, the U.S. federal, state, or foreign governments may choose to enact further regulations governing certification authorities or other providers of digital certificate products and related services. These regulations or the costs of complying with these regulations could have a material, adverse impact on our business.

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

Intellectual Property

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

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

We have obtained trademark registrations for various VeriSign marks in the U.S. and other countries, including VERISIGN, the VeriSign logo, the checkmark circle, GEOTRUST, and THAWTE. We have also filed numerous applications to register VeriSign trademarks and claims, and have common law rights in many other proprietary names. We take steps to enforce and police VeriSign’s trademarks. We rely on the strength of our VeriSign brand to differentiate ourselves in the marketing of our products, particularly with respect to our SSL certificates.

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

With regard to our SSL Certificate Services and our IAS, we also rely on certain licensed third-party technology, such as public key cryptography technology licensed from RSA, and other technology that is used in our security services to perform key functions. RSA has granted us a perpetual, royalty-free, nonexclusive, worldwide license to use certain RSA products relating to certificate issuing, management and processing

functionality. We develop services that contain or incorporate the RSA BSAFE products and that relate to digital certificate-issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, and software for customers to preview and forward digital certificate requests to them. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications.

With regard to our Communications Services and Messaging and Mobile Media Services businesses, we offer a wide variety of services, including Connectivity and Interoperability, Intelligent Database, Content Portal, and Billing and Commerce services, each of which may be protected by copyright, trade secret, patents and/or patent applications. We have also entered into agreements with third-party providers and licensors, including third party providers of content such as music, games and logos.

Employees

The following table shows a comparison of our consolidated employee headcount for operations, including discontinued operations, by function:

	As of December 31,		
	2008	2007	2006
Employee headcount by function:			
Cost of revenues	1,164	1,673	2,342
Sales and marketing	607	809	989
Research and development	769	954	1,022
General and administrative	757	815	978
Total	3,297	4,251	5,331

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.

Risks relating to our business

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

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

- the uncertainties, costs and risks related to our proposed divestiture plan, including any income statement charges we incur in connection therewith and any further delays we may encounter;
- the current global economic conditions as well as its impact on e-commerce, financial services, and the telecommunications and Internet industries;
- the long sales and implementation cycles for, and potentially large order sizes of, some of our security services and the timing and execution of individual customer contracts;
- volume of new domain name registrations and customer renewals in our Naming Services business;
- changes in the payment structures of on-line advertising network providers and compensation levels, as well as policies proposed and implemented by ICANN, which could impact the number of domain name registrations;
- the mix of all our services sold during a period;
- our success in marketing and market acceptance of our services by our existing customers and by new customers;
- changes in marketing expenses related to promoting and distributing our services;
- customer renewal rates and turnover of customers of our services;
- potential attacks by hackers, which could threaten the perceived reliability of our products and services;
- continued development of our direct and indirect distribution channels for our products and services, both in the U.S. and abroad;
- changes in the level of spending for information technology-related products and services by enterprise customers;
- the impact of price changes in our products and services or our competitors' products and services; and
- the impact of decisions by channel partners and resellers to offer competing products or modify their marketing practices.

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

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

Our operating results have been adversely affected by the current economic downturn, unfavorable market and economic conditions.

The current global economic downturn may have a significant negative impact on demand for our services and our ability to conduct our business. As the economic downturn continues to deepen and spread overseas, these conditions have also negatively impacted our foreign operations. The economic downturn has or may negatively impact, among other things:

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

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

Our diversified business structure may result in significant fluctuations of our financial results.

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

- the use of the Internet and other IP networks for e-commerce and communications;
- the extent to which digital certificates and domain names are used for e-commerce or communications;
- growth in demand for our services;
- the competition for any of our services;
- the perceived security of e-commerce and communications over the Internet and other IP networks;
- the perceived security of our services, technology, infrastructure and practices;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services;
- our continued ability to maintain our current, and enter into additional, strategic relationships;
- our ability to successfully market our services to new and existing customers;
- our success in attracting, integrating, training, retaining and motivating qualified personnel;
- our response to competitive developments;
- the successful introduction of new products and services;

- seasonal reductions in business activity; and
- the successful introduction of enhancements to our services to address new technologies and standards and changing market conditions.

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

As of December 31, 2008, we had 959 employees outside the U.S. Expansion into international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violation of them. Violations of laws or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- export and import restrictions on cryptographic technology and products incorporating that technology;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- currency fluctuations, as our international revenues are not always denominated in U.S. dollars;
- difficulty in repatriating profits to the U.S.;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- the necessity of developing foreign language portals and products for our services;
- difficulty of authenticating customer information for digital certificates and other purposes;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity; and
- potentially adverse tax consequences.

We are exposed to risks faced by financial institutions.

We have entered into hedging transactions with counterparties in the financial services industry which have been adversely impacted by the current economic condition. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. The hedging transactions we have entered into expose us to credit risk in the event of default by one of our counterparties. Despite the risk control measures we have in place, a default by one of our counterparties, or liquidity problems in the financial services industry in general, could have a material adverse effect on our business, financial condition and results of operations.

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

Application of new and existing laws and regulations to the Internet and wireless 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 markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation.

Foreign, federal or state laws could have an adverse impact on our business. For example, laws designed to restrict the on-line distribution of certain materials deemed harmful to children, on-line gambling and cyber squatting may impose significant additional costs on our business or subject us to additional liabilities.

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

While we believe we currently have effective internal control over financial reporting, we may identify a material weakness in our internal controls over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our securities.

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

We have expended significant resources in connection with our efforts to comply with the requirements of the Sarbanes-Oxley Act. In future periods, we will likely continue to expend substantial amounts in connection with these compliance efforts and with ongoing evaluation of, and improvements and enhancements to, our internal control over financial reporting. These expenditures may make it difficult for us to control or reduce the growth of our general and administrative and other expenses, which could adversely affect our results of operations.

Issues arising from our agreements with ICANN and the DOC could harm our registry business.

The DOC has adopted a plan for the phased transition of its responsibilities for the domain name system to ICANN. As part of this transition, we have entered into agreements with ICANN and the DOC as the exclusive registry of domain names within the ..*com* and *.net* generic top-level domains ("gTLDs") and with ICANN with respect to being the exclusive registry for the *.name* gTLD.

We face risks arising from our agreements with ICANN and the DOC and from the planned transition of the DOC's responsibilities for the domain name system to ICANN, including the following:

- ICANN could adopt or promote policies, procedures or programs that are unfavorable to us as the registry operator of the *.com*,*.net* and *.name* gTLDs, that are inconsistent with our current or future plans, or that affect our competitive position;
- under certain circumstances, ICANN could terminate one or more of our agreements to be the registry for the *.com*,*.net* or *.name* gTLDs and the DOC could terminate the *.com* Registry Agreement, in which case terminations of the *.com* or *.net* Registry Agreements could have a material adverse impact on our business;
- one or more of the Registry Agreements may not renew when they expire in 2011 (*.net*) and 2012 (*.com* and *.name*), in which case it could have a material adverse effect on our business;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- the DOC could revoke its recognition of ICANN, as a result of which the DOC could take the place of ICANN for purposes of our agreements with ICANN, and could take actions that are harmful to us and could disrupt current or future business plans;
- the DOC could not renew its agreement with ICANN, in which case there would no longer be DOC oversight;
- ICANN's relationship with the DOC could terminate and another entity could exercise oversight of ICANN;
- the U.S. Government could refuse to transfer certain responsibilities for domain name system administration to ICANN due to security, stability or other reasons, resulting in fragmentation or other instability in domain name system administration; and
- our registry business could face legal or other challenges resulting from our activities or the activities of registrars and registrants.

Challenges to ongoing privatization of Internet administration could harm our Naming Services business.

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

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

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

We may encounter difficulties renewing irrevocable letters of credit provided by customers of our Naming Services business as security for payment of registration fees if we are forced to draw down on such letters of credit to collect payment.

With respect to our Naming Services business, some registrars who register domain names on behalf of their customers utilize irrevocable letters of credit to secure payment for the registration of domain names. In the event that we are unable to obtain payment for the registration of these domain names, we may draw down on the letter of credit. In some cases, withdrawals may be made until we utilize the full amount of the letter of credit, at which point the registrar's ability to process new billable transactions and their agreement may be terminated. If registrars are unwilling or unable to provide new letters of credit once we have drawn down the full amount, we may need to reevaluate our approach for security for payment of registration fees.

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

We currently administer and operate only two of the thirteen root zone servers. The others are administered and operated by independent operators on a non-regulated basis. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and data needed to locate name servers that contain authoritative data for the top-level domains. Because of the importance to the functioning of the Internet of these root zone servers, our Naming Services business could be harmed if these independent operators fail to maintain these servers properly or abandon these servers, which would place additional capacity demands on the two root zone servers we operate.

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

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

Currently, Internet users navigate to a website either by directly typing in its domain name or through the use of a search engine. If browser or search technologies were to change significantly or if user behavior were to shift away from direct navigation, the demand for domain names could decrease.

Changes in the level of spending on on-line advertising and/or the way that on-line and pay per click advertisers compensate owners of websites could impact the demand for domain names.

Some domain name registrars and registrants seek to generate revenue through advertising on their websites; changes in the way these registrars and registrants are compensated (including changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google and Yahoo!, could adversely affect the market for those domain names favored by such registrars and registrants resulting in a decrease in demand and/or the renewal rate for those domain names. As a result of the general economic downturn, spending on on-line advertising and marketing may not increase or may be reduced which in turn may result in a decline in the demand for those domain names.

Services offered by our 3IS segment rely on the continued integrity of public key cryptography technology that may be compromised or proven obsolete over time.

Services offered by our 3IS segment depend on public key cryptography technology. With public key cryptography technology, a user is given a public key and a private key, both of which are required to perform encryption and decryption operations. The security afforded by this technology depends on the integrity of a user's private key and ensuring that it is not lost, stolen or otherwise compromised. The integrity of private keys also depends in part on the application of specific mathematical principles known as "factoring." This integrity is predicated on the assumption that the factoring of large numbers into their prime number components is difficult. Should an easy factoring method or other method be developed, the security of encryption products utilizing public key cryptography technology may require significant modifications or would be reduced or eliminated. Furthermore, any significant advance in techniques for attacking cryptographic systems could also render some or all of our existing PKI services obsolete or unmarketable. If improved techniques for attacking cryptographic systems were ever developed, we would likely have to reissue digital certificates to some or all of our customers, which could damage our reputation and brand or otherwise harm our business. In the past there have been public announcements of the successful attack upon cryptographic keys of certain kinds and lengths and of the potential misappropriation of private keys and other activation data. This type of publicity could also hurt the public perception as to the safety of the public key cryptography technology included in our digital certificates. This negative public perception could harm our business.

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

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

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

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

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

Most of our systems are located at, and most of our customer information is stored in, our facilities in Mountain View, California and Kawasaki, Japan (both of which are susceptible to earthquakes); Providence, Rhode Island; Dulles, Virginia; Lacey, Washington; Overland Park, Kansas; Melbourne, Australia; London,

England; Berlin, Germany; and Fribourg, Switzerland. Any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage and business interruption, we do not carry insurance or financial reserves for interruptions or potential losses arising from earthquakes or terrorism.

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

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

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

We retain certain confidential customer information in our secure data centers and various registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Our domain name registry operations also depend on our ability to maintain our computer and telecommunications equipment in effective working order and to reasonably protect our systems against interruption, and potentially depend on protection by other registrars in the shared registration system. The root zone servers and top-level domain name zone servers that we operate are critical hardware to our registry services operations. Therefore, we may have to expend significant time and money to maintain or increase the security of our facilities and infrastructure. Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards based compliance certifications needed for certain of our businesses. 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 IP networks as well as of the security or reliability of our services.

The reliance of our Communications Services and Content Services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

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

network control system comprised of protocols for the interpretation and use of network control and operation signals and the associated hardware and software needed for transmission, reception and interpretation of the signals.

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

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

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

Our success depends in part on our internally developed technologies and intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the U.S. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. Additionally, we have filed patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the U.S. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources.

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

We rely on the strength of our VeriSign brand to differentiate ourselves in the marketing of our products, particularly with respect to our SSL certificates. Dilution of our brand could harm our business.

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

Claims relating to infringement of intellectual property of others or other similar claims have been made against us in the past and could be made against us in the future. In addition, we provide links to news content as

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

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

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

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

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

Furthermore, our ability to achieve future growth also depends on our ability to continue to establish direct seller channels and to develop multiple distribution channels. In addition, any changes by our channel partners to their existing marketing strategies could have a material adverse effect on our business. Failure of one or more of our strategic or channel relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

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

We have licensed to VeriSign Affiliates our Processing Center platform, which is designed to replicate our own secure data centers and allows the VeriSign Affiliate to offer back-end processing of PKI services for enterprises in the regions in which the Affiliate operates. The VeriSign Processing Center platform provides a VeriSign Affiliate with the knowledge and technology to offer PKI services similar to those offered by us. It is critical to our business strategy that the facilities and infrastructure used in issuing and marketing digital certificates remain secure and we are perceived by the marketplace to be secure. Although we provide the VeriSign Affiliate with training in security and trust practices, network management and customer service and support, these practices are performed by the VeriSign Affiliate and are outside of our control. Any failure of a VeriSign Affiliate to maintain the privacy or security of confidential customer information could result in negative publicity and therefore adversely affect the market’s perception of the security of our services as well as the security of e-commerce and communication over IP networks generally.

Our VeriSign Identity Protection service depends in part on the acceptance of our services.

The future growth of our VIP services, which form a part of our IAS business, depends in part on the commercial success and acceptance, and reliability of our VIP services. Our VIP services will suffer if our target customers do not use our VIP services. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced VIP services. We are not certain that our target customers will choose our VIP services or continue to use our VIP services once adopted.

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

We target our 3IS segment at the market for trusted and secure e-commerce and communications over IP and other networks. Our Naming Services business is developing managed services in emerging markets that involve naming and directory services other than registry and related infrastructure services. These emerging markets are rapidly evolving, may never gain wide acceptance and may not grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance of our services in these markets include the following:

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

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 would be materially harmed.

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

We depend on the performance of our senior management team and other key employees, including key employees in the businesses we intend to divest. Our success also depends on our ability to attract, integrate, train, retain (particularly with respect to key employees in the businesses we intend to divest) and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad.

All of the members of our senior management team and other key employees are at-will employees and we do not maintain key person life insurance for any of our senior management team members or key employees. The loss of the services of any of our senior management team or other key employees, including key employees in the businesses we intend to divest, or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

We recently experienced changes in our senior management team, and we may face difficulty in attracting and retaining permanent, qualified leadership personnel.

During the second quarter of 2008, we appointed D. James Bidzos, our Chairman of the Board, as President, Chief Executive Officer and Executive Chairman, on an interim basis, and Brian G. Robins, our Senior Vice President, Finance, to acting Chief Financial Officer. In the first quarter of 2009, we appointed Mark D. McLaughlin as our President and Chief Operating Officer. The search for permanent replacements to fill the remaining positions may be a distraction to our interim executives, senior management, business partners, and

customers, and, although we believe we have taken appropriate measures to address the impact of these changes, there is a risk that such changes may impair our ability to meet our business objectives. During the period of transition following the appointment of an executive, there may be operational inefficiencies as our new management team becomes familiar with our business and operations. We cannot provide you with any assurance that the search for any permanent replacements will be successful, and if we cannot recruit (or experience delays in recruiting) qualified permanent replacements for any such positions, our business may suffer.

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

Ongoing compliance with the corporate governance requirements of the Sarbanes-Oxley Act and the NASDAQ Stock Market has increased the scope, complexity and cost of our corporate governance, reporting and disclosure practices, and our compliance efforts have required significant management attention. It is more difficult and more expensive for us to obtain director and officer liability insurance, and we have been required to accept reduced coverage and incur substantially higher costs to obtain the reduced level of coverage. Further, our board members, chief executive officer and chief financial officer face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

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

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

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

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

- The rights will generally become exercisable if a person or group acquires 20% or more of VeriSign’s outstanding common stock (unless such transaction is approved by our Board of Directors) and thus becomes an “acquiring person.”
- Each right, when exercisable, will entitle the holder, other than the “acquiring person,” to acquire shares of VeriSign’s common stock at a 50% discount to the then-prevailing market price.
- As a result, the rights plan will cause substantial dilution to a person or group that becomes an “acquiring person” on terms that our Board of Directors does not believe are in our best interests and those of our stockholders and may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

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 of Directors.

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

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

Risks relating to the competitive environment in which we operate

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

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

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

Competition in Naming Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the *.info*, *.org*, *.mobi*, *.biz*, *.pro*, *.aero*, *.museum* and *.coop* gTLDs and registries offering services related to ccTLDs. ICANN currently has registry agreements with 14 registries for the operation of 16 gTLDs. In addition, there are over 240 ccTLD registries.

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

In addition, to the extent end-users navigate using search engines as opposed to direct navigation, we may face competition from search engine operators such as Google and Yahoo!.

Additional competition to our business may arise from the upcoming introduction of new Internationalized Domain Name TLDs ("IDN TLDs") and new gTLDs by ICANN. These new domain extensions could become available by the third quarter of 2009 in the form of translations or transliterated versions of the .com and .net TLD and by the last quarter of 2009 in the form of new gTLDs. We do not yet know the impact, if any, these new domain extensions may have on our business, but the increase of name availability in the marketplace could introduce new choices for end-users as well as create end-user confusion around brand preference, which could have a material adverse effect on our business. While we may apply for one or more of these new domain extensions, there is no certainty that we will ultimately be successful and even if we are successful in obtaining one or more of these new domain extensions, there is no guarantee that such extensions will be any more successful than the domain name extensions obtained by our competitors.

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

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

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

Competition in Managed Security Services: Security services and product firms, telecommunications companies, and consulting companies or professional services groups of other companies with Internet expertise are current or potential competitors to our managed security services. These companies include large systems integrators and consulting firms, such as Accenture and IBM Global Services, security product companies, such as Symantec, and telecommunications providers, such as Verizon Business and BT Counterpane.

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

Competition in Commerce Services: Our wireless billing and payment services are also subject to competition from providers such as Comverse, Amdocs, Convergys Corporation and Boston Communications

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

Competition in Content Services: The market for content services is extremely competitive. Competitors include developers of content and entertainment products and services in a variety of domestic and international markets, such as Infospace, Itouch, Arvato mobile, Monstermob, and Motricity. This business also faces competition from mobile network operators such as Cingular, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, O2, Orange, E-Plus and Telefónica, as well as Internet portal operators such as Yahoo!, AOL, T-Online and Google. Additional competitors are handset manufacturers such as Nokia and software providers such as Microsoft and Apple. As the market for wireless data, including information and entertainment data, matures, new categories of competitors, such as mobile phone companies, broadcasters, music publishers, other content providers or others have begun to develop competing products or services.

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

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

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

Risks related to our divestiture plan

We may face difficulties and incur costs associated with our divestiture plan and our financial condition, results of operations or cash flows could be adversely affected.

Until the divestitures are complete, we will experience additional risks, including, but not limited to the disruption of our business and the potential loss of key employees; difficulties separating operations, services, products and personnel; and the potential damage to relationships with our existing customers.

For example, our divestiture plan requires a substantial amount of management, administrative and operational resources. These demands may distract our employees from the day-to-day operation of VeriSign’s core businesses.

There is also risk that we may incur additional charges associated with an impairment of a portion of goodwill and other intangible assets due to changes in market conditions for acquisitions and dispositions. Under generally accepted accounting principles, we are required to evaluate goodwill for impairment on an annual basis, and to re-evaluate goodwill and to evaluate other intangible assets as events or circumstances indicate that such assets may be impaired. Further, we are likely to incur income statement charges to complete the divestiture plan, which could be material.

If we are unable to successfully address any of these risks for future dispositions, our financial condition, results of operations or cash flows could be adversely affected.

We may be unable to achieve some or all of the benefits we expect from the divestiture plan and such benefits may be delayed or not occur at all.

We may not be able to achieve the full strategic and financial benefits we expect from the divestiture of VeriSign's non-core businesses. For example, we have encountered and may continue to encounter difficulties identifying buyers for certain businesses or be unable to sell businesses identified for divestiture, and there can be no assurance that analysts and investors will place greater value on VeriSign following the divestiture plan than the value placed on us pre-divestiture.

In addition, there is no guarantee that the planned divestitures will occur or will not be further delayed. Completion of the divestiture plan is subject to a number of factors, including:

- business, political and economic conditions in the U.S. and in other countries in which the Company currently operates;
- governmental regulations and policies, actions and approvals of regulatory bodies;
- the operating performance of the Company or the businesses or assets offered for sale;
- identification of buyers and negotiation of sale agreements;
- the willingness of buyers to assume certain liabilities associated with the businesses or assets offered for sale;
- our ability to identify and separate the assets associated with the businesses offered for sale from the core businesses we choose to retain; and
- the availability of financing or other sources of funding to buyers under reasonable terms and conditions.

In the third quarter of 2008, management determined that due in large part to the downturn in the economy and the condition of the credit markets, the divestiture plan would take longer than originally expected. Buyers continue to be more conservative, which makes it more difficult to consummate dispositions and has required some modifications to our original approach to individual dispositions. For example, some potential buyers have asked for more detailed financial information than we originally anticipated, which has increased the time and expense required to conduct the sale process. In addition, the condition in the credit markets has limited sources of financing for potential purchasers, which has affected the number of proposals we have received and prospective buyers' ability to borrow the funds necessary to complete the purchase of our businesses being divested which has impacted the number of divestitures we have been successful in completing. These developments are having an adverse effect on the timing and our chances of completing the divesture plan.

We may be adversely affected under certain covenants in our credit facility.

The Credit Agreement governing our $500.0 million credit facility (the "Facility") contains a negative covenant that limits our ability to sell assets and freely deploy the proceeds we receive from such sales, subject to exceptions based on the size and timing of the sales. Therefore, depending on the size and timing of any dispositions that we decide to pursue as part of our divestiture plan, we may find it necessary to seek an amendment to our Credit Agreement or to structure the sales in a manner that complies with the covenant but that is potentially less favorable to the Company than would otherwise be the case. There can be no guarantee that we will be successful in obtaining any such amendment on acceptable terms or at all or be able to structure potential dispositions accordingly. The Facility and Credit Agreement are described in Note 9, "Credit Facility," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We continue to be responsible for a portion of our contingent and other corporate liabilities following the divestiture of certain businesses.

Under the agreements reached with buyers for certain businesses divested under the divestiture plan, we remain liable for certain contingent and corporate liabilities. In addition, it is possible that we may enter into agreements with similar contingent and corporate liabilities in connection with future businesses we may divest.

There is a possibility that we will incur costs and expenses associated with the management of these contingent and other corporate liabilities. These contingent and other corporate liabilities could potentially relate to consolidated securities litigation, as well as actions brought by third parties as a result of the divestiture plan. Where responsibility for such liabilities is to be shared with the buyer, it is possible that the buyer or another party may be in default for payments for which they are responsible, obligating us to pay amounts in excess of our agreed-upon share of the assumed obligations.

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

Under the agreements reached with buyers for certain businesses divested under the divestiture plan, we are restricted from competing, either directly or indirectly, with those businesses or from entering certain market sectors for a defined period of time pursuant to negotiated non-compete arrangements. We expect that the Company will be subject to similar restrictions with respect to other businesses as they are divested.

Risks related to our securities

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

As of December 31, 2008, we had one billion authorized common shares, of which 191.5 million shares were outstanding. In addition, of our authorized common shares, 38.7 million common shares were reserved for issuance pursuant to outstanding employee stock option and employee stock purchase plans (“Equity Plans”), and 36.4 million shares were reserved for issuance upon conversion of the 3.25% junior subordinated convertible debentures, due 2037 (the “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 Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

As a result of the sale of the Convertible Debentures, we have a substantial amount of long term debt outstanding. In addition to the Convertible Debentures, we have a Facility with a borrowing capacity of $500.0 million. As of December 31, 2008, we had no outstanding borrowings under the Facility and we had utilized $1.4 million of the $50.0 million limit for outstanding letters of credit. The availability of borrowing capacity under the Facility allows us immediate access to working capital if we identify opportunities for the use of this cash. Our maintenance of substantial levels of debt could adversely affect our flexibility to take advantage of corporate opportunities and could adversely affect our financial condition and results of operations. The Facility is described in Note 9, “Credit Facility,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We may not have the ability to repurchase the Convertible Debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of Convertible Debentures, as required by the indenture governing the Convertible Debentures.

Holders of our outstanding Convertible Debentures will have the right to require us to repurchase the Convertible Debentures upon the occurrence of a fundamental change as defined in the Indenture dated as of August 20, 2007 (the “Indenture”) between the Company and U.S. Bank National Association, as Trustee. Although we currently intend to settle the principal amount of the Convertible Debentures in cash as required under the Indenture, we may not have sufficient funds to repurchase the Convertible Debentures in cash or have the ability to arrange necessary financing on acceptable terms or at all. In addition, upon conversion of the

Convertible Debentures, we will be required to make cash payments to the holders of the Convertible Debentures equal to the lesser of the principal amount of the Convertible Debentures being converted and the conversion value (as defined in the Indenture) of those debentures. Such payments could be significant, and we may not have sufficient funds to make them at such time.

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

While we currently have the intent and ability to settle the principal in cash, if we conclude that we no longer have the ability, in the future, we will be required to change our accounting policy for earnings per share from the treasury stock method to the if-converted method.

There may be potential new accounting pronouncements or regulatory rulings which may have an impact on our future financial position and results of operations.

For example, in May 2008, the FASB issued FSP APB 14-1, "*Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement),*" that will significantly affect the accounting for convertible debt, including our Convertible Debentures. The FSP specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the issuer's non-convertible debt borrowing rate. In applying this FSP, the FASB emphasized that the FSP will be applied to the terms of the instruments as they existed for the time periods they existed, therefore, the application of the FSP will be applied retrospectively to all periods presented. The FSP is effective for fiscal years beginning after December 15, 2008, and will be adopted by us in the first quarter of fiscal 2009. Although FSP APB 14-1 will have no impact on our actual past or future cash flows, it will require us to record a significant amount of non-cash interest expense for fiscal 2007 through fiscal 2037 as the debt discount is amortized, assuming the Convertible Debentures will be settled upon maturity in 2037, associated with a significant reduction in our Convertible Debentures balance along with a corresponding increase in our stockholders' equity as of December 31, 2007 and 2008. In addition, if our Convertible Debentures are redeemed or converted prior to maturity, any unamortized debt discount would result in a loss on extinguishment. As a result, there could be a material adverse impact on our results of operations and earnings per share. These impacts could adversely affect the trading price of our common stock and in turn negatively impact the trading price of the Convertible Debentures.

Certain other risks

The following risks are primarily related to businesses we expect to divest as part of our divestiture plan. Until our divestiture plan is complete, any one or more of these risks could have a significant impact on our financial condition, results of operations or cash flows. In addition, the materialization of any one or more of these risks could affect the timing of future dispositions, the price at which we dispose our businesses or whether we are able to dispose our businesses at all.

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

Our future growth in our Communications Services business depends, in part, on the commercial success and reliability of our SS7 network. Our Communications Services business will suffer if our target customers do not use our SS7 network. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced SS7-based services. We are not certain that our target customers will choose our particular SS7 network solution or continue to use our SS7 network.

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

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

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

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

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

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

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

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

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

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Mountain View, California. We have administrative, sales, marketing, research and development and operations facilities located in the U.S., Canada, Brazil, Europe, Asia, Australia and South Africa. As of December 31, 2008, we owned approximately 357,000 square feet of space, which includes a certain part of our headquarters complex in Mountain View, California, and facilities in Savannah, Georgia; Lacey, Washington; and New Castle, Delaware. In June 2008, we sold certain land and buildings involving approximately 159,000 square feet of our Mountain View headquarters. We entered into a lease agreement with the purchaser of this property. The lease has an initial term that expires on December 31, 2010, with an option to extend the lease for five years from the date of expiration of the initial term. Our Lacey, Washington facility, totaling 67,000 square feet, which is being used for our Communications Services business, has been classified as an asset held for sale. See Note 4, "Assets Held for Sale and Discontinued Operations," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information about our assets held for sale. As of December 31, 2008, we leased approximately 972,000 square feet of space, primarily in the U.S. and to a lesser extent, in Europe and the Asia Pacific. Our facilities are under lease agreements that expire at various dates through 2017. 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 for continuing operations:

Major Locations	Approximate Square Footage	Use
United States:		
Mountain View, California	290,000	Corporate Headquarters; Internet, Infrastructure and Identity Services; Other Services; and Corporate Services
Dulles, Virginia	237,000	Internet, Infrastructure and Identity Services; and Corporate Services
New Castle, Delaware	105,000	Internet, Infrastructure and Identity Services
Europe/Middle East/Africa:		
Cape Town, South Africa	19,000	Internet, Infrastructure and Identity Services
Geneva, Switzerland	17,000	European Corporate Headquarters; and Internet, Infrastructure and Identity Services
Asia Pacific/Japan:		
Bangalore, India	67,000	Corporate Services
Melbourne, Austrailia	16,000	Internet, Infrastructure and Identity Services
Tokyo, Japan	15,000	VeriSign Japan Headquarters

We are committed to vacate properties, in the U.S and internationally, in accordance with our 2007 and 2008 restructuring plans (collectively the "Plans"). At December 31, 2008, on a worldwide basis related to the Plans, we had an aggregate of approximately 139,000 square feet that was vacant and in restructuring, which is not included in the table above. See Note 5, "Restructuring, Impairments and Other Charges (Reversals), Net," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information about the Plans. At December 31, 2008, approximately 89,000 square feet, which includes our Savannah, Georgia facility, is being subleased to third parties, which is not included in the table above.

ITEM 3. LEGAL PROCEEDINGS

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against us and several other previously-named defendants in the U.S. District Court for the District of Arizona asserting infringement of certain patents. The complaint alleged that our Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of one of the patents and the Court has dismissed with prejudice all claims of infringement of such patent. In its ruling on the claim construction issues, the Court found some of the claims asserted against us to be valid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Only one claim remains in the case. On July 13, 2007, the Court issued an order granting summary judgment in favor of us based on the Court's finding that such claim is invalid, and denying all other pending dispositive motions. On August 29, 2007, plaintiff filed a Notice of Appeal. On September 19, 2007, the U.S. Court of Appeals for the Federal Circuit docketed the appeal. On October 20, 2008, the appellate court issued a decision that affirmed in part and reversed in part the summary judgment order and remanded the case for further proceedings in the trial court. While we cannot predict the outcome of this lawsuit, we believe that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against us in the U.S. District Court for the District of Delaware alleging that our "Go Secure" suite of applications and related hardware and software products and our unified authentication solution and related hardware and software products, including the VeriSign Identity Protection ("VIP") product infringe U.S. Patent No. 6,516,416, entitled "Subscription Access System for Use With an Untrusted Network." Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys' fees and costs. On April 2, 2007, the Court issued a ruling from the claim construction hearing. On April 13, 2007, the Court granted Defendants' Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the claim construction ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal. On February 5, 2008, the U.S. Court of Appeals for the Federal Circuit affirmed the district court's claim construction ruling and dismissal in our favor. On December 19, 2008, the parties resolved our appeal of a post judgment motion together with the Prism matter described below.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against us in the U.S. District Court for the Northern District of California, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of us, constructive trust and other equitable relief. Two other derivative actions were filed, one in the U.S. District Court for the Northern District of California (Port Authority v. Bidzos, et al., and VeriSign), and one in the Superior Court of the State of California, Santa Clara County (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. The state court derivative actions are stayed pending resolution of the federal action. We are named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Those motions were granted on September 14, 2007. On November 16, 2007, a second amended shareholder derivative complaint was filed in the federal action wherein we were again named as a nominal defendant. By stipulation and Court order, our obligation to respond to the second amended shareholder derivative complaint has been continued pending informal efforts by the parties to resolve the action.

On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in Superior Court for the State of California, Santa Clara County, naming us and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants.

The plaintiff purports to represent all individuals who owned our common stock between April 3, 2002, and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin us from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The identical case was filed in the Superior Court for the State of California, Santa Clara County under a separate name (Pace. v. Bidzos, et al., and VeriSign) on June 19, 2007, and on October 3, 2007 (Mehdian v. Bidzos, et al.). On December 3, 2007, a consolidated complaint was filed in Superior Court for the State of California, Santa Clara County. VeriSign and the individual defendants dispute all of these claims. Defendants' collective pleading challenges to the putative consolidated class action complaint were granted with leave to amend in August 2008. By stipulation and Court order, plaintiff's obligation to file an amended consolidated class action complaint has been continued pending informal efforts by the parties to resolve the action.

On November 7, 2006, a judgment was entered against us by a trial court in Terni, Italy in the matter of Penco v. VeriSign, Inc. in the amount of Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. We were granted a stay on execution of the judgment and we filed an appeal. On July 9, 2008, the appellate court rejected all of plaintiff's claims. The period in which the plaintiff may file an appeal of the appellate court ruling should lapse in the first quarter of 2009.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers ("*Herbert*"), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "Deal or No Deal" to incur premium text message charges in order to participate in an interactive television promotion called "Lucky Case Game." The lawsuit is pending in the U.S. District Court for the Central District of California, Western Division. On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers ("*Bentley*"), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "The Apprentice" to incur premium text message charges in order to participate in an interactive television promotion called "Get Rich With Trump." The Bentley matter is currently stayed. A motion to dismiss ruling in Herbert is on appeal in the U.S. Court of Appeals for the Ninth Circuit. While we cannot predict the outcome of any of these matters, we believe that the allegations in each of them are without merit and intend to vigorously defend against them.

On April 30, 2008, Prism Technologies LLC filed a complaint against us in the U.S. District Court for the District of Nebraska alleging that our manufacture, sale and use of "security certificates" infringes a U.S. patent. On December 19, 2008, the parties resolved this matter along with the additional Prism matter described above. This matter has been dismissed with prejudice as to VeriSign.

On September 12, 2008, Leon Stambler filed a declaratory judgment complaint against us in the U.S. District Court for the Eastern District of Texas. The complaint seeks an order permitting Stambler to proceed with patent infringement actions against VeriSign SSL certificate customers in actions in which we are not a party in view of Stambler's prior unsuccessful action in 2003 against us on the same patents in which a verdict was returned against Stambler and a judgment was entered thereon. We have received requests to indemnify certain SSL certificate customers in the patent infringement actions brought by Stambler. While we cannot predict the outcome of these proceedings, we believe the allegations against us are without merit and intend to vigorously defend against them.

We are involved in various other investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion will have a material effect on our business. We cannot assure you that we will prevail in any litigation. Regardless of the outcome, any litigation may require us to incur significant litigation expense and may result in significant diversion of management attention.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers as of January 31, 2009:

Name	Age	Position
D. James Bidzos	54	Executive Chairman and Chief Executive Officer on an interim basis
Mark D. McLaughlin	43	President and Chief Operating Officer
Brian G. Robins	39	Acting Chief Financial Officer and Senior Vice President, Finance
Richard H. Goshorn	52	Senior Vice President, General Counsel and Secretary
Russell S. Lewis	54	Executive Vice President, Strategy and Technical Operations
Kevin A. Werner	48	Senior Vice President, Corporate Development and Strategy

D. James Bidzos has served as Executive Chairman and Chief Executive Officer on an interim basis since June 2008, and served as President from June 2008 to January 2009. He served as Chairman of the Board of Directors from August 2007 to June 2008 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 Vice Chairman of RSA Security, an Internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

Mark D. McLaughlin has served as President and Chief Operating Officer since January 2009. From November 2008 to January 2009 Mr. McLaughlin provided consulting services to the Company. From January 2007 through November 2007, he served as the Company's Executive Vice President, Products and Marketing. From May 2006 to January 2007, he served as Executive Vice President and General Manager, Information Services. From December 2004 to May 2006, he served as Senior Vice President and General Manager, Information Services and from November 2003 through December 2004, Mr. McLaughlin was Senior Vice President and Deputy General Manager of Information Services. From 2002 to 2003, he served as Vice President, Corporate Business Development, and from 2000 to 2001 he was Vice President, General Manager of VeriSign Payment Services. Prior to joining the Company, Mr. McLaughlin was the Vice President, Business Development of Signio, an Internet payment company acquired by the Company in February 2000. Mr. McLaughlin holds a B.S. degree from the U.S. Military Academy at West Point and a J.D. degree from Seattle University.

Brian G. Robins has served as acting Chief Financial Officer of the Company since April 2008, and has served as Senior Vice President, Finance since August 2007. From January to August 2007, Mr. Robins was Vice President, Finance. Prior to joining VeriSign in January 2007, Mr. Robins was employed by NeuStar, a provider of clearinghouse services for communication service providers and enterprises, in a number of capacities since 2001, including as Vice President of Finance and Treasurer. Mr. Robins holds a B.A degree in Finance from Lipscomb University and an M.B.A. from Vanderbilt University.

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

Russell S. Lewis has served as Executive Vice President, Strategy and Technical Operations since November 2008. From August 2007 to November 2008, he served as Senior Vice President, Strategic Development, and from January 2005 to July 2007, he served as Senior Vice President, Corporate Development. From February 2002 to December 2004, he served as General Manager, Naming and Directory Services and from March 2000 to February 2002, he served as Senior Vice President, Corporate Development. Since August 1999, he has served as President of Lewis Capital Group, LLC, an investment firm. Mr. Lewis serves as a director of Braintech Inc. and Delta Petroleum Corporation. Mr. Lewis holds a B.A. degree in Economics from Haverford College and an M.B.A. degree with a concentration in finance and marketing from Harvard Business School.

Kevin A. Werner has served as Senior Vice President, Corporate Development and Strategy since September 2007. From February 2004 until joining VeriSign in September 2007, Mr. Werner served as senior vice president, director of strategic development activities of SAIC, Inc., a diversified information technology services company. From April 2000 until January 2004, he was president and managing director of SAIC Venture Capital Corporation, an SAIC subsidiary. Mr. Werner holds a B.A. degree in Political Science from George Washington University and a J.D. degree from Harvard Law School.

PART II

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

Price Range of Common Stock

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

	Price Range	
	High	Low
Year ending December 31, 2009:		
First Quarter (through February 27, 2009)	$20.99	$16.89
Year ended December 31, 2008:		
Fourth Quarter	$25.91	$16.23
Third Quarter	38.81	22.49
Second Quarter	42.50	32.72
First Quarter	38.06	30.14
Year ended December 31, 2007:		
Fourth Quarter	$41.96	$31.52
Third Quarter	34.68	27.77
Second Quarter	32.12	24.83
First Quarter	26.78	22.92

On February 20, 2009, there were 871 holders of record of our common stock, although we believe there are approximately 91,105 beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders. On February 27, 2009, the reported last sale price of our common stock was $19.33 per share as reported by the NASDAQ Global Select Market.

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

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

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

We have never declared or paid any cash dividends on our common stock or other securities and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for stock repurchase programs designed to return value to our stockholders and minimize dilution from stock issuances, and for future growth of our core businesses. Information regarding our equity compensation plans may be found in Part III, Items 11 and 12, of this Form 10-K. See Note 11, "Stockholders' Equity," and Note 13, "Employee Benefits and Stock-Based Compensation," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our equity compensation plans.

Share Repurchases

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

On January 31, 2008, the Board of Directors of VeriSign authorized the 2008 Stock Repurchase Program with no expiration date having an aggregate purchase price of up to $600.0 million of our common stock (the “2008 Stock Repurchase Program”). On February 8, 2008, we entered into an Accelerated Share Repurchase (“ASR”) agreement to repurchase $600.0 million of our common stock under the 2008 Stock Repurchase Program. We paid $600.0 million to a financial institution in exchange for an initial purchase of 15.1 million shares. The ASR agreement was completed on July 10, 2008, when we received an additional 1.4 million shares for an aggregate of 16.5 million shares under the terms of the ASR agreement. The average price per share paid on the ASR agreement was $36.33. On August 5, 2008, our Board of Directors authorized additional stock repurchases under our 2008 Stock Repurchase Program having an aggregate purchase price of up to $680.0 million of our common stock. As of December 31, 2008, $680.0 million remained available for further repurchases under the 2008 Stock Repurchase Program.

On August 7, 2007, the Board of Directors authorized the use of the net proceeds from the issuance of the Convertible Debentures as described in Note 10, “Junior Subordinated Convertible Debentures,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, to repurchase shares of our common stock.

In August 2007, we used the proceeds from the issuance of the Convertible Debentures to repurchase 12.2 million shares of our common stock for an aggregate cost of approximately $350 million. Additionally, we entered into a $200 million Guaranteed Share Repurchase (“GSR”) agreement and a $600 million ASR agreement with two independent financial institutions. Under the terms of the GSR agreement, we received approximately 6.3 million shares of our common stock. Under the terms of the ASR agreement we received approximately 19.5 million shares, of which 12.9 million were settled in the third quarter of 2007 and 6.6 million were settled in the fourth quarter of 2007.

In 2006, the Board of Directors authorized the 2006 Stock Repurchase Program with no expiration date to repurchase up to $1.0 billion of our common stock (the “2006 Stock Repurchase Program”). In November 2008, we repurchased approximately 2.7 million shares of our common stock at an average stock price of $18.83 per share for an aggregate cost of $50.0 million under the 2006 Stock Repurchase Program. In July 2008, we repurchased approximately 3.5 million shares of our common stock at an average stock price of $34.38 per share for an aggregate cost of $120.0 million under the 2006 Stock Repurchase Program. During the first quarter of 2008, we repurchased approximately 15.9 million shares of our common stock at an average stock price of $33.85 per share for an aggregate cost of $544.7 million under the 2006 Stock Repurchase Program. Under the 2006 Stock Repurchase Program, through December 31, 2008, we cumulatively repurchased 22.8 million shares at an average stock price of $32.04 per share for an aggregate cost of $730.0 million. As of December 31, 2008, $270.0 million remained available for further repurchases under the 2006 Stock Repurchase Program.

In 2005, the Board of Directors authorized the 2005 Stock Repurchase Program to repurchase up to $500 million of our common stock (the “2005 Stock Repurchase Program”). In 2006, we repurchased approximately 5.7 million shares under the 2005 Stock Repurchase Program for an aggregate cost of approximately $119.7 million. The 2005 Stock Repurchase Program was completed in the second quarter of 2006.

From the inception of the stock repurchase program in 2001 to March 2, 2009, we have repurchased approximately 111.9 million shares of our common stock for an aggregate cost of approximately $3.3 billion. As of March 2, 2009, approximately $950.0 million is available for repurchase of our common stock under our stock repurchase programs. The following table presents the stock repurchase activity during the quarter ended December 31, 2008:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (2)
October 1 – 31, 2008	—	$ —	—	$ 1 billion
November 1 – 30, 2008	2,655,545	18.83	2,655,545	$ 950 million
December 1 – 31, 2008	—	$ —	—	$ 950 million
	2,655,545		2,655,545	

(1) These shares purchased represent shares repurchased under the 2006 Stock Repurchase Program.
(2) This amount represents the remaining value of the 2008 and 2006 Stock Repurchase Programs.

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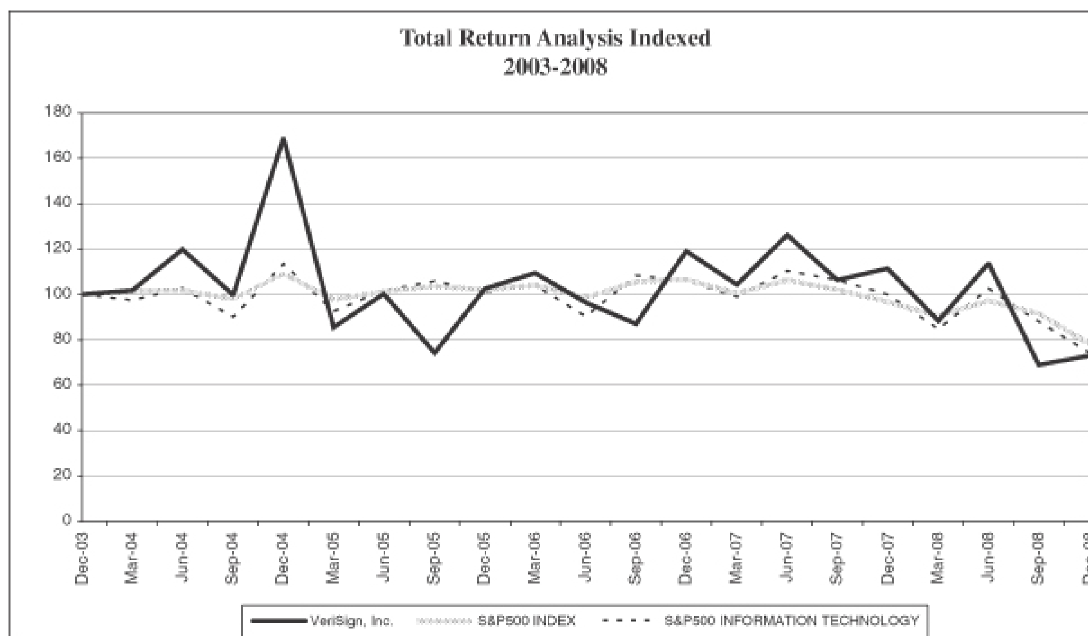
Performance Graph

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

The following graph compares the cumulative total stockholder return on our common stock, the Standard and Poors ("S&P") 500 Index, and the S&P 500 Information Technology Index. The graph assumes that $100 was invested in our common stock, the S&P 500 Index and the S&P 500 Information Technology Index on December 31, 2003, and calculates the return quarterly through December 31, 2008. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
VeriSign, Inc	$ 100	$ 169	$ 102	$ 119	$ 111	$ 73
S&P 500 Index	$ 100	$ 109	$ 102	$ 107	$ 97	$ 78
S&P 500 Information Technology Index	$ 100	$ 114	$ 101	$ 106	$ 100	$ 74

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.

We have completed a number of acquisitions since 2004 and the results of the acquired companies' operations are included in our Consolidated Financial Statements from their respective dates of acquisition. Information regarding our acquisitions since 2006 is described in Note 3, "Business Combinations," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We have reclassified the selected financial data for all periods presented to reflect our discontinued operations as described in Note 4, "Assets Held for Sale and Discontinued Operations," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

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

	Year Ended December 31,				
	2008 (2) (3)	2007 (4) As Adjusted (1)	2006 (5) As Adjusted (1)	2005 (6) As Adjusted (1)	2004 As Adjusted (1)
Continuing Operations:					
Revenues	$ 962	$ 847	$ 983	$ 1,104	$ 675
Operating income (loss)	$ 71	$ (246)	$ 24	$ 139	$ (32)
Income (loss)	$ 92	$ (148)	$ 362	$ 120	$ 28
Income (loss) from continuing operations per share:					
Basic	$ 0.47	$ (0.62)	$ 1.48	$ 0.47	$ 0.11
Diluted	$ 0.46	$ (0.62)	$ 1.46	$ 0.46	$ 0.11
Discontinued Operations:					
Revenues	$ 594	$ 654	$ 586	$ 556	$ 491
Operating (loss) income	$ (19)	$ 17	$ 66	$ 97	$ 124
(Loss) income	$ (467)	$ (1)	$ 21	$ 303	$ 121
(Loss) income from discontinued operations per share:					
Basic	$ (2.37)	$ (0.01)	$ 0.09	$ 1.18	$ 0.49
Diluted	$ (2.33)	$ (0.01)	$ 0.09	$ 1.15	$ 0.47
Consolidated Total:					
Net (loss) income	$ (375)	$ (149)	$ 383	$ 423	$ 149
Net (loss) income per share:					
Basic	$ (1.90)	$ (0.63)	$ 1.57	$ 1.65	$ 0.60
Diluted	$ (1.87)	$ (0.63)	$ 1.55	$ 1.61	$ 0.58

(1) The information presented has been adjusted to reflect the adjustments made to our prior periods' results of operations, which are more fully described in Note 1, "Description of Business and Summary of Significant Accounting Policies," *Reclassifications*, in our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

(2) Operating income from continuing operations for 2008 includes a goodwill impairment charge of $77.6 million for our VeriSign Japan reporting unit, $31.5 million in restructuring charges related to our 2008 restructuring plan and a loss of $79.1 million on sale of a portion of our Mountain View facilities. Income from continuing operations includes gain on sale of $66.9 million, net of an income tax expense of $11.0 million, on the divestiture of our remaining 49% ownership interest in the Jamba joint ventures.

(3) Operating loss from discontinued operations for 2008 includes $38.1 million in restructuring charges related to our 2008 restructuring plan and a goodwill impairment charge of $45.8 million related to our Post-pay reporting unit. Loss from discontinued operations for 2008 includes estimated losses on assets held for sale of $406.7 million, net of an income tax benefit of $5.3 million; and realized losses on divesture of certain businesses of $14.9 million, net of an income tax benefit of $6.3 million, including estimated losses recorded prior to divestiture for those divested businesses.

(4) Operating loss from continuing operations for 2007 includes an impairment charge of $202.1 million for certain long-lived assets related to our former Content Services reporting unit. Loss from continuing operations for 2007 was offset by a $68.2 million gain recognized upon the divestiture of our majority ownership interest in Jamba. Operating income from discontinued operations for 2007 includes an impairment charge of $47.0 million for certain long-lived assets related to our former Content Services reporting unit.

(5) Income from continuing operations for 2006 includes $349.8 million in income tax benefits that resulted from the release of our valuation allowance of $236.4 million from our deferred tax assets and recognizing a non-recurring benefit to tax expense of $113.4 million due to a favorable ruling received in the second quarter of 2006 relating to a capital loss generated in 2003.

(6) Income from discontinued operations for 2005 includes a gain on sale of our payment gateway business of $250.6 million, net of an income tax expense of $124.2 million.

Consolidated Balance Sheet Data: (in millions)

	As of December 31,				
	2008	2007 As Adjusted (1)	2006 As Adjusted (1)	2005 As Adjusted (1)	2004 As Adjusted (1)
Cash, cash equivalents, short term investments, and restricted cash (2) (3)	$ 791	$ 1,424	$ 727	$ 906	$ 787
Total assets	2,573	4,037	3,985	3,181	2,599
Deferred revenues (2)	845	774	637	521	425
Convertible debentures	1,262	1,265	—	—	—
Stockholders’ equity	51	1,497	2,355	1,998	1,671

(1) The information presented has been adjusted to reflect adjustments made to our prior periods’ financial position, which are more fully described in Note 1, “Description of Business and Summary of Significant Accounting Policies,” *Reclassifications*, in our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

(2) Excludes assets and liabilities classified as held for sale as reported at each Balance Sheet date.

(3) We did not have any significant short-term investments at December 31, 2008 and 2007.

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

FORWARD-LOOKING STATEMENTS

Except for historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenues mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A "Risk Factors." You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we filed in 2008. 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.

Business Overview

Overview

We are the trusted provider of Internet infrastructure services for the networked world. We offer a comprehensive spectrum of products and services that help a growing number of organizations and individuals to communicate and conduct commerce with confidence.

As of December 31, 2008, our business consisted of two reportable segments: (1) Internet Infrastructure and Identity Services ("3IS"), which consists of Naming Services, Secure Socket Layer ("SSL") Certificate Services, Identity and Authentication Services ("IAS"), and VeriSign Japan, and (2) Other Services, which represents continuing operations of non-core businesses and legacy products and services from divested businesses. Prior to 2008, our business consisted of the following two reportable segments: Internet Services Group ("ISG") and the Communication Services Group ("CSG"). As a result of a comprehensive review of our business strategy, we changed our reportable segments in 2008. Comparative segment revenues and related financial information for 2008, 2007, and 2006 are presented in Note 16, "Segment Information," *Description of Segments*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We have reclassified prior period amounts to conform to current period presentation. We have operations inside as well as outside the U.S. For a geographic breakdown of revenues and changes in revenues, see Note 16, "Segment Information," *Geographic Revenues*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

The Naming Services business is the authoritative directory provider of all *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain names. The SSL Certificate Services business enables enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. The IAS business includes identity protection services, fraud detection services, managed public key infrastructure ("PKI") services, and unified authentication services. These services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of SSL Certificate Services and IAS. The Other Services segment consists of the continuing operations of our non-core Pre-pay billing and payment services ("Pre-pay") business as well as legacy products and services from divested businesses. We are in the process of winding down the operations of the Pre-pay business. In Other Services, the legacy products and services from divested businesses primarily include the following: Jamba,

which provided mobile entertainment to consumers; the RDS business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers; and the CDN business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale.

During the fourth quarter of 2007, we announced a change to our business strategy to allow management to focus its attention on our core competencies and to make additional resources available to invest in our core businesses. The strategy calls for a divestiture or winding down of all the business lines in our former CSG segment and all business lines in our former ISG segment except for our core businesses. The business lines that we expect to divest, including those that have been sold since the fourth quarter of 2007, accounted for approximately 50% of our overall revenues in fiscal 2007. These businesses are classified as disposal groups held for sale as of December 31, 2008, and their results of operations have been classified as discontinued operations for all periods presented. The continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions, including further developments in the current global economic condition and potential continued deterioration of the credit markets. While we are executing our divestiture plan, we will experience additional risks, including, but not limited to the disruption of our business and the potential loss of key employees; difficulties separating operations, services, products and personnel; the potential damage to relationships with our existing customers; and the delay in completion of transition services. For example, our divestiture plan requires a substantial amount of management, administrative and operational resources. Once our divestiture plan is completed, the scale and scope of our operations will decrease in absolute terms, which we expect will allow our remaining core businesses to benefit from a more efficient and streamlined operational structure. However, we cannot assure you that we will be able to achieve the full strategic and financial benefits we expect from the divestiture of our non-core businesses and there is no guarantee that the planned divestitures will occur or will not be significantly delayed, all of which may result in future variability in our results of operations. By divesting our non-core businesses, additional resources should be available to invest in our core services that will remain: Naming Services, SSL Certificate Services and IAS. In the first quarter of 2009, we announced a realignment of our three core services into two business units to include the following: (1) Naming Services and (2) Authentication Services, which would include both SSL Certificate Services and IAS.

Our Core Services

Our core services consist of our Naming Services, SSL Certificate Services and IAS.

Naming Services

As of December 31, 2008, we had approximately 90.4 million domain names registered under the *.com* and *.net* registries, which are our principal registries. The number of domain names registered is largely driven by Internet usage and broadband penetration rates. Although growth in absolute number of registrations remains greatest in mature markets such as the U.S. and Western Europe, growth on an annual percentage basis is expected to be greatest in markets outside of the U.S. and Europe where Internet penetration has demonstrated the greatest potential for growth. We are largely insulated from the risk posed by fluctuations in exchange rates due to the fact that all revenues paid to us for *.com* and *.net* registrations are in U.S. dollars.

SSL Certificate Services

As of December 31, 2008, we had an installed base of SSL certificates of approximately 1.1 million. We currently offer the following SSL Certificate Services: VeriSign®, GeoTrust®, and thawte® branded certificates. The major factors impacting the growth and performance of our SSL Certificate Services business are the penetration and adoption of the Internet, especially through broadband services, the spread of e-commerce, the utilization of electronic means for executing financial transactions (such as credit card payments), and the extent to which advertising through search engines encourages consumers to engage in e-commerce. As a result of the

growing impact of the Internet on global commercial transactions, we expect continued revenue growth in our business, primarily in markets outside of the U.S. where e-commerce has the largest growth potential.

IAS

As with our SSL Certificate Services, the major factors impacting the growth and performance of our IAS are the penetration and adoption of the Internet, especially through broadband services, the spread of e-commerce, the utilization of electronic means for executing financial transactions (such as credit card payments), and the extent to which advertising through search engines encourages consumers to engage in e-commerce.

2008 Business Highlights

- Our 3IS segment recorded revenues of $936.3 million in 2008, an increase of 20% from last year.
- We recorded income from continuing operations of $92.6 million in 2008, compared to a net loss from continuing operations of $147.7 million in 2007.
- We sold certain non-core businesses for aggregate net cash consideration of $102.4 million, and recorded an aggregate net loss on sale of $13.7 million, net of an aggregate income tax benefit of $5.2 million, including estimated losses recorded prior to sale. See “Assets held for sale and Discontinued Operations” in Item 7 of this Form 10-K for further information.
- We sold our remaining 49% ownership interest in the Jamba joint ventures to Fox for $199.4 million and recorded a gain of $66.9 million, net of an income tax expense of $11.0 million.
- We acquired Global Name Registry, Ltd. (“GNR”), the registry operator for the *.name* gTLD, for net cash consideration of $11.7 million.
- We recorded an other-than-temporary impairment charge of $8.2 million relating to our investments in certain money-market funds managed by The Reserve’s Primary Fund (the “Primary Fund”) and The Reserve International Liquidity Fund, Ltd. (the “International Fund”). For further information, see Note 8, “Other Balance Sheet Items,” *Prepaid Expenses and Other Current Assets*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information.
- We terminated the $45.0 million trust established during 2004 for our director and officer liability self-insurance coverage and classified the amount as Cash and cash equivalents as of December 31, 2008, as our ability to use it is no longer restricted.
- We repurchased 38.6 million shares of our common stock at an average stock price of $34.07 per share for an aggregate cost of approximately $1.3 billion under the 2008 and 2006 Stock Repurchase Programs. As of December 31, 2008, we have $950.0 million remaining for further repurchases under the 2008 and 2006 Stock Repurchase Programs.
- We sold certain land and buildings located in Mountain View, California, for net cash consideration of $47.6 million. At the time of closing, we entered into a separate lease agreement with the purchaser of the property for an initial term expiring on December 31, 2010, with an option to extend the lease for five years from the date of expiration of the initial term. We recorded a loss of $79.1 million upon sale of the property.
- Our 2008 restructuring plan was announced in late 2007 to complement our plan to divest our non-core businesses. We recorded $69.6 million in restructuring charges related to the 2008 restructuring plan, inclusive of amounts for discontinued operations. Of the total restructuring charges, expenses related to severance and benefit costs for terminated employees, inclusive of amounts for discontinued operations, totaled $63.8 million. Since announcing the 2008 restructuring plan, we have reduced our headcount in businesses targeted for divestiture, either through the sale of businesses, employee terminations or voluntary resignations.

Acquisitions

On October 1, 2008, we completed our acquisition of GNR, a United Kingdom based company that manages and operates the registry for the *.name* top level domain. We paid $11.7 million in cash (net of cash acquired of $1.1 million) for the acquisition, which included $0.6 million to cover certain transaction costs. We recorded goodwill of $1.2 million, other indefinite-lived intangible asset of $11.7 million, and assumed net liabilities of $1.2 million. GNR is included in our 3IS segment. We had a pre-existing relationship with GNR, pursuant to a registry services agreement, whereby we provided certain registry services to GNR. The effective settlement of the pre-existing relationship, as a result of the acquisition, did not result in a gain or loss.

In 2007, we did not acquire any businesses.

In 2006, we acquired the following companies for an aggregate purchase price of $633.3 million: *inCode Telecom Group, Inc*., a privately held consulting firm for the wireless industry; *GeoTrust, Inc.*, a privately-held provider of digital certificates and identity verification solutions*; m-Qube, Inc*., a privately-held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services; *Kontiki, Inc*., a provider of broadband content services*; 3united Mobile Solutions ag*, a provider of wireless application services; *CallVision, Inc.*, a privately-held provider of online analysis applications for mobile communications customers; and two other acquisitions that were not material on an individual basis or in the aggregate.

We account for all of our significant acquisitions as business combinations using the purchase method of accounting Accordingly, the acquired companies' revenues, costs and expenses have been included in our results of operations beginning with their dates of acquisition.

See Note 3, "Business Combinations," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our business acquisitions over the last three years.

Jamba Joint Ventures

On October 6, 2008, we sold our remaining 49% ownership interest in the Jamba joint ventures to Fox for cash consideration of $199.4 million and recorded a gain on sale of $66.9 million, net of an income tax expense of $11.0 million, upon divestiture. Pursuant to the sale agreement, certain outstanding debts and accrued but unpaid interest owed among us and the Jamba joint ventures have been repaid, and the parties agreed to the settlement and discharge of all other amounts owed among them as of the date of the agreement.

See Note 2, "Joint Ventures," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding the Jamba joint ventures.

Assets Held for Sale and Discontinued Operations

Completed Divestitures

On December 31, 2008, we sold our EMEA Mobile Media ("EMM") business which offered mobile application services that included interactive messaging applications, content portal services, and messaging gateway services for cash consideration of $7.8 million, of which $3.6 million is due in 2009, and $2.8 million related to an estimated working capital adjustment is due in 2009. We recorded a loss on sale of $13.3 million, net of an income tax benefit of $0.1 million, including estimated losses on disposal recorded prior to the sale. Our 3united Mobile Solutions business, which we acquired in 2006, was divested as part of the EMM business. The historical results of operations of the EMM business have been classified as discontinued operations for all periods presented.

On December 31, 2008, we sold our Post-pay business which enabled advanced billing and customer care services to wireless telecommunications carriers for cash consideration of $28.3 million. The cash consideration includes $2.5 million that was placed in an escrow account to cover any contingent claims made by the buyer against us through December 31, 2009. If no claims are made, the amount in escrow will be released to us during the fourth quarter of fiscal 2009. We recorded a loss on sale of $1.9 million, net of an income tax benefit of $0.3 million, including estimated losses on disposal recorded prior to the sale. The historical results of operations of the Post-pay business have been classified as discontinued operations for all periods presented.

On October 31, 2008, we sold our Communications Consulting business, which offered a full range of strategy and technology consulting, business planning, sourcing, and implementation services to help telecommunications operators and equipment manufacturers drive profitable new business and technology strategies, in a management buyout transaction for cash consideration of $0.7 million. We recorded a loss on the sale of $20.9 million, net of an income tax benefit of $17.0 million, including estimated losses on disposal recorded prior to the sale. Our inCode Telecom Group business, which we acquired in 2006, was divested as part of the Communications Consulting business. The historical results of operations of the Communications Consulting business have been classified as discontinued operations for all periods presented.

On April 30, 2008, we sold our DBMS business, which offered a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity. We received cash consideration of $50.4 million and recorded a gain on sale of $21.2 million, net of an income tax expense of $11.4 million. The cash consideration includes $5.0 million that was placed in an escrow account to cover any contingent claims made by the buyer against us through April 30, 2009. If no claims are made, the amount in escrow will be released to us during the second quarter of fiscal 2009. The historical results of operations of the DBMS business have been classified as discontinued operations for all periods presented.

On April 30, 2008, we sold our CDN business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale. We received cash consideration of $1.0 million and recorded a gain on sale of $1.7 million, net of an income tax expense of $1.1 million**.** Our Kontiki business, which we acquired in 2006, was divested as part of the CDN business. We retained an equity ownership in the CDN business and have accounted for our investment in the CDN business on an equity method basis. As a result of our continuing involvement in the CDN business, the historical results of operations of the CDN business have not been classified as discontinued operations. The historical results of operations of CDN are included in our Other Services segment.

On March 31, 2008, we sold our SC&A business, which provided on-line analysis applications for mobile communications customers and on-line customer self-service with a single view of billing across multiple systems. We received cash consideration of $14.2 million and recorded a loss on sale of $0.5 million, net of an income tax benefit of $0.3 million. Our CallVision business, which we acquired in 2006, was sold as part of the SC&A business. The historical results of operations of the SC&A business have been classified as discontinued operations for all periods presented.

On December 31, 2007, we sold our Retail Data Solutions (“RDS”) business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers, for $10.2 million in consideration. The sale price included $6.4 million in cash and $3.8 million in preferred stock of the acquiring company. We recorded the preferred stock as a long-term investment. We recorded a gain on sale of $4.5 million, net of income tax benefit of $1.5 million. As the historical results of operations of the RDS business were not significant, they have not been classified as discontinued operations. The historical results of operations of RDS are included in our Other Services segment.

On September 1, 2007, we sold our wholly-owned Jamba Service GmbH subsidiary (“Jamba Service”), which marketed insurance and extended service warranties to consumers for mobile electronic equipment and

products. We received net cash consideration of $12.8 million and recorded a gain on sale of $1.8 million. The historical results of operations of Jamba Service have been classified as discontinued operations for all periods presented.

Assets Held for Sale

As of December 31, 2008, businesses classified as held for sale and presented as discontinued operations are the following:

Communications Services

Our Communications Services business provides communications services, such as Billing and Commerce Services, Connectivity and Interoperability Services and Intelligent Database Services. The Billing and Commerce Services primarily include our Billing Services, Global Consulting Services for Billing, Real-Time Rating and Payment Services, Real-Time Roaming Services, and Settlement and Exchange Services. The Connectivity and Interoperability Services primarily include our Signaling System 7 (“SS7”) Connectivity, Voice and Data Roaming services, and Voice Over Internet Protocol Services. The Intelligent Database Services primarily include our Number Portability Services, Calling Name Database Services, Line Information Database Services and Toll-free Database Services.

On March 2, 2009, we entered into a binding agreement to sell our Communications Services business to Transaction Network Services, Inc. for $230.0 million subject to certain adjustments to reflect normal fluctuations in working capital. The transaction is subject to Hart-Scott-Rodino Act review, and the agreement contains customary closing conditions. The parties anticipate that the transaction will close within 60 days.

Content Portal Services

Our CPS business enables a seamless end-to-end solutions business focused on providing best-in-class digital content storefront services. CPS can be used as a content delivery platform for games, ringtones, and other content services. Our CPS business provides services to mobile carriers and media companies primarily located in Canada.

Enterprise Security Services

Our Enterprise Security Services business includes Managed Security Services (“MSS”), iDefense Security Intelligence Services, and the Global Consulting Services. MSS enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, every day of the year while reducing the associated time, expense, and personnel commitments by relying on our security platform and experienced security staff. Our iDefense Security Intelligence Services deliver comprehensive, actionable intelligence to help companies decide how to respond to threats and manage security risks on networks. Our Global Consulting Services help companies understand corporate security requirements, comply with all applicable regulations, identify security vulnerabilities, reduce risk, and meet the security compliance requirements applicable to the particular business and industry.

International Clearing

Our International Clearing business enables financial settlement and call data settlement for wireless and wireline carriers.

Messaging and Mobile Media

Our Messaging and Mobile Media (“MMM”) Services business is an industry-leading global provider of short-messaging, multimedia messaging, and mobile content application services. MMM Services enable

messages and multimedia content to be sent globally across any wireless operator and mobile device. MMM Services offer the global connectivity, network reliability, and scalability necessary to capitalize on the fast growing global messaging and media content markets.

Real-time Publisher Services

Our RTP Services allow organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises, Web-portal developers, application developers and consumers. RTP also makes it easier for publishers of all sizes to distribute and track their content feeds, which may improve the reliability and quality of their real-time content.

See Note 4, "Assets Held for Sale and Discontinued Operations," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our disposal groups.

Subsequent Events

On January 23, 2009, we entered into an arrangement agreement with Certicom Corp. ("*Certicom*"), a corporation continued under the laws of Canada, whereby we agreed to acquire all of the outstanding common shares of Certicom, for an aggregate purchase price, of approximately $73 million. On February 10, 2009, Certicom terminated the arrangement agreement in order to accept a superior acquisition proposal from a third-party, as determined by Certicom's Board of Directors. Certicom has paid a termination fee of $3.3 million to us, pursuant to the terms of the arrangement agreement.

On January 30, 2009, we received $85.8 million from the International Fund and on February 20, 2009, we received $8.3 million from the Primary Fund. The total distributions to date represents approximately 85% and 65% of our total investment in the Primary Fund and the International Fund, respectively. As of March 2, 2009, the funds held by the Primary Fund and the International Fund were $16.2 million and $40.1 million, respectively, net of the other-than-temporary impairment. For more information regarding the status of our investments with The Reserve, see Item 7A, "Quantitative and Qualitative Discussions About Market Risk."

In January 2009, we announced a realignment of our three core services into two business units to include the following: (1) Naming Services and (2) Authentication Services, which would include both SSL Certificate Services and IAS.

On March 2, 2009, we entered into a binding agreement to sell our Communications Services business to Transaction Network Services, Inc. for $230.0 million subject to certain adjustments to reflect normal fluctuations in working capital. The transaction is subject to Hart-Scott-Rodino Act review, and the agreement contains customary closing conditions. The parties anticipate that the transaction will close within 60 days.

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 ("GAAP"). 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.

We believe the following critical accounting policies have the most significant impact on our judgment and estimates used in preparing our consolidated financial statements:

Revenue recognition

We recognize revenues in accordance with current generally accepted accounting principles. Revenue recognition requirements are complex rules which require us to make judgments and estimates related to both the timing and amount of revenue recognition. Our assumptions and judgments regarding products and services could differ from actual events.

As our Naming Services, SSL Certificate Services and IAS are provided over time, the associated revenues from these services are generally recognized over the contractual term. However, certain revenues are recognized over an estimated relationship period determined based on an analysis of historical performance and customer usage.

While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we may enter into certain revenue transactions that involve multiple element arrangements (arrangements with more than one deliverable). As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: (1) whether an arrangement exists; (2) how the arrangement consideration should be allocated among potential multiple elements; (3) when to recognize revenues on the deliverables; and (4) whether all elements of the arrangement have been delivered. In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

Valuation of goodwill and other long-lived assets

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Fair value determination of acquired net assets, especially intangible assets, requires us to make significant estimates, assumptions and judgment. These estimates are based upon a number of factors, including historical experience, market conditions and information obtained from the management of the acquired company. Critical estimates in valuing certain of the intangible assets include, but are not limited to, historical and projected customer retention rates, anticipated growth in revenue from the acquired customer and product base and the expected use of the acquired assets. These factors are also considered in determining the useful life of the acquired intangible assets.

Goodwill and other intangible assets acquired in a business combination that are determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually or between annual tests in the presence of impairment indicators such as: (a) a significant adverse change in legal factors or in the business climate; (b) an adverse action or assessment by a regulator; (c) unanticipated competition; (d) loss of key personnel; (e) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; (f) testing for recoverability of a significant asset group within a reporting unit; or (g) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit. Judgment is required in determining the existence of these factors and its effect on any impairment determination.

The fair value of our reporting units is determined considering the income, the market or the transaction valuation approaches or a combination thereof. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life. Under the market approach, the value of the reporting unit is based on an analysis that compares the value of the reporting unit to values of publicly traded companies in similar lines of business. The transaction approach is a valuation technique that estimates the fair value of the reporting unit based on market prices on actual transactions and asking prices for businesses currently available for sale.

The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. In estimating the fair value of our reporting units for the purposes

of our annual or interim analyses, we make estimates and judgments about the future cash flows, operating trends, discount rates, control premiums, and other variables of these businesses. Although our cash flow forecasts are based on assumptions that are consistent with the plans and estimates we use to manage the underlying businesses, there is significant judgment in determining the cash flows attributable to these businesses over their estimated remaining useful lives. We also consider our market capitalization on the date we perform the analysis.

Our other long-lived assets consist primarily of property and equipment and purchased intangible assets. We review other long-lived assets for impairment whenever events or changes in circumstances indicate that we will not be able to recover the asset's carrying amount. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or asset, a significant decrease in the benefits realized from the acquired business, difficulty and delays in integrating the business or a significant change in the operations of the acquired business or use of an asset.

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

Valuation of assets held for sale

Disposal groups classified as held-for-sale are measured at the lower of their carrying amount or fair value less cost to sell and are not depreciated or amortized. Classification of our disposal groups as held for sale occurs when sufficient authority to sell the disposal group has been obtained, the disposal group is available for immediate sale, an active program to sell the disposal group has been initiated and its sale is probable within one year. If at any time these criteria are no longer met, the disposal group would be reclassified as held and used. We evaluate the held for sale classification and the fair value of such disposal groups at each reporting period. The fair value of assets held-for-sale is determined considering active bids from potential buyers and also using the income, the market or the transaction valuation approaches or a combination thereof. The fair value analysis using the income, market and transaction approach for assets-held-for sale is similar to the fair value analysis of reporting units for goodwill impairment described above and requires significant judgment.

Restructuring charges

We record restructuring charges related to excess facilities and one-time severance costs at fair value only when the liability is incurred. Severance costs associated with our standard restructuring plans are recorded once the costs are determined to be both probable and estimable. Excess facilities restructuring charges take into account the fair value of the future lease obligations of the abandoned space, including the potential for sublease income. Estimating the amount of sublease income requires management to make estimates for the space that will be rented, the rate per square foot that might be received and the vacancy period of each property. These estimates could differ materially from actual amounts due to changes in the real estate markets in which the properties are located, such as the supply of office space and prevailing lease rates. Changing market conditions by location and considerable work with third-party leasing companies require us to periodically review each lease and change our estimates on a prospective basis, as necessary.

Fair Value of Financial Instruments

Our Convertible Debentures have contingent interest payments that are considered to be an embedded derivative which is marked to market at the end of each reporting period. We utilize a valuation model based on simulations of stock prices, interest rates, credit ratings and bond prices to estimate the value of the embedded derivative. The inputs to the model include risk adjusted interest rates, volatility and average yield curve observations and stock price. Several significant inputs to the model are not observable and require management judgment.

Stock-based compensation

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

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

We use the Monte-Carlo simulation option-pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation option-pricing model takes into account the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination the possibility that the market condition may not be satisfied.

If factors change and as a result we employ different assumptions for estimating stock-based compensation expense in future periods, the stock-based compensation expense we record for such future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income (loss), net income (loss) and net income (loss) per share.

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.

The extent of our operations involves dealing with uncertainties and judgments in the application of complex tax regulations in a multitude of 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 Effective January 1, 2007, we adopted FASB Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes.*" FIN 48 is an interpretation of SFAS No. 109 ("SFAS 109"), "*Accounting for Income Taxes*," and provides for the recognition and measurement of uncertain tax positions. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. 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.

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Results of Operations

The following table sets forth selected information regarding our results of operations as a percentage of revenues:

	Year Ended December 31,		
	2008	2007	2006
Revenues	100%	100%	100%
Costs and expenses			
Cost of revenues	24	28	29
Sales and marketing	17	28	32
Research and development	10	12	9
General and administrative	21	31	24
Restructuring, impairments and other charges (reversals), net	20	28	(1)
Amortization of other intangible assets	1	2	3
Acquired in-process research and development	—	—	1
Total costs and expenses	93	129	97
Operating income (loss)	7	(29)	3
Other income, net	5	11	5
Income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest	12	(18)	8
Income tax (expense) benefit	(4)	1	29
Loss from unconsolidated entities, net of tax	—	—	—
Minority interest, net of tax	2	(1)	—
Income (loss) from continuing operations	10	(18)	37
(Loss) income from discontinued operations, net of tax	(49)	—	2
Net (loss) income	(39%)	(18%)	39%

Revenues by Segment

We have two reportable segments: Internet Infrastructure and Identity Services ("3IS") and Other Services. A comparison of revenues is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
Internet Infrastructure and Identity Services	$936,317	20%	$783,171	23%	$638,554
Other Services	25,418	(60%)	64,286	(81%)	344,180
Total revenues	$961,735	13%	$847,457	(14%)	$982,734

The changes in revenues during the periods presented are described in the segment discussions that follow.

Internet Infrastructure and Identity Services (3IS)

3IS segment revenues increased $153.1 million in 2008, as compared to 2007. 3IS segment revenues increased $144.6 million in 2007, as compared to 2006.

The following table compares active domain names ending in *.com* and *.net* managed by our Naming Services business and the approximate installed base of SSL certificates in our SSL Certificate Services business for each year presented:

	December 31, 2008	% Change	December 31, 2007	% Change	December 31, 2006
Active domain names ending in *.com* and *.net*	90.4 million	12%	80.4 million	24%	65.0 million
Installed base of SSL certificates	1,118,000	13%	987,000	18%	840,000

Naming Services

Revenues in our Naming Services business are derived from registrations for domain names in the *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain name registries. Revenues from *.tv*, *.cc*, *.name*, *and .jobs* are not significant. For domain names registered with the *.com* and *.net* registries, we receive a fee per annual registration that is fixed pursuant to our agreements with ICANN. Changes in revenues are driven largely by increases in the number of new domain name registrations and the renewal rate for existing registrations, as well as fee increases as permitted under our agreements with ICANN. As of December 31, 2008, we have the contractual right to increase the fees for *.com* domain name registrations up to 7% each year during any two years over the remaining four years of our agreement with ICANN through November 30, 2012. As of December 31, 2008, we have the contractual right to increase the fees for *.net* domain name registrations up to 10% each year during the remaining three years of our agreement with ICANN through September 30, 2011.

During 2008, the growth in the number of domain names registered was primarily driven by continued Internet growth and adoption, though we have seen some signs of slowing growth in domain name registrations for customers engaged in the business of on-line advertising. We expect that new name registrations and renewals from customers engaged in the business of participating in on-line advertising will continue to weaken through 2009 primarily due to a decrease in earnings-per-click for those domain name holders. We expect that on-line advertising domain names will become a smaller part of our business; these names comprise approximately 7% of our active domain names zone ending in *.com* and *.net* as of December 31, 2008. Towards the end of 2008, we started seeing signs of slowing growth in new name registrations for traditional names (other than on-line advertising names) as well due to the current macro-economic environment. We expect that weakening economic conditions will contribute to slowing growth rates in 2009 for the total worldwide domain name zone as well as for the *.com* and *.net* domain name zones under our management. We are experiencing declines in on-line advertising names and slowing growth in traditional names within North America. However, we are also experiencing continued growth in international markets where we have focused efforts to develop regions for growth with potential in both our *.com* and *.net* domain name zones over time.

Our Naming Services revenues increased $102.6 million in 2008, as compared to 2007, primarily due to a 12% year-over-year increase in the number of active domain names ending in *.com* and *.net* and increases in our *.com* and *.net* registry fees in late 2007 of 7% and 10%, respectively, to $6.42 and $3.85, respectively as per our agreements with ICANN. On October 1, 2008, we increased our *.com* and *.net* domain name registry fees by 7% and 10%, respectively, to $6.86 and $4.23, respectively, as per our agreements with ICANN. Our Naming Services revenues increased $88.8 million in 2007, as compared to 2006, primarily due to a 24% year-over-year increase in the number of active domain names ending in *.com* and *.net*.

SSL Certificate Services

Revenues in our SSL Certificate Services business are derived from licensing and service fees charged to our customers for the issuance of SSL certificates that authenticate their identity to the third parties with whom they carry out secured transactions. Revenues in the SSL Certificate Services business are related to fees charged per certificate, which are based upon a number of factors, including: (i) the brand name under which the certificate is issued, which determines the level of encryption and rigor of authentication; (ii) the number of

servers authenticated, and (iii) the duration of the certification. We generally issue SSL certificates for one, two and three years, however, the majority of our customers tend to commit to shorter certifications. We have historically experienced healthy renewal rates, and have not increased prices for our SSL certificates during 2008 and 2007.

During 2008, our installed base of SSL certificates from our GeoTrust® and thawte® brands increased at a higher rate than our higher-priced VeriSign® brand and as a result of this shift to lower priced brands, our average-unit-revenue decreased compared to prior periods. We expect that the number of our SSL certificates issued will continue to increase at a higher rate than the revenues recognized from our SSL Certificate Services due to the continued shift to lower-priced brands. As we have a market share leadership at the high end of the SSL certificates market, our unit growth rate for the high end is limited by the overall segment growth. In the mid and low segments, where our market share is not as strong, we expect to see good growth opportunities for market share gains as these markets are growing faster than the high end market. Our EV SSL certificate sales, while still a small portion of our SSL Certificate Services business, continue to increase as we more than doubled our units sold compared to last year. Due to the effect of the economic slowdown, however, EV SSL certificates adoption has slowed as large scale customers delay their orders. We expect the mainstream adoption of EV SSL certificates will be deferred until we see improvements in the macro-economic environment. The weakening economy is affecting our SSL Certificate Services business and, while we expect to experience growth, we expect those growth rates to decline in 2009 compared to 2008.

Our SSL Certificate Services revenues increased $42.1 million in 2008, as compared to 2007, primarily due to a 13% year-over-year increase in the installed base of SSL certificates. Our SSL Certificate Services revenues increased $46.7 million in 2007, as compared to 2006, primarily due to an 18% year-over-year increase in the installed base of SSL certificates and recognizing a full year of revenues from the GeoTrust acquisition, which was completed in late 2006.

IAS

Revenues in our IAS business are derived from one-time credential sales to customers seeking network services, and one-time set-up fees. We also charge an annual service fee based upon the number of individual users authorized by the customer to access its network and a customer support fee. Our managed PKI service is characterized by lower growth rates than other product lines within the IAS business, reflecting the greater maturity of our managed PKI service. We expect IAS revenues to continue to grow in 2009 primarily from growth in our VIP Services and Fraud Detection Services, but at a lower growth rate than 2008.

Our IAS revenues increased $8.3 million in 2008, as compared to 2007, primarily due to increased demand for our fraud detection and identity protection services. Our IAS revenues increased $11.2 million in 2007, as compared to 2006 primarily due to increased demand for our unified authentication and identity protection services.

Our expectations and trends for our core services are based on what we are observing and can project about the current macro-economic environment. Our outlook is subject to broader changes in the market and could change.

Other Services

Other Services segment revenues decreased $38.9 million in 2008, as compared to 2007, primarily due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007, decrease in revenues from our Pre-pay business and the divestiture of other legacy businesses.

Other Services segment revenues decreased $279.9 million in 2007, as compared to 2006, primarily due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007 and a decrease in revenues from our Pre-pay business.

We expect revenues for our Other Services segment to decrease in absolute dollars as we wind down our remaining non-core Pre-pay business in 2009.

Geographic Revenues

A comparison of our geographic revenues is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
United States	$645,329	3%	$624,435	9%	$570,288
Switzerland	214,214	100%	107,277	141%	44,581
Japan	78,469	10%	71,515	4%	69,062
Germany	—	-100%	23,778	-92%	285,387
Other	23,723	16%	20,452	52%	13,416
Total revenues	961,735		847,457		982,734

Revenues are generally attributed to the respective countries in which our contracting entities are located, which does not necessarily reflect the location of our customers.

2008 compared to 2007: Revenues in the U.S. increased $20.9 million primarily as a result of the increase in the number of active domain names ending in *.com* and *.net*, an increase in our *.com* and *.net* registry fees in late 2007 and an increase in the installed base of SSL certificates. Revenues in Switzerland increased $106.9 million primarily due to the continued implementation of our global business structure, including contracting through our foreign subsidiaries for services provided to customers located outside the U.S. and Japan. Revenues in Japan increased $7.0 million primarily due to increases in demand for our SSL Certificate Services and IAS. Revenues in Germany decreased $23.8 million due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007. Revenues from our Other regions increased $3.3 million primarily due to growth in SSL Certificate Services and IAS.

2007 compared to 2006: Revenues in the U.S. increased $54.1 million primarily as a result of the increase in the number of active domain names ending in *.com* and *.net* coupled with an increase in the installed base of SSL certificates. Revenues in Switzerland increased $62.7 million primarily due to the continued implementation of our global business structure, including contracting through our foreign subsidiaries for services provided to customers located outside the U.S. and Japan. Revenues in Japan increased $2.5 million primarily due to increases in demand for our SSL Certificate Services and IAS. Revenues in Germany decreased $261.6 million due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007. Revenues from our Other regions increased $7.0 million due to growth in IAS.

Mature markets, such as the U.S. and Western Europe, where broadband and e-commerce have seen strong market penetration, may be expected to see decreasing incremental growth rates reflecting the maturity of these markets. We expect to see larger increases in revenues from Europe, the Middle East and Africa (“EMEA”) and Australia, Japan and Asia Pacific (“APAC”) driven by greater growth in international regions, resulting from greater broadband and Internet penetration and expanding e-commerce as electronic means of payment are increasingly adopted.

Cost of Revenues

Cost of revenues consist primarily of costs related to providing digital certificate enrollment and issuance services, billing services, operational costs associated with the delivery of our services, customer support and training, consulting and development services, labor costs to provide security, costs of facilities and computer equipment used in these activities and allocations of indirect costs such as corporate overheads. All allocations of indirect costs are included in continuing operations.

A comparison of cost of revenues is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
Cost of revenues	$227,351	(6%)	$240,962	(16%)	$287,281

2008 compared to 2007: Cost of revenues decreased $13.6 million primarily due to decreases in direct cost of revenues, salary and employee benefits expenses, contract and professional services expenses, and allocated overhead expenses, partially offset by increases in telecommunication expenses, facility expenses and depreciation expenses. Direct cost of revenues decreased $5.7 million primarily due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007, partially offset by an increase in outside consulting costs for our Naming Services business. Salary and employee benefits expenses, which include stock-based compensation benefits expenses, decreased $6.4 million primarily due to a decrease in headcount as a result of our 2008 restructuring plan. Contract and professional services expenses decreased $5.7 million primarily due to the divestiture of our majority ownership interest in Jamba, and a reduction in spending on consulting services as a result of management's realignment initiatives relating to the 2008 restructuring plan. Allocated overhead expenses decreased $6.0 million primarily due to a reduction in headcount and general corporate overhead expenses**.** Telecommunication expenses increased $6.0 million primarily due to increased spending on capacity for global constellation sites that support our *.com* and *.net* registries. Depreciation expense increased $2.6 million primarily due an increase in capitalized projects placed into service during 2008. Facilities expenses increased $2.1 million primarily due to an increase in operational and maintenance expense related to our new data center that was placed into service in July 2008.

2007 compared to 2006: Cost of revenues decreased $46.3 million primarily due to decreases in direct cost of revenues, salary and employee benefits expenses, contract and professional services expenses, and depreciation expense, partially offset by increases in telecommunication expenses and expense related to the realignment of our business divisions. Direct cost of revenues decreased $35.7 million primarily due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007, a reduction in revenues from our legacy and Pre-pay businesses as well as discontinuance of product lines, partially offset by an increase from our Naming Services business due to an increase in registry fees. Contract and professional services expenses decreased $16.7 million primarily due to decrease in services as a result of the divestiture of our majority ownership interest in Jamba and a reduction in third party costs related to our Pre-pay business, partially offset by an increase in external services related to our Naming Services and SSL Certificate Services businesses. Salary and employee benefits expenses, which includes stock-based compensation expenses, decreased $5.8 million, primarily due to the divestiture of our majority ownership interest in Jamba and a reduction in headcount as a result of our 2007 restructuring plan. The decrease in salary and employee benefits expenses was partially offset by an increase in salary expenses due to the acquisition of GeoTrust during the latter half of 2006, and an increase in stock-based compensation expenses due to an increase in the issuances of restricted stock to employees and a modification expense as a result of an amendment of our employee stock purchase plan to allow employees to increase their contribution withholding percentages in 2007. Depreciation expense decreased $6.6 million primarily due to an impairment of equipment related to our Pre-pay business during the second quarter of 2007 and the divestiture of our majority ownership interest in Jamba. Telecommunication expenses increased $5.8 million primarily due to increased spending on capacity for global constellation sites that support our *.com* and *.net* registries. Allocated overhead expenses increased $14.9 million primarily due to the redeployment of

certain employees from the general and administrative function to the cost of revenues function resulting from the 2007 restructuring plan realignment initiatives.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees, costs of marketing programs, such as the Internet, television, radio, print and direct mail advertising costs and allocations of indirect costs such as corporate overheads. All allocations of indirect costs are included in continuing operations.

A comparison of sales and marketing expenses is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
Sales and marketing	$167,184	(29%)	$236,729	(24%)	$312,829

2008 compared to 2007: Sales and marketing expenses decreased $69.5 million primarily due to decreases in salary and employee benefits expenses, travel expenses and allocated overhead expenses, partially offset by an increase in advertising and marketing expenses. Salary and employee benefits expenses, which include stock-based compensation expenses, decreased $55.8 million primarily due to lower headcount resulting from the 2008 restructuring plan. Travel expenses decreased $6.2 million primarily due to cost savings initiatives relating to the 2008 restructuring plan. Allocated overhead expenses decreased $5.9 million primarily due to a reduction in headcount and general corporate overhead expenses.

2007 compared to 2006: Sales and marketing expenses decreased $76.1 million primarily due to a decrease in advertising and marketing expenses, partially offset by increases in salary and employee benefits expenses and expenses related to the realignment of our business divisions. Advertising and marketing expenses decreased $117.7 million primarily due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007 and the result of management's cost reduction efforts. Salary and employee benefits expenses, which includes stock-based compensation expenses, increased $23.4 million primarily due to recognizing a full year of expense for headcount from our acquisition of GeoTrust during the latter half of 2006 and due to an increase in stock-based compensation expenses that resulted from an increase in the issuances of restricted stock to employees and a modification expense as a result of an amendment of our employee stock purchase plan to allow employees to increase their contribution withholding percentages in 2007. The increase in salary and benefits expenses was partially offset by a reduction in headcount related to the 2007 restructuring plan and due to the divestiture of our majority ownership interest in Jamba. Allocated overhead expenses increased $20.5 million primarily due to the redeployment of certain employees from the general and administrative function to the sales and marketing function resulting from the 2007 restructuring plan realignment initiatives.

Research and Development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees and the costs of facilities, computer and communications equipment, support services used in service and technology development and allocations of indirect costs such as corporate overheads. All allocations of indirect costs are included in continuing operations.

A comparison of research and development is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
Research and development	$91,508	(9%)	$100,213	12%	$89,834

2008 compared to 2007: Research and development expenses decreased $8.7 million primarily due to decreases in contract and professional services expenses and allocated overhead expenses, partially offset by an increase in depreciation expense. Contract and professional services expenses decreased $10.0 million primarily due to decreased deployment of external consultants resulting from the 2008 restructuring plan initiatives. Allocated overhead expenses decreased $3.8 million primarily due to a reduction in general corporate overhead expenses. Depreciation expense increased $4.3 million due to additional capitalized projects placed into service in 2008.

2007 compared to 2006: Research and development expenses increased $10.4 million primarily due to increase in expenses related to the realignment of our business divisions, partially offset by a decrease in contract and professional services. Allocated overhead expenses increased $18.8 million primarily due to the redeployment of certain employees from the general and administrative function to the research and development function resulting from the 2007 restructuring plan realignment initiatives. Contract and professional services expenses decreased $4.4 million primarily due to a decrease in the use of external consultants for research and development projects in 2007

General and Administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees, bad debt expense and allocations of indirect costs such as corporate overheads. All allocations of indirect costs are included in continuing operations.

A comparison of general and administrative expenses is presented below:

	2008	% Change	2007	% Change	2006
			(Dollars in thousands)		
General and administrative	$206,294	(22%)	$263,862	13%	$233,877

2008 compared to 2007: General and administrative expenses decreased $57.6 million primarily due to decreases in salary and employee benefits expenses, contract and professional services expenses, depreciation expense and legal expenses. Legal expenses decreased $31.2 million primarily due to lower litigation expenses and the reversal of certain previously accrued estimated litigation settlement costs in excess of actual final outcome, offset by legal consulting fees related to our plan to divest or wind down our non-core businesses during 2008. Salary and employee benefits expenses, which includes stock-based compensation expenses, decreased $27.4 million primarily due to severance charges related to a former chief executive officer recorded in the second quarter of 2007, $5.9 million in additional penalties recorded in the latter half of 2007 that resulted from late payments of federal and state payroll taxes, and a reduction in headcount relating to the 2008 restructuring plan. The decrease in salary and employee benefits expenses was partially offset by $4.9 million of stock-based compensation expenses related to the acceleration of vesting of stock-based awards for a former chief executive officer in the second quarter of 2008. Contract and professional services expenses decreased $8.9 million due to cost savings initiatives and reduction in external services as a result of our plan to divest or wind down our non-core businesses. Depreciation expense decreased $3.9 million primarily due to the sale of part of our Mountain View facility in the second quarter of 2008. Allocated expenses increased $14.3 million primarily due to proportionately higher headcount in the general and administrative function.

2007 compared to 2006: General and administrative expenses increased $30.0 million primarily due to increases in salary and employee benefits expenses and legal expenses, partially offset by a decrease in expenses related to the realignment of our business divisions. Salary and employee benefit expenses increased $33.6 million primarily due to severance charges related to a former chief executive officer and former chief financial officer. Stock-based compensation expenses increased due to an increase in the issuances of restricted stock to employees and a modification expense as a result of an amendment of our employee stock purchase plan to allow employees to increase their contribution withholding percentages in 2007. Legal expenses increased $14.9 million primarily due to litigation accruals, partially offset by a decrease in legal expenses, which were higher in 2006 associated with the stock option investigation. These increases were primarily offset by a decrease in allocated overhead expenses of $25.1 million primarily due to the redeployment of certain employees from the general and administrative function to certain other functions resulting from the 2007 restructuring plan realignment initiatives.

Restructuring, impairments and other charges (reversals), net

A comparison of restructuring, impairments and other charges (reversals), net, is presented below:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
2008 restructuring plan charges	$ 31,484	$ —	$ —
2007 restructuring plan charges	369	20,115	—
2003 and 2002 restructuring plan reversals	(60)	(99)	(6,209)
Total restructuring charges (reversals) for continuing operations	31,793	20,016	(6,209)
Impairments and other charges for continuing operations	156,758	214,961	—
Total restructuring, impairments and other charges (reversals), net, for continuing operations	188,551	234,977	(6,209)
Total restructuring, impairments and other charges, net, for discontinued operations	84,445	57,285	1,738
Total restructuring, impairments and other charges (reversals), net	$ 272,996	$ 292,262	$ (4,471)

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

2008 Restructuring Plan: In late 2007, we announced a restructuring plan to change our business strategy to be more aligned with our core competencies, which are to provide highly scaleable, reliable and secure Internet infrastructure and identity services to customers around the world. The 2008 restructuring plan includes workforce reductions, abandonment of excess facilities and other exit costs. As of December 31, 2008, we recorded $69.6 million in restructuring charges, inclusive of amounts for discontinued operations, under our 2008 restructuring plan. See Note 5, “Restructuring, Impairments and Other Charges (Reversals), Net,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information on our restructuring plans.

Under our 2008 restructuring plan, through December 31, 2008, we notified certain employees of their termination and recognized total consolidated expense relating to severance and benefit costs of $63.8 million, inclusive of amounts for discontinued operations. As part of the 2008 restructuring plan, we anticipate recording additional charges related to our workforce reduction, excess facilities and other exit costs, the timing of which will primarily depend upon the timing of notification of the employees leaving VeriSign as determined by local employment laws and business requirements, and as we exit facilities. In addition, we anticipate incurring additional charges associated with productivity improvement initiatives and expense reduction measures. While the estimate of these charges is not yet finalized, the total amount and timing of these charges will depend upon the nature, timing, and extent of these future actions.

2007 Restructuring Plan: In January 2007, we initiated a restructuring plan to execute a company-wide reorganization replacing our previous business unit structure with a combined worldwide sales and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities and other exit costs.

2003 and 2002 Restructuring Plans: In November 2003, we initiated a restructuring plan related to the sale of our Network Solutions business and the realignment of other business units. In April 2002, we initiated a plan to restructure our operations to rationalize, integrate and align resources. All charges relating to the 2002 and 2003 plans have been incurred as of December 31, 2008.

Impairment of goodwill and other intangible assets

In 2008, we recorded a goodwill impairment charge of $77.6 million related to our VeriSign Japan reporting unit, which is classified as continuing operations. In 2008, we also recorded a goodwill impairment charge of $45.8 million related to our Post-pay business, which is classified as discontinued operations. See Note 7, "Goodwill and Other Intangible Assets," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding the impairment of goodwill related to the VeriSign Japan and Post-pay reporting units.

In 2007, we recorded impairment charges of $182.2 million and $62.6 million related to goodwill and other intangible assets, respectively, related to our former Content Services reporting unit, as a result of our decision to divest our non-core businesses. In 2007, the entire impairment charge related to goodwill was classified as continuing operations and of the impairment charge related to other intangible assets, $15.6 million was classified as continuing operations and $47.0 million was classified as discontinued operations.

In 2007, we wrote off approximately $4.8 million of other intangible assets specifically related to abandoned technology acquired for a specific customer, all of which relates to continuing operations. In 2006, we wrote off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer, which is classified as discontinued operations.

Other charges

In 2008, we recorded a loss of $79.1 million in continuing operations as a result of the sale of certain Mountain View facilities. The sale of the Mountain View facilities was consummated as a result of our 2008 restructuring plan to divest or wind down our non-core businesses. In 2007, we recognized an impairment charge of $4.3 million for property and equipment, net, of the former Content Services business reporting, which is classified as continuing operations. In 2007, we recorded additional other charges of $9.0 million for excess and obsolete property and equipment, specifically related to a significant change in the operations of an asset group. Of the total consolidated other charges, $0.9 million relates to discontinued operations in 2007.

Amortization of Other Intangible Assets

A comparison of amortization of other intangible assets is presented below:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Amortization of other intangible assets for continuing operations	$ 10,069	$ 16,506	$ 29,258
Amortization of other intangible assets for discontinued operations	15,594	99,558	93,509
Total amortization of other intangible assets	$ 25,663	$ 116,064	$ 122,767

2008 compared to 2007: Total amortization of other intangible assets decreased $90.4 million primarily due to a $62.6 million impairment charge to other intangible assets in 2007, the reclassification of certain other intangible assets to assets held for sale during 2008 and due to certain other intangible assets becoming fully amortized in 2007. The Company ceases to amortize its other intangible assets upon reclassification to assets held for sale.

2007 compared to 2006: Total amortization of other intangible assets decreased $6.7 million primarily due to certain other intangible assets sold as part of the divestiture of our majority ownership interest in Jamba in the first quarter of 2007, partially offset by an increase related to other intangible assets acquired in business combinations in 2006.

See Note 7, “Goodwill and Other Intangible Assets,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information.

Acquired In-process Research and Development

In 2006, we wrote off $16.7 million of in-process research and development (“IPR&D”) acquired, of which $5.1 million is classified as discontinued operations. At the date of each acquisition, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. Accordingly, these amounts were charged to expense on the respective acquisition date of each of the acquired companies. In 2008 and 2007, we did not acquire any IPR&D.

Other Income, Net

Other income, net, consists primarily of interest earned on our cash, cash equivalents, and investments, interest expense related to our borrowings, net gains or losses on the sale and impairment of investments, net gains or losses on the divestiture of businesses, realized and unrealized gains and losses on the contingent interest derivative on the Convertible Debentures, income from transition services agreements, and the net effect of foreign currency gains and losses. The net effect of foreign currency gains and losses is included in Other, net, in the table below.

A comparison of other income, net, is presented below:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Interest income	$ 16,376	$ 47,074	$27,123
Interest expense	(41,062)	(18,266)	(7,838)
Net (loss) gain on sale and impairment of investments	(6,365)	(1,788)	21,234
Net gain on divestiture of businesses and unconsolidated entities	80,583	71,216	—
Unrealized gain on joint venture call options	—	10,925	—
Realized and unrealized gain (loss) on contingent interest derivative on Convertible Debentures	3,616	(15,301)	—
Income from transition services agreements	3,641	—	—
Other, net	(4,316)	758	2,601
Total other income, net	$ 52,473	$ 94,618	$43,120

2008 compared to 2007: Other income, net, decreased $42.1 million in 2008. Interest income decreased $30.7 million due to lower average invested balances, primarily resulting from stock repurchase activity in 2008, as well as lower average interest rates. Interest expense increased $22.8 million primarily due to interest expense on our Convertible Debentures issued in August 2007. In 2008, we recognized a gain of $77.9 million upon the divestiture of our remaining 49% ownership interest in the Jamba joint ventures, compared to a gain of $68.2 million recognized in 2007 upon the divestiture of our majority ownership interest in Jamba. In 2008, we

recorded a charge of $8.2 million for an other-than-temporary impairment of funds held by the Primary Fund and the International Fund as a result of management's assessment of our investment portfolio with consideration to the economic market conditions at the time. In 2008, we recorded $3.6 million of unrealized gains on the contingent interest derivative on our Convertible Debentures compared to $15.3 million of realized and unrealized losses on the contingent interest derivative on Convertible Debentures in 2007. Since we are required to mark-to-market the fair value of the contingent interest derivative on our Convertible Debentures at each reporting period, such revaluation could result in further gains and losses. We have entered into certain transition services agreements with the purchasers of certain divested businesses. The income received from such agreements was $3.6 million in 2008.

2007 compared to 2006: Other income, net, increased $51.5 million in 2007. Interest income increased $20.0 million due to higher average cash balances throughout the year, primarily resulting from the issuance of our Convertible Debentures as well as the lack of cash outlays on acquisitions in 2007. Interest expense increased $10.4 million primarily due to interest expense related to our Convertible Debentures issued in August 2007. We recognized a gain of approximately $68.2 million upon the divestiture of our majority ownership interest in Jamba. We recorded $10.9 million of unrealized gain on the joint venture call options and $15.3 million of realized and unrealized losses on the contingent interest derivative on our Convertible Debentures. Other activity during 2007 included a $1.8 million net loss on the sale of investments and a $3.0 million gain on the divestiture of a business unit.

Income Tax Expense

For the years ended December 31, 2008, 2007, and 2006, we recorded income tax expense from continuing operations of $42.8 million or 34.7% of pretax income, income tax benefit of $9.3 million or 6.1% of pretax loss, and income tax benefit of $297.2 million or (441.1)% of pretax income, respectively.

Our effective tax rate increased in 2008 as compared to 2007 primarily due to the 2008 estimated losses on assets held for sale, impairments of nondeductible goodwill and the agreement to the conclusions of the Internal Revenue Service ("IRS") examination for fiscal years 2004 and 2005, partially offset by the release of valuation allowances and tax reserves related to the utilization of certain carryforward attributes and statute closures.

Our effective tax rate increased in 2007 as compared to 2006 primarily due to the 2007 impairments of nondeductible goodwill and a benefit for the reduction in our valuation allowance in 2006 partially offset by the implementation of a global business structure in 2006. Our effective tax rate in 2007 also differs from 2006 because we were granted relief from the IRS in 2006 for an uncertainty regarding a tax benefit resulting from a prior divestiture. As a result, we benefited income tax expense of $113.4 million in 2006.

As of December 31, 2008, we had deferred tax assets arising from deductible temporary differences, tax losses, and tax credits of $352.0 million before the offset of certain deferred liabilities. With the exception of certain deferred tax assets related to book impairments on investments and certain foreign net operating loss carryforwards, management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. During 2008, we released a valuation allowance of $16.0 million related to the utilization of U.S. federal and state capital loss carryforwards. During 2008, we also released a valuation allowance of $7.4 million related to the deferred tax assets of our Australian subsidiary. Such release resulted in a benefit to Income tax expense of $3.8 million and a reduction to Goodwill of $3.6 million. We will continue to evaluate the realizability of our deferred tax assets quarterly and will assess the need for additional valuation allowances, if any, in subsequent quarters.

On December 29, 2008, we received and agreed to a "Revenue Agent's Report" reflecting the IRS' conclusion of its audit of the years ended December 31, 2004 and December 31, 2005. The Company agreed with the IRS' conclusions which primarily related to the research and experimental tax credits, the results of which are reflected in the tax expense in the amount of $12.7 million for the year ended December 31, 2008.

Loss from unconsolidated entities, net of tax

Loss from unconsolidated entities, net of tax, represents the net loss recognized from the Jamba joint ventures entered into in the first quarter of 2007.

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Loss from unconsolidated entities, net of tax	$(3,868)	$(2,018)	$—

2008 compared to 2007: Loss from unconsolidated subsidiaries, net of tax, increased due to a decrease in revenues and an increase in operating expenses in the Jamba joint ventures. On October 6, 2008, we sold our remaining 49% ownership interest in the Jamba joint ventures to Fox.

2007 compared to 2006: Loss from unconsolidated subsidiaries, net of tax, was $2.0 million during 2007.

Minority Interest, Net of Tax

Minority interest, net of tax represents the portion of net income belonging to minority shareholders of our consolidated subsidiary, VeriSign Japan.

The following table presents a comparison of minority interest, net of tax:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Minority interest, net of tax	$16,009	$(3,840)	$(2,875)

2008 compared to 2007: Minority interest, net of tax, decreased primarily due to a goodwill impairment charge related to our VeriSign Japan reporting unit.

2007 compared to 2006: Minority interest, net of tax, increased primarily due to an increase in SSL Certificate Services revenues from our VeriSign Japan subsidiary.

Discontinued operations, net of tax

As of December 31, 2008, businesses classified as held for sale and presented as discontinued operations included the following: Messaging and Mobile Media Services, CPS, Communications Services, International Clearing, RTP and ESS. Businesses that have been divested in 2008, and whose results of operations are reflected as discontinued operations include the following: DBMS, Post-pay, Communications Consulting, EMM and SC&A.

The following table presents the revenues and the components of discontinued operations, net of tax:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Revenues	$ 593,700	$654,383	$585,935
(Loss) income before income taxes	$ (18,930)	$ 16,981	$ 65,767
Income tax expense	(26,726)	(19,930)	(44,573)
(Loss) income from discontinued operations	(45,656)	(2,949)	21,194
(Loss) gain on sale of discontinued operations and estimated losses on assets held for sale, before income taxes	(433,232)	1,357	—
Income tax benefit	11,604	—	—
(Loss) gain on sale of discontinued operations	(421,628)	1,357	—
Total (loss) income from discontinued operations	$(467,284)	$ (1,592)	$ 21,194

Liquidity and Capital Resources

	As of December 31,	
	2008	2007
	(In thousands)	
Cash and cash equivalents	$ 789,068	$ 1,376,722
Restricted cash	1,858	46,936
Total	$ 790,926	$ 1,423,658

At December 31, 2008, our principal source of liquidity was $790.9 million of cash and cash equivalents and restricted cash.

In 2008, we divested certain non-core businesses for a total consideration of $102.4 million. In 2008, we received cash consideration of $74.9 million, net of $12.1 million of cash contributed and $ 1.6 million of transaction costs. The remaining balance of $13.8 million is expected to be received in 2009. See Note 4, “Assets Held for Sale and Discontinued Operations,” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding the completed divestitures.

In October 2008, we sold our remaining 49% ownership interest in the Jamba joint ventures to Fox for $199.4 million. Pursuant to the sale agreement, certain outstanding debts and accrued but unpaid interest owed among us and the Jamba joint ventures have been repaid, and we agreed to the settlement and discharge of all other amounts owed among us and the Jamba joint ventures as of the date of the agreement.

In October 2008, we completed the acquisition of GNR for approximately $11.7 million in cash (net of cash acquired of $1.1 million), which included $0.6 million to cover certain transaction costs.

In September 2008, the trust established during 2004 for our director and officer liability self-insurance coverage was terminated, and as a result $45.0 million was released from the trust. As of December 31, 2008, the amount is recorded as Cash and cash equivalents as our ability to use it is no longer restricted.

In June 2008, we sold certain property and equipment in our Mountain View, California location for a cash consideration of $47.6 million, net of transaction costs, and recorded a loss of $79.1 million in continuing operations. As a part of the transaction, we entered into a lease agreement with the purchaser of our Mountain View property. Under the terms of the lease agreement, we leased the property for an initial term of 30 months, which will expire on December 31, 2010, with an option to extend the lease for five years from the date of initial term expiration. Our lease obligations under the term will be approximately $5.6 million and $5.4 million in 2009 and 2010, respectively.

In 2008, we entered into an ASR agreement to repurchase $600.0 million of our common stock under the 2008 Stock Repurchase Program and paid $600.0 million to a financial institution in exchange for an initial purchase of 15.1 million shares. The ASR agreement was completed on July 10, 2008, when we received an additional 1.4 million shares for an aggregate of 16.5 million shares under the terms of the ASR agreement. The average price per share paid on the ASR agreement was $36.33. In August 2008, our Board of Directors authorized additional stock repurchases under our 2008 Stock Repurchase Program of an aggregate purchase price of $680.0 million of our common stock. We currently have $680.0 million remaining for further repurchases under the 2008 Stock Repurchase Program.

In the first quarter of 2008, we repurchased approximately 15.9 million shares of our common stock at an average stock price of $33.85 per share for an aggregate cost of $544.7 million under the 2006 Stock Repurchase Program. In July 2008, we repurchased approximately 3.5 million shares of our common stock at an average stock price of $34.38 per share for an aggregate of $120.0 million pursuant to a stock repurchase agreement with a financial institution under the 2006 Stock Repurchase Program. In November 2008, we repurchased

approximately 2.7 million shares of our common stock at an average stock price of $18.83 per share for an aggregate cost of $50.0 million under the 2006 Stock Repurchase Program. As of December 31, 2008, approximately $270.0 million is available for further repurchases under the 2006 Stock Repurchase Program.

In aggregate, as of December 31, 2008, $950.0 million is available for repurchase of our common stock under the 2008 and 2006 Stock Repurchase Programs.

As of December 31, 2008, we have $1.9 million classified as restricted cash, of which $0.3 million is pledged as collateral for standby letters of credit that guarantee certain of our contractual obligations, primarily relating to our real estate lease agreements, the longest of which is expected to mature in 2010, and $1.6 million represents employee payroll withholdings, net of claims, paid related to the short-term disability program under the State of California Employment Development Department's Voluntary Plan Fund guidelines.

In 2007, we issued $1.25 billion principal amount of 3.25% convertible debentures due 2037. We are required to pay cash interest semiannually on February 15 and August 15 of each year until maturity. In 2008, we paid $40.1 million for interest on the Convertible Debentures.

In 2006, we entered into a $500.0 million senior unsecured revolving credit facility (the "Facility") with a syndicate of banks and other financial institutions under which VeriSign, or certain designated subsidiaries may be borrowers. The Facility is available for cash borrowings up to $500.0 million and for the issuance of letters of credit up to a maximum limit of $50.0 million. In 2008, we received and paid in full $200.0 million from a draw-down of the Facility. As of December 31, 2008, there were no outstanding borrowings under the Facility. Any future borrowings under the Facility will be used for working capital, capital expenditures, permitted acquisitions and repurchases of our common stock and other lawful corporate purposes. See Note 9, "Credit Facility," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information.

In summary, our cash flows were as follows:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Net cash provided by operating activities	$482,043	$471,989	$474,787
Net cash provided by (used in) investing activities	78,755	210,557	(562,404)
Net cash (used in) provided by financing activities	(1,164,027)	188,671	110,735
Effect of exchange rate changes on cash and cash equivalents	15,575	3,721	6
Net (decrease) increase in cash and cash equivalents	$(587,654)	$874,938	$23,124

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 and facilities.

2008 compared to 2007: Cash provided by operations increased primarily due to an increase in revenues in 2008 coupled with an increase in cash collections from customers due to an improved collection process implemented in 2008. The increase in cash receipts was partially offset by payments for interest on our Convertible Debentures, and a decrease in interest income received due to lower average cash balances and lower interest rates in 2008.

2007 compared to 2006: Cash provided by operations decreased marginally primarily due to a decrease in cash received from customers resulting from the divestiture of our majority interest in Jamba, coupled with the timing of receipts from customers. The decrease in cash receipts was partially offset by a decrease in cash

payments to suppliers and employees primarily resulting from lower headcount, an increase in cash received for interest income due to higher average cash balances in 2007 and a decrease in cash payments for income taxes due to lower pre-tax income in 2007.

Net cash provided by (used in) investing activities

The changes in cash flows from investing activities primarily relate to business combinations, divestiture of businesses, timing of purchases, maturities and sales of investments, purchases of property and equipment, investments in unconsolidated entities and long-term note receivable.

2008 compared to 2007: Net cash provided by investing activities decreased primarily due to the reclassification of the money-market funds held by The Reserve classified as cash equivalents to prepaid expenses and other current assets in 2008, offset by an increase in proceeds received in 2008 due to the divestiture of businesses, the sale of our investments in unconsolidated entities, the sale of property and equipment related to part of our Mountain View facilities and the termination of the trust established for our director's and officer's liability self-insurance coverage. The decrease was also due to lower cash proceeds from maturities and sales of investments and cash spent on our acquisition of GNR, partially offset by lower cash spent on purchases of property and equipment.

2007 compared to 2006: Net cash provided by investing activities increased primarily due to proceeds received upon the divestiture of our majority ownership interest in Jamba and certain other businesses, and a decrease in cash spent on business combinations and purchases of investments, partially offset by a decrease in cash received from maturities and sales of investments.

Net cash (used in) provided by financing activities

The changes in cash flows from financing activities primarily relate to borrowings and payments under debt obligations, as well as stock repurchase and stock option exercise activities.

2008 compared to 2007: Net cash used in financing activities increased primarily due to stock repurchases in 2008 without corresponding proceeds from financing activities, as compared to 2007 when stock repurchases were primarily funded by proceeds received from the issuance of the Convertible Debentures. The remaining increase in cash used in financing activities is primarily due to an increase in stock repurchases in 2008 and a decrease in proceeds received from issuance of common stock from stock option exercises and employee stock purchase plans.

2007 compared to 2006: Net cash provided by financing activities increased primarily due to proceeds received from issuance of the Convertible Debentures and an increase in proceeds received from the issuance of common stock upon stock option exercises and employee stock purchase plan purchases, partially offset by an increase in cash spent for stock repurchase activities and repayment of short-term debt under the Facility.

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

Impact of Inflation

We believe that inflation has not had a significant impact on our operations during 2008, 2007 and 2006.

Property and Equipment Expenditures

Our planned property and equipment expenditures for 2009 are anticipated to be approximately $104 million and will primarily be focused on productivity, cost improvement and market development initiatives for our 3IS business.

Contractual Obligations

The following table summarizes our significant non-cancelable contractual obligations at December 31, 2008, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments due by period				
	Total	2009	2010-2011	2012-2013	Thereafter
			(In thousands)		
Contractual obligations					
Operating lease obligations	$ 110,730	$ 31,019	$ 43,583	$ 19,766	$ 16,362
Purchase obligations	35,896	28,969	6,884	43	—
ICANN agreement	67,500	15,000	36,000	16,500	—
Junior subordinated convertible debentures—principal and interest	2,428,125	40,625	81,250	81,250	2,225,000
Total	$ 2,642,251	$ 115,613	$ 167,717	$ 117,559	$ 2,241,362

As of December 31, 2008, we had commitments under non-cancelable operating leases for our facilities for various terms through 2017. See Note 15, "Commitments and Contingencies," *Leases*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We enter into certain purchase obligations with various vendors. Our significant purchase obligations primarily consist of firm commitments with telecommunication carriers and other service providers. We do not have any significant purchase obligations beyond 2012.

In June 2008, we entered into a lease agreement with the purchaser of our Mountain View property. Under the terms of the lease agreement, we will lease the property for an initial term of 30 months, which will expire on December 31, 2010, with an option to extend the lease for five years from the date of initial term expiration. Our lease obligations under the term will be approximately $5.6 million and $5.4 million in 2009 and 2010, respectively.

In 2007, we issued $1.25 billion principal amount of 3.25% convertible debentures due 2037. We will pay cash interest semiannually to the holders of the Convertible Debentures on February 15 and August 15 of each year until maturity. Interest paid for the Convertible Debentures for the year ended December 31, 2008, was approximately $40.1 million. See Note 10, "Junior Subordinated Debentures," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

In 2006, we entered into a contractual agreement with ICANN to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. Under the agreement, we paid ICANN fixed registry level fees of $10.0 million in 2008 and $10.0 million in 2007. Beginning in 2009, the agreement provides for contingent payments upon meeting certain criteria based on growth in the number of annual domain name registrations. As of December 31, 2008, we have met the criteria and as a result our contractual payments will increase to the amounts as listed in the table above for the respective future periods.

We provide for uncertain tax positions and adjust our unrecognized tax benefits accordingly. Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits at December 31, 2008, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, $31.7 million of liabilities under FIN 48 have been excluded from the contractual obligations table above. See Note 14, "Income Taxes," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our unrecognized tax benefits.

We enter into indemnification agreements with many of our customers and certain other business partners in the ordinary course of business. See Note 15, “Commitments and Contingencies,” *Indemnifications*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding our indemnifications.

Off-Balance Sheet Arrangements

It is not our business practice to enter into off-balance sheet arrangements. As of December 31,2008, we did not have any significant off-balance sheet arrangements. See Note 15, “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.

Recently Issued Accounting Pronouncements

See Note 1, “Basis of Presentation,” *Recent Accounting Pronouncements*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the latter half of 2008, there was a major disruption in the global credit markets due to the rising concerns about possible financial institution defaults, the bankruptcy filing of Lehman Brothers Holdings Inc. (“Lehman”) and the potential for a deep economic recession. Following these disruptions, certain money market funds managed by The Reserve made various announcements that their underlying portfolios had experienced a loss of principal, the redemption rights of all holders were suspended indefinitely and the funds would be liquidated. The loss of principal was primarily related to the underlying securities of Lehman in the funds. At the time of the redemption suspension, we had $256.7 million invested in the Primary Fund and the International Fund which we had previously classified as Cash and cash equivalents and is now classified as Prepaid expenses and other current assets.

Due to the lack of an active market for most corporate and bank debt securities, we assessed the fair value of the underlying securities within the Primary Fund and the International Fund based on a review of current investment ratings of the underlying securities within the money-market funds coupled with an evaluation of the expected maturity value and the current performance of the securities within the funds in meeting scheduled payments of principal and interest. We based our estimates on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of our investments in the Primary Fund and the International Fund. During the third quarter of 2008, we recognized an other-than-temporary impairment loss of $8.2 million in Other (loss) income, net, related to the underlying securities of Lehman held in the Primary Fund and the International Fund and the related liquidity risk in the investment. The credit and capital markets deteriorated significantly in 2008 and may continue to deteriorate into 2009. If these markets deteriorate further, or if we are allocated a portion of the legal and/or administrative costs incurred by the Primary Fund and/or the International Fund during their liquidation process, we may incur additional impairments, which could negatively affect its financial position, cash flows and results of operations. The timing of additional distributions from these money market funds are currently subject to the discretion of the funds’ boards of directors, possible oversight by the SEC and resolution of certain pending and possible future lawsuits against The Reserve.

During the fourth quarter of 2008, we received a distribution of $98.2 million from the Primary Fund. As of December 31, 2008, we had $150.3 million in the Primary Fund and the International Fund. On January 30, 2009, we received $85.8 million from The Reserve’s International Fund and on February 20, we received $8.3 million from The Reserve’s Primary Fund. The total distributions to date represents approximately 85% and 65% of our total investment in the Primary Fund and the International Fund, respectively.

Interest rate sensitivity

We invest our cash primarily in money market funds. In general, money market funds are not considered to be subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of December 31, 2008, our cash and cash equivalents consisted primarily of money market funds.

Foreign exchange risk management

We conduct business throughout the world and transact in multiple foreign currencies. As we continue to expand our international operations we are increasingly exposed to currency exchange rate risks. Our foreign currency risk management program is designed to mitigate foreign exchange risks associated with the monetary and non-monetary assets and liabilities of our operations that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses 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 and in each case these contracts are limited to a duration of less than 12 months. As of December 31, 2008, our exposure to foreign currency fluctuations was not significant.

At December 31, 2008, we held forward contracts in notional amounts totaling $69.0 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. All forward contracts are recorded at fair market value.

A hypothetical uniform 10% strengthening or weakening in the value of the U.S. dollar relative to the foreign currency derivatives outstanding would result in a decrease/increase in income of approximately $6 million. However, this would be largely offset by the remeasurement of our foreign-currency denominated monetary and non-monetary 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.

There are inherent limitations in the sensitivity analysis presented, due primarily to the assumption that foreign exchange rate movements are linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Market risk management

The fair market value of the Convertible Debentures issued by us and due August 2037, is subject to interest rate risk and market risk due to the convertible feature of the debentures. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The fair market value of the Convertible Debentures will also increase as the market price of our stock increases and decrease as the market price falls. The interest and market value changes affect the fair market value of the Convertible Debentures but do not impact our financial position, cash flows or results of operations. As of December 31, 2008, the fair value of the Convertible Debentures was approximately $812.5 million, based on quoted market prices.

The fair market value of the contingent interest derivative on Convertible Debentures is also subject to interest rate risk and market risk. Generally, the fair market value of the contingent interest derivative will change due to changes in interest rates as well as due to changes in the fair market value of the 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 (a)1 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, 2008. 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.

All previously reported quarters have been adjusted to show the discontinued operations of our dispositions. Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the dispositions have not been amended and should not be relied upon.

	2008				
	Quarter Ended				Year Ended
	March 31 (4) As Adjusted (3)	June 30 (5) As Adjusted (3)	September 30 (6) As Adjusted (3)	December 31 (7)	December 31
	(In thousands, except per share data)				
Continuing operations:					
Revenues	$ 232,533	$ 239,162	$ 243,031	$ 247,009	$ 961,735
Cost of revenues	58,063	54,087	55,626	59,575	227,351
Other operating costs and expenses (1)	145,414	201,547	119,961	196,684	663,606
Operating income (loss)	29,056	(16,472)	67,444	(9,250)	70,778
Income (loss)	16,825	(13,192)	41,998	46,961	92,592
Income (loss) per share (2):					
Basic .	$ 0.08	$ (0.07)	$ 0.22	$ 0.24	$ 0.47
Diluted	$ 0.08	$ (0.07)	$ 0.21	$ 0.24	$ 0.46
Discontinued operations:					
Revenues	$ 160,942	$ 151,756	$ 144,786	$ 136,216	$ 593,700
Cost of revenues	94,926	85,351	79,868	64,417	324,562
Other operating costs and expenses (1)	73,062	111,687	54,736	24,192	263,677
Operating (loss) income	(7,046)	(45,282)	10,182	47,607	5,461
Loss	(24,130)	(55,695)	(242,830)	(144,629)	(467,284)
Loss per share (2):					
Basic	$ (0.12)	$ (0.28)	$ (1.26)	$ (0.75)	$ (2.37)
Diluted	$ (0.11)	$ (0.28)	$ (1.24)	$ (0.74)	$ (2.33)
Total:					
Net (loss) income	$ (7,305)	$ (68,887)	$ (200,832)	$ (97,668)	$ (374,692)
Net (loss) income per share (2):					
Basic	$ (0.04)	$ (0.35)	$ (1.04)	$ (0.51)	$ (1.90)
Diluted	$ (0.03)	$ (0.35)	$ (1.03)	$ (0.50)	$ (1.87)

(1) Other operating costs and expenses include sales and marketing expenses, research and development expenses, general and administrative expenses, restructuring, impairments and other charges, net, and amortization of other intangible assets.

(2) Net income (loss) per share is computed independently. Therefore, the sum of the quarterly net income (loss) per share may not equal the total computed for the fiscal year or any cumulative interim period.

(3) During the fourth quarter of 2008, we identified certain matters related to historical timing of revenue recognition. In presenting our quarterly financial data, we have adjusted our revenues from continuing operations by $2.0 million, $1.4 million and $1.3 million for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008, respectively. As a result of our adjustments to revenues of continuing operations, our net loss increased $1.2 million, $0.9 million and $0.8 million for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008, respectively.

(4) Loss from discontinued operations for the quarter ended March 31, 2008, includes an impairment charge of $25.5 million for estimated losses on assets held for sale.
(5) Loss from continuing operations for the quarter ended June 30, 2008, includes a $79.1 million loss as a result of the sale on a certain portion of our Mountain View facilities. Loss from discontinued operations for the quarter ended June 30, 2008, includes a goodwill impairment charge of $45.8 million related to our Post-pay reporting unit and a charge of $45.9 million for estimated losses on assets held for sale.
(6) Loss from discontinued operations for the quarter ended September 30, 2008, includes a charge of $237.4 million for estimated losses on assets held for sale.
(7) Operating loss from continuing operations for the quarter ended December 31, 2008, includes a goodwill impairment charge of $77.6 million related to our VeriSign Japan reporting unit. Income from continuing operating includes a gain of $66.9 million, net of an income tax expense of $11.0 million, on the sale of our remaining 49% ownership interest in the Jamba joint ventures, and $19.0 million from minority interest as a result of the impairment charge related to our VeriSign Japan reporting unit. Loss from discontinued operations for the quarter ended December 31, 2008, includes a charge of $174.6 million for estimated losses on assets held for sale.

	2007				
	Quarter Ended				Year Ended
	March 31 (5) As Adjusted (3)	June 30 As Adjusted (3)	September 30 As Adjusted (3) (4)	December 31 (6) As Adjusted (3) (4)	December 31
	(In thousands, except per share data)				
Continuing operations:					
Revenues	$ 211,539	$ 202,004	$ 212,260	$ 221,654	$ 847,457
Cost of revenues	65,503	59,002	60,045	56,412	240,962
Other operating costs and expenses (1)	169,352	169,627	141,481	371,827	852,287
Operating (loss) income	(23,316)	(26,625)	10,734	(206,585)	(245,792)
Income (loss)	54,813	(18,273)	5,849	(190,125)	(147,736)
Income (loss) per share (2):					
Basic	$ 0.22	$ (0.07)	$ 0.02	$ (0.85)	$ (0.62)
Diluted	$ 0.22	$ (0.07)	$ 0.02	$ (0.85)	$ (0.62)
Discontinued operations:					
Revenues	$ 164,146	$ 164,146	$ 162,994	$ 163,097	$ 654,383
Cost of revenues	87,264	91,342	90,882	91,644	$ 361,132
Other operating costs and expenses (1)	65,551	52,978	58,497	99,047	276,073
Operating income (loss)	11,331	19,826	13,615	(27,594)	17,178
Income (loss)	5,837	12,659	8,265	(28,353)	(1,592)
Income (loss) per share (2):					
Basic	$ 0.03	$ 0.05	$ 0.04	$ (0.13)	$ (0.01)
Diluted	$ 0.02	$ 0.05	$ 0.04	$ (0.13)	$ (0.01)
Total:					
Net income (loss)	$ 60,650	$ (5,614)	$ 14,114	$ (218,478)	$ (149,328)
Net income (loss) per share (2):					
Basic	$ 0.25	$ (0.02)	$ 0.06	$ (0.98)	$ (0.63)
Diluted	$ 0.24	$ (0.02)	$ 0.06	$ (0.98)	$ (0.63)

(1) Other operating costs and expenses include sales and marketing expenses, research and development expenses, general and administrative expenses, restructuring, impairments and other charges, net, and amortization of other intangible assets.
(2) Net income (loss) per share is computed independently. Therefore, the sum of the quarterly net income (loss) per share may not equal the total computed for the fiscal year or any cumulative interim period(s). .
(3) During the fourth quarter of 2008, we identified certain matters related to historical timing of revenue recognition. In presenting our quarterly financial data, we have adjusted our revenues from continuing operations by $1.8 million, $1.5 million, $1.4 million and $1.7 million for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007, and December 31, 2007, respectively. As a result of our adjustments to revenues of continuing operations, our net income decreased $1.1 million for the quarter ended March 31, 2007, our net loss increased $0.9 million for the quarter ended June 30, 2007, our net income decreased $0.8 for the quarter ended September 30, 2007, and our net loss increased $1.0 million for the quarter ended December 31, 2007.
(4) During 2008, we identified that we did not accrue for penalties incurred related to late payment of federal and state payroll taxes, which resulted in an increase in other costs and expenses and a decrease in net income (loss) As a result, we recorded penalties and interest of approximately $4.1 million and $1.9 million for the quarters ended September 30, 2007 and December 31, 2007, respectively.
(5) Income from continuing operations for the quarter ended March 31, 2007, includes a gain on sale of $75.0 million initially recognized upon the divestiture of our majority ownership interest in Jamba.

(6) Operating loss from continuing operations for the quarter ended December 31, 2007, includes an impairment charge of $202.1 million for certain long-lived assets related to our Content Services reporting unit. Loss from continuing operations for the quarter ended December 31, 2007, includes a subsequent adjustment to reduce the gain on the divestiture by $6.8 million, as a result of a settlement for net working capital in accordance with the Jamba joint venture agreements. Operating loss from discontinued operations for the quarter ended December 31, 2007, includes an impairment charge of $47.0 million for certain long-lived assets.

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

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, on an interim basis (our principal executive officer) and our acting Chief Financial Officer (our principal financial officer), as of the end of the period covered by this Annual Report on Form 10-K, 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 Securities and Exchange Commission 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, on an interim basis, and acting Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 using the criteria established in *Internal Control—Integrated 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, 2008. 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, 2008 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 its inherent limitations, our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The continued effectiveness of our internal control over financial reporting is subject to risks, including that the control 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 Securities Act of 1934, and regarding our Audit 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 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

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 code of ethics that applies to our principal executive officer, principal financial officer and other senior accounting officers. This code of ethics, titled "Code of Ethics for the Chief Executive Officer and Senior Financial Officers," is posted on our website along with our "Code of Ethics and Business Conduct" that applies to all officers and employees, including the aforementioned officers. The Internet address for our website is *www.verisign.com*, and the "Code of Ethics for the Chief Executive Officer and Senior Financial Officers" may be found from our main Web page by clicking first on "About VeriSign" and then on "Corporate Governance" under "Investor Relations," next on "Codes of Business Conduct" under "Corporate Governance," and finally on "Code of Ethics for the Chief Executive Officer and Senior Financial Officers." The "Code of Ethics and Business Conduct" applicable to all officers and employees can similarly be found on the Web page for "Codes of Business Conduct" under the link entitled "Code of Business Conduct."

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 "Code of Ethics for the Chief Executive Officer and Senior Financial Officers" or, to the extent also applicable to the principal executive officer, principal financial officer, or other senior accounting officers, the "Code of Ethics and Business Conduct" by posting such information on our website, on the Web page found by clicking through to "Codes of Business Conduct" as specified above.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated herein by reference from the discussion under the caption "Executive Compensation" in our Proxy Statement related to the 2009 Annual Meeting of Shareholders.

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 discussion under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement related to the 2009 Annual Meeting of Shareholders.

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

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the captions "Policies and Procedures with Respect to Transactions with Related Parties" and "Certain Relationships and Related Transactions" in our Proxy Statement related to the 2009 Annual Meeting of Shareholders. Information about director independence is incorporated by reference from the discussion under the caption "Independence of Directors" in our Proxy Statement related to the 2009 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent auditors in 2008 and 2007 is incorporated by reference from the discussion under the caption "Principal Accounting Fees and Services" in our Proxy Statement related to the 2009 Annual Meeting of Shareholders. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent auditors is incorporated by reference from the section captioned "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors" in our 2009 Proxy Statement related to the 2009 Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

Financial statements

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2008 and 2007
- Consolidated Statements of Operations for the Years Ended December 31, 2008, 2007 and 2006
- Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2008, 2007 and 2006
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2007 and 2006
- Notes to Consolidated Financial Statements

Financial statement schedules

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

3. Exhibits

(a) Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.01	Agreement and Plan of Merger dated as of March 6, 2000, by and among the Registrant, Nickel Acquisition Corporation and Network Solutions, Inc.	8-K	3/8/00	2.1	
2.02	Agreement and Plan of Merger dated September 23, 2001, by and among the Registrant, Illinois Acquisition Corporation and Illuminet Holdings, Inc.	S-4	10/10/01	4.03	
2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein	8-K	12/10/03	2.1	
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares In Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals	10-K	3/16/05	2.04	
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto	8-K	11/23/05	2.1	
3.01	Fourth Amended and Restated Certificate of Incorporation of the Registrant	S-1	11/5/07	3.01	
3.02	Fifth Amended and Restated Bylaws of the Registrant	8-K	7/3/08	3.01	
4.01	Rights Agreement dated as of September 27, 2002, between the Registrant and Mellon Investor Services LLC, as Rights Agent, which includes as Exhibit A the Form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the Summary of Stock Purchase Rights and as Exhibit C the Form of Rights Certificate	8-A	9/30/02	4.01	

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
4.02	Amendment to Rights Agreement dated as of February 11, 2003, between the Registrant and Mellon Investor Services LLC, as Rights Agent	8-A/A	3/19/03	4.02	
4.03	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association	8-K/A	9/6/07	4.1	
4.04	Registration Rights Agreement dated as of August 20, 2007 between the Registrant and J.P. Morgan Securities, Inc.	8-K/A	9/6/07	4.2	
10.01	Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers	10-K	3/31/03	10.02	
10.02	Registrant’s 1998 Equity Incentive Plan, as amended through February 8, 2005	10-K	3/16/05	10.04	
10.03	Form of 1998 Equity Incentive Plan Restricted Stock Purchase Agreement	10-Q	11/14/03	10.1	
10.04	Form of 1998 Equity Incentive Plan Restricted Stock Unit Agreement	10-K	3/16/05	10.06	
10.05	409A Options Election Form and related documentation	8-K	1/4/07	99.01	
10.06	Registrant’s 1998 Directors Stock Option Plan, as amended through May 22, 2003, and form of stock option agreement	S-8	6/23/03	4.02	
10.07	Registrant’s 1998 Employee Stock Purchase Plan, as amended through January 30, 2007	10-Q	7/16/07	10.01	
10.08	Registrant’s 2001 Stock Incentive Plan, as amended through November 22, 2002	10-K	3/31/03	10.08	
10.09	Registrant’s 2006 Equity Incentive Plan, as adopted May 26, 2006	10-Q	7/12/07	10.02	
10.10	Registrant’s 2006 Equity Incentive Plan, form of Stock Option Agreement	10-Q	7/12/07	10.03	
10.11	Registrant’s 2006 Equity Incentive Plan, form of Directors Nonqualified Stock Option Grant	10-Q	8/9/07	10.01	
10.12	Nonqualified Registrant’s 2006 Equity Incentive Plan, amended form of Nonqualified Directors Stock Option Grant	S-1	11/5/07	10.15	
10.13	Registrant’s 2006 Equity Incentive Plan, form of Employee Restricted Stock Unit Agreement	10-Q	7/12/07	10.04	
10.14	Registrant’s 2006 Equity Incentive Plan, form of Non-Employee Director Restricted Stock Unit Agreement	10-Q	7/12/07	10.05	
10.15	Registrant’s 2006 Equity Incentive Plan, form of Performance-Based Restricted Stock Unit Agreement	8-K	8/30/07	99.1	
10.16	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	
10.17	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1	1/29/98	10.15	
10.18	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended	S-1	1/29/98	10.16	
10.19	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31	
10.20	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Security, Inc.	S-1	1/29/98	10.17	
10.21	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation*	S-1	1/29/98	10.18	
10.22	Master Development and License Agreement, dated as of September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*	S-1	1/29/98	10.19	
10.23	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/5/99	10.30	
10.24	Consulting and Separation Agreement between the Registrant and Stratton D. Sclavos effective July 9, 2007	10-Q	8/9/07	10.03	
10.25	Severance and General Release Agreement between the Registrant and Rodney A. McCowan dated July 9, 2007	10-Q	8/9/07	10.04	
10.26	Severance and General Release Agreement between the Registrant and Dana L. Evan dated July 27, 2007	S-1	11/5/07	10.33	
10.27	Separation and General Release Agreement between the Registrant and Mark D. McLaughlin dated November 28, 2007	10-K	2/29/08	10.33	
10.28	Employment Offer Letter between the Registrant and Richard H. Goshorn dated April 25, 2007	10-Q	8/9/07	10.02	
10.29	Employment Offer Letter between the Registrant and Anne-Marie Law dated May 2, 2007	S-1	11/5/07	10.36	
10.30	Employment Offer Letter between the Registrant and Kevin A. Werner dated September 20, 2007	S-1	11/5/07	10.37	
10.31	Employment Offer Letter between the Registrant and Grant L. Clark dated September 20, 2007	S-1	11/5/07	10.38	
10.32	Employment Agreement between the Registrant and William A. Roper, Jr. dated November 26, 2007 with effect on May 27, 2007	10-K	2/29/08	10.39	
10.33	2006 .com Registry Agreement between VeriSign and ICANN, effective March 1, 2006	10-K	7/12/07	10.26	
10.34	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	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.35	Deed of Lease between TST Waterview I, L.L.C. and the Registrant, dated as of July 19, 2001	10-Q	11/14/01	10.01	
10.36	Confirmation of Accelerated Purchase of Equity Securities dated August 14, 2007 between the Registrant and J P Morgan Securities, Inc. †	S-1	11/5/07	10.44	
10.37	Credit Agreement dated as of June 7, 2006 among Registrant and certain of its subsidiaries, the Designated Borrowers named therein, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, the other lenders party thereto, Citibank, N.A., as Syndication Agent, JP Morgan Chase Bank, N.A., KeyBank National Association and U.S. Bank National Association, as Co-Documentation Agents, and Banc of America Securities LLC and Citigroup Global Markets, Inc., as joint lead arrangers and joint book running managers	8-K	6/7/06	10.1	
10.38	Amendment Agreement dated September 17, 2007 by and among Registrant, the several financial institutions thereto and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender	8-K	9/21/07	99.1	
10.39	Subsidiary Guaranty dated June 7, 2006, made by the subsidiaries of Registrant named therein in favor of the Lenders party to the Credit Agreement, the L/C Issuer, the Swing Line Lender and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.1	
10.40	Company Guaranty dated June 7, 2006, made by Registrant, in favor of the Lenders party to the Credit Agreement and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.1	
10.41	Limited Liability Company Agreement by and among Fox US Mobile Holdings, Inc., News Corporation, VeriSign U.S. Holdings, Inc. and US Mobile Holdings, LLC, dated January 31, 2007*	10-Q	7/16/07	10.03	
10.42	Form of Change-in-Control and Retention Agreement for Executive Officers	8-K	8/30/07	99.2	
10.43	Form of Change-in-Control and Retention Agreement for Chief Executive Officer	8-K	8/30/07	99.3	
10.44	Confirmation of Accelerated Repurchase of Common Stock dated February 8, 2008 between the Registrant and J.P. Morgan Securities, Inc., as agent to JPMorgan Chase Bank, National Association, London Branch. †	10-Q	5/12/08	10.01	
10.45	Lease between PR III Middlefield Road, LLC, Landlord, and VeriSign, Inc., Tenant, dated as of June 19, 2008.	10-Q	8/8/08	10.01	
10.46	Settlement Agreement and General Release by and between VeriSign, Inc. and William A. Roper, Jr., dated June 30, 2008.	10-Q	8/8/08	10.02	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.47	Release and Waiver of Age Discrimination Claims by William A. Roper, Jr., dated June 30, 2008	10-Q	8/8/08	10.03	
10.48	Executive Employment Agreement between VeriSign, Inc. and D. James Bidzos, dated as of August 20, 2008.	10-Q	11/7/08	10.01	
10.49	VeriSign, Inc. 2006 Equity Incentive Plan Amended and Restated Employee Restricted Stock Unit Agreement between VeriSign, Inc. and D. James Bidzos.	10-Q	11/7/08	10.02	
10.50	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and D. James Bidzos, dated August 20, 2008.	10-Q	11/7/08	10.03	
10.51	Consulting Agreement between VeriSign, Inc. and Roger Moore, dated October 3, 2008. †	10-Q	11/7/08	10.04	
10.52	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and Roger Moore, dated October 1, 2008.	10-Q	11/7/08	10.05	
10.53	Purchase and Termination Agreement dated as of October 6, 2008, by and among Fox Entertainment Group, Inc., Fox US Mobile Holdings, Inc., US Mobile Holdings, LLC, Fox Dutch Mobile B.V., Jamba Netherlands Mobile Holdings GP B.V., Netherlands Mobile Holdings C.V., VeriSign, Inc., VeriSign US Holdings, Inc., VeriSign Netherlands Mobile Holdings B.V., and VeriSign Switzerland S.A.	10-Q	11/7/08	10.06	
10.54	VeriSign, Inc. 2006 Equity Incentive Plan, adopted May 26, 2006, as amended August 5, 2008	10-Q	11/7/08	10.07	
10.55	Form of VeriSign, Inc. 2006 Equity Incentive Plan Stock Option Agreement.	10-Q	11/7/08	10.08	
10.56	Form of VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement.	10-Q	11/7/08	10.09	
10.57	Form of VeriSign, Inc. 2006 Equity Incentive Plan Performance Based Restricted Stock Unit Agreement.	10-Q	11/7/08	10.10	
10.58	Offer Letter from VeriSign, Inc. to Mark D. McLaughlin dated January 9, 2009.	8-K	1/14/09	10.01	
10.59	Arrangement Agreement dated as of January 23, 2009 between VeriSign, Inc. and Certicom Corp.				X
21.01	Subsidiaries of the Registrant				X
23.01	Consent of Independent Registered Public Accounting Firm				X
24.01	Powers of Attorney (Included on Page 87 as part of the signature pages hereto)				X
25.01	Statement of Eligibility of Trustee on Form T-1 with respect to the Indenture dated as of August 20, 2007	S-1	11/5/07	25.01	
31.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)				X
32.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350)**				X
32.02	Certification of Chief 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

† Certain portions of this exhibit have been omitted and have been filed separately with the SEC pursuant to a request for confidential treatment under Rule 24b-2 as promulgated under the Securities Exchange Act of 1934.

* Confidential treatment was received with respect to certain portions of this agreement. Such portions were omitted and filed separately with the Securities and Exchange Commission.

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 3rd day of March 2009.

VERISIGN, INC.

By /s/ D. JAMES BIDZOS
D. James Bidzos
Interim Chief Executive Officer
(Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints D. James Bidzos, Brian G. Robins, and Richard H. Goshorn, and each of them, his or her true lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granted unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 3rd day of March 2009.

Signature	Title
/S/ D. JAMES BIDZOS D. James Bidzos	Interim Executive Chairman and Interim Chief Executive Officer (Principal Executive Officer)
/S/ BRIAN G. ROBINS Brian G. Robins	Acting Chief Financial Officer (Principal Financial and Accounting Officer)
/S/ WILLIAM L. CHENEVICH William L. Chenevich	Director
/S/ KATHLEEN A. COTE Kathleen A. Cote	Director
/S/ ROGER H. MOORE Roger H. Moore	Director
/S/ JOHN D. ROACH John D. Roach	Director
/S/ LOUIS A. SIMPSON Louis A. Simpson	Director
/S/ TIMOTHY TOMLINSON Timothy Tomlinson	Director

FINANCIAL STATEMENTS

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

Financial Statement Description	Page
• Reports of Independent Registered Public Accounting Firm	89
• Consolidated Balance Sheets As of December 31, 2008 and 2007	91
• Consolidated Statements of Operations For the Years Ended December 31, 2008, 2007 and 2006	92
• Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) For the Years Ended December 31, 2008, 2007 and 2006	93
• Consolidated Statements of Cash Flows For the Years Ended December 31, 2008, 2007 and 2006	94
• Notes to Consolidated Financial Statements	95

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited Verisign, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting 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, 2008, based on criteria established in *Internal Control—Integrated Framework*, 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, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated March 3, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Mountain View, California
March 3, 2009

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, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriSign, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Mountain View, California
March 3, 2009

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VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31,	
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 789,068	$ 1,376,722
Accounts receivable, net of allowance for doubtful accounts of $1,208 at December 31, 2008 and $6,329 at December 31, 2007	83,749	208,799
Prepaid expenses and other current assets	268,178	177,894
Assets held for sale	483,840	—
Total current assets	1,624,835	1,763,415
Property and equipment, net	382,241	621,917
Goodwill	283,109	1,082,420
Other intangible assets, net	35,312	121,792
Restricted cash	1,858	46,936
Other assets	245,877	290,647
Investments in unconsolidated entities	—	109,828
Total long-term assets	948,397	2,273,540
Total assets	$ 2,573,232	$ 4,036,955
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 263,535	$ 398,124
Accrued restructuring costs	28,920	2,878
Deferred revenues	629,800	581,355
Deferred tax liabilities	5,463	2,632
Liabilities related to assets held for sale	49,160	—
Total current liabilities	976,878	984,989
Long-term deferred revenues	215,281	192,980
Long-term accrued restructuring costs	3,037	1,473
Convertible debentures	1,261,655	1,265,296
Long-term tax liability	16,378	41,133
Total long-term liabilities	1,496,351	1,500,882
Total liabilities	2,473,229	2,485,871
Commitments and contingencies		
Minority interest in subsidiaries	49,208	54,485
Stockholders' equity:		
Preferred stock—par value $.001 per share Authorized shares: 5,000,000 Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share Authorized shares: 1,000,000,000 Issued and outstanding shares: 191,547,795 excluding 112,717,587 held in treasury, at December 31, 2008; and 222,849,348, excluding 73,720,953 held in treasury, at December 31, 2007	304	297
Additional paid-in capital	21,472,895	22,557,997
Accumulated deficit	(21,439,410)	(21,064,718)
Accumulated other comprehensive income	17,006	3,023
Total stockholders' equity	50,795	1,496,599
Total liabilities and stockholders' equity	$ 2,573,232	$ 4,036,955

See accompanying Notes to Consolidated Financial Statements.

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VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2008	2007	2006
Revenues	$ 961,735	$ 847,457	$982,734
Costs and expenses			
Cost of revenues	227,351	240,962	287,281
Sales and marketing	167,184	236,729	312,829
Research and development	91,508	100,213	89,834
General and administrative	206,294	263,862	233,877
Restructuring, impairments and other charges (reversals), net	188,551	234,977	(6,209)
Amortization of other intangible assets	10,069	16,506	29,258
Acquired in-process research and development	—	—	11,600
Total costs and expenses	890,957	1,093,249	958,470
Operating income (loss)	70,778	(245,792)	24,264
Other income, net	52,473	94,618	43,120
Income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest	123,251	(151,174)	67,384
Income tax (expense) benefit	(42,800)	9,296	297,227
Loss from unconsolidated entities, net of tax	(3,868)	(2,018)	—
Minority interest, net of tax	16,009	(3,840)	(2,875)
Income (loss) from continuing operations	92,592	(147,736)	361,736
(Loss) income from discontinued operations, net of tax	(467,284)	(1,592)	21,194
Net (loss) income	$(374,692)	$ (149,328)	$382,930
Basic (loss) income per share from:			
Continuing operations	$ 0.47	$ (0.62)	$ 1.48
Discontinued operations	(2.37)	(0.01)	0.09
Net (loss) income	$ (1.90)	$ (0.63)	$ 1.57
Diluted (loss) income per share from:			
Continuing operations	$ 0.46	$ (0.62)	$ 1.46
Discontinued operations	(2.33)	(0.01)	0.09
Net (loss) income	$ (1.87)	$ (0.63)	$ 1.55
Shares used in per share computation:			
Basic	197,201	237,707	244,421
Diluted	200,602	237,707	247,073

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Common Stock		Additional Paid-In Capital	Unearned Stock- Based Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2005	246,419	275	23,368,431	(24,199)	(21,308,512)	(12,553)	2,023,442
Cumulative adjustment for payroll tax penalties and interest payables, deferred revenues, net of tax, and foreign currency translation adjustments	—	—	(2,826)	—	(25,355)	2,826	(25,355)
Adjusted balance at December 31, 2005	—	—	23,365,605	—	(21,333,867)	(9,727)	1,998,087
Comprehensive Income:							
Net Income	—	—	—	—	382,930	—	382,930
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	—	1,196	1,196
Change in unrealized gain on investments, net of tax	—	—	—	—	—	3,379	3,379
Total comprehensive income	—	—	—	—	—	—	387,505
Issuance of common stock under stock plans	3,915	4	51,536	—	—	—	51,540
Reclassification of unearned compensation upon adoption of SFAS 123R	—	—	(24,199)	24,199	—	—	—
Stock-based compensation expense	—	—	67,896	—	—	—	67,896
Income tax associated with stock options and other	—	—	(14,608)	—	—	—	(14,608)
Repurchase of common stock	(6,490)	—	(135,000)	—	—	—	(135,000)
Balance at December 31, 2006	243,844	279	23,311,230	—	(20,950,937)	(5,152)	2,355,420
Cumulative adjustment upon adoption of FIN 48	—	—	—	—	35,547	—	35,547
Adjusted balance at December 31, 2006	—	—			(20,915,390)		2,390,967
Comprehensive loss:							
Net loss	—	—	—	—	(149,328)	—	(149,328)
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	—	5,903	5,903
Change in unrealized gain on investments, net of tax	—	—	—	—	—	2,272	2,272
Total comprehensive loss	—	—	—	—	—	—	(141,153)
Issuance of common stock under stock plans	17,254	18	306,958	—	—	—	306,976
Stock-based compensation expense	—	—	88,687	—	—	—	88,687
Income tax associated with stock options and other	—	—	7,613	—	—	—	7,613
Repurchase of common stock	(38,249)	—	(1,156,491)	—	—	—	(1,156,491)
Balance at December 31, 2007	222,849	297	22,557,997	—	(21,064,718)	3,023	1,496,599
Comprehensive loss:							
Net loss	—	—	—	—	(374,692)	—	(374,692)
Other comprehensive income (loss):							
Foreign currency translation adjustments	—	—	—	—	—	14,494	14,494
Change in unrealized loss on investments, net of tax	—	—	—	—	—	(511)	(511)
Total comprehensive loss	—	—	—	—	—	—	(360,709)
Issuance of common stock under stock plans	7,696	7	122,420	—	—	—	122,427
Stock-based compensation expense	—	—	92,503	—	—	—	92,503
Income tax associated with stock options and other	—	—	27,353	—	—	—	27,353
Repurchase of common stock	(38,997)	—	(1,327,378)	—	—	—	(1,327,378)
Balance at December 31, 2008	191,548	304	21,472,895	—	(21,439,410)	17,006	50,795

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash flows from operating activities:			
Net (loss) income	(374,692)	(149,328)	382,930
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Loss (gain) on divestiture of businesses, net of tax	13,285	(74,384)	—
Gain on sale of investments in unconsolidated entities, net of tax	(66,867)	—	—
Unrealized gain on joint venture call options	—	(10,925)	—
Unrealized (gain) loss on contingent interest derivative on convertible debentures	(3,616)	15,301	—
Depreciation of property and equipment and other	102,368	115,441	108,762
Amortization of other intangible assets	25,663	116,064	122,767
Impairment of long-lived assets and other charges	619,013	262,822	1,949
Acquired in-process research and development	—	—	16,700
Provision for doubtful accounts	1,916	850	(1,165)
Stock-based compensation	90,066	90,914	65,905
Net (gain) loss on sale and other-than-temporary impairment of investments	(1,804)	1,787	(21,258)
Loss from unconsolidated entities, net of tax	3,868	2,018	—
Minority interest, net of tax	(16,009)	3,840	2,875
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:			
Accounts receivable	54,048	(104,338)	61,263
Prepaid expenses and other assets	11,759	134,601	(343,532)
Accounts payable and accrued liabilities	(100,463)	(64,231)	(19,178)
Accrued restructuring costs	27,606	(404)	(13,561)
Deferred revenues	95,902	131,961	110,330
Net cash provided by operating activities	482,043	471,989	474,787
Cash flows from investing activities:			
Proceeds from maturities and sales of investments	99,635	206,707	716,250
Purchases of investments	—	(311)	(541,569)
Reclassification of cash equivalents to prepaid expenses and other assets	(248,541)	—	—
Purchases of property and equipment	(118,999)	(152,992)	(181,611)
Proceeds from sale of property and equipment	48,843	—	—
Cash paid in business combinations, net of cash acquired	(11,733)	—	(604,795)
Proceeds received from divestiture of businesses, net of cash contributed	74,933	171,802	—
Investments in unconsolidated entities	(15,679)	(17,150)	—
Proceeds from sale of investments in unconsolidated entities	199,362	—	—
Proceeds received on long term note receivable	4,494	—	47,786
Cash received from trust, previously restricted	45,000	—	—
Proceeds from contingent purchase price adjustment	1,175	—	—
Other investing activities	265	2,501	1,535
Net cash provided by (used in) investing activities	78,755	210,557	(562,404)
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	122,427	306,976	51,540
Change in net assets of subsidiary	(623)	888	1,448
Repurchases of common stock	(1,327,378)	(1,156,491)	(135,000)
Proceeds from credit facility, net of issuance costs	200,000	—	295,619
Repayment of short-term debt related to credit facility	(200,000)	(199,000)	(100,000)
Proceeds from issuance of Convertible Debentures, net of issuance costs	—	1,223,691	—
Excess tax benefit associated with stock options	41,547	12,607	—
Repayment of long-term liabilities	—	—	(2,872)
Net cash (used in) provided by financing activities	(1,164,027)	188,671	110,735
Effect of exchange rate changes on cash and cash equivalents	15,575	3,721	6
Net (decrease) increase in cash and cash equivalents	(587,654)	874,938	23,124
Cash and cash equivalents at beginning of year	1,376,722	501,784	478,660
Cash and cash equivalents at end of year	789,068	1,376,722	501,784
Supplemental cash flow disclosures:			
Cash paid for interest, net of capitalized interest	38,788	1,453	6,360
Cash paid for income taxes, net of refunds received	14,712	21,300	51,660
Preferred stock received as consideration for divestiture of business	—	3,750	—
Receivable from divestiture of business	13,822	15,000	—

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008, 2007 AND 2006

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

Description of Business

VeriSign, Inc. ("VeriSign" or the "Company") is the trusted provider of Internet infrastructure services for the networked world. The Company offers a comprehensive spectrum of products and services that help a growing number of organizations and individuals to communicate and conduct commerce with confidence.

The Company's business consists of two reportable segments: (1) Internet Infrastructure and Identity Services ("3IS"), which consists of Naming Services, Secure Socket Layer ("SSL") Certificate Services, Identity and Authentication Services ("IAS"), and VeriSign Japan, and (2) Other Services, which represents continuing operations of non-core businesses and legacy products and services from divested businesses.

The Naming Services business is the authoritative directory provider of all *.com, .net, .cc, .tv*, *.name* and *.jobs* domain names. The SSL Certificate Services business enables enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. The IAS business includes identity protection services, fraud detection services, managed public key infrastructure ("PKI") services, and unified authentication services. These services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of SSL Certificate Services and IAS.

The Other Services segment consists of the continuing operations of the Company's non-core Pre-pay billing and payment services ("Pre-pay") business as well as legacy products and services from divested businesses. The Company is in the process of winding down the operations of the Pre-pay business. In Other Services, the legacy products and services from divested businesses primarily include the following: the Company's former Jamba! business ("Jamba"), which provided mobile entertainment to consumers; the Retail Data Solutions ("RDS") business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers; and the Content Delivery Network ("CDN") business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale.

Basis of Presentation

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

As of December 31, 2008, VeriSign owned approximately 53.3% of the outstanding shares of capital stock of its consolidated subsidiary, VeriSign Japan K.K. The minority interest's proportionate share of income is included in minority interest in the consolidated statements of operations. Changes in VeriSign's proportionate share of the net assets of VeriSign Japan K.K. resulting from sales of capital stock by the subsidiary are accounted for as equity transactions. Investments in entities in which the Company exercised significant influence, but did not own a majority equity interest or otherwise control, were accounted for using the equity method and are included as investments in unconsolidated entities on the consolidated balance sheets.

Reclassifications – Discontinued Operations and Segment Information

The Consolidated Statements of Operations have been reclassified for all periods presented to reflect discontinued operations treatment. Unless noted otherwise, discussions in the Notes to Consolidated Financial Statements pertain to continuing operations.

As a result of a comprehensive review of its business strategy, VeriSign changed its reportable segments in 2008. Previously, the Company had the following two reportable segments: Internet Services Group ("ISG") and Communications Services Group ("CSG"). Beginning in fiscal 2008, the Company's business consists of the following reportable segments: 3IS and Other Services. Accordingly, the segment information has been reclassified for all periods presented. See Note 16, "Segment Information," for further information regarding the Company's reportable segments.

Reclassifications – Other

During 2008, the Company identified that it had not accrued for penalties incurred related to late payment of federal and state payroll taxes for the periods during fiscal 2004 through fiscal 2007 of approximately $9.6 million. However, the cumulative amount of unrecorded penalties identified during 2008 are significant to the results of operations of fiscal 2008. During the quarter ended June 30, 2008, the Company corrected the prior periods, as presented, by recording the penalties and interest in their respective prior periods, resulting in increased operating expenses and decreased net income (loss) from previously reported amounts. As a result, the Company recorded penalties and interest of approximately $6.0 million and $1.0 million for the years ended December 31, 2007 and 2006, respectively. The Company recorded penalties and interest for an aggregate of $2.6 million as a cumulative adjustment to Accumulated deficit and Accounts payable and accrued liabilities as of January 1, 2006.

In addition, during the quarter ended December 31, 2008, the Company identified two matters related to the historical timing of revenue recognition in its Naming Services and SSL Certificate Services businesses. The first matter related to the Company's historical timing of revenue recognition during the initial month in which services were sold for its Naming Services and SSL Certificate Services businesses. Historically, the Company recognized revenues for the full initial month of the service period, irrespective of the day in the initial month the service began. Upon identification of the matter, the Company corrected its accounting to apply a mid-month convention for revenue recognition whereby only a half month of revenues will be recognized in the initial month of the service period, resulting in adjustments to revenues as reported in prior periods. Based on historical customer registration activity, the utilization of a mid-month revenue recognition convention would not materially differ from following a daily recognition method. The second matter related to the Company's historical timing of revenue recognition upon renewal of its SSL certificates by customers. Historically, the Company began recognizing revenue on the renewal upon the execution of the extension agreement rather than upon the commencement of the renewal period. Upon identification of this second matter, the Company retrospectively corrected its accounting to recognize revenues upon commencement of the renewal period, resulting in adjustments to revenues as reported in prior periods. As a result of these adjustments, the Company recorded a reduction in its revenues, as reported, by $6.3 million and $6.5 million for 2007 and 2006, respectively. The Company also recorded a reduction in its revenues of $22.7 million for periods prior to 2006, and presented the entire amount as a cumulative adjustment to Accumulated deficit as of January 1, 2006, of which it presented $19.9 million as a cumulative increase in Deferred revenues and $2.8 million as a cumulative increase in Long-term deferred revenues as of January 1, 2006. The Company did not change the timing of revenue recognition for income tax purposes; accordingly, the Company recorded an income tax benefit and increased its deferred tax assets for deferred revenues. The Company recorded an income tax benefit of $2.5 million and $11.4 million for 2007 and 2006, respectively.

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The amounts resulting from the adjustments associated with each affected prior period are not material to the consolidated financial statements of such periods.

The following table presents the effects of the adjustments to the Company's Consolidated Statement of Operations for the year ended December 31, 2007:

	Year Ended December 31, 2007				
	As Previously Reported	Revenue Adjustment (1)	Payroll Tax Adjustment (2)	Reclassification to Discontinued Operations	As Adjusted
Revenues	$1,496,289	$ (6,316)	$ —	$ (642,516)	$ 847,457
Costs and expenses					
Cost of revenues	596,517	—	—	(355,555)	240,962
Sales and marketing	276,632	—	—	(39,903)	236,729
Research and development	160,186	—	—	(59,973)	100,213
General and administrative	276,130	—	5,902	(18,170)	263,862
Restructuring, impairments and other charges (reversals), net	292,261	—	—	(57,284)	234,977
Amortization of other intangible assets	116,064	—	—	(99,558)	16,506
Total costs and expenses	1,717,790	—	5,902	(630,443)	1,093,249
Operating loss	(221,501)	(6,316)	(5,902)	(12,073)	(245,792)
Other income, net	93,759	—	(81)	940	94,618
Loss from continuing operations before income taxes, loss from unconsolidated entities and minority interest	(127,742)	(6,316)	(5,983)	(11,133)	(151,174)
Income tax (expense) benefit	(11,080)	2,473	—	17,903	9,296
Loss from unconsolidated entities, net of tax	(2,018)	—	—	—	(2,018)
Minority interest, net of tax	(3,840)	—	—	—	(3,840)
Loss from continuing operations	(144,680)	(3,843)	(5,983)	6,770	(147,736)
Income (loss) from discontinued operations, net of tax	5,178	—	—	(6,770)	(1,592)
Net loss	$ (139,502)	$ (3,843)	$ (5,983)	$ —	$ (149,328)
Basic and diluted loss per share from:					
Continuing operations	$ (0.61)	$ (0.02)	$ (0.02)	$ 0.03	$ (0.62)
Discontinued operations	0.02	—	—	(0.03)	(0.01)
Net loss	$ (0.59)	$ (0.02)	$ (0.02)	$ —	$ (0.63)
Shares used in per share computation:					
Basic and diluted	237,707	237,707	237,707	237,707	237,707

(1) Adjustment of revenues arising from matters related to historical timing of revenue recognition. The adjustment to revenues also resulted in a corresponding adjustment to income tax (expense) benefit.
(2) Correction of previously unrecorded payroll tax penalties and interest.

VERISIGN, INC. AND SUBSIDIARIES

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The following table presents the effects of the adjustments to the Company's Consolidated Statement of Operations for the year ended December 31, 2006:

	Year Ended December 31, 2006				
	As Previously Reported	Revenue Adjustment (1)	Payroll Tax Adjustment (2)	Reclassification to Discontinued Operations	As Adjusted
Revenues	$1,562,998	$ (6,492)	$ —	$ (573,772)	$ 982,734
Costs and expenses					
Cost of revenues	574,762	—	—	(287,481)	287,281
Sales and marketing	376,508	—	—	(63,679)	312,829
Research and development	129,256	—	—	(39,422)	89,834
General and administrative	256,592	—	821	(23,536)	233,877
Restructuring, impairments and other charges (reversals), net	(4,471)	—		(1,738)	(6,209)
Amortization of other intangible assets	122,767	—	—	(93,509)	29,258
Acquired in-process research and development	16,700	—	—	(5,100)	11,600
Total costs and expenses	1,472,114	—	821	(514,465)	958,470
Operating income	90,884	(6,492)	(821)	(59,307)	24,264
Other income, net	42,643	—	(141)	618	43,120
Income from continuing operations before income taxes, loss from unconsolidated entities and minority interest	133,527	(6,492)	(962)	(58,689)	67,384
Income tax benefit	243,648	11,369	—	42,210	297,227
Minority interest, net of tax	(2,875)	—	—	—	(2,875)
Income from continuing operations	374,300	4,877	(962)	(16,479)	361,736
Income from discontinued operations, net of tax	4,715	—	—	16,479	21,194
Net income	$ 379,015	$ 4,877	$ (962)	$ —	$ 382,930
Basic income per share from:					
Continuing operations	$ 1.53	$ 0.02	$ —	$ (0.07)	$ 1.48
Discontinued operations	0.02	—	—	0.07	0.09
Net income	$ 1.55	$ 0.02	$ —	$ —	$ 1.57
Diluted income per share from:					
Continuing operations	$ 1.51	$ 0.02	$ —	$ (0.06)	$ 1.46
Discontinued operations	0.02	—	—	0.06	0.09
Net income	$ 1.53	$ 0.02	$ —	$ —	$ 1.55
Shares used in per share computation:					
Basic	244,421	244,421	244,421	244,421	244,421
Diluted	247,073	247,073	247,073	247,073	247,073

(1) Adjustment of revenues arising from matters related to historical timing of revenue recognition. The adjustment to revenues also resulted in a corresponding adjustment to income tax benefit.
(2) Correction of previously unrecorded payroll tax penalties and interest.

Use of Estimates

VeriSign's consolidated financial statements have been prepared in accordance with U.S. GAAP. 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.

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, commercial paper and various deposit accounts. All marketable investments 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 income. The Company had marketable investments of $0.3 million and $1.0 million as of December 31, 2008 and 2007, respectively, all of which are included in Prepaid expenses and other current assets.

Investments in Unconsolidated Entities

VeriSign accounts for its investments in Jamba joint ventures as equity method investments, based on its ability to exert significant influence, but not control, over the joint ventures. VeriSign records its investments at the amount of capital contributed plus its percentage interest in the Jamba joint ventures' earnings or loss. As of December 31, 2008, the Company did not have any significant investments in unconsolidated entities. See Note 2 "Joint Ventures" for further information regarding the Company's investments in unconsolidated entities.

Long-Term Investments

Investments in non-public companies where VeriSign owns less than 20% of the voting stock and has no indicators of significant influence are included in Other assets in the consolidated balance sheets and are accounted for under the cost method. For these non-quoted investments, VeriSign regularly reviews the assumptions underlying the operating performance and cash flow forecasts based on information provided by these privately held companies. If it is determined that an other-than-temporary decline exists in an equity security, VeriSign writes down the investment to its fair value and records the related impairment as an investment loss in its consolidated statements of operations.

Trade Accounts Receivable and Allowances for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and generally do not include finance charges. VeriSign maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. VeriSign regularly reviews the adequacy of its accounts receivable allowance after considering the significance of the accounts receivable balance, each customer's expected ability to pay and its collection history with each customer. In determining its reserves, VeriSign analyzes historical collection experience and current economic trends.

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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 with 40 years for buildings and three to five years for computer equipment, purchased software, office equipment, and furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or associated lease terms.

Capitalized Software

Development costs incurred in the research and development of new software products to be sold and marketed, and enhancements to existing software products are expensed as incurred until technological feasibility in the form of a working model has been established. VeriSign's software has been available for general release concurrent with the establishment of technological feasibility, and accordingly no such costs have been capitalized.

Software included in property and equipment includes amounts paid for purchased software and development cost for software used internally that has been capitalized. The following table summarizes the capitalized costs related to third-party implementation and consulting services as well as costs related to internally developed software:

	Year Ended December 31,	
	2008	2007
	(In thousands)	
Internally used third-party software and consulting fees	$ 4,982	$ 12,230
Internally developed software	31,961	29,912

Goodwill and Other Long-lived Assets

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill and other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually during the second quarter. Such goodwill and other intangible assets may also be tested for impairment between annual tests in the presence of impairment indicators such as, but not limited to,: (a) a significant adverse change in legal factors or in the business climate; (b) an adverse action or assessment by a regulator; (c) unanticipated competition; (d) loss of key personnel; (e) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; (f) testing for recoverability of a significant asset group within a reporting unit; or (g) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit. As of December 31, 2008, the Company has an indefinite-lived intangible asset, other than goodwill, with a carrying value of $11.7 million.

VeriSign performs its goodwill impairment analysis at its reporting unit level, which is one level below its operating segment level. The fair value of VeriSign's reporting units is determined using either the income or the market valuation approach or a combination thereof. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life. Under the market approach, the value of the reporting unit is based on an analysis that compares the value of the reporting unit to values of publicly traded companies in similar lines of business. In the

application of the income and market valuation approaches, VeriSign is required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates. The Company recorded an impairment charge of $45.8 million to its Post-pay business as part of its annual impairment test conducted during the second quarter of 2008. There were no impairment charges for goodwill from the annual impairment tests conducted during the second quarter of 2007 and 2006.

During the fourth quarter of 2008, VeriSign performed an interim impairment test of its reporting units due the existence of impairment indicators arising from the adverse changes in the macroeconomic environment, and recorded a goodwill impairment charge of $77.6 million related to its VeriSign Japan reporting unit. During the fourth quarter of 2007, VeriSign performed an interim impairment test due to its decision to divest its non-core businesses and as a result recorded an impairment charge of $182.2 million for goodwill related to the Company's former Content Services reporting unit. See Note 7, "Goodwill and Other Intangible Assets," for further information.

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset, or asset group, to estimated undiscounted future cash flows expected to be generated by the asset, or asset group, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value. In 2007, the Company recorded an impairment charge of $80.7 million related to long-lived assets, of which $66.9 million was related to its former Content Services business. In 2006, the company recorded an impairment charge of $2.0 million of other long-lived assets specifically related to abandoned technology acquired for a specific customer.

VeriSign amortizes intangible assets with estimable useful lives on a straight-line basis over their useful lives.

Restructuring Charges

VeriSign records restructuring charges related to workforce reduction pursuant to a severance plan which uses a standard formula of paying benefits based upon tenure with the Company. The accounting for such restructuring charges is dependent upon the following criteria: (i) the Company's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; (ii) the obligation relates to rights that vest or accumulate; (iii) payment of the compensation is probable; and (iv) the amount can be reasonably estimated.

VeriSign records restructuring charges related to excess facilities and other one-time severance costs at fair value only when the liability is incurred. Severance costs associated with the Company's standard restructuring plans are recorded once the costs are determined to be both probable and estimable. Excess facilities restructuring charges take into account the fair value of lease obligations of the abandoned space, including the potential for sublease income. Estimating the amount of sublease income requires management to make estimates for the space that will be rented, the rate per square foot that might be received and the vacancy period of each property.

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Foreign Currency Translation

VeriSign conducts business throughout the world and transacts in multiple currencies. The functional currency for most of VeriSign's international subsidiaries is the U.S. Dollar. The subsidiaries' financial statements are remeasured into U.S. Dollars using a combination of current and historical exchange rates and any remeasurement gains and losses are included in operating results.

The financial statements of the subsidiaries for which the local currency is the functional currency are translated into U.S. Dollars using the current rate for assets and liabilities and a weighted-average rate for the period for revenues and expenses. This translation results in a cumulative translation adjustment that is included in accumulated other comprehensive income or loss, which is a separate component of stockholders' equity.

VeriSign maintains a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities of its operations that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. The Company does not enter into foreign currency transactions for trading or speculative purposes, nor does it hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, and in each case, these contracts are limited to a duration of less than 12 months.

At December 31, 2008, VeriSign held forward contracts in notional amounts totaling $69.0 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. All forward contracts are recorded at fair market value. The Company attempts to limit its exposure to credit risk by executing foreign exchange contracts with financial institutions that have investment grade ratings.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains and losses on marketable securities classified as available-for-sale. The following table summarizes the changes in the components of Accumulated other comprehensive income (loss) for 2008 and 2007:

	Foreign Currency Translation Adjustments Gain (Loss), net of tax	Unrealized (Loss) Gain On Investments, net of tax	Total Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Balance, December 31, 2006	$ (3,169)	$ (1,983)	$ (5,152)
Changes	5,903	2,272	8,175
Balance, December 31, 2007	2,734	289	3,023
Changes	14,494	(511)	13,983
Balance, December 31, 2008	$ 17,228	$ (222)	$ 17,006

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Revenue Recognition

VeriSign recognizes revenues once persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. VeriSign defines each of these four criteria as follows:

- *Persuasive evidence of an arrangement exists:* It is the Company's customary practice to have a written contract, which is signed by both the customer and VeriSign, or a purchase order from those customers who have previously negotiated a standard license arrangement with VeriSign.
- *Delivery has occurred or services have been rendered:* Delivery of the Company's products is deemed to have occurred upon activation of services. The Company's services are rendered from activation of service through the term of the arrangement.
- *The fee is fixed or determinable:* Arrangements with payment terms extending beyond customary payment terms are considered not to be fixed or determinable, and revenues from such arrangements are recognized as payments become due and payable.
- *Collectibility is probable:* Collectibility is assessed on a customer-by-customer basis. VeriSign typically sells to customers for whom there is a history of successful collection. New customers are subjected to a credit review process that evaluates the customer's financial position and, ultimately, their ability to pay. If VeriSign determines from the outset of an arrangement that collectibility is not probable based upon its credit review process, revenues are recognized as cash is collected.

Revenues from arrangements with multiple elements are allocated based on the fair value of the elements. For these arrangements, the Company evaluates all deliverables in each arrangement to determine whether they represent separate units of accounting. Fair value is determined based on reliable evidence of the fair value of each deliverable. Revenues are recognized in accordance with generally accepted accounting policies for the separate elements when the services have value on a stand-alone basis and fair value of the separate elements exists.

Naming Services

VeriSign's revenues primarily include registry services for the *.com* and *.net* gTLDs and certain ccTLDs, and managed domain name services. Domain name registration revenues consist primarily of registration fees charged to registrars for domain name registration services. Revenues from the initial registration or renewal of domain name registration services are deferred and recognized ratably over the registration term, generally one to two years and up to ten years. Fees for renewals and advance extensions to the existing term are deferred until the new incremental period commences. These fees are then recognized ratably over the new registration term, ranging from one to ten years.

SSL Certificate Services

Revenues from SSL Certificate services include the sale or renewal of digital certificates. These revenues are deferred and recognized ratably over the life of the digital certificate, which is generally 12 to 36 months. Post-contract customer support ("PCS") when sold is bundled with the digital certificates and recognized as a combined unit of accounting over the certificate term.

Identification and Authentication Services

Revenues from the sale of Identification and Authentication Services primarily consist of a set-up fee, annual managed service and per seat license fee. Revenues from the fees are deferred and recognized ratably over the term of the license, generally 12 to 36 months. PCS when sold, is bundled with the identification and authentication services and recognized as a combined unit of accounting over the license term.

Revenues Classified in Discontinued Operations

Revenues derived from the Company's disposal groups held for sale and classified as discontinued operations are recognized upon delivery of services performed.

Advertising Expense

Advertising costs are expensed as incurred and are included in Sales and marketing in the accompanying Consolidated Statements of Operations. Advertising expense was $27.6 million, $30.6 million and $149.9 million in 2008, 2007, and 2006, respectively, of which $0.3 million, $0.1 million, and $1.0 million are classified as discontinued operations.

Income Taxes

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

The extent of VeriSign's operations involves dealing with uncertainties and judgments in the application of complex tax regulations in a multitude of 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. Effective January 1, 2007, the Company adopted FASB Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes.*" FIN 48 is an interpretation of SFAS No. 109 ("SFAS 109"), "*Accounting for Income Taxes,*" and provides for the recognition and measurement of uncertain tax positions. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. 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 cumulative effect of adopting FIN 48 was a decrease in income taxes payable of $9.3 million, an increase in long-term deferred tax assets of $26.2 million, and a decrease in the January 1, 2007, accumulated deficit balance of $35.5 million.

The Company's assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and category 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 position and results of operations.

Stock-Based Compensation

VeriSign currently uses the Black-Scholes option pricing model to determine the fair value of stock options and employee stock purchase plan awards. The determination of the fair value of stock-based payment awards using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. In addition, the Company uses the Monte-Carlo simulation option-pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation option-pricing

model takes into account the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination, the possibility that the market condition may not be satisfied. Compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period for each such award.

VeriSign recognizes a benefit from stock-based compensation in paid in capital if an incremental tax benefit is realized after all other tax attributes currently available to it have been utilized. Additionally, VeriSign accounts for the indirect benefits of stock-based compensation on the research tax credit through the consolidated income statement (continuing operations) rather than through paid-in-capital. VeriSign does include deferred tax assets and the associated valuation allowance related to the net operating loss and tax credit carryforwards for the accumulated stock award windfalls for income tax footnote disclosure purposes. VeriSign tracks these stock award attributes separately and recognizes these attributes through paid-in-capital.

Concentration of Credit Risk

Financial instruments that potentially subject VeriSign to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments, accounts receivable, and funds held by the Reserve included in Prepaid expenses and other current assets. VeriSign maintains its cash, cash equivalents and investments in marketable securities 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. In addition, the portfolio of investments in marketable securities conforms to VeriSign's policy regarding concentration of investments, maximum maturity and quality of investment. In 2008, due to the adverse impact of the macroeconomic environment, the Company reclassified its former actively-traded money-market fund investments held by The Reserve from Cash and cash equivalents to Prepaid expenses and other current assets. Concentration of credit risk with respect to accounts receivable is limited by the diversity of the customer base and geographic dispersion. VeriSign also performs ongoing credit evaluations of its customers and generally requires no collateral. VeriSign maintains an allowance for potential credit losses on its accounts receivable.

Discontinued Operations

Assets classified as held for sale are recorded at the lower of their carrying amount or fair value less costs to sell and are not depreciated or amortized. Classification of the Company's disposal groups as held for sale occurs when sufficient authority to sell the disposal group has been obtained, the disposal group is available for immediate sale, an active program to sell the disposal group has been initiated and its sale is probable within one year. If at any time these criteria are no longer met, the disposal group would be reclassified as held and used. The Company evaluates the held for sale classifications during each reporting period.

The results of operations of disposal groups held for sale or disposed of are presented as discontinued operations when the underlying operations and cash flows of the disposal group will be, or have been, eliminated from the Company's continuing operations and the Company no longer has the ability to influence the operating and/or financial policies of the disposal group. This assessment is made at the time the disposal group is classified as held for sale and for a one-year period after the sale of the disposal group.

See Note 4, "Assets Held for Sale and Discontinued Operations," for further information regarding the Company's discontinued operations.

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Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) No. Accounting Principles Board (“APB”) 14-1 (“FSP APB 14-1”), “*Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).*” FSP APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the issuer’s non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2009. FSP APB 14-1 will be applied retrospectively to all periods presented. The Company’s adoption of FSP APB 14-1 will affect its 3.25% junior subordinated convertible debentures due 2037 (“Convertible Debentures”). The Company expects the adoption of FSP APB 14-1 will result in higher interest expense for fiscal 2007 through fiscal 2037, assuming the Convertible Debentures will be settled upon maturity in 2037, associated with a significant reduction in its Convertible Debentures balance along with a corresponding increase in its stockholders’ equity as of December 31, 2007 and 2008. The Company expects the adoption of FSP APB 14-1 will result in an additional interest expense, excluding the corresponding impact of income taxes, of $4.0 million and $0.2 million to be recognized during 2008 and 2007, respectively, and an additional aggregate interest expense, excluding the corresponding impact of income taxes, of $34.7 million to be recognized during 2009 through 2013.

In April 2008, the FASB issued FSP No. Statement of Financial Accounting (“SFAS”)142-3 (“FSP SFAS 142-3”), “*Determination of the Useful Life of Intangible Assets*.” FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142 (“SFAS 142”), “*Goodwill and Other Intangible Assets*.” The intent of FSP SFAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) (“SFAS 141R”), “*Business Combinations*,” and other U.S. generally accepted accounting principles (“GAAP”). FSP SFAS 142-3 is effective for fiscal years beginning after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2009 for intangibles assets acquired thereafter.

In February 2008, the FASB issued FSP No. SFAS 157-2 (“FSP SFAS 157-2”), “*Effective Date of FASB Statement No. 157*,” which defers the effective date for adoption of fair value measurements for nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. FSP SFAS 157-2 is effective for fiscal years beginning on or after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2009 to business acquisition transactions occurring thereafter.

In December 2007, the FASB issued SFAS No. 160 (“SFAS 160”), “*Non-controlling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51*,” which requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements, and requires that transactions between entities and non-controlling interests be treated as equity. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and will be adopted by the Company in the first quarter of fiscal 2009. Upon adoption, the Company will present the non-controlling interest of $49.2 million and $54.5 million as of December 31, 2008 and 2007, respectively, in its consolidated VeriSign Japan subsidiary (“Minority interest”) as well as any future non-controlling interests as a separate component of Stockholders’ equity. SFAS 160 will also be applied prospectively for measurement of any changes in the Company’s ownership of subsidiaries, including newly acquired interests, on or after January 1, 2009.

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In December 2007, the FASB issued SFAS 141R which will significantly change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2009 to business acquisition transactions occurring thereafter.

Note 2. Joint Ventures

On January 31, 2007, VeriSign entered into two joint venture agreements (“Jamba joint ventures”) with Fox Entertainment (“Fox”), a subsidiary of News Corporation, to provide mobile entertainment to consumers on a global basis. Fox paid VeriSign cash consideration of $192.4 million for the divestiture of 51% of its ownership interest in Jamba and VeriSign paid Fox $4.9 million in cash for its contribution of Fox Mobile Entertainment assets. The Company recorded a gain of $68.2 million in Other income, net, upon the divestiture of its majority ownership interest in Jamba and recorded its interests in the Jamba joint ventures as investments in unconsolidated entities in accordance with the equity method. As of December 31, 2007, the Company had a balance of $109.8 million in investments in unconsolidated entities related to the Jamba joint ventures. In 2007, the Company provided a working capital loan of $15.0 million under a promissory note to the Jamba joint ventures.

The Company invested additional amounts of $15.7 million and $17.2 million in 2008 and 2007, respectively, pursuant to capital calls approved by the board of managers of the Jamba joint ventures, and recorded the amount as investments in unconsolidated entities. The purpose of the capital calls was to fund the ongoing business and working capital needs of the Jamba joint ventures.

On October 6, 2008, the Company sold its remaining 49% ownership interest in the Jamba joint ventures to subsidiaries of News Corporation for cash consideration of $199.4 million and the Company recorded a gain on sale of $77.9 million in Other income, net, and an income tax expense of $11.0 million, upon the divestiture. Pursuant to the sale agreement, all outstanding debts and accrued but unpaid interest owed among the Company and the Jamba joint ventures have been repaid, and the parties agreed to the settlement and discharge of all other amounts owed among them as of the date of the agreement.

Note 3. Business Combinations

2008 Acquisition

On October 1, 2008, VeriSign completed its acquisition of Global Name Registry, Limited (“GNR”), a United Kingdom based company that manages and operates the registry for the *.name* top level domain. VeriSign paid approximately $11.7 million in cash (net of cash acquired of $1.1 million) for the acquisition, which included approximately $0.6 million to cover certain transaction costs. VeriSign recorded goodwill of $1.2 million, other indefinite-lived intangible asset of $11.7 million, and assumed net liabilities of $1.2 million. GNR is included as part of the Company’s 3IS segment. VeriSign had a pre-existing relationship with GNR, pursuant to a registry services agreement, whereby VeriSign provided certain registry services to GNR. The effective settlement of the pre-existing relationship, as a result of the acquisition, did not result in any gain or loss in the Consolidated Statement of Operations.

2007 Acquisitions

In 2007, VeriSign did not acquire any businesses.

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2006 Acquisitions

inCode

On November 30, 2006, VeriSign completed its acquisition of inCode Telecom Group, Inc. (“inCode”), a San Diego, California-based wireless and technology consulting company. VeriSign purchased inCode to give its customers a competitive edge in bringing advanced mobility solutions to market. VeriSign’s purchase price of $41.8 million consisted of approximately $40.2 million in cash consideration and $1.6 million in direct transaction costs. Immediately upon closing, VeriSign paid $21.7 million of inCode’s outstanding principal debt and assumed liabilities. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $27.8 million, other intangible assets of $39.6 million and assumed net liabilities of $25.6 million. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of inCode was 7.1 years. In 2008, inCode was divested as part of the Company’s Communications Consulting business.

GeoTrust

On September 1, 2006, VeriSign completed its acquisition of GeoTrust, Inc. (“GeoTrust”), a Needham, Massachusetts-based privately-held provider of digital certificates and identity verification solutions. VeriSign’s purchase price of $127.4 million consisted of approximately $125.3 million in cash consideration and $2.1 million in direct transaction costs. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $100.1 million, other intangible assets of $28.3 million, assumed net liabilities of $2.2 million and in-process research and development (“IPR&D”) expense of $1.2 million. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of GeoTrust was 5.4 years. GeoTrust is included in the Company’s 3IS segment.

m-Qube

On May 1, 2006, VeriSign completed its acquisition of m-Qube, Inc. (“m-Qube”), a Watertown, Massachusetts-based privately-held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services. VeriSign purchased m-Qube to provide an end-to-end technology platform, carrier relationships and value-added services to consumer facing companies and their service providers to use wireless broadband as a content delivery, marketing and communications channel. VeriSign’s purchase price of $269.2 million for all of the outstanding capital stock and vested options of m-Qube consisted of approximately $266.0 million in cash consideration and $2.4 million in direct transaction costs. VeriSign also assumed $0.8 million of unvested stock options of m-Qube. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $160.0 million, other intangible assets of $93.6 million, net tangible assets of $11.0 million and IPR&D expense of $4.6 million. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of m-Qube was 5.3 years. In 2008, m-Qube was classified as a discontinued operation, and its assets are included in the Company’s Messaging and Mobile Media and Content Portal Services (“CPS”) businesses held-for-sale and a portion was divested with the EMEA Mobile Media (“EMM”) business.

Kontiki

On March 14, 2006, VeriSign completed its acquisition of Kontiki, Inc. (“Kontiki”), a Sunnyvale, California-based provider of broadband content services. VeriSign purchased Kontiki to expedite large file downloads on the Internet. VeriSign’s purchase price of $59.6 million for all of the outstanding capital stock and vested options of Kontiki consisted of approximately $57.1 million in cash consideration and $2.3 million in

direct transaction costs. VeriSign also assumed $0.2 million of unvested stock options of Kontiki. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $23.9 million, other intangible assets of $23.5 million, net tangible assets of $2.2 million and IPR&D expense of $10.0 million. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of Kontiki was 6.4 years. In 2008, Kontiki was divested as part of the Company's Content Delivery Network business.

3united Mobile Solutions

On February 28, 2006, VeriSign completed its acquisition of 3united Mobile Solutions ag ("3united"), a Vienna, Austria-based provider of wireless application services. VeriSign purchased 3united to provide anticipated ability to bundle different applications to engage and drive consumers to higher value services such as content, chat or mCommerce. VeriSign's purchase price of $71.2 million for approximately 99.8% of the outstanding capital stock of 3united consisted of approximately $70.1 million in cash consideration, and $1.1 million in direct transaction costs. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $48.3 million, other intangible assets of $26.7 million and assumed net liabilities of $3.8 million. Under Austrian tax law a portion of the goodwill is deductible for tax purposes. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of 3united was 6.6 years. In 2008, 3united was divested as part of the Company's EMEA Mobile Media business.

CallVision

On January 24, 2006, VeriSign completed its acquisition of CallVision, Inc. ("CallVision"), a Seattle, Washington-based privately-held provider of online analysis applications for mobile communications customers. VeriSign purchased CallVision to provide online customer self-service with a single view of billing across multiple systems and vendors. VeriSign's purchase price of $38.7 million for all of the outstanding capital stock and vested options of CallVision consisted of approximately $38.2 million in cash consideration and $0.4 million in direct transaction costs. VeriSign also assumed $0.1 million of unvested stock options of CallVision. In allocating the purchase price based on estimated fair values, VeriSign recorded goodwill of $18.0 million, other intangible assets of $12.0 million, net tangible assets of $8.2 million and IPR&D expense of $0.5 million. At the date of acquisition, the overall weighted-average life of the identified amortizable intangible assets acquired in the purchase of CallVision was 6.3 years. In 2008, CallVision was divested as part of the Company's Self-Care and Analytics business.

Other Acquisitions

In addition to the above, VeriSign also acquired two other companies during 2006 for an aggregate purchase price of approximately $25.4 million. These acquisitions were not material on an individual basis or in the aggregate.

Note 4. Assets Held for Sale and Discontinued Operations

During the fourth quarter of 2007, VeriSign announced a change to its business strategy to allow management to focus its attention on its core competencies and to make additional resources available to invest in its core businesses. The strategy calls for the divesture or winding down of a number of non-core businesses in the Company's portfolio, such as Enterprise Security Services ("ESS"), Communications Services, and

Messaging and Mobile Media Services, as well as other smaller businesses. These businesses, except for Pre-pay, which the Company is currently in the process of winding down, are classified as disposal groups held for sale as of December 31, 2008, and their results of operations have been classified as discontinued operations for all periods presented.

Completed Divestitures

On December 31, 2008, the Company sold its EMM business which offered mobile application services that included interactive messaging applications, content portal services, and messaging gateway services for cash consideration of $7.8 million, $3.6 million of which is due in 2009, and $2.8 million related to an estimated working capital adjustment is due in 2009. The Company recorded a loss on sale of $13.3 million, net of an income tax benefit of $0.1 million, including estimated losses on disposal recorded prior to the sale. The Company's 3united Mobile Solutions business, which it acquired in 2006, was divested as part of the EMM business. The historical results of operations of the EMM business have been classified as discontinued operations for all periods presented.

On December 31, 2008, the Company sold its Post-pay business, which enabled advanced billing and customer care services to wireless telecommunications carriers, for cash consideration of $28.3 million. The cash consideration includes $2.5 million that was placed in an escrow account to cover any contingent claims made by the buyer against the Company through December 31, 2009. If no claims are made, the amount in escrow will be released to the Company during the fourth quarter of fiscal 2009. The Company recorded a loss on sale of $1.9 million, net of an income tax benefit of $0.3 million, including estimated losses on disposal recorded prior to the sale. The historical results of operations of the Post-pay business have been classified as discontinued operations for all periods presented.

On October 31, 2008, the Company sold its Communications Consulting business, which offered a full range of strategy and technology consulting, business planning, sourcing, and implementation services to help telecommunications operators and equipment manufacturers drive profitable new business and technology strategies, in a management buyout transaction for cash consideration of $0.7 million The Company recorded a loss on the sale of $20.9 million, net of an income tax benefit of $17.0 million, including estimated losses on disposal recorded prior to the sale. The Company's inCode Telecom Group business, which it acquired in 2006, was divested as part of the Communications Consulting business. The historical results of operations of the Communications Consulting business have been classified as discontinued operations for all periods presented.

On April 30, 2008, the Company sold its Digital Brand Management Services ("DBMS") business, which offered a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity, for net cash consideration of $50.4 million and recorded a gain on sale of $21.2 million, net of an income tax expense of $11.4 million. The net cash consideration includes $5.0 million that was placed in an escrow account to cover any contingent claims made by the buyer against VeriSign through April 30, 2009. If no claims are made, the amount in escrow will be released to VeriSign during the second quarter of fiscal 2009. The historical results of operations of the DBMS business have been classified as discontinued operations for all periods presented.

On April 30, 2008, the Company sold its Content Delivery Network ("CDN") business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale, for net cash consideration of $1.0 million and recorded a gain on sale of $1.7 million, net of an income tax expense of $1.1 million. The Company's Kontiki business, which it acquired in 2006, was divested as part of the CDN business. The Company has retained an equity ownership in the CDN

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business and has accounted for its investment in the CDN business on an equity method basis. As a result of the Company's continuing involvement in the CDN business, the historical results of operations of the CDN business have not been classified as discontinued operations. The historical results of operations of CDN are included in the Company's Other Services segment.

On March 31, 2008, the Company sold its Self-Care and Analytics ("SC&A") business, which provided on-line analysis applications for mobile communications customers and on-line customer self-service with a single view of billing across multiple systems, for net cash consideration of $14.2 million and recorded a loss on sale of $0.5 million, net of an income tax benefit of $0.3 million. The Company's CallVision business, which it acquired in 2006, was sold as part of the SC&A business. The historical results of operations of the SC&A business have been classified as discontinued operations for all periods presented.

On December 31, 2007, the Company sold its Retail Data Solutions ("RDS") business, which offered point-of-sale data information for retail, pharmaceutical and consumer goods customers, for $10.2 million in considerations. The sale price included $6.4 million in cash and $3.8 million in preferred stock of the acquiring company. The Company recorded the preferred stock as a long-term investment. As part of the transaction, the Company recorded a gain on sale of $4.5 million, net of an income tax benefit of $1.5 million. As the historical results of operations of the RDS business were not significant, they have not been classified as discontinued operations. The historical results of operations of RDS are included in the Company's Other Services segment.

On September 1, 2007, the Company sold its wholly-owned Jamba Service GmbH subsidiary ("Jamba Service"), which marketed insurance and extended service warranties to consumers for mobile electronic equipment and products, for net cash consideration of $12.8 million and recorded a gain on sale of $1.8 million. The historical results of operations of Jamba Service have been classified as discontinued operations for all periods presented.

Assets Held for Sale

The Company did not have any assets held for sale as of December 31, 2007. The following table presents the carrying amounts of major classes of assets and liabilities related to assets held for sale as of December 31, 2008. During 2008, the Company recorded net losses on disposals of $433.2 million, including $412.0 million of estimated losses on assets held for sale, which is included in discontinued operations. Gains on disposal are recorded on the date the sale of the disposal group is consummated.

	December 31, 2008 (In thousands)
Assets:	
Accounts receivable	$ 58,588
Other current assets	63,516
Goodwill (net of estimated losses on assets held for sale of $412.0 million)	237,177
Other long-lived assets	124,559
Total assets held for sale	$ 483,840
Liabilities:	
Accounts payable and accrued liabilities	$ 35,853
Deferred revenues	13,307
Total liabilities related to assets held for sale	$ 49,160

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As of December 31, 2008, businesses classified as held for sale and presented as discontinued operations are the following:

Communications Services

The Company's Communications Services business provides communications services, such as Billing and Commerce Services, Connectivity and Interoperability Services and Intelligent Database Services. The Company's Billing and Commerce Services primarily include its Billing Services, Global Consulting Services for Billing, Real-Time Rating and Payment Services, Real-Time Roaming Services, and Settlement and Exchange Services. The Company's Connectivity and Interoperability Services primarily include its Signaling System 7 ("SS7") Connectivity, Voice and Data Roaming services, and Voice Over Internet Protocol Services. The Company's intelligent database services primarily include its Number Portability Services, Calling Name Database Services, Line Information Database Services and Toll-free Database Services.

On March 2, 2009, the Company entered into a binding agreement to sell its Communications Services business to Transaction Network Services, Inc. for $230.0 million subject to certain adjustments to reflect normal fluctuations in working capital. The transaction is subject to Hart-Scott-Rodino Act review, and the agreement contains customary closing conditions. The parties anticipate that the transaction will close within 60 days.

Content Portal Services

The Company's CPS business enables a seamless end-to-end solutions business focused on providing best-in-class digital content storefront services. CPS can be used as a content delivery platform for games, ringtones, and other content services. CPS provides its services to mobile carriers and media companies primarily located in Canada.

Enterprise Security Services

The Company's Enterprise Security Services business includes Managed Security Services ("MSS"), iDefense Security Intelligence Services, and the Global Consulting Services. The Company's MSS enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, every day of the year while reducing the associated time, expense, and personnel commitments by relying on VeriSign's security platform and experienced security staff. The Company's iDefense Security Intelligence Services deliver comprehensive, actionable intelligence to help companies decide how to respond to threats and manage security risks on networks. The Global Consulting Services help companies understand corporate security requirements, comply with all applicable regulations, identify security vulnerabilities, reduce risk, and meet the security compliance requirements applicable to the particular business and industry.

International Clearing

The Company's International Clearing business enables financial settlement and call data settlement for wireless and wireline carriers.

Messaging and Mobile Media

The Company's Messaging and Mobile Media ("MMM") business is an industry-leading global provider of short-messaging, multimedia messaging, and mobile content application services. MMM enables messages and multimedia content to be sent globally across any wireless operator and mobile device. MMM offers the global connectivity, network reliability, and scalability necessary to capitalize on the fast growing global messaging and media content markets.

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Real-time Publisher Services

The Company's Real-Time Publisher services ("RTP") allow organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises, Web-portal developers, application developers and consumers. RTP also makes it easier for publishers of all sizes to distribute and track their content feeds, which may improve the reliability and quality of their real-time content.

The current and historical operations, gains and losses upon disposition, including estimated losses upon disposition, of these disposal groups are presented as discontinued operations for all periods presented in the Company's Consolidated Statements of Operations. The amounts presented represent direct operating costs of the disposal groups. The Company has determined direct costs consistent with the manner in which the disposal groups were structured and managed during the respective periods. Allocations of indirect costs such as corporate overheads and goodwill impairments that are not directly attributable to a disposal group have not been made.

For a period of time, the Company will continue to generate cash flows and will report income statement activity in continuing operations that are associated with these disposal groups and certain of the completed divestitures. The activities that will give rise to these impacts are transitional in nature and generally result from agreements that ensure and facilitate the orderly transfer of business operations. The nature, magnitude and duration of the agreements will vary depending on the specific circumstances of the service, location and/or business need. The agreements can include the following: logistics, customer service, support of financial processes, procurement, human resources, facilities management, data collection and information services. Existing agreements primarily extend for periods less than 12 months.

The following table presents the revenues and the components of discontinued operations, net of tax:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Revenues	$ 593,700	$654,383	$585,935
(Loss) income before income taxes	$ (18,930)	$ 16,981	$ 65,767
Income tax expense	(26,726)	(19,930)	(44,573)
(Loss) income from discontinued operations	(45,656)	(2,949)	21,194
(Loss) gain on sale of discontinued operations and estimated losses on assets held for sale, before income taxes	(433,232)	1,357	—
Income tax benefit	11,604	—	—
(Loss) gain on sale of discontinued operations	(421,628)	1,357	—
Total (loss) income from discontinued operations	$(467,284)	$ (1,592)	$ 21,194

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Note 5. Restructuring, Impairments and Other Charges (Reversals), Net

A comparison of restructuring, impairments and other charges (reversals), net, is presented below:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
2008 restructuring plan charges	$ 31,484	$ —	$ —
2007 restructuring plan charges	369	20,115	—
2003 and 2002 restructuring plan reversals	(60)	(99)	(6,209)
Total restructuring charges (reversals) for continuing operations	31,793	20,016	(6,209)
Impairments and other charges for continuing operations	156,758	214,961	—
Total restructuring, impairments and other charges (reversals), net, for continuing operations	188,551	234,977	(6,209)
2008 restructuring plan charges for discontinued operations	38,098	—	—
2007 restructuring plan charges for discontinued operations	545	9,499	—
2003 and 2002 restructuring plan charges (reversals) for discontinued operations	—	(75)	(211)
Impairments and other charges for discontinued operations	45,802	47,861	1,949
Total restructuring, impairments and other charges, net, for discontinued operations	84,445	57,285	1,738
Total restructuring, impairments and other charges (reversals), net	$272,996	$292,262	$(4,471)

2008 Restructuring Plan

In the fourth quarter of 2007, VeriSign announced a change in its business strategy to be more tightly-aligned with its core competencies, which are providing highly scaleable, reliable and secure Internet infrastructure and identity services to customers around the world. The strategy calls for divestiture or winding down of a number of non-core businesses in its portfolio. As part of this divestiture strategy, VeriSign initiated a restructuring plan in the first quarter of 2008, which includes workforce reductions, excess facilities and other exit costs primarily related to the consulting and professional fees incurred for initiating and executing the divestiture strategy. As of December 31, 2008, VeriSign recorded a total of $69.6 million in restructuring charges, inclusive of amounts for discontinued operations, under its 2008 restructuring plan.

2007 Restructuring Plan

In January 2007, VeriSign initiated a restructuring plan to execute a company-wide reorganization replacing the previous business unit structure with a combined worldwide sales and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities, and other exit costs.

2003 and 2002 Restructuring Plans

In November 2003, VeriSign announced a restructuring initiative related to the sale of its Network Solutions business and the realignment of other business units. The restructuring plan resulted in reductions in workforce, abandonment of excess facilities, disposals of property and equipment and other exit costs.

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In April 2002, VeriSign announced plans to restructure its operations to rationalize, integrate and align resources. This restructuring plan included workforce reductions, abandonment of excess facilities, write-off of abandoned property and equipment and other exit costs.

The following table presents the consolidated restructuring charges, inclusive of amounts for discontinued operations, associated with all the restructuring plans:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Workforce reduction	$63,845	$20,497	$ (107)
Excess facilities	5,381	4,699	(6,300)
Other exit costs	1,210	4,244	(13)
Total restructuring charges (reversals)	$70,436	$29,440	$(6,420)

Of the total consolidated restructuring charges, $36.5 million, and $4.8 million relate to workforce reduction for discontinued operations for the years ended December 31, 2008 and 2007 respectively. There were no restructuring charges related to workforce reduction for the year ended December 31, 2006.

Of the consolidated restructuring charges, $18.3 million, and $2.3 million relate to stock-based compensation for certain terminated employees for 2008 and 2007, respectively, of which $9.5 million, and $0.2 million are recorded in discontinued operations. There were no restructuring charges related to stock-based compensation for terminated employees for the year ended December 31, 2006.

At December 31, 2008, the consolidated accrued restructuring costs associated with all the restructuring plans are $32.0 million and consist of the following:

	Accrued Restructuring Costs at December 31, 2007	Restructuring Charges	Cash Payments	Non-Cash	Accrued Restructuring Costs at December 31, 2008
			(In thousands)		
Workforce reduction	$ 493	63,845	$(19,049)	$(19,915)	$ 25,374
Excess facilities	3,702	5,381	(2,534)	34	6,583
Other exit costs	156	1,210	(1,331)	(35)	—
Total accrued restructuring costs	$ 4,351	$ 70,436	$(22,914)	$(19,916)	$ 31,957
Included in current portion of accrued restructuring costs					$ 28,920
Included in long-term portion of accrued restructuring costs					$ 3,037

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Cash payments totaling approximately $11.3 million related to the abandonment of excess facilities under all restructuring plans will be paid over the respective lease terms, the longest of which extends through 2016. The present value of future cash payments related to lease terminations due to the abandonment of excess facilities is expected to be as follows:

	Contractual Lease Payments	Anticipated Sublease Income	Net
		(In thousands)	
2009	$ 3,763	$ (217)	$3,546
2010	2,853	(1,174)	1,679
2011	2,375	(1,017)	1,358
2012	394	(394)	—
Thereafter	1,272	(1,272)	—
	$ 10,657	$ (4,074)	$6,583

Impairments and Other Charges

The following table presents the consolidated impairments and other charges, inclusive of amounts for discontinued operations:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Impairment of goodwill and other intangible assets	$123,413	$249,592	$1,950
Other charges	79,147	13,230	(1)
Total impairments and other charges	$202,560	$262,822	$1,949

Impairment of goodwill and other intangible assets

In 2008, VeriSign recorded an impairment charge of $77.6 million for goodwill related to its VeriSign Japan reporting unit, which is classified as continuing operations and recorded an impairment charge of $45.8 million for goodwill related to its Post-pay reporting unit, which is classified as discontinued operations. See Note 7, “Goodwill and Other Intangible Assets,” for further information regarding the impairment of goodwill related to the Post-pay business.

In 2007, VeriSign recognized impairment charges of $182.2 million and $62.6 million to goodwill and other intangible assets, respectively, related to its former Content Services reporting unit as a result of the Company’s decision to divest its non-core businesses. In 2007, the entire goodwill impairment charge was classified as continuing operations, and the other intangible assets impairment charges of $15.6 million and $47.0 million were classified as continuing operations and discontinued operations, respectively. In addition, in 2007, VeriSign wrote off approximately $4.8 million of other intangible assets specifically related to abandoned technology acquired for a specific customer, all of which relates to continuing operations.

In 2006, VeriSign wrote off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer, which is classified as discontinued operations.

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Other charges

Other charges comprised of excess and obsolete property and equipment that were impaired, disposed off or abandoned.

In 2008, VeriSign recorded a loss of $79.1 million in continuing operations as a result of the sale of a portion of its Mountain View facilities, as described in Note 8, "Other Balance Sheet Items." The sale of the Mountain View facilities was consummated as a result of the 2008 restructuring plan to divest or wind down the non-core businesses.

In 2007, VeriSign recognized an impairment charge of $4.3 million for property and equipment, of the former Content Services reporting unit as a result of the impairment test conducted as required by SFAS 144 as of December 31, 2007. VeriSign also recorded additional charges of approximately $9.0 million, primarily for the abandonment of obsolete property and equipment and impairment specifically related to a significant change in the operations of an asset group. Of the total consolidated other charges in 2007, $0.9 million related to discontinued operations.

Note 6. Cash, Cash Equivalents, Investments and Restricted Cash

VeriSign's cash equivalents, short-term investments and restricted investments have been classified as available-for-sale. The following tables summarize VeriSign's Cash and cash equivalents, short-term investments included in Prepaid expenses and other current assets, and Restricted cash:

	As of December 31, 2008			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(In thousands)			
Cash	$ 204,710	$ —	$ —	$ 204,710
Money market funds	586,216	—	—	586,216
Equity securities of public company	482	—	(222)	260
	$ 791,408	$ —	$ (222)	$ 791,186
Included in Cash and cash equivalents				$ 789,068
Included in Prepaid expenses and other current assets				$ 260
Included in Restricted cash				$ 1,858

	As of December 31, 2007			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(In thousands)			
Cash	$ 157,423	$ —	$ —	$ 157,423
Money market funds	1,266,235	—	—	1,266,235
Equity securities of public company	722	289	—	1,011
	$1,424,380	$ 289	$ —	$1,424,669
Included in Cash and cash equivalents				$1,376,722
Included in Prepaid expenses and other current assets				$ 1,011
Included in Restricted cash				$ 46,936

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Gross realized losses on investments totaled $8.5 million in 2008 primarily consisting of an other-than-temporary impairment charge relating to certain money market funds held by The Reserve. See Note 8, “Other Balance Sheet Items,” *Prepaid Expenses and Other Current Assets,* for further information regarding the impairment charge. Gross realized gains on investments of $2.1 million in 2008 primarily resulted upon sale of certain public and non-public equity investments.

Gross realized losses on investments totaled $5.2 million in 2007 consisting of the impairment and sale of certain public and non-public equity investments. Gross realized gains on investments were $3.4 million in 2007.

Gross realized losses on investments totaled $0.4 million in 2006 consisting of the impairment and sale of certain public and non-public debt and equity investments. Gross realized gains on investments were $23.2 million in 2006.

Unrealized gains and losses on available-for-sale investments are included in Accumulated other comprehensive income in the Consolidated Balance Sheets.

The following table presents the unrealized gains and losses on available-for-sale investments:

	As of December 31,	
	2008	2007
	(In thousands)	
Gross unrealized gains	$ —	$ 289
Gross unrealized losses	(222)	—
Net unrealized gains (losses)	$ (222)	$ 289

Restricted Cash

As of December 31, 2008, the Company has $1.9 million classified as restricted cash, of which $0.3 million is pledged as collateral for standby letters of credit guarantee certain of its contractual obligations, primarily relating to its real estate lease agreements, the longest of which is expected to mature in 2010, and $1.6 million represents employee payroll withholdings, net of claims, paid related to the short-term disability program under the State of California Employment Development Department’s Voluntary Plan Fund guidelines.

In 2008, the trust established during 2004 for the Company’s director and officer liability self-insurance coverage was terminated, and as a result, $45.0 million was released from the trust. As of December 31, 2008, the amount is recorded as Cash and cash equivalents as the Company’s ability to use it is no longer restricted.

Note 7. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill as allocated to the Company's operating segments:

	Internet Infrastructure and Identity Services	Other Services	Total
		(In thousands)	
December 31, 2006	$ 353,384	$1,089,109	$1,442,493
Divestiture of businesses	—	(180,433)	(180,433)
Impairment	—	(182,151)	(182,151)
Other adjustments (1)	(581)	3,092	2,511
December 31, 2007	352,803	729,617	1,082,420
Divestiture of businesses	—	(19,726)	(19,726)
Impairment	(77,619)	(45,793)	(123,412)
Acquisition of business	1,200	—	1,200
Reclassification to assets held for sale	—	(664,098)	(664,098)
Other adjustments (1)	6,725	—	6,725
Balance at December 31, 2008	$ 283,109	$ —	$ 283,109

(1) VeriSign makes certain goodwill adjustments after the initial purchase to acquired companies for income tax adjustments, foreign exchange fluctuations and other additions or reductions that were determined after the initial purchase.

VeriSign performed its annual impairment tests during the second quarter of 2008, 2007 and 2006.

During the second quarter of 2008, the Company performed an annual impairment review of its Naming Services, SSL Certificate Services, IAS and VeriSign Japan reporting units related to its core businesses; and the Post-pay and Messaging Services reporting units related to its non-core businesses. The estimated fair value of each reporting unit was computed using a combination of the income approach and the market valuation approach. The Company tested goodwill for each of these reporting units for impairment by comparing the fair value of the reporting unit to its carrying value. The comparison of fair value to carrying value represents Step 1 of a two-step approach. Each of the reporting units reviewed for impairment under Step 1 of SFAS 142, except for the Post-pay reporting unit, had a fair value in excess of its carrying value and no further analysis was required. The Post-pay reporting unit had a fair value less than its carrying value and the Company concluded that the goodwill in its Post-pay reporting unit was impaired and that further analysis was required to determine the amount by which the carrying value of the goodwill of this reporting unit exceeded its implied fair value. A Step 2 analysis required the Company to allocate the fair value of the Post-pay reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) based on their respective fair values. Prior to this allocation, the Company assessed the long-lived assets, other than goodwill, of that unit for impairment, and determined they were not impaired. Based on this allocation, the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities resulted in a goodwill impairment of $45.8 million relating to the Post-pay reporting unit, which is classified as discontinued operations for 2008.

There were no impairment charges for goodwill and other intangible assets from the annual impairment test conducted during the second quarter of 2007 and 2006.

During the fourth quarter of 2008, the Company performed an interim impairment review of its Naming Services, SSL Certificate Services, IAS and VeriSign Japan reporting units related to its core businesses. The primary indicator of impairment was a decrease in the Company's market capitalization, arising from an adverse

change in the business environment. The estimated fair value of each reporting unit was computed using the combination of the income approach and the market valuation approach. The Company tested goodwill for each of these reporting units for impairment by comparing the fair value of the reporting unit to its carrying value. Each of the reporting units reviewed for impairment under Step 1 of SFAS 142, except for the VeriSign Japan reporting unit, had a fair value in excess of its carrying value and no further analysis was required. The VeriSign Japan reporting unit had a fair value less than its carrying value and the Company concluded that the goodwill in its VeriSign Japan reporting unit was impaired and that further analysis was required to determine the amount by which the carrying value of the goodwill of this reporting unit exceeded its implied fair value. A Step 2 analysis required the Company to allocate the fair value of the VeriSign Japan reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) based on their respective fair values. Prior to this allocation, the Company assessed the long-lived assets, other than goodwill, of that unit for impairment, and determined they were not impaired. Based on this allocation, the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities resulted in a goodwill impairment of $77.6 million relating to the VeriSign Japan reporting unit, which is classified as continuing operations for 2008.

During the fourth quarter of 2007, based on a combination of factors, primarily a more-likely-than-not expectation that a significant portion of its former Content Services ("Content"), and former Commerce and Communications Services ("Commerce and Communications") reporting units would be sold or otherwise disposed off in accordance with its decision to divest its non-core businesses, the Company concluded that there were sufficient indicators to assess whether any portion of the recorded goodwill balances for its former Content, and Commerce and Communications reporting units were impaired. The Company performed an impairment review of its former Content, and Commerce and Communications reporting units. The estimated fair value of each reporting unit was computed using the combination of the income approach and the market valuation approach. The Company tested goodwill for each of these reporting units for impairment by comparing the fair value of the reporting unit to its carrying value. Each of the reporting units reviewed for impairment under SFAS 142, except for the former Content reporting unit, had a fair value in excess of its carrying value and no further analysis was required. The former Content reporting unit had a fair value less than its carrying value and the Company concluded that the goodwill in its former Content reporting unit was impaired and that further analysis was required to determine the amount by which the carrying value of the goodwill of this reporting unit exceeded its implied fair value. A Step 2 analysis required the Company to allocate the fair value of the former Content reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) based on their respective fair values. Prior to this allocation, the Company assessed the long-lived assets, other than goodwill, of that unit for impairment and determined that the other intangible assets were impaired, that resulted in an impairment charge of $62.6 million. Based on this allocation, the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities resulted in a goodwill impairment of $182.2 million relating to the former Content reporting unit, which is classified as continuing operations for 2008.

In 2007, the Company divested its majority ownership interest in Jamba and reduced its goodwill balance by $180.2 million as part of the divestiture.

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VeriSign's other intangible assets are comprised of:

	As of December 31, 2008			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Life in Years
		(Dollars in thousands)		
Amortizable intangible assets:				
Customer relationships	$ 26,727	$ (13,844)	$ 12,883	3.0
Technology in place	15,969	(9,457)	6,512	2.9
Non-compete agreement	3,100	(2,411)	689	0.7
Trade name	5,800	(2,256)	3,544	3.7
	51,596	(27,968)	23,628	3.0
Indefinite-lived intangible assets:				
Domain name rights			11,684	
Total other intangible assets			$ 35,312	

	As of December 31, 2007			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Life in Years
		(Dollars in thousands)		
Amortizable intangible assets:				
Customer relationships	$ 212,978	$ (152,844)	$ 60,134	5.6
Technology in place	212,377	(179,144)	33,233	3.6
Carrier relationships	36,300	(26,864)	9,436	5.3
Non-compete agreement	30,154	(19,089)	11,065	1.8
Trade name	12,968	(7,425)	5,543	4.7
Other	9,000	(6,619)	2,381	3.2
Total other intangible assets	$ 513,777	$ (391,985)	$ 121,792	4.6

Fully amortized other intangible assets are not included in the above tables. VeriSign recorded $11.7 million of other intangible assets with an indefinite useful life when it completed its acquisition of GNR in 2008. At December 31, 2007, the net carrying value of other intangible assets which relate to businesses that have been divested or classified as disposal groups held for sale as of December 31, 2008, totaled $89.2 million.

Estimated future amortization expense related to other intangible assets at December 31, 2008, is as follows:

	(In thousands)
2009	$ 9,761
2010	7,165
2011	3,956
2012	1,828
2013	893
Thereafter	25
	$ 23,628

Note 8. Other Balance Sheet Items

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2008	2007
	(In thousands)	
Prepaid expenses	$ 22,775	$ 25,344
Deferred tax assets	64,482	59,922
Non-trade receivables	13,054	19,763
Receivables from buyers	14,899	—
Funds held by The Reserve	150,346	—
Other	2,622	72,865
Total prepaid expenses and other current assets	$268,178	$ 177,894

Non-trade receivables primarily consist of income tax receivables and value added tax receivables. Other, at December 31, 2007, primarily consisted of pass-through receivables, which are amounts that the Company collects from its customers that are due to third-party vendors as part of a revenue sharing agreement. As of December 31, 2008 and 2007, the Company's pass-through receivables' balance was $65.2 million and $71.4 million, respectively. As of December 31, 2008, $63.5 million in pass-through receivables are included in Assets held for sale. As of December 31, 2008, Receivables from buyers primarily consists of receivables related to the sale consideration and working capital adjustments of the divested EMM business, and amounts held in escrow for certain other divested businesses.

In the latter half of 2008, there was a major disruption in the global credit markets due to the rising concerns about possible financial institution defaults, the bankruptcy filing of Lehman Brothers Holdings Inc. ("Lehman") and the potential for a deep economic recession. Following these disruptions, certain money market funds managed by The Reserve made various announcements that their underlying portfolios had experienced a loss of principal, the redemption rights of all holders were suspended indefinitely and the funds would be liquidated. At the time of the redemption suspension, the Company had $256.7 million invested in The Reserve's Primary Fund (the "Primary Fund") and The Reserve International Liquidity Fund, Ltd. (the "International Fund"). Due to the lack of an active market for most corporate and bank debt securities, the Company assessed the fair value of the underlying securities within the Primary Fund and the International Fund based on a review of current investment ratings of the underlying securities within the money-market funds coupled with an evaluation of the expected maturity value and the current performance of the securities within the funds in meeting scheduled payments of principal and interest. The Company based its estimates on historical experience and various other assumptions that it believes to be reasonable, the results of which form the basis for making judgments about the carrying values of its investments in the Primary Fund and the International Fund. In 2008, the Company recognized an other-than-temporary impairment loss of $8.2 million in Other income, net, related to the underlying securities of Lehman held in the Primary Fund and the International Fund and the related liquidity risk in the investment. The credit and capital markets deteriorated significantly in the latter half of 2008, and may continue to deteriorate into 2009. If these markets deteriorate further, or if the Company is allocated a portion of the legal and/or administrative costs incurred by the Primary Fund and/or the International Fund during their liquidation process, the Company may incur additional impairments, which could negatively affect its financial position, cash flows and results of operations.

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As of December 31, 2008, the Company has $158.5 million held by the Primary Fund and the International Fund, of which $150.3 million, net of the impairment charge of $8.2 million, is classified as Prepaid expenses and other current assets due to the lack of an active market. In the fourth quarter of 2008, VeriSign received a distribution of $98.2 million from the Primary Fund. This represents approximately 80% of the Company's total investment in the Primary Fund. Subsequent to December 31, 2008, the Company received distributions of $8.3 million and $85.8 million from the Primary Fund and the International Fund, respectively. The total distributions to date represents approximately 85% and 65% of the Company's total investment in the Primary Fund and the International Fund, respectively. As of March 2, 2009, the funds held by the Primary Fund and the International Fund were $16.2 million and $40.1 million, respectively, net of the other-than-temporary impairment loss described above.

Property and Equipment, Net

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

	As of December 31,	
	2008	2007
	(In thousands)	
Land	$ 133,746	$ 222,750
Buildings	132,839	118,220
Computer equipment and software	341,616	738,549
Capital work in progress	16,595	69,298
Office equipment, furniture and fixtures	15,491	33,408
Leasehold improvements	52,690	47,510
Total cost	692,977	1,229,735
Less: accumulated depreciation and amortization	(310,736)	(607,818)
Total property and equipment, net	$ 382,241	$ 621,917

During the first quarter of 2008, the Company reclassified certain leasehold improvements, with a cost of $29.2 million, to buildings as the Company determined this was a more appropriate categorization of these assets. The amounts presented at December 31, 2007, were reclassified accordingly. During the second quarter of 2008, the Company sold certain property and equipment in its Mountain View, California, location for net cash consideration of $47.6 million. The sale primarily included land with a total cost of $88.1 million and buildings with a total cost of $50.1 million. The accumulated depreciation of the Mountain View property which was sold was $12.5 million.

Other Assets

Other assets consist of the following:

	As of December 31,	
	2008	2007
	(In thousands)	
Long-term deferred tax assets	$198,322	$ 230,695
Long-term note receivable	—	15,000
Long-term investments	5,996	6,385
Debt issuance costs	27,090	28,411
Security deposits and other	14,469	10,156
Total other assets	$245,877	$ 290,647

Long-term note receivable as of December 31, 2007, included a working capital loan provided under a promissory note to the Jamba joint ventures described in Note 2, “Joint Ventures.” In October 2008, the Company sold its remaining 49% ownership interest in the Jamba joint ventures to Fox, and the outstanding balance of the promissory note was settled pursuant to the sale agreement with Fox. Debt issuance costs represent costs incurred upon the issuance of the Convertible Debentures and credit facility.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2008	2007
	(In thousands)	
Accounts payable	$ 30,689	$ 34,038
Accrued employee compensation	109,958	136,891
Customer deposits, net	30,432	85,023
Taxes payable and other tax liabilities	18,173	27,942
Other accrued liabilities	74,283	114,230
Total accounts payable and accrued liabilities	$263,535	$ 398,124

Customer deposits, net, primarily consist of payables related to pass-through receivables as part of a revenue sharing agreement, net of advance payments, and cash received in advance from customers for future services. As of December 31, 2008 and 2007, the Company’s payables balance related to pass-through receivables balance, net of advance payments, was $38.1 million and $39.4 million, respectively. At December 31, 2008, the Company’s payables balance related to pass-through receivables balance, net of advance payments, of $35.9 million is classified as assets held for sale.

Note 9. Credit Facility

In 2006, VeriSign entered into a credit agreement (the “Credit Agreement”) with a syndicate of banks and other financial institutions related to a $500.0 million senior unsecured revolving credit facility (the “Facility”), under which VeriSign, or certain designated subsidiaries may be borrowers. The Facility is available for cash borrowings up to $500.0 million and for the issuance of letters of credit up to a maximum limit of $50.0 million. In 2007, VeriSign entered into an amendment agreement with Bank of America, N.A., as Administrative Agent and several financial institutions to amend the Credit Agreement. The amendment added certain covenants related to the Indenture that VeriSign entered into with U.S. Bank National Association, as Trustee, on August 20, 2007, (the “Indenture”) and VeriSign’s issuance of $1.25 billion aggregate principal amount of Convertible Debentures as described in Note 10, “Junior Subordinated Convertible Debentures.” In 2008, the Company borrowed $200.0 million under the Facility and subsequently repaid the entire amount. As of December 31, 2008, there were no outstanding borrowings under the Facility, and the Company had utilized $1.4 million for outstanding letters of credit. The Company’s Credit Agreement, as amended, contains a negative covenant that limits its ability to sell assets and freely deploy the proceeds it receives from such sales, subject to exceptions based on the size and timing of the sales, and limits its ability to enter into certain specified types of amendments to the Convertible Debentures and related Indenture. In addition, an event of default under the Indenture is considered to be an event of default under the Credit Agreement. As of December 31, 2008, the Company was in compliance with all covenants under the Facility.

Note 10. Junior Subordinated Convertible Debentures

In August 2007, VeriSign issued $1.25 billion principal amount of 3.25% convertible debentures due August 15, 2037, to an initial purchaser in a private offering. The Convertible Debentures are subordinated in right of payment to the Company's existing and future senior debt and to the other liabilities of the Company's subsidiaries. The Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company common stock at a conversion rate of 29.0968 shares of common stock per $1,000 principal amount of 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 Convertible Debentures but will not be adjusted for accrued interest.

The Company received net proceeds of approximately $1.22 billion after deduction of $25.8 million of costs incurred upon the issuance of the Convertible Debentures. The debt issuance costs are recorded in long-term other assets and are being amortized to interest expense over 30 years. Interest is payable semiannually in arrears on August 15 and February 15. Interest expense related to the Convertible Debentures for 2008, is approximately $41.1 million, of which $38.9 million is included in Other income, net, and $2.2 million is capitalized as Property and equipment, net. The Convertible Debentures also have a contingent interest component that may require the Company to pay interest based on certain thresholds beginning with the semi-annual interest period commencing on August 15, 2014, and upon the occurrence of certain events, as outlined in the Indenture governing the Convertible Debentures.

On or after August 15, 2017, the Company may redeem all or part of the 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. If the conversion value exceeds $1,000, the Company may deliver, at its option, cash or common stock or a combination of cash and common stock for the conversion value in excess of $1,000 ("conversion spread").

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

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

In addition, holders of the Convertible Debentures who convert their Convertible Debentures in connection with a fundamental change, as defined in the Indenture, may be entitled to a make-whole premium in the form of

an increase in the conversion rate. Additionally, in the event of a fundamental change, the holders of the Convertible Debentures may require VeriSign to purchase all or a portion of their Convertible Debentures at a purchase price equal to 100% of the principal amount of Convertible Debentures, plus accrued and unpaid interest, if any. As of December 31, 2008, none of the conditions allowing holders of the Convertible Debentures to convert had been met.

The Company concluded that the embedded features related to the contingent interest payments, over-allotment option, and the Company making specific types of distributions (e.g., extraordinary dividends) qualify as derivatives to be accounted for separately. The fair value of the derivatives at the date of issuance of the debentures was $11.4 million including $7.8 million for the contingent interest payment features and $3.6 million for the over-allotment option feature, which is accounted for as a discount on the debentures. The over-allotment feature was revalued at $12.6 million on the date of exercise at August 28, 2007, which is currently accounted for as a premium on the Convertible Debentures. The debt discount and the debt premium are being accreted to the face value of the Convertible Debentures as net interest expense over 30 years. Any change in the fair value of this contingent interest derivative will be included in Other income, net. The fair value of the derivative as of December 31, 2008, was $10.5 million.

The balance of the Convertible Debentures at December 31, 2008, was $1.26 billion, including the fair value of the contingent interest derivative.

Under the terms of the Convertible Debentures, the Company filed a registration statement covering the resale of the Convertible Debentures and any common stock issuable upon conversion of the Convertible Debentures with the SEC, which became effective on March 7, 2008. Pursuant to a registration rights agreement entered into with the initial purchaser of the Convertible Debentures, the Company was obligated to maintain the effectiveness of the registration statement until all the securities registered thereunder were eligible for resale pursuant to Rule 144(k) or any successor provision under the Securities Act. On September 10, 2008 the Company terminated the registration statement, as all securities registered thereunder had become eligible for resale under a successor provision of Rule 144(k) by that date.

Note 11. Stockholders' Equity

Preferred Stock

VeriSign is authorized to issue up to 5,000,000 shares of preferred stock. As of December 31, 2008, no shares of preferred stock had been issued. In connection with its stockholder rights plan, VeriSign authorized 3 million shares of Series A Junior Participating Preferred Stock, par value $0.001 per share (the "Series A Preferred Shares"). In the event of liquidation, each Series A Preferred Share, if and when issued, will be entitled to a $1.00 preference, and thereafter each holder of a Series A Preferred Share will be entitled to an aggregate payment of 100 times the aggregate payment made per common share. If and when issued, each Series A Preferred Share will have 100 votes, voting together with the common shares. Each holder of a Series A Preferred Share, if and when issued, will be entitled to receive a quarterly dividend equal to 100 times the aggregate per share amount of any dividends declared on the common stock since the preceding quarterly dividend date (other than stock dividends, which will result in an anti-dilution adjustment to the Series A Preferred Shares). Finally, in the event of any merger, consolidation or other transaction in which common shares are exchanged, each Series A Preferred Share will be entitled to receive 100 times the amount received per common share. These rights are protected by customary anti-dilution provisions.

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Treasury Stock

On a cumulative basis, the Company has repurchased 112.7 million shares of its common stock, which are recorded as part of 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 tax withholdings due upon vesting of restricted stock units.

The summary of the Company's common stock repurchases for 2008, 2007, and 2006 are as follows:

		2008		2007		2006	
Board Approval Date	**Repurchases Under the Plan**	**Shares**	**Average Price**	**Shares**	**Average Price**	**Shares**	**Average Price**
		(In thousands, except average price amounts)					
August 2005	Structured repurchases (2)	—	$ —	—	$ —	5,713	$ 20.95
May 2006	Open market	22,071	32.38	—	—	—	—
	Structured repurchases (2)	—	—	—	—	777	19.67
August 2007	Open market	—	—	12,221	28.64	—	—
	Structured repurchases (2)	—	—	25,828	30.97	—	—
	From employees and other (1)	413	31.01	200	32.46	—	—
January 2008	Structured repurchases (2)	16,513	36.33	—	—	—	—
Total shares		38,997	$ 34.04	38,249	$ 30.24	6,490	$ 20.80
Total costs		$ 1,327,378		$ 1,156,491		$ 135,000	

(1) The repurchases from employees and other primarily represents shares retired as treasury stock when surrendered in lieu of tax withholdings due upon the release of restricted stock units.
(2) Stock repurchase agreements executed with large financial institutions.

Stock Repurchase Programs

To facilitate the stock repurchase program, VeriSign repurchases shares in the open market and from time to time enters into structured stock repurchase agreements with large financial institutions.

On January 31, 2008, the Board of Directors of VeriSign authorized a stock repurchase program (the "2008 Stock Repurchase Program") with no expiration date having an aggregate purchase price of up to $600.0 million of its common stock. On February 8, 2008, the Company entered into an Accelerated Share Repurchase ("ASR") agreement to repurchase $600.0 million of its common stock under the 2008 Stock Repurchase Program. The Company paid $600.0 million to a financial institution in exchange for an initial purchase of 15.1 million shares. The ASR agreement was completed on July 10, 2008, when the Company received an additional 1.4 million shares for an aggregate of 16.5 million shares under the terms of the ASR agreement. The average price per share paid on the ASR agreement was $36.33. On August 5, 2008, the Company's Board of Directors authorized additional stock repurchases under its 2008 Stock Repurchase Program having an aggregate purchase price of $680.0 million of its common stock. As of December 31, 2008, $680.0 million remained available for further repurchases under the 2008 Stock Repurchase Program.

On August 7, 2007, the Board of Directors authorized the use of the net proceeds from the issuance of the Convertible Debentures as described in Note 10, "Junior Subordinated Convertible Debentures," to repurchase shares of its common stock.

In August 2007, the Company used the proceeds from the issuance of the Convertible Debentures to repurchase 12.2 million shares of its common stock for an aggregate cost of approximately $350 million. Additionally, the Company entered into a $200 million Guaranteed Share Repurchase ("GSR") agreement and a $600 million ASR agreement with two independent financial institutions. Under the terms of the GSR agreement, the Company received approximately 6.3 million shares of its common stock. Under the terms of the ASR agreement the Company received approximately 19.5 million shares, of which 12.9 million were settled in the third quarter of 2007 and 6.6 million were settled in the fourth quarter of 2007.

In 2006, the Board of Directors authorized a stock repurchase program (the "2006 Stock Repurchase Program") with no expiration date to repurchase up to $1.0 billion of its common stock. In November 2008, the Company repurchased approximately 2.7 million shares of its common stock at an average stock price of $18.83 per share for an aggregate cost of $50.0 million under the 2006 Stock Repurchase Program. In July 2008, the Company repurchased approximately 3.5 million shares of its common stock at an average stock price of $34.38 per share for an aggregate cost of $120.0 million under the 2006 Stock Repurchase Program. During the first quarter of 2008, the Company repurchased approximately 15.9 million shares of its common stock at an average stock price of $33.85 per share for an aggregate cost of $544.7 million under the 2006 Stock Repurchase Program. Under the 2006 Stock Repurchase Program, through December 31, 2008, the Company cumulatively repurchased 22.8 million shares at an average stock price of $32.04 per share for an aggregate cost of $730.0 million. As of December 31, 2008, $270.0 million remained available for further repurchases under the 2006 Stock Repurchase Program.

In 2005, the Board of Directors authorized a stock repurchase program (the "2005 Stock Repurchase Program") to repurchase up to $500 million of its common stock. In 2006, the Company repurchased approximately 5.7 million shares under the 2005 Stock Repurchase Program for an aggregate cost of approximately $119.7 million. The 2005 Stock Repurchase Program was completed in the second quarter of 2006.

From the inception of the stock repurchase program in 2001 through March 2, 2009, the Company repurchased approximately 111.9 million shares of its common stock for an aggregate cost of approximately $3.3 billion. As of March 2, 2009, approximately $950.0 million is available for repurchase of its common stock under its 2008 and 2006 Stock Repurchase Programs.

Tax withholdings

Upon vesting of restricted stock units, the Company places a sufficient portion of the vested restricted stock awards into treasury stock in lieu of tax withholdings due, and makes a cash payment to the Internal Revenue Service, state tax authorities or appropriate foreign tax authorities to cover the applicable withholding taxes.

Stockholder Rights Plan

On September 24, 2002, the Board of Directors of VeriSign, adopted a stockholder rights plan and declared a dividend of one stock purchase right (each a "Right") for each outstanding share of VeriSign common stock. The dividend was paid to stockholders of record on October 4, 2002 (the "Record Date"). In addition, one Right will be issued with each common share that becomes outstanding (i) between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are defined in the rights plan) or (ii) following the Distribution Date and prior to the Redemption Date or Final Expiration Date, pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of VeriSign, which options or securities were outstanding prior to the Distribution Date.

The Rights currently cannot be exercised, do not trade separately and are not represented by separate certificates; instead, each Right is deemed to be "attached" to the related share of common stock on which the distribution was declared. The Rights will become exercisable at their $55.00 exercise price and trade separately, with separate Rights certificates then being distributed to holders, (a) ten days after it is publicly announced that any person or group has acquired beneficial ownership of 20% or more of VeriSign's common stock (and thus becomes an "acquiring person"), or (b) ten business days after the commencement (or public announcement of a person's intended commencement) of, a tender offer or exchange offer for the Company that would result in such person becoming an "acquiring person" (except that, in such case, the Board of Directors has the power within such ten-business day period to delay such exercisability).

If any person acquires beneficial ownership of 20% or more of VeriSign's common stock (other than in connection with certain inadvertent triggers), in addition to the Rights becoming exercisable, each Right will "flip in" and entitle the registered holder, other than the "acquiring person" or its transferees, to purchase, for the $55.00 exercise price, shares of VeriSign common stock with a market value of $110.00. In the event a person becomes an "acquiring person," the rights plan gives our Board of Directors the authority to instead exchange each outstanding Right (other than those owned by the "acquiring person" and its transferees) for one share of common stock (or a substantially equivalent preferred stock interest). If the Company becomes a party to a merger or similar transaction (whether with a 20% stockholder or any other entity) after the Rights become exercisable, each Right (other than those owned by the "acquiring person" or its transferees) will "flip-over" and entitle the holder to buy, for the $55.00 exercise price, acquiror stock with a market value of $110.00.

At any time until there is a triggering 20% stockholder, VeriSign's Board of Directors can redeem all, but not less than all, of the then outstanding Rights for $0.001 each. The Board of Directors also has broad power to amend the rights plan until there is a triggering 20% stockholder. Once a person becomes an "acquiring person," however, the Board of Directors may not amend the rights plan in any manner that would adversely affect the interests of the holders of the Rights (other than the "acquiring person").

In February 2009, pursuant to the Board of Directors' three-year independent director evaluation (TIDE) policy, the independent members of the Board of Directors reviewed the rights plan and determined that it continues to be in the best interests of the Company and its stockholders.

Note 12. Calculation of Net (Loss) Income Per Share

The Company computes basic net (loss) income per share by dividing net (loss) income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net (loss) income per share gives effect to dilutive potential common shares, including unvested stock options, unvested restricted stock units, employee stock purchases, warrants and the conversion spread relating to the Convertible Debentures using the treasury stock method.

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

	Year Ended December 31,		
	2008	2007	2006
	(In thousands, except per share data)		
(Loss) income:			
Income (loss) from continuing operations	$ 92,592	$ (147,736)	$ 361,736
(Loss) income from discontinued operations, net of tax	(467,284)	(1,592)	21,194
Net (loss) income	$ (374,692)	$ (149,328)	$ 382,930
Weighted-average shares:			
Weighted-average common shares outstanding	197,201	237,707	244,421
Weighted-average potential common shares outstanding: (1)			
Stock options	1,452	—	2,344
Unvested restricted stock awards	889	—	111
Conversion spread related to convertible debentures	828	—	—
Employee stock purchase plans and other	232	—	197
Shares used to compute diluted net (loss) income per share	200,602	237,707	247,073
(Loss) income per share:			
Basic:			
Continuing operations	$ 0.47	$ (0.62)	$ 1.48
Discontinued operations	(2.37)	(0.01)	0.09
Net (loss) income	$ (1.90)	$ (0.63)	$ 1.57
Diluted:			
Continuing operations	$ 0.46	$ (0.62)	$ 1.46
Discontinued operations	(2.33)	(0.01)	0.09
Net (loss) income	$ (1.87)	$ (0.63)	$ 1.55

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

	Year Ended December 31,		
	2008	2007 (1)	2006
	(In thousands, except per share data)		
Weighted-average stock options outstanding	4,531	27,636	25,632
Weighted-average exercise price	$ 31.66	$ 27.68	$ 36.46
Weighted-average restricted stock awards outstanding	832	3,387	131
Weighted-average conversion spread related to Convertible Debentures	—	339	—
Employee stock purchase plans	1,500	199	—

(1) As the Company recognized a loss from continuing operation for the year ended December 31, 2007, all potential common shares were excluded as they were anti-dilutive.

Note 13. 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 20% of their pre-tax salary, subject to the Internal Revenue Service annual contribution limits. In 2008, 2007 and 2006, the Company matched 50% of the employee’s contribution up to a total of 6 % of the employee’s annual salary. The Company contributed $7.4 million, $6.3 million, and $5.7 million in 2008, 2007 and 2006, respectively, under the 401(k) Plan. The Company can terminate matching contributions at its discretion at any time.

Stock Option and Restricted Stock Plans

The majority of VeriSign’s stock-based compensation relates to stock options and restricted stock units (“RSUs”). Historically, stock options were granted to broad groups of employees at most levels on a discretionary basis. In the second quarter of 2006, the Compensation Committee, in consultation with other members of the Company’s Board of Directors, resolved to grant RSUs instead of stock options to employees below the director level. Employees at or above the director level continue to be eligible to receive stock options as well as RSUs. As of December 31, 2008, a total of 27.8 million shares of common stock were reserved for issuance upon the exercise of stock options and for the future grant of stock options or awards under VeriSign’s stock option and restricted stock plans.

On May 26, 2006, the stockholders of VeriSign approved the 2006 Equity Incentive Plan (the “2006 Plan”). The 2006 Plan replaces VeriSign’s 1998 Directors Plan, 1998 Equity Incentive Plan, and 2001 Stock Incentive Plan. The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, restricted stock units, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisors. Options may be granted at an exercise price not less than 100% of the fair market value of VeriSign’s common stock on the date of grant. The 2006 Plan is administered by the Compensation Committee which may delegate to a committee of one or more members of VeriSign’s Board of Directors or VeriSign’s officers the ability to grant certain awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. All options have a term of not greater than 10 years from the date of grant. Options granted generally vest 25% on the first anniversary date of the grant and the remainder ratably over the following 12 quarters. A restricted stock unit is an award covering a specified number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares (which may be restricted shares). Restricted stock units generally vest in four installments with 25% of the shares vesting on each anniversary of the first four anniversaries of the grant date. However, 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.

The 2001 Stock Incentive Plan (the “2001 Plan”) was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 2001 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 2001 Plan authorized the award of non-qualified stock options and restricted stock awards to eligible employees, officers who are not subject to Section 16 reporting requirements, contractors and consultants. As of December 31, 2008, no restricted stock awards have been made under the 2001 Plan. Options were granted with an exercise price of not less than 100% of the fair market value of VeriSign’s common stock on the date of grant. All options were granted at the discretion of the Board and have a term not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary of the grant date and ratably over the following 12 quarters. No further awards can be granted under the 2001 Plan.

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The 1998 Equity Incentive Plan (the “1998 Plan”) was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 1998 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 1998 Plan authorized the award of options, restricted stock awards, restricted stock units and stock bonuses. Options were granted with an exercise price of not less than 100% of the fair market value of VeriSign’s common stock on the date of grant for incentive stock options and not less than 85% of the fair market value for non-qualified stock options. All options were granted at the discretion of the Board and have a term not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary of the grant date and ratably over the following 12 quarters. Restricted stock awards and restricted stock units entitle the recipient to receive, at VeriSign’s discretion, shares or cash upon vesting. No further awards can be granted under the 1998 Plan.

The 1998 Directors Plan (the “Directors Plan”) was terminated upon the approval of the 2006 Plan. Options to purchase common stock granted under the Directors Plan remain outstanding and subject to the vesting and exercise terms of the original grant. Members of the Board who were not employees of VeriSign, or of any parent, subsidiary or affiliate of VeriSign, were eligible to participate in the Directors Plan, which provided for automatic and non-discretionary option grants to such individuals. The exercise price of the options granted was 100% of the fair market value of the common stock on the date of the grant. Each eligible director was granted an option to purchase 25,000 shares on the date he or she first became a director (the “Initial Grant”). On each anniversary of a director’s Initial Grant or most recent grant if he or she was ineligible to receive an Initial Grant, each eligible director was automatically granted an additional option to purchase 12,500 shares of common stock if the director had served continuously as a director since the date of the Initial Grant or most recent grant. The term of the options under the Directors Plan is 10 years and options vest as to 6.25% of the shares subject to the option in each quarter following the date of the grant, provided the optionee remains a director of VeriSign.

In connection with its acquisitions in 2005 and 2006, VeriSign assumed some of the acquired companies’ stock options. Options assumed generally have terms of seven to ten years and generally vest over a four-year period, as set forth in the applicable option agreement.

2007 Employee Stock Purchase Plan

On August 30, 2007, the Company’s stockholders approved the 2007 Employee Stock Purchase Plan (the “2007 Purchase Plan”) which replaces the 1998 Purchase Plan described below. As of December 31, 2008, a total of 6.0 million shares of the Company’s common stock are reserved for issuance under this plan. 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 2007 Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period. Offering periods begin on February 1 and August 1 of each year.

1998 Employee Stock Purchase Plan

VeriSign reserved 17,589,449 shares for issuance under the 1998 Employee Stock Purchase Plan, as amended (the “1998 Purchase Plan”). Eligible employees were permitted under the plan to 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 was granted an option to purchase common stock on the first day of

each 24-month offering period and this option was automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the Purchase Plan was 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 began on February 1 and August 1 of each year. On January 1 of each year, the number of shares available for grant under the 1998 Purchase Plan was automatically increased by an amount equal to 1% of the outstanding common shares on the immediately preceding December 31. On December 18, 2007, the 1998 Purchase Plan expired and no more shares will be available for future offering under this Purchase Plan.

Common Stock Reserved for Convertible Debentures

In August 2007, VeriSign issued $1.25 billion principal amount of Convertible Debentures as described in Note 10, "Junior Subordinated Convertible Debentures". The Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company common stock at a conversion rate of 29.0968 shares of common stock per $1,000 principal amount of debentures, representing an initial effective conversion price of approximately $34.37 per share of common stock. As of December 31, 2008, approximately 36.4 million shares of common stock were reserved for issuance upon conversion or repurchase of the Convertible Debentures.

Stock-based Compensation

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

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Stock-based compensation:			
Cost of revenues	$ 7,332	$ 7,225	$ 6,957
Sales and marketing	8,787	16,499	12,271
Research and development	6,973	7,495	7,284
General and administrative	26,188	32,640	22,722
Restructuring, impairments and other charges, net	8,828	2,419	—
Stock-based compensation for continuing operations	58,108	66,278	49,234
Discontinued operations	31,958	24,636	16,671
Total stock-based compensation	90,066	90,914	65,905
Tax benefit associated with stock-based compensation	$(22,607)	(21,192)	(17,663)
Net effect of stock-based compensation on net income (loss)	$ 67,459	$ 69,722	$ 48,242

VERISIGN, INC. AND SUBSIDIARIES

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The following table presents the nature of the Company's total stock-based compensation, inclusive of amounts for discontinued operations:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Stock-based compensation:			
Stock options	$ 19,191	$ 32,623	$ 54,192
Employee stock purchase plans	22,079	25,624	7,370
Restricted stock units	27,829	18,197	4,670
Stock options/awards acceleration	23,677	16,285	—
Other charges	—	303	1,219
Capitalization (1)	(2,710)	(2,118)	(1,546)
Total stock-based compensation	90,066	90,914	65,905
Tax benefit associated with stock-based compensation	(22,607)	(21,192)	(17,663)
Net effect of stock-based compensation on net income (loss)	$ 67,459	$ 69,722	$ 48,242

(1) The capitalized amount is included in Property and equipment, net.

As of December 31, 2008, total unrecognized compensation cost related to unvested stock options and restricted stock awards was $60.0 million and $129.0 million, respectively, and is expected to be recognized over a weighted-average period of 2.6 years and 2.7 years, respectively. Stock-based compensation capitalized for internally developed software was $2.7 million in 2008.

In 2006, the Company suspended stock option exercises (the "Restriction") due to an independent review of the Company's historical stock option granting practices and restatement of consolidated financial statements. Under the Restriction, certain terminated employees were unable to exercise their stock options prior to the expiration of this time period following termination of employment. As a result, the Board of Directors approved the extension of time for option exercise and the Company recognized $2.2 million of incremental stock-based compensation in connection with this extension.

Prior to the adoption of SFAS No. 123(R) ("SFAS 123R"), "*Share-Based Payment,*" the Company presented unearned compensation as a separate component of stockholders' equity. VeriSign reclassified the balance in unearned compensation to additional paid-in capital on its balance sheet in fiscal year 2006.

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VeriSign currently uses the Black-Scholes option pricing model to determine the fair value of stock options and employee stock purchase plan awards. The determination of the fair value of stock-based payment awards using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. The following table sets forth the weighted-average assumptions used to estimate the fair value of the stock options and employee stock purchase plan awards:

	Year Ended December 31,		
	2008	2007	2006
Stock options:			
Volatility	36%	37%	39%
Risk-free interest rate	2.74%	4.37%	4.82%
Expected term	3.3 years	3.3 years	3.4 years
Dividend yield	Zero	Zero	Zero
Employee stock purchase plan awards:			
Volatility	36%	28%	33%
Risk-free interest rate	2.32%	4.94%	5.09%
Expected term	1.25 years	1.25 years	1.25 years
Dividend yield	Zero	Zero	Zero

VeriSign's expected volatility is based on the average of the historical volatility over the period commensurate with the expected term of the options and the mean historical implied volatility of traded options. The risk-free interest rates are derived from the average U.S. Treasury constant maturity rates during the respective periods commensurate with the expected term. The expected terms are based on an analysis of the observed and expected time to post-vesting exercise and/or cancellation of options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option and award forfeitures and records stock-based compensation only for those options and awards that are expected to vest.

VERISIGN, INC. AND SUBSIDIARIES

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General Option Information

The following table summarizes stock option activity:

	Year Ended December 31,					
	2008		2007		2006	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	14,800,016	$ 24.52	35,642,171	$ 28.38	35,638,232	$ 31.51
Assumed in business combinations	—	—	—	—	846,953	1.99
Granted	1,763,182	33.47	4,516,611	29.80	7,387,257	20.50
Exercised	(4,025,007)	20.46	(15,622,253)	18.62	(2,466,900)	12.40
Forfeited	(3,237,462)	27.52	(8,132,440)	33.47	(3,859,952)	41.27
Expired	(82,849)	36.03	(1,604,073)	137.33	(1,903,419)	39.25
Outstanding at end of period	9,217,880	26.85	14,800,016	24.52	35,642,171	28.38
Exercisable at end of period	5,063,170	24.73	5,410,362	22.13	24,474,024	32.69
Weighted-average fair value of options granted during the period		$ 9.58		$ 9.44		$ 6.87
Total intrinsic value of options exercised during the period (in thousands)		$ 64,524		$ 220,323		$ 26,197

The following table summarizes information about stock options outstanding as of December 31, 2008:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
$ 0.09–$ 9.99	157,375	3.01	$ 4.91	157,219	$ 4.91
$ 10.00–$ 13.78	256,502	1.52	12.52	256,499	12.52
$ 13.79	89,483	0.66	13.79	89,483	13.79
$ 13.80–$ 19.99	1,408,001	3.34	18.40	1,025,215	18.57
$ 20.00–$ 24.99	1,226,500	3.85	22.82	652,032	22.88
$ 25.00–$ 29.99	3,557,348	4.30	27.87	2,363,074	27.35
$ 30.00–$ 39.99	2,287,018	5.95	33.49	359,027	32.93
$ 40.00–$ 59.99	209,138	3.18	42.76	134,106	43.86
$ 60.00–$ 99.99	11,261	1.94	78.59	11,261	78.59
$100.00–$253.00	15,254	1.55	183.79	15,254	183.79
	9,217,880	4.34	$ 26.85	5,063,170	$ 24.73

Intrinsic value is calculated as the difference between the market value as of December 31, 2008, and the exercise price of the shares. The closing price of VeriSign's stock was $19.08 on December 31, 2008, as reported by the NASDAQ Global Select Market. The aggregate intrinsic value of stock options outstanding and stock options exercisable with an exercise price below $19.08 in each case as of December 31, 2008, was $5.7 million and $5.3 million, respectively. The weighted-average remaining contractual life for stock options outstanding, and for stock options exercisable, in each case at December 31, 2008, was 4.34 years and 3.23 years, respectively.

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Employee Stock Purchase Plans

The Company allows its employees to purchase as many shares as the employees' withholdings and applicable laws permit. If the market price of the stock at the end of any six-month purchase period is lower than the stock price at the original grant date of the option (the first day of the applicable 24-month offering period), the plan is immediately cancelled after that purchase date and a new two-year plan is established using the then-current stock price as the base purchase price. The Company accounts for increases in employee payroll withholdings and the plan rollover as modifications. During 2008, the Company recorded approximately $22.1 million of stock-based compensation under the 1998 and 2007 Employee Stock Purchase Plans.

Due to an independent review of the Company's historical stock option granting practices and restatement of consolidated financial statements, the Company was precluded from selling shares and suspended its employee payroll withholdings for the purchase of its common stock under the 1998 Purchase Plan for six months in 2007. The Company terminated the six-month purchase period ended January 31, 2007 and no shares were issued for that purchase period. In February 2007, the Company refunded the 1998 Purchase Plan employee contributions totaling approximately $11.6 million. In July 2007, the Company resumed its employee payroll withholdings for the purchase of its common stock under the 1998 Purchase Plan and allowed its employees affected by the earlier suspension to make catch-up payments to their accounts for the lost payroll contributions attributable to the period when the Company was not current in its reporting obligations under the Securities Exchange Act of 1934. The Company also allowed employees to increase their contribution withholding percentages from 15% up to a maximum of 25% of their compensation, subject to applicable U.S. Internal Revenue Service ("IRS") limits, effective August 1, 2007. The Company has accounted for the increases in employee payroll withholdings as modifications. The Company recorded approximately $25.6 million of stock-based compensation for the 1998 and 2007 Purchase Plans in 2007.

Restricted Stock Units

The following table summarizes unvested restricted stock units activity:

	Year Ended December 31,					
	2008		2007		2006	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Unvested at beginning of period	4,816,865	$ 27.32	2,107,327	$ 20.01	322,433	$ 27.97
Granted	1,697,589	31.86	4,262,277	29.23	1,958,052	18.98
Released	(1,316,426)	28.13	(548,510)	22.00	(49,811)	29.27
Forfeited	(1,519,238)	27.25	(1,004,229)	22.98	(123,347)	20.80
	3,678,790	$ 29.18	4,816,865	$ 27.32	2,107,327	$ 20.01

As of December 31, 2008, the aggregate intrinsic value of unvested restricted stock units was $70.2 million. In 2007, the Compensation Committee approved "market condition" restricted stock units which are eligible to vest upon meeting certain stock-price appreciation and service conditions. As of December 31, 2008, a total of 161,637 "market condition" restricted stock units are unvested. The Company recognized approximately $0.7 million of stock-based compensation expense for the market-condition awards in 2008. In addition, the Company required that certain restricted stock units issued to certain international employees must be settled in cash. As a result, the Company made a cash payment of $0.1 million for share-based liabilities in 2008.

Stock Options/Awards Acceleration

In 2008, the Company modified certain stock-based awards held by employees affected by divestitures and workforce reductions to accelerate the vesting of twenty-five percent (25%) of each such individual's unvested "in-the-money" stock options and 25% of each such individual's unvested restricted stock units outstanding on the termination dates of such individual's employment. The Company remeasured the fair value of these modified awards and recorded the charges over the requisite future service periods, if any. The modification charges are included in restructuring for continuing operations as well as for discontinued operations. As of December 31, 2008, approximately 1,060 employees were affected by this modification and the Company had recognized approximately $18.3 million of acceleration cost in restructuring.

In addition, the Company modified certain stock-based awards held by Mr. William A. Roper, Jr., the former chief executive officer. Pursuant to the settlement agreement with Mr. Roper, the Company accelerated the vesting of Mr. Roper's then unvested sign-on options, unvested sign-on restricted stock units, first-year options that would otherwise have vested had Mr. Roper remained employed with the Company through August 8, 2008, and one-third of the first-year restricted stock units. Upon acceleration of vesting of Mr. Roper's stock-based awards, the Company recognized approximately $5.4 million of stock-based compensation in 2008.

In 2007, the Company accelerated the vesting of certain outstanding options to purchase shares of the Company's common stock and restricted stock units held by Mr. Stratton Sclavos, the Company's former Chief Executive Officer; Ms. Dana Evan, the Company's former Chief Financial Officer and certain other employees. The Company accelerated the vesting of all of Mr. Sclavos' unvested stock options and restricted stock units that were scheduled to vest within twenty-four (24) months after his resignation date. The Company accelerated the vesting of twenty-five percent (25%) of Ms. Evan's and certain other employees' unvested restricted stock units and unvested "in-the-money" stock options that had fair market values in excess on the acceleration date in excess of the respective exercise prices and that had the lowest exercise prices of each such individual's then-outstanding options. The Company has accounted for the acceleration of the stock-based awards as a modification under SFAS 123R. As such, the Company recognized approximately $16.3 million of stock-based compensation upon the modification.

In 2007, the Company commenced a tender offer (the "Offer") pursuant to which the Company offered to amend or replace outstanding "Eligible Options" (as defined in the Offer) held by current employees of the Company and subject to taxation in the U.S. so that those options would not be subject to adverse tax consequences under Internal Revenue Code Section 409A ("Section 409A"). Each eligible participant had the right to elect to amend his or her Eligible Options to increase the exercise price per share of the Company's common stock, par value $0.001 per share, purchasable thereunder and become eligible to receive a special "Cash Bonus" (as defined in the Offer) from the Company, all upon the terms and subject to the conditions set forth in the Offer. Alternatively, certain tendered Eligible Options were, in lieu of such amendment, canceled and replaced with new options under the Company's 2006 Equity Incentive Plan that have exactly the same terms as the canceled options but have a new grant date and new exercise price, in an effort to avoid adverse tax consequences under Section 409A. The Company accrued approximately $6.8 million liability related to the special "Cash Bonus" at the end of fiscal year 2007.

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Note 14. Income Taxes

Income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest is categorized geographically as follows:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
United States	$ 92,628	$ (210,558)	$ 53,980
Foreign	30,623	59,384	13,404
Total income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest	$ 123,251	$ (151,174)	$ 67,384

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Continuing operations:			
Current (expense) benefit:			
Federal	$ (2,303)	$ (3,160)	$ 2,093
State	(6,364)	(88)	(3,266)
Foreign, including foreign withholding tax	(13,267)	(19,836)	(39,015)
	(21,934)	(23,084)	(40,188)
Deferred (expense) benefit:			
Federal	(23,069)	16,344	290,341
State	(3,819)	4,910	38,366
Foreign	6,022	11,126	8,708
	(20,866)	32,380	337,415
Income tax (expense) benefit from continuing operations	$(42,800)	$ 9,296	$297,227
Income tax expense from discontinued operations	$(15,122)	$(19,930)	$ (44,573)

The Company's income taxes payable have been reduced by the tax benefits from employee stock options and employee stock purchase plan. The company receives an income tax benefit calculated as the difference between the fair market value of the stock issued at the time of exercise and the option price, tax effected. The net tax benefits from employee stock option transactions were $26.6 million and $7.8 million in 2008 and 2007, respectively, and were reflected as an increase to Additional paid-in capital.

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The difference between income tax expense or benefit and the amount resulting from applying the federal statutory rate of 35% to net income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest is attributable to the following:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Income tax (expense) benefit at federal statutory rate	$(43,138)	$ 52,923	$ (22,591)
State taxes, net of federal benefit	(7,105)	2,212	32,542
Differences between statutory rate and foreign effective tax rate	283	4,886	6,750
Tax associated with intercompany prepaid royalty	—	—	(35,000)
Non-deductible stock-based compensation	(2,813)	(1,213)	(4,718)
Change in valuation allowance	15,347	(1,131)	208,690
Research and experimentation credit	835	4,407	6,329
Benefit from capital loss IRS relief	—	—	104,623
IRS audit adjustments	(12,679)	—	—
Impairment of goodwill	(10,491)	(54,342)	—
FIN 48 reserves	16,151	(2,075)	—
Other	810	3,629	602
	$(42,800)	$ 9,296	$297,227

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,	
	2008	2007
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 12,379	$ 21,633
Deductible goodwill and intangible assets	112,164	124,816
Tax credit carryforwards	8,663	15,541
Property and equipment	18,903	24,228
Deferred revenue, accruals and reserves	158,268	151,941
Capital loss carryforwards and investments with differences in book and tax basis	33,202	53,289
Other	8,391	2,630
Total deferred tax assets	351,970	394,078
Valuation allowance	(37,534)	(73,171)
Net deferred tax assets	314,436	320,907
Deferred tax liabilities:		
Deferred revenue, accruals and reserves	(5,971)	(4,401)
Non-deductible acquired intangibles	(17,520)	(28,897)
Interest deduction on convertible debt	(31,504)	(2,611)
Other	(2,804)	—
Total deferred tax liabilities	(57,799)	(35,909)
Total net deferred tax assets	$256,637	$284,998

As of December 31, 2008, the Company had deferred tax assets arising from deductible temporary differences, tax losses, and tax credits of $352.0 million before the offset of certain deferred liabilities. With the exception of certain deferred tax assets related to book impairments on investments and certain foreign net operating loss carryforwards, management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. During 2008, the Company released a valuation allowance of $16.0 million related to the utilization of U.S. federal and state capital loss carryforwards. During 2008, the Company also released a valuation allowance of $7.4 million related to the deferred tax assets of its Australian subsidiary. Such release resulted in a benefit to Income tax expense of $3.8 million and a reduction to Goodwill of $3.6 million. The Company will continue to evaluate the realizability of its deferred tax assets quarterly and will assess the need for additional valuation allowances, if any, in subsequent quarters.

As of December 31, 2008, the Company had federal, state and foreign net operating loss carryforwards of approximately $520.1 million, $605.1 million and $37.2 million, respectively, without regard to any uncertain tax position pursuant to FIN 48. The Company also had federal and state research tax credits available for future years of approximately $32.3 million and $20.7 million, respectively. Pursuant to SFAS 123R, $231.2 million will be recorded to Stockholders' equity when stock option-related attributes are utilized to reduce future cash tax payments. The federal and state net operating loss and federal tax credit carryforwards expire in various years from 2011 through 2028. Most state tax credit carryforwards can be carried forward indefinitely. Some of the Company's foreign net operating loss carryforwards do not expire, but could be subject to future restrictions based on changes in the business or ownership of the foreign subsidiary. Other foreign net operating loss carryforwards will expire in 2009 through 2019.

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

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. The amount of such earnings at December 31, 2008, was $230.0 million. These earnings have been permanently reinvested and the Company does not plan to initiate any action that would precipitate the payment of income taxes thereon. It is not practicable to estimate the amount of additional tax that might be payable on the undistributed foreign earnings.

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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,	
	2008	2007
	(In thousands)	
Gross unrecognized tax benefits at January 1, 2008	$ 45,267	$ 48,901
Increases in tax positions for prior years	25,235	3,932
Decreases in tax positions for prior years	(31,414)	(13,482)
Increases in tax positions for current year	5,195	5,916
Settlements	(2,949)	—
Lapse in statute of limitations	(9,336)	—
Gross unrecognized tax benefits at December 31, 2008	$ 31,998	$ 45,267

In the fourth quarter of 2007, the Company decreased the previously disclosed balance for unrecognized tax benefits by $37.8 million. This correction does not have an impact on the financial statements.

In the fourth quarter of 2008, the Company decreased the previously disclosed balance for unrecognized tax benefits by $3.8 million. This correction does not have an impact on the financial statements.

As of December 31, 2008, approximately $31.7 million of unrecognized tax benefit, including penalties and interest could affect the Company's tax provision and effective tax rate.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related unrecognized tax benefits as a component of tax expense. During the years ended December 31, 2008 and December 31, 2007, the Company recognized interest and penalties of approximately $1.5 million and $2.4 million, respectively. The Company had approximately $4.4 million and $11.7 million for the payment of interest and penalties accrued at December 31, 2008 and December 31, 2007, respectively.

On December 29, 2008, the Company received and agreed to a "Revenue Agent's Report" reflecting the IRS' conclusion of its audit of the years ended December 31, 2004 and December 31, 2005. The Company agreed with the IRS' conclusions which primarily related to the research and experimental tax credits, the results of which are reflected in the tax expense in the amount of $12.7 million for the year ended December 31, 2008.

The Company is currently under examination by the California Franchise Tax Board for the years ended December 31, 2004 and December 31, 2005. The Company is also under examination by numerous state 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, such attributes can be adjusted by the IRS and other taxing authorities until the statute closes on the year in which such attribute was utilized. The Company is not currently under examination by significant international taxing jurisdictions. The balance of the gross unrecognized tax benefits is not expected to materially change in the next 12 months.

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Note 15. Commitments and Contingencies

Leases

VeriSign leases a portion of its facilities under operating leases that extend through 2017, and subleases a portion of its office space to third parties. The minimum lease payments under non-cancelable operating leases and the future minimum contractual sublease income as of December 31, 2008, are as follows:

	Operating Lease Payments	Sublease Income	Net Lease Payments
		(In thousands)	
2009	$ 31,019	$(1,679)	$ 29,340
2010	27,167	(113)	27,054
2011	16,416	(15)	16,401
2012	10,147	—	10,147
2013	9,619	—	9,619
Thereafter	16,362	—	16,362
Total	$ 110,730	$(1,807)	$108,923

Future operating lease payments include payments related to leases on excess facilities included in VeriSign's restructuring plans.

Net rental expense, inclusive of discontinued operations, under operating leases was $26.0 million in 2008, $25.7 million in 2007, and $29.2 million in 2006. VeriSign has subleased offices to various companies under non-cancelable operating leases. VeriSign received payments of $1.2 million in 2008, $0.1 million in 2007, and $0.6 million in 2006.

Purchase Obligations and Contractual Agreements

The following table represents the minimum payments required by VeriSign under certain purchase obligations, the contractual agreement with the Internet Corporation for Assigned Names and Numbers ("ICANN"), and the interest payments and principal on the Convertible Debentures:

	Purchase Obligations	ICAAN Agreement	Convertible Debentures
		(In thousands)	
2009	$ 28,969	$ 15,000	$ 40,625
2010	5,273	18,000	40,625
2011	1,611	18,000	40,625
2012	43	16,500	40,625
2013	—	—	40,625
Thereafter	—	—	2,225,000
Total minimum payments	$ 35,896	$ 67,500	$2,428,125

The amounts in the table above exclude $31.7 million of income tax related liabilities under FIN 48 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 primarily consist of firm commitments with telecommunication carriers and other service providers. The Company does not have any significant purchase obligations beyond 2012.

In 2006, the Company entered into a contractual agreement with ICANN to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. Under the agreement, the Company paid ICANN fixed, registry level fees of $10.0 million in 2008 and $10.0 million in 2007. Beginning in 2009, the agreement provides for contingent payments upon meeting certain criteria based on growth in the number of annual domain name registrations. As of December 31, 2008, the Company has met the criteria and as a result its contractual payments will increase to the amounts as listed in the table above for the respective future periods.

In August 2007, the Company issued $1.25 billion principal amount of 3.25% convertible debentures due August 15, 2037. The Company will pay cash interest at an annual rate of 3.25% payable semiannually on February 15 and August 15 of each year, beginning February 15, 2008 until maturity. See Note 10, "Junior Subordinated Convertible Debentures," for further information.

Legal Proceedings

From time to time and in the ordinary course of business, the Company may be subject to various claims, charges and litigation. The Company accrues the estimated costs of settlement or damages when a loss is deemed probable and such costs are estimable. The Company accrues for legal costs when such amounts are probable and estimable, otherwise, these expenses are expensed as incurred. If the estimate of a probable loss or defense costs is a range and no amount within the range is more likely, the Company accrues the minimum amount of the range.

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the U.S. District Court for the District of Arizona asserting infringement of certain patents. The complaint alleged that VeriSign's Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of one of the patents and the Court has dismissed with prejudice all claims of infringement of such patent. In its ruling on the claim construction issues, the Court found some of the claims asserted against VeriSign to be valid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Only one claim remains in the case. On July 13, 2007, the Court issued an order granting summary judgment in favor of VeriSign based on the Court's finding that such claim is invalid, and denying all other pending dispositive motions. On August 29, 2007, plaintiff filed a Notice of Appeal. On September 19, 2007, the U.S. Court of Appeals for the Federal Circuit docketed the appeal. On October 20, 2008, the appellate court issued a decision that affirmed in part and reversed in part the summary judgment order and remanded the case for further proceedings in the trial court. While the Company cannot predict the outcome of this lawsuit, it believes that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the U.S. District Court for the District of Delaware alleging that VeriSign's "Go Secure" suite of applications and related hardware and software products and its unified authentication solution and related hardware and software products, including the VeriSign Identity Protection ("VIP") product infringe U.S. Patent No. 6,516,416, entitled "Subscription Access System for Use With an Untrusted Network." Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys' fees and costs. On April 2, 2007, the Court issued a ruling from the claim construction hearing. On April 13, 2007, the Court granted Defendants' Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the claim construction

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ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal. On February 5, 2008, the U.S. Court of Appeals for the Federal Circuit affirmed the district court's claim construction ruling and dismissal in VeriSign's favor. On December 19, 2008, the parties resolved VeriSign's appeal of a post judgment motion together with the Prism matter described below.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company in the U.S. District Court for the Northern District of California, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in U.S. District Court for the Northern District of California (Port Authority v. Bidzos, et al., and VeriSign), and one in the Superior Court of the State of California, Santa Clara County (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. The state court derivative actions are stayed pending resolution of the federal action. The Company is named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Those motions were granted on September 14, 2007. On November 16, 2007, a second amended shareholder derivative complaint was filed in the federal action wherein we were again named as a nominal defendant. By stipulation and Court order, defendants' obligation to respond to the second amended shareholder derivative complaint has been continued pending informal efforts by the parties to resolve the action.

On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in Superior Court for the State of California, Santa Clara County, naming the Company and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned VeriSign's common stock between April 3, 2002, and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin defendants from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The identical case was filed in the Superior Court for the State of California, Santa Clara County under a separate name (Pace. v. Bidzos, et al., and VeriSign) on June 19, 2007, and on October 3, 2007 (Mehdian v. Bidzos, et al.). On December 3, 2007, a consolidated complaint was filed in Superior Court for the State of California, Santa Clara County. VeriSign and the individual defendants dispute all of these claims. Defendants' collective pleading challenges to the putative consolidated class action complaint were granted with leave to amend in August 2008. By stipulation and Court order, plaintiff's obligation to file an amended consolidated class action complaint has been continued pending informal efforts by the parties to resolve the action.

On November 7, 2006, a judgment was entered against VeriSign, Inc. by a trial court in Terni, Italy in the matter of Penco v. VeriSign, Inc. in the amount of Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. The Company was granted a stay on execution of the judgment and the Company filed an appeal. On July 9, 2008, the appellate court rejected all of plaintiff's claims. The period in which plaintiff may file an appeal of the appellate court ruling should lapse in the first quarter of 2009.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers ("*Herbert*"), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the

NBC television show "Deal or No Deal" to incur premium text message charges in order to participate in an interactive television promotion called "Lucky Case Game." The lawsuit is pending in the U.S. District Court for the Central District of California, Western Division. On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers ("*Bentley*"), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "The Apprentice" to incur premium text message charges in order to participate in an interactive television promotion called "Get Rich With Trump." The Bentley matter is currently stayed. A motion to dismiss ruling in Herbert is on appeal in the U.S. Court of Appeals for the Ninth Circuit. While the Company cannot predict the outcome of any of these matters, it believes that the allegations in each of them are without merit and intends to vigorously defend against them.

On April 30, 2008, Prism Technologies LLC filed a complaint against VeriSign in the U.S. District Court for the District of Nebraska alleging that VeriSign's manufacture, sale and use of "security certificates" infringes a U.S. patent. On December 19, 2008, the parties resolved this matter along with the additional Prism matter described above. This matter has been dismissed with prejudice as to VeriSign.

On September 12, 2008, Leon Stambler filed a declaratory judgment complaint against VeriSign in the U.S. District Court for the Eastern District of Texas. The complaint seeks an order permitting Stambler to proceed with patent infringement actions against VeriSign SSL certificate customers in actions in which VeriSign is not a party in view of Stambler's prior unsuccessful action in 2003 against VeriSign on the same patents in which a verdict was returned against Stambler and a judgment was entered thereon. VeriSign has received requests to indemnify certain SSL certificate customers in the patent infringement actions brought by Stambler. While the Company cannot predict the outcome of these proceedings, it believes the allegations against it are without merit and intends to vigorously defend against them.

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in its opinion will have a material effect on its business. 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.

Indemnifications

VeriSign enters into indemnification agreements with many of its customers and certain other business partners in the ordinary course of business.

Some agreements indemnify the customer, or business partner, as applicable, against claims brought by third-parties that allege a VeriSign product infringes a patent, copyright or trademark, misappropriates a trade secret, or violates other proprietary rights of that third-party. These indemnification obligations may be subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. VeriSign incurred certain expenses that were not significant to defend lawsuits or settle claims arising from indemnification agreements in 2008.

Some agreements indemnify customers against certain losses caused by the Company's employees and subcontractors. These indemnification obligations may be subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. VeriSign has not incurred significant expenses to defend lawsuits or settle claims arising from such indemnification agreements in 2008.

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The Company maintains insurance policies that may enable VeriSign to recover a portion of the expenses related to certain indemnification claims.

Off-Balance Sheet Arrangements

As of December 31, 2008, 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 as well as other indemnifications entered into in the normal course of business. Historically, there have been no significant losses related to such guarantees and indemnifications. As of December 31, 2008 and 2007, VeriSign has pledged approximately $0.3 million and $2.5 million, respectively, as collateral for standby letters of credit that guarantee certain of its contractual obligations, primarily relating to its real estate lease agreements, the longest of which is expected to mature in 2010. The Company's Facility allows for the issuance of letters of credit up to a maximum limit of $50.0 million. As of December 31, 2008, the Company has utilized $1.4 million for outstanding letters of credit under the Facility relating to a building lease agreement and workers' compensation. There were no outstanding letters of credit under the Facility as of December 31, 2007.

Note 16. Segment Information

Description of Segments

As a result of a comprehensive review of its business strategy, VeriSign changed its reportable segments in January 2008. Previously, the Company had the following two reportable segments: Internet Services Group and Communication Services Group. As of December 31, 2008, the Company's business consists of two reportable segments: (1) 3IS, which consists of Naming Services, SSL Certificate Services, IAS, and VeriSign Japan, and (2) Other Services.

The Naming Services business is the authoritative directory provider of all *.com, .net, .cc, .tv*, *.name* and *.jobs* domain names. The SSL Certificate Services business enables enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. The IAS business includes identity protection services, fraud detection services, managed PKI services, and unified authentication services. These services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of SSL Certificate Services and IAS.

The Other Services segment consists of the continuing operations of the Company's non-core Pre-pay billing and payment services ("Pre-pay") business as well as legacy products and services from divested businesses. The Company is in the process of winding down the operations of the Pre-pay business. In Other Services, the legacy products and services from divested businesses primarily include the following: the Company's Jamba which provided mobile entertainment to consumers; RDS business, which offered

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point-of-sale data information for retail, pharmaceutical and consumer goods customers; and the CDN business, which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale.

The segments were determined based on how the chief operating decision maker ("CODM") views and evaluates VeriSign's operations. VeriSign's Chief Executive Officer on an interim basis has been identified as the CODM. Other factors, including customer base, homogeneity of products, technology and delivery channels, were also considered in determining the reportable segments.

The following table presents the results of VeriSign's reportable segments:

	Internet Infrastructure and Identity Services	Other Services	Total Segments
		(In thousands)	
Year ended December 31, 2008:			
Revenues	$ 936,317	$ 25,418	$ 961,735
Cost of revenues	160,982	8,853	169,835
	$ 775,335	$ 16,565	$ 791,900
Year ended December 31, 2007:			
Revenues	$ 783,171	$ 64,286	$ 847,457
Cost of revenues	115,181	35,489	150,670
	$ 667,990	$ 28,797	$ 696,787
Year ended December 31, 2006:			
Revenues	$ 638,554	$ 344,180	$ 982,734
Cost of revenues	87,830	121,275	209,105
	$ 550,724	$ 222,905	$ 773,629

A reconciliation of the totals reported for the reportable segments to the applicable line items in the Consolidated Financial Statements is as follows:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Total revenues from reportable segments	$961,735	$ 847,457	$982,734
Cost of revenue from reportable segments	169,835	150,670	209,105
Unallocated operating expenses (1)	721,122	942,579	749,365
Operating income (loss)	70,778	(245,792)	24,264
Other income, net	52,473	94,618	43,120
Income (loss) from continuing operations before income taxes, loss from unconsolidated entities and minority interest	$123,251	$(151,174)	$ 67,384

(1) Unallocated operating expenses include unallocated cost of revenues, sales and marketing, research and development, general and administrative, restructuring, impairments and other charges (reversals), net, and amortization of other intangible assets.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2008, 2007 AND 2006

Geographic Revenues

The following table represents a comparison of the Company's geographic revenues:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
United States	$645,329	$624,435	$570,288
Switzerland	214,214	107,277	44,581
Japan	78,469	71,515	69,062
Germany	—	23,778	285,387
Other	23,723	20,452	13,416
Total revenues	$961,735	$847,457	$982,734

VeriSign operates in North America, Europe, Australia, Latin America, South Africa, Japan and certain other countries in the Asia Pacific region. Revenues are generally attributed to the respective countries in which the VeriSign contracting entities are located, which does not necessarily reflect the location of the Company's customers.

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

	As of December 31,	
	2008	2007
	(In thousands)	
Americas:		
United States	$354,350	$592,554
CALA (1)	29	1,130
Total Americas	354,379	593,684
EMEA (2)	8,686	10,005
APAC (3)	19,176	18,228
Total property and equipment, net	$382,241	$621,917

(1) Canada and Latin America ("CALA")
(2) Europe, the Middle East and Africa ("EMEA")
(3) Australia, Japan and Asia Pacific ("APAC")

Assets are not tracked by segment and the chief operating decision maker does not evaluate segment performance based on asset utilization.

Major Customers

One customer accounted for approximately 13% and 10% of revenues from continuing operations in 2008 and 2007, respectively and no customer accounted for 10% or more of revenues from continuing operations in 2006. No customer accounted for 10% or more of accounts receivable in 2008, 2007 or 2006.

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Note 17. Fair Value of Financial Instruments

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "*Fair Value Measurements,*" which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements.

The Company adopted SFAS 157 effective January 1, 2008, for all of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). To increase consistency and comparability in fair value measurements, SFAS 157 establishes a fair value hierarchy based on the inputs used in valuation techniques. There are three levels to the fair value hierarchy of inputs to fair value, as follows:

- 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 equivalents, foreign currency forward contracts, equity investments in other public companies, and a contingent interest derivative associated with its Convertible Debentures.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy:

	For the year ended December 31, 2008			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Investments in money market funds	$ 586,216	$ —	$ —	$ 586,216
Equity investments	260	—	—	260
Total	$ 586,476	$ —	$ —	$ 586,476
Liabilities:				
Foreign currency forward contracts	$ —	$ 1,144	$ —	$ 1,144
Contingent interest derivative on Convertible Debentures	—	—	10,549	10,549
Total	$ —	$ 1,144	$ 10,549	$ 11,693

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

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2008, 2007 AND 2006

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. Such instruments are included in Accounts payable and accrued liabilities. The Company recorded unrealized losses related to changes in the fair value of its foreign currency forward contracts in Other (loss) income, net. The Company recorded an unrealized loss of $1.2 million and $0.3 million in 2008 and 2007, respectively, related to changes in the fair value of its foreign currency forward contracts.

Equity investments relate to the Company's investments in the securities of other public companies. The fair value of these investments is based on the quoted market prices of the underlying shares. Such investments are included in Prepaid expenses and other current assets.

The Company's Convertible Debentures have contingent interest payments that are considered to be an embedded derivative. The Company accounts for the embedded derivative separately from the Convertible Debentures at fair value, with gains and losses reported in Other (loss) income, net. The Company has utilized a valuation model based on simulations of stock prices, interest rates, credit ratings and bond prices to estimate the value of the embedded derivative. The inputs to the model include risk adjusted interest rates, volatility and average yield curve observations and stock price. As several significant inputs are not observable, the overall fair value measurement of the embedded derivative is classified as Level 3.

The following table summarizes the change in the fair value of the Company's Level 3 contingent interest derivative on Convertible Debentures for the year ended December 31, 2008:

	(In thousands)
Balance at December 31, 2007	$ 14,165
Unrealized gain on contingent interest derivative on Convertible Debentures (1)	(3,616)
Balance at December 31, 2008	$ 10,549

(1) Included in Other income, net.

The fair value of other financial instruments, carried at cost in the balance sheet, including accounts receivable, restricted cash and investments, and accounts payable, approximates the carrying amount, which is the amount for which the instrument could be exchanged in a current transaction between willing parties. The fair value of the Company's Convertible Debentures at December 31, 2008, is $812.5 million, and is based on quoted market prices.

Note 18. Related Party Transactions

The following table shows a comparison of revenues recognized from customers in which VeriSign holds an equity investment, including its International Affiliates:

	As of December 31,		
	2008	2007	2006
	(In thousands)		
Revenues from investments in unconsolidated entities	$ 9,626	$10,212	$ —
Revenues from other equity investments	3,769	3,291	3,492
Total	$13,395	$13,503	$ 3,492

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2008, 2007 AND 2006

VeriSign recognized revenues of $9.6 million and $10.2 million in 2008 and 2007, respectively, from a service agreement with its investments in unconsolidated entities related to the Jamba joint ventures. At December 31, 2007, the Company had approximately $5.1 million in accounts receivable from its investments in unconsolidated entities. In October 2008, VeriSign sold its remaining 49% ownership interest in the Jamba joint ventures and settled all amounts receivable from the Jamba joint ventures. At December 31, 2008 and 2007, VeriSign had $6.6 million and $6.4 million, respectively, in accounts receivable from other equity investments.

Note 19. Other Income, Net

The following table presents the components of other income, net:

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Interest income	$ 16,376	$ 47,074	$27,123
Interest expense	(41,062)	(18,266)	(7,838)
Net (loss) gain on sale and impairment of investments	(6,365)	(1,788)	21,234
Net gain on divestiture of businesses and unconsolidated entities	80,583	71,216	—
Unrealized gain on joint venture call options	—	10,925	—
Realized and unrealized gain (loss) on contingent interest derivative on Convertible Debentures	3,616	(15,301)	—
Income from transition services agreements	3,641	—	—
Other, net	(4,316)	758	2,601
Total other income, net	$ 52,473	$ 94,618	$43,120

Interest income is earned principally from the investment of VeriSign's surplus cash balances. Interest expense is principally incurred on Convertible Debentures and the Facility. Income from transition services agreements includes fees generated from services provided to the purchasers of the divested businesses for a certain period of time to ensure and facilitate the transfer of business operations for those businesses. Other, net, primarily consists of foreign exchange rate gains and losses.

Note 20. Subsequent Events

On January 23, 2009, the Company entered into an arrangement agreement with Certicom Corp. ("*Certicom*"), a corporation continued under the laws of Canada, whereby we agreed to acquire all of the outstanding common shares of Certicom, for an aggregate purchase price, of approximately $73 million. On February 10, 2009, Certicom terminated the arrangement agreement in order to accept a superior acquisition proposal from a third-party, as determined by Certicom's Board of Directors. Certicom has paid a termination fee of $3.3 million to the Company, pursuant to the terms of the arrangement agreement.

On January 30, 2009, the Company received $85.8 million from the International Fund, and on February 20, 2009, the Company received $8.3 million from the Primary Fund. The total distributions to date represents approximately 85% and 65% of the Company's total investment in the Primary Fund and the International Fund, respectively. As of February 27, 2009, the funds held by the Primary Fund and the International Fund were $16.2 million and $40.1 million, respectively, net of the other-than-temporary impairment loss.

In January 2009, the Company announced a realignment of its three core services into two business units to include the following: (1) Naming Services and (2) Authentication Services, which would include both SSL Certificate Services and IAS.

On March 2, 2009, the Company entered into a binding agreement to sell its Communications Services business to Transaction Network Services, Inc. for $230.0 million subject to certain adjustments to reflect normal fluctuations in working capital. The transaction is subject to Hart-Scott-Rodino Act review, and the agreement contains customary closing conditions. The parties anticipate that the transaction will close within 60 days.

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As required under Item 15—Exhibits and Financial Statement Schedules, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

Exhibit Number	Exhibit Description
10.59	Arrangement Agreement dated as of January 23, 2009 between VeriSign, Inc. and Certicom Corp.
21.01	Subsidiaries of the Registrant
23.01	Consent of Independent Registered Public Accounting Firm
24.01	Powers of Attorney (Included on Page 87 as part of the signature pages hereto)
31.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)
32.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350)**
32.02	Certification of Chief 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)**

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

Exhibit 10.59

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated as of January 23, 2009,

B E T W E E N:

VeriSign, Inc., a corporation incorporated under the laws of the State of Delaware (the "**Acquiror**")

- and -

Certicom Corp., a corporation continued under the laws of Canada ("**Certicom**" or the "**Company**")

WHEREAS upon the terms and subject to the conditions of this Arrangement Agreement, the Parties hereto intend to propose the Arrangement;

WHEREAS Certicom wishes to support and facilitate the Arrangement on the terms and subject to the conditions set forth in this Arrangement Agreement and the Board has concluded that it is in the best interests of Certicom to consummate the Arrangement, on the terms and subject to the conditions set forth in this Arrangement Agreement, in which Certicom would become a wholly-owned subsidiary of the Acquiror, and the Board has unanimously approved this Arrangement Agreement and intends to recommend that the Arrangement Resolution be approved by the Certicom Shareholders, on the terms and subject to the conditions of this Arrangement Agreement;

WHEREAS the Acquiror and Certicom desire to make certain representations, warranties, covenants and agreements in connection with the Arrangement and also to prescribe various conditions to the Arrangement;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the Parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Arrangement Agreement, unless the context otherwise requires:

"**Acquiror**" has the meaning ascribed thereto in the Preamble;

“**Acquisition Proposal**” means any merger, amalgamation, take-over bid, tender offer, arrangement, recapitalization, liquidation, dissolution, share exchange, material sale of assets (or any lease, license agreement, technology partnering arrangement or other arrangement having the same economic effect as a material sale of assets), any material sale of securities of Certicom or rights or interests therein or thereto, or similar transactions involving Certicom and/or its Subsidiaries, or a proposal or offer to do so, or any modification or proposed modification of any of the foregoing, excluding the Arrangement or any transaction to which the Acquiror or a Subsidiary of the Acquiror is a party;

“**affiliate**” has the meaning ascribed thereto in the Securities Act;

“**Ancillary Software IP**” has the meaning given to it in Section 3.1(o);

“**Arrangement**” means the arrangement involving the Acquiror and the Company under the provisions of section 192 of the CBCA on the terms and conditions set forth in this Arrangement Agreement resulting, *inter alia*, in the direct acquisition by the Acquiror of all of the outstanding Certicom Shares, all on such terms as are consistent with the provisions hereof, all as more particularly described in the Plan of Arrangement, subject to any amendments, revisions, updates or supplements thereto made in accordance with Section 2.10 or the Plan of Arrangement or made at the direction of the Court in the Final Order;

“**Arrangement Agreement**” means this arrangement agreement dated as of the date hereof between the Acquiror and Certicom, as it may be amended from time to time in accordance with its terms;

“**Arrangement Resolution**” means the special resolution of the Certicom Shareholders approving the Arrangement to be considered at the Special Meeting, substantially in the form of Exhibit A, and any amendments or variations thereto made in accordance with the provisions of this Arrangement Agreement or made at the direction of the Court in the Interim Order;

“**Articles of Arrangement**” means the articles of arrangement of the Company to be filed with the Director in connection with the Arrangement after the Final Order is made in order for the Arrangement to become effective;

“**Bankruptcy and Equity Exception**” has the meaning given to it in Section 3.1(d);

“**Baseline Financials**” has the meaning given to it in Section 3.1(e);

“**Benefit Agreements**” has the meaning given to it in Section 3.1(f);

“**Benefit Plans**” has the meaning given to it in Section 3.1(j);

“**Board**” means the board of directors of Certicom;

"**Business Day**" means any day, other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario, Canada or New York, N.Y., United States of America;

"**Cash Proceeds per Share**" shall mean $2.10 cash, subject to adjustment in accordance with Section 2.6 of the Plan of Arrangement;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as promulgated or amended from time to time;

"**Certicom**" or the "**Company**" means Certicom Corp., a corporation continued under the laws of Canada;

"**Certicom Data Rooms**" means the Certicom data rooms posted on the www. intralinks.com web site under the project name "Project Sentinel" and located at the offices of Blake, Cassels & Graydon LLP in Toronto, Ontario as in effect on January 22, 2009;

"**Certicom IP**" has the meaning given to it in Section 3.1(o);

"**Certicom Licensed IP**" has the meaning given to it in Section 3.1(o);

"Certicom Option" means any existing right or option to purchase Certicom Shares outstanding under the Certicom Stock Option Plans;

"**Certicom Owned IP**" has the meaning given to it in Section 3.1(o);

"**Certicom Personnel**" has the meaning given to it in Section 3.1(f);

"**Certicom Shares**" means the common shares in the capital of Certicom;

"**Certicom Shareholders**" means the holders of Certicom Shares (including both registered and beneficial holders);

"**Certicom Stock Option Plans**" means (a) the 1997 Stock Option Plan, as amended as of October 19, 2000 and September 20, 2007, of Certicom, (b) the March 25, 2000 U.S. Stock Option Plan, as amended as of September 20, 2007, of Certicom, and (c) the 2000 Directors' Incentive Plan of Certicom, collectively;

"**Charter Documents**" means articles and by-laws and similar constating documents of a corporation;

"**Closing Date**" means the earlier of: (a) the date that is three Business Days after the satisfaction or waiver (subject to applicable Laws) of the conditions set forth in Article 6 (other than the delivery of items to be delivered on the Effective Date and the satisfaction of those conditions that, by their terms, cannot be satisfied until immediately prior to the Effective Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Effective Date); (b) the date that is the day prior to the Outside Date, provided that the conditions set forth in Article 6 have been satisfied or, where permitted,

waived (other than the delivery of items to be delivered on the Effective Date and the satisfaction of those conditions that, by their terms, cannot be satisfied until immediately prior to the Effective Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Effective Date); and (c) such date as mutually agreed in writing by the Company and the Acquiror;

“**Commonly Controlled Entity**” has the meaning given to it in Section 3.1(j);

“**Confidentiality Agreement**” means the non-disclosure and standstill letter agreement dated December 10, 2008 between the Acquiror and Certicom providing the Acquiror access to confidential information of Certicom;

“**Contract**” means any loan or credit agreement, bond, debenture, note, mortgage, indenture, Guarantee, lease or other contract, commitment, agreement, instrument, arrangement, obligation, undertaking or license, whether oral or written (each, including all amendments thereto);

“**CSA**” means the Canadian Securities Administrators;

“**CSA Documents**” has the meaning given to it in Section 3.1(e);

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Customer Contract**” means (a) any Contract with a customer of Certicom or any of its Subsidiaries who is currently active on maintenance or support or has been since May 1, 2007, (b) any Contract with a customer of Certicom or any of its Subsidiaries who has paid royalties since May 1, 2007, or under which Contract royalties are payable, to Certicom or any of its Subsidiaries, (c) any Contract pursuant to which Certicom or any of its Subsidiaries has explicitly licensed patent rights to any person, or (d) any Contract otherwise material to Certicom and its Subsidiaries on a consolidated basis;

“**Depository**” means Computershare Trust Company of Canada;

“**Derivative Work**” has the meaning given to it in Section 3.1(o);

“**Director**” means the Director appointed pursuant to section 260 of the CBCA;

“**Disclosure Letter**” has the meaning given to it in Section 3.1;

“**Dissent Rights**” means the rights of dissent in favour of Certicom Shareholders in respect of the Arrangement as contemplated in the Plan of Arrangement;

“**Effective Date**” means the date upon which the Arrangement becomes effective as established by the date of issue shown on the certificate giving effect to the Arrangement issued by the Director pursuant to the CBCA;

“**Effective Time**” means the first moment in time in Toronto on the Effective Date;

“**Environmental Claims**” has the meaning given to it in Section 3.1(k);

“**Environmental Law**” has the meaning given to it in Section 3.1(k);

“**Executive Retention Agreements**” means, collectively, the retention agreements dated as of December 22, 2008 between Certicom and each of Hervé Séguin, Frank Cotter, Jim Alfred, Ross Bennett, William Lattin, David Lewis and Karna Gupta;

“**Fairness Opinion**” means an opinion of the financial advisor to the Board or an opinion of the financial advisor to the Special Committee of the Board, in each ease, as of the date of this Arrangement Agreement, that the Arrangement is fair, from a financial point of view, to the Certicom Shareholders (other than the Acquiror), in form and substance satisfactory to the Board;

“**Filed CSA Document**” has the meaning given to it in Section 3.1(e);

“**Final Order**” means the order of the Court approving the Arrangement as such order may be amended by the Court (with the consent of the Company and the Acquiror, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or amended (provided that any such amendment shall be acceptable to the Acquiror and the Company, each acting reasonably) on appeal;

“**Financial Indebtedness**” means in relation to a person (the “**debtor**”), an obligation or liability (contingent or otherwise) of the debtor (a) for borrowed money (including overdrafts and including amounts in respect of principal, premium, interest or any other sum payable in respect of borrowed money) or for the deferred purchase price of property or services, (b) under any loan, stock, bond, note, debenture or other similar instrument or debt security, (c) under any acceptance credit, bankers’ acceptance, Guarantee, letter of credit or other similar facilities, (d) under any conditional sale, hire purchase or title retention agreement with respect to property, under any capitalized lease arrangement, under any sale and lease back arrangement or under any lease or any other agreement having the commercial effect of a borrowing of money or treated as a finance lease or capital lease in accordance with applicable accounting principles, (e) under any foreign exchange transaction, any interest or currency swap transaction, any fuel or commodity hedging transaction or any other kind of derivative transaction, (f) in respect of any counter-indemnity obligation in respect of a Guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, (g) in respect of preferred stock (namely capital stock of any class that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution, over the capital stock of any other class) or redeemable capital stock (namely any class or series of capital stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed on a specified date or is redeemable at the option of the holder thereof at any time, or is convertible into or exchangeable for debt securities at any time), or (h) for any amount raised under any transaction similar in

nature to those described in paragraphs (a) to (g) of this definition, or otherwise having the commercial effect of borrowing money, or (i) under a Guarantee, indemnity or similar obligation entered into by the debtor in respect of an obligation or liability of another person which would fall within paragraphs (a) to (h) of this definition if the references to the debtor referred to the other person; for greater certainty, Financial Indebtedness includes obligations and liabilities of another person which would fall within paragraphs (a) to (h) of this definition where such obligations or liabilities are secured by (or where such other person has a right to require that such obligations or liabilities be secured by) a security interest over any property of the debtor even though the debtor has not assumed or become liable for the payment of such obligations or liabilities or receivables sold, assigned, or discounted;

"**GAAP**" has the meaning given to it in Section 3.1(e);

"**Government Contract**" has the meaning given to it in Section 3.1(u);

"**Governmental Entity**" means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, commissioner (including the Commissioner of Competition appointed pursuant to the *Competition Act* (Canada)), tribunal (including the Competition Tribunal established under the *Competition Tribunal Act* (Canada)), board, bureau, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above, or (d) stock exchange, automated quotation system, self regulatory authority or securities regulatory authority, including, without limitation, the TSX;

"**Grant Date**" has the meaning given to it in Section 3.1(c);

"**Guarantee**" of or by any person means any obligation, contingent or otherwise, of such person guaranteeing any Financial Indebtedness of any other person (the "**primary obligor**") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Financial Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Financial Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Financial Indebtedness of the payment of such Financial Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Financial Indebtedness; provided, however, that the term Guarantee shall not include endorsements for collection or deposit, in each case in the ordinary course of business;

"including" means including without limitation, and "**include**" and "**includes**" have a corresponding meaning;

"**Intellectual Property**" has the meaning given to it in Section 3.1(o);

“**Interim Order**” means the interim order of the Court to be made pursuant to the application therefor contemplated by Section 2.4 of this Arrangement Agreement, such order to be applied for substantially in the form of Exhibit B;

“**IP Contributing Parties**” has the meaning given to it in Section 3.1(o);

“**Judgment**” has the meaning given to it in Section 3.1(d);

“**Law” or “Laws**” means all international trade agreements, codes and conventions, laws, by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

“**Leased Real Property**” has the meaning given to it in Section 3.1(n);

“**Liens**” means any pledges, claims, liens, charges, options, hypothecs, mortgages, security interests, restrictions, adverse rights or any other encumbrances of any kind or nature whatsoever;

“**Litigation**” means suit, claim, action, arbitration, investigation or judicial, administrative and regulatory proceeding;

“Mailing Deadline” has the meaning given to it in Section 2.7;

“**Major Customer**” has the meaning given to it in Section 3.1(h);

“**Major Customer Contract**” has the meaning given to it in Section 3.1(h);

“**Major Supplier**” has the meaning given to it in Section 3.1(h);

“**Major Supplier Contract**” has the meaning given to it in Section 3.1(h);

“**Material Adverse Effect**” means any fact, change, development, event, occurrence, action, omission or effect that, individually or in the aggregate, results in or is reasonably likely to result in (a) a material adverse effect on the business, assets, properties, financial condition or results of operations of Certicom and its Subsidiaries, taken as a whole or (b) that would prevent or materially impede or delay the completion of the Arrangement, other than any fact, change, development, event, occurrence, action, omission or effect relating to or arising in connection with (i) changes, developments, or events affecting the industry in general in which Certicom primarily operates, to the extent that they do not materially disproportionately affect Certicom and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which Certicom primarily operates, (ii) the economy in general, or financial or capital markets in general, in the United States or

Canada or elsewhere in the world, to the extent that they do not materially disproportionately affect Certicom and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which Certicom primarily operates, (iii) changes (after the date of this Arrangement Agreement) in Law or in generally accepted accounting principles or in accounting standards, (iv) the announcement or pendency of this Arrangement Agreement or the anticipated consummation of the Arrangement, or the completion of the transactions contemplated by this Arrangement Agreement including the impact thereof on relationships, contractual or otherwise, with employees, customers, suppliers, distributors or partners, (v) acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of this Arrangement Agreement to the extent that they do not materially disproportionately affect Certicom and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which Certicom primarily operates, (vi) earthquakes, hurricanes, tornados or other natural disasters to the extent that they do not materially disproportionately affect Certicom and its Subsidiaries, taken as a whole, in relation to other companies in the industry in which Certicom primarily operates or (vii) any decline in the market price, or change in trading volume, of Certicom Shares or any failure to meet publicly announced revenue or earnings projections or internal projections (it being understood that, without limiting the applicability of the provisions contained in clauses (i) through (vi) above, the cause or causes of any such decline, change or failure may be deemed to constitute, in and of itself and themselves, a Material Adverse Effect and may be taken into consideration when determining whether a Material Adverse Effect has occurred);

"**material fact**" has the meaning ascribed thereto in the Securities Act;

"**Meeting Deadline**" has the meaning given to it in Section 2.2(4);

"**Misrepresentation**" has the meaning ascribed to "**misrepresentation**" in the Securities Act;

"**Optionholders**" means the holders of Certicom Options;

"**Option Consideration**" has the meaning given to it in Section 2.6;

"**ordinary course of business**", "**ordinary course of business consistent with past practice**", or any similar reference, means, with respect to an action taken by a person, that such action is consistent with the past practices of such person and is taken in the ordinary course of the normal day-to-day business and operations of such person; provided that in any event such action is not unreasonable;

"Out-of-Money Option" has the meaning given to it in Section 2.16(2);

"**Outside Date**" means April 30, 2009 or such later date as may be agreed to in writing by the Parties;

"**Parties**" means Certicom and the Acquiror, and "**Party**" means either of them;

“**Permit**” means any certificate, permit, license, franchise, approval, concession, qualification, registration, certification or other authorization of and from any Governmental Entity;

“**Permitted Liens**” has the meaning given to it in Section 3.1(h);

“**person**” includes an individual, limited or general partnership, limited liability company, limited liability partnership, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“**Plan of Arrangement**” means, in relation to the Arrangement, the plan of arrangement in the form and having the content of Exhibit C and any amendments, revisions, updates or supplements thereto made in accordance with the provisions hereof or thereof or made at the direction of the Court in the Final Order (with the consent of the Acquiror and Certicom, each acting reasonably);

“**Pre-Acquisition Reorganization**” has the meaning given to it in Section 5.2(e);

“**Proxy Circular**” means the notice of meeting and management information circular of the Company to be prepared and sent to Certicom Shareholders in connection with the Special Meeting, including the exhibits thereto;

“**Registered Certicom IP**” has the meaning given to it in Section 3.1(o);

“**Response Period**” has the meaning ascribed thereto in Section 7.2(1)(b);

“**Securities Act**” means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Securities Laws**” means the Securities Act and all other applicable Canadian provincial securities laws, rules and regulations thereunder;

“**Shareholder Approval**” means approval of the Arrangement Resolution by not less than two-thirds of the votes cast by Certicom Shareholders who are present in person or represented by proxy at the Special Meeting, in accordance with applicable Laws and the Interim Order;

“**Shareholder Rights Plan**” means the Shareholder Rights Plan Agreement adopted on September 22, 1997 and amended and restated on October 8, 2003 and ratified and reconfirmed as of September 21, 2006 between Certicom and Computershare Trust Company of Canada, as amended from time to time;

“**Software**” has the meaning given to it in Section 3.1(o);

“**Special Committee**” has the meaning given to it in Section 3.1(a);

"**Special Meeting**" means the special meeting of the Certicom Shareholders (including any adjournments or postponements thereof) to be called and held pursuant to the Interim Order to consider and, if thought fit, approve the Arrangement Resolution;

"**Specified Contracts**" has the meaning given to it in Section 3.1(h);

"**Stock Option Agreements**" has the meaning given to it in Section 3.1(c);

a "**Subsidiary**" of any person shall mean any other person (a) more than 50% of whose outstanding shares or securities representing the right to vote for the election of directors or other managing authority of such other person are, now or hereafter, owned or controlled, directly or indirectly, by such first person, but such other person shall be deemed to be a Subsidiary only so long as such ownership or control exists, or (b) which does not have outstanding shares or securities with such right to vote, as may be the case in a partnership, joint venture or unincorporated association, but more than 50% of whose ownership interest representing the right to make the decisions for such other person is, now or hereafter, owned or controlled, directly or indirectly, by such first person, but such other person shall be deemed to be a Subsidiary only so long as such ownership or control exists;

"**Superior Proposal**" has the meaning ascribed thereto in Section 7.1(1);

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time;

"**tax return**" has the meaning given to it in Section 3.1(m);

"**taxes**" has the meaning given to it in Section 3.1(m);

"**taxing authority**" has the meaning given to it in Section 3.1(m);

"**Third Party Software**" has the meaning given to it in Section 3.1(o);

"TO Bid" has the meaning given to it in Section 2.16(2);

"**TSX**" means Toronto Stock Exchange;

"**Vendor Contract**" means a Contract to which Certicom or any of its Subsidiaries is a party and pursuant to which Certicom or any of Subsidiaries contracts to purchase or acquire goods and services; and

"**WTO Investor**" has the meaning given to it at subsection 14.1(6) of the *Investment Canada Act* (Canada).

1.2 <u>Interpretation Not Affected by Headings</u>

The division of this Arrangement Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Arrangement Agreement. Unless the

contrary intention appears, references in this Arrangement Agreement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Arrangement Agreement.

1.3 Number and Gender

In this Arrangement Agreement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.4 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Currency

Unless otherwise stated, all references in this Arrangement Agreement to sums of money are expressed in lawful money of the Canada and "$" refers to Canadian dollars.

1.6 Accounting Matters

Unless otherwise stated, all accounting terms used in this Arrangement Agreement in respect of Certicom shall have the meanings attributable thereto under GAAP and all determinations of an accounting nature in respect of Certicom required to be made shall be made in a manner consistent with GAAP consistently applied.

1.7 Knowledge

In this Arrangement Agreement, references to "**the knowledge of Certicom**" means the actual knowledge, in their capacity as officers of Certicom and not in their personal capacity, of Karna Gupta, David Lewis, Hervé Séguin, Frank Cotter, William Lattin and Ross Bennett, after due inquiry.

1.8 Exhibits

The following exhibits are annexed to this Arrangement Agreement and are incorporated by reference into this Arrangement Agreement and form a part hereof:

Exhibit A - Arrangement Resolution
Exhibit B - Interim Order
Exhibit C - Plan of Arrangement

ARTICLE 2
THE ARRANGEMENT AND RELATED MATTERS

2.1 The Arrangement

The Parties agree, on the terms and subject to the conditions of this Arrangement Agreement, to carry out the Arrangement in accordance with this Arrangement Agreement on the terms set out in the Plan of Arrangement, subject to such changes as may be mutually agreed to by the Parties in accordance with this Arrangement Agreement.

2.2 Implementation Steps by the Company

The Company covenants in favour of the Acquiror that the Company shall:

(1) subject to compliance with Securities Laws, immediately upon the execution of this Arrangement Agreement or such later time prior to the opening of markets as is agreed to by the Parties, issue a press release announcing the entering into of this Arrangement Agreement, which press release will be satisfactory in form and substance to each of the Acquiror and the Company, acting reasonably. The Company will file such press release, together with a material change report in prescribed form, with applicable securities regulatory authorities in each province of Canada;

(2) as soon as reasonably practicable after the execution and delivery of this Arrangement Agreement, and in any event no later than 10 Business Days from the date hereof (subject to Court availability), bring an application before the Court pursuant to section 192 of the CBCA for the Interim Order in a manner and form acceptable to the Acquiror, acting reasonably, providing for, *inter alia*, the calling and holding of the Special Meeting, and thereafter proceed with such application and diligently pursue obtaining the Interim Order;

(3) fix a record date for the purposes of determining the Certicom Shareholders entitled to receive notice of and vote at the Special Meeting in accordance with the Interim Order;

(4) convene and hold the Special Meeting as soon as reasonably practicable with a targeted date on or before March 12, 2009 and in any event on or before March 25, 2009 (such latter date, the "**Meeting Deadline**") in accordance with the Interim Order and applicable Laws for the purpose of having Certicom Shareholders consider the Arrangement Resolution and for any other proper purpose as may be set out in the Proxy Circular (as agreed to with the prior written consent of the Acquiror); provided that: (i) the Special Meeting shall be held regardless of whether the Board determines at any time that this Arrangement Agreement is no longer advisable or recommends that Certicom Shareholders reject the Arrangement Resolution; and (ii) the Arrangement Resolution shall be voted on before any other matter at the Special Meeting, unless otherwise previously agreed to in writing by the Acquiror or required by a Governmental Entity;

(5) except to the extent required by a Governmental Entity or for quorum purposes (in the case of an adjournment), not adjourn, postpone or cancel (or propose the adjournment, postponement or cancellation of) the Special Meeting without the Acquiror's prior written consent, and without limiting the generality of the foregoing, the Company agrees that its obligations pursuant to Section 2.2(4) and this Section 2.2(5) shall not be affected by the commencement, public proposal, public disclosure or communication to the Company or any other person of any Acquisition Proposal;

(6) include in the Proxy Circular the unanimous recommendation of the Board that Certicom Shareholders vote in favour of the Arrangement Resolution;

(7) solicit from Certicom Shareholders proxies in favour of the approval of the Arrangement Resolution and, subject to Section 7.1, against any resolution submitted by any other Certicom Shareholder, including, if so requested by the Acquiror, using the services of dealers and proxy solicitation services, and take all other actions that are reasonably necessary or desirable to seek the approval of the Arrangement by Certicom Shareholders;

(8) provide notice to the Acquiror of the Special Meeting and allow representatives of the Acquiror to attend and speak at the Special Meeting;

(9) subject to obtaining all approvals as required by the Interim Order, bring an application as soon as reasonably practicable after the Special Meeting but in any event not later than three Business Days thereafter, before the Court pursuant to section 192 of the CBCA for the Final Order in a manner and form acceptable to the Acquiror, acting reasonably, and thereafter proceed with and diligently pursue obtaining the Final Order;

(10) oppose any proposal from any party that the Final Order contain any provision inconsistent with this Arrangement Agreement, and, if at any time after the issuance of the Final Order and prior to the Effective Date, Certicom is required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, it shall do so after notice to, and in consultation and cooperation with, the Acquiror;

(11) subject to obtaining the Final Order and the satisfaction or waiver of the conditions set forth in Article 6, send to the Director, for endorsement and filing by the Director, the Articles of Arrangement and such other documents as may be required in connection therewith under the CBCA to give effect to the Arrangement pursuant to section 192 of the CBCA in a manner and form acceptable to the Acquiror, acting reasonably; and

(12) (i) permit the Acquiror (and its outside counsel) to review and comment upon drafts of all material to be filed by the Company with the Court or any

Governmental Entity in connection with the Arrangement (including the Proxy Circular and any supplement or amendment contemplated by Section 2.7) prior to the service (if applicable) and/or filing of such materials, (ii) give the Acquiror and its counsel reasonable time to review and comment upon such materials and (iii) accept any reasonable comments of the Acquiror and its counsel. The Company shall also provide to the Acquiror's outside counsel on a timely basis copies of any notice of appearance or other Court documents served on the Company in respect of the application for the Interim Order or the Final Order or any appeal therefrom and of any notice, whether written or oral, received by the Company indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order. The Company will ensure that all materials filed with the Court in connection with the Arrangement are consistent in all material respects with the terms of this Arrangement Agreement and the Plan of Arrangement. In addition, the Company will not object to legal counsel to the Acquiror making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided that the Company is advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Arrangement Agreement and the Plan of Arrangement;

(13) instruct outside counsel acting for the Company to bring the applications referred to in Section 2.2(2) and Section 2.2(9) in cooperation with outside counsel to the Acquiror;

(14) not (i) file any material with the Court in connection with the Arrangement or serve any such material, and not agree to modify or amend materials so filed or served, or (ii) send to the Director, for endorsement and filing by the Director, the Articles of Arrangement, except in either case as contemplated hereby or with the Acquiror's prior written consent, such consent not to be unreasonably withheld or delayed; and

(15) effect all other necessary registrations, filing, applications and submissions of information required by a Governmental Entity from Certicom in connection with the Arrangement and, if necessary, participate and appear in any proceedings of either Party before or by any Governmental Entity.

2.3 <u>Implementation Steps by the Acquiror</u>

The Acquiror covenants in favour of the Company that it shall:

(1) cooperate with the Company in connection with seeking the Interim Order and the Final Order, including ensuring that its representatives attend the hearings in respect of the Interim Order and the Final Order;

(2) cooperate with the Company in connection with the Special Meeting, including ensuring that its representatives attend the Special Meeting; and

(3) effect all necessary registrations, filing, applications and submissions of information required by a Governmental Entity from the Acquiror in connection with the Arrangement and, if necessary, participate and appear in any proceedings of either Party before or by any Governmental Entity.

2.4 Interim Order

The notice of motion for the application for the Interim Order referred to in Section 2.2(2) shall request that the Interim Order provide:

(1) for confirmation of the record date for the Special Meeting referred to in Section 2.2(3);

(2) for the classes of persons to whom notice is to be provided in respect of the Arrangement and the Special Meeting and for the manner in which such notice is to be provided;

(3) that the requisite approval for the Arrangement Resolution shall be two-thirds of the votes cast on the Arrangement Resolution by Certicom Shareholders present in person or represented by proxy at the Special Meeting;

(4) that, in all other respects, the terms, restrictions and conditions of the Charter Documents of the Company, including quorum requirements and all other matters, shall apply in respect of the Special Meeting;

(5) for the grant of the Dissent Rights;

(6) for the notice requirements with respect to the making of the application to the Court for the Final Order;

(7) for such other matters as the Acquiror may reasonably require subject to obtaining the prior consent of the Company, such consent not to be unreasonably withheld or delayed; and

(8) that the Special Meeting may be adjourned or postponed from time to time by the Company in accordance with this Arrangement Agreement without the need for additional approval by the Court.

In the event that the Court does not issue the Interim Order as set forth herein, the Acquiror will agree to effect the transactions contemplated herein by way of a take-over bid and to enter into a support agreement with Certicom in support thereof, having the same terms, to the extent applicable, as this Arrangement Agreement.

2.5 Articles of Arrangement

The Articles of Arrangement shall, upon the endorsement of a certificate thereon by the Director in accordance with the CBCA, with such other matters as are necessary to effect the Arrangement and subject to the provisions of the Plan of Arrangement, consummate the Plan of Arrangement. The Articles of Arrangement shall be in form satisfactory to the Acquiror, acting reasonably.

2.6 <u>Cash Proceeds per Share and Option Consideration</u>

Commencing at the Effective Time, pursuant to the Plan of Arrangement, and subject to the terms and conditions of this Arrangement Agreement and the Plan of Arrangement:

(a) each Certicom Share in respect of which Dissent Rights have been validly exercised before the Effective Time shall be transferred and deemed to be transferred by the registered holder thereof, without any further act or formality on its part, free and clear of all Liens, to the Acquiror in consideration for a debt claim against the Acquiror in an amount determined and payable in accordance with Article 3 of the Plan of Arrangement, and the name of such holder will be removed from the register of holders of Certicom Shares (in respect of the Certicom Shares for which Dissent Rights have been validly exercised before the Effective Time), and the Acquiror shall be recorded as the registered holder of Certicom Shares so transferred and shall be deemed to be the legal and beneficial owner of such Certicom Shares free and clear of any Liens;

(b) all of the Certicom Options granted and outstanding and exercisable to acquire Certicom Shares immediately prior to the Effective Time shall, without any further action on behalf of any Optionholder and without any payment except as provided in the Plan of Arrangement, be disposed of and surrendered by the holders thereof to Certicom without any act or formality on its or their part in exchange for a cash amount equal to the excess, if any, of (i) the product of the number of Certicom Shares underlying such Certicom Options held by such holder and the Cash Proceeds per Share over (ii) the aggregate exercise price payable under such Certicom Options by the holder to acquire the Certicom Shares underlying such Certicom Options (the "**Option Consideration**"). All Certicom Options issued and outstanding immediately prior to the Effective Time shall thereafter immediately be cancelled; and

(c) each holder of Certicom Shares (other than holders who have properly exercised Dissent Rights) shall be entitled to receive the Cash Proceeds per Share for each Certicom Share held.

2.7 <u>Proxy Circular</u>

As promptly as practicable after the execution and delivery of this Arrangement Agreement, the Company, in consultation with the Acquiror, will prepare and complete the Proxy Circular together with any other documents required by the CBCA or other applicable Laws in connection with the Arrangement and the Special Meeting. The Proxy Circular and such other documents, together with any amendments thereto, shall be in form and substance satisfactory to the Acquiror (and the Acquiror's outside counsel) acting reasonably. The

Company will file the Proxy Circular and any other documentation required to be filed under the Interim Order and applicable Laws in all jurisdictions where the Proxy Circular is required to be filed by the Company and mail or cause to be mailed the Proxy Circular and any other documentation required to be mailed under the Interim Order and applicable Laws to Certicom Shareholders, Optionholders, the directors of the Company, the auditors of the Company and any other required persons with a targeted date of February 12, 2009, and in any event on or before February 18, 2009 (the "**Mailing Deadline**"), all in accordance with the terms of the Interim Order and applicable Laws. The Acquiror will provide such assistance as the Company may reasonably request in such regard. In a timely and expeditious manner, the Company shall prepare (in consultation with the Acquiror) and file amendments or supplements to the Proxy Circular (which amendments or supplements shall be in a form satisfactory to the Acquiror and its outside counsel, acting reasonably) required by applicable Laws or as otherwise agreed between the Company and the Acquiror with respect to the Special Meeting and mail or otherwise disseminate such amendments or supplements, as required by the Interim Order and in accordance with all applicable Laws, to such persons and in all jurisdictions where such amendments or supplements are required to be mailed or disseminated, complying in all material respects with all applicable Laws on the date of the mailing or dissemination thereof.

2.8 Preparation of Filings, etc.

(1) The Company shall (with the Acquiror and its outside counsel) diligently do all such acts and things as may be necessary to comply, in all material respects, with National Instrument 54-101 of the CSA in relation to the Special Meeting and, without limiting the generality of the foregoing, shall, in consultation with the Acquiror, use all reasonable efforts to benefit from the accelerated timing contemplated by such instrument.

(2) Each of the Acquiror and the Company shall proceed diligently, in a coordinated fashion and use its commercially reasonable efforts to cooperate in:

(a) the preparation of the Proxy Circular as described in Section 2.7;

(b) the preparation and filing of any exemption or other applications or orders and any other documents required by any of them to discharge their respective obligations under applicable Laws in connection with the Arrangement; and

(c) the taking of all such action as may be required under any applicable Securities Laws or the CBCA in connection with the Arrangement and the Plan of Arrangement.

(3) Each of the Acquiror and the Company shall furnish to the other of them, on a timely basis, all information as may be reasonably required to effect the actions contemplated by Section 2.8(1) and Section 2.8(2), and each covenants that no information so furnished by it in writing in connection with those actions or otherwise in connection with the consummation of the Arrangement will contain any Misrepresentation. Each of the Parties hereto will ensure that the information relating to it and its Subsidiaries, which is provided in the Proxy Circular, will not contain any Misrepresentation.

(4) Each of the Acquiror and the Company shall promptly notify the other of them if, at any time before the Effective Time, it becomes aware that the Proxy Circular or an application for the Interim Order, the Final Order or any other filing under corporate Laws or Securities Laws contains a Misrepresentation or otherwise requires an amendment or supplement to the Proxy Circular or such application. In any such event, each of the parties hereto will co-operate in the preparation of a supplement or amendment to the Proxy Circular, press release, newspaper advertisement or such other document, as the case may be, that corrects that Misrepresentation or effects such amendment or supplement, as the case may be, and the Company will cause the same to be distributed or disseminated to the Certicom Shareholders, Optionholders, the directors of the Company, the auditors of the Company and any other required persons and filed as required under applicable Laws and in accordance with the terms of the Interim Order.

(5) The Company shall ensure that the Proxy Circular complies in all material respects with all applicable Laws and, without limiting the generality of the foregoing, that the Proxy Circular does not contain a Misrepresentation (other than with respect to any information provided in writing by the Acquiror or its outside counsel for the purpose of inclusion in the Proxy Circular). Without limiting the generality of the foregoing, the Company shall ensure that the Proxy Circular provides Certicom Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Special Meeting and include in the Proxy Circular a statement that the Board has determined that the Arrangement is in the best interests of the Company and that the Board unanimously recommends that Shareholders vote in favour of the Arrangement Resolution (as contemplated by Section 2.2(6)).

2.9 Dissenting Shareholders

The Plan of Arrangement shall provide that registered Certicom Shareholders may exercise Dissent Rights with respect to their Certicom Shares in connection with the Arrangement pursuant to and in the manner set forth in the Interim Order and the Plan of Arrangement. The Company shall give the Acquiror; (a) prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by the Company; and (b) the opportunity to participate in all negotiations and proceedings with respect to any such demand, notice or instrument. The Company shall not make any payment or settlement offer prior to the Effective Time with respect to any such demand, notice or instrument unless the Acquiror shall have given its written consent to such payment or settlement offer, such consent not to be unreasonably withheld or delayed.

2.10 Amendment

Without limiting the provisions of the Plan of Arrangement, the Plan of Arrangement may, at any time and from time to time before and after the holding of the Special Meeting, but

not later than the Effective Time, be amended, updated, revised or supplemented by mutual written agreement of the Parties hereto. Notwithstanding the foregoing, no amendment, revision, update or supplement shall be made to the Plan of Arrangement that (i) would require the Company to obtain any regulatory approval or the approval of Certicom Shareholders in respect of such amendment, revision, update or supplement other than at the Special Meeting, (ii) would prejudice in any material respect the Company's securityholders or would result in the withdrawal or material modification of the Fairness Opinion, (iii) would impede or materially delay the consummation of the transactions contemplated by the Plan of Arrangement, or (iv) would require the Company to take any action in contravention of any applicable Law, the Charter Documents of the Company or any material provision of any material agreement to which it is a party.

2.11 List of Shareholders

At the reasonable request of the Acquiror from time to time, the Company shall provide the Acquiror with a list (in both written and electronic form) of the registered Certicom Shareholders, together with their addresses and respective holdings of Certicom Shares, with a list of the names and addresses and holdings of all persons having rights issued by the Company to acquire Certicom Shares (including Optionholders) and a list of non-objecting beneficial owners of Certicom Shares, together with their addresses and respective holdings of Certicom Shares. The Company shall from time to time require that its registrar and transfer agent furnish the Acquiror with such additional information, including updated or additional lists of Certicom Shareholders and lists of holdings and other assistance as the Acquiror may reasonably request.

2.12 Shareholder Communications

Certicom and the Acquiror agree to co-operate in the preparation of presentations, if any, to investors regarding the Arrangement, and no Party shall issue any press release or otherwise make public statements with respect to this Arrangement Agreement or the Arrangement without the consent of the other Party and Certicom shall not make any filing with any Governmental Entity or with the TSX with respect thereto without the consent of the Acquiror and the Acquiror shall not make any filing with any Governmental Entity or with the TSX without advising Certicom prior thereto; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any disclosure or filing required under applicable Laws, and the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing.

2.13 Withholding

Notwithstanding anything in this Arrangement Agreement or the Plan of Arrangement to the contrary, the Company, the Depository, the Acquiror or one or more Subsidiaries of the Acquiror, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Arrangement Agreement or the Plan of Arrangement to any Certicom Shareholder or Optionholder such amounts as are required to be deducted and withheld with respect to the making of such payment under the Tax Act, the United States Internal

Revenue Code of 1986, or any provision of local, state, provincial or foreign tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Arrangement Agreement and the Plan of Arrangement as having been paid to the former holder of the Certicom Shares or Certicom Options, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable Laws.

2.14 Closing

On the Closing Date, the Articles of Arrangement shall be filed with the Director. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Laws, including the CBCA. The closing will take place at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, Commerce Court West, 23rd Floor, Toronto, Ontario M5L 1A9 at 9:00 a.m. (Toronto time) on the Closing Date.

2.15 Timing Adjustment

(1) In the event that prior to the mailing of the Proxy Circular an Acquisition Proposal is made or announced in respect of which the Board has delivered a notice pursuant to and in compliance with Section 7.2(1)(c) to the effect that they have determined such Acquisition Proposal to be a Superior Proposal, then each of the Mailing Deadline and the Meeting Deadline shall each be extended by six Business Days.

(2) In the event that prior to the mailing of the Proxy Circular an Acquisition Proposal is made or announced in respect of which the Board has executed a non-disclosure and standstill agreement pursuant to and in compliance with Section 7.1(4), then the Mailing Deadline and the Meeting Deadline shall each be extended by ten calendar days.

2.16 Alternative Transaction Structure.

(1) At the request of the Acquiror, the Company shall use commercially reasonable efforts to assist the Acquiror to successfully implement and complete any alternative transaction structure that would result in the Acquiror acquiring, directly or indirectly, all of the Certicom Shares (including, for greater certainty, an Acquisition Proposal) so long as such an alternative transaction (a) would provide Certicom Shareholders and Optionholders with a financial result equivalent to or better than, on an after-tax basis, the Arrangement and the Company and/or the Board shall, if considered necessary or desirable, have received a fairness opinion with respect thereto from TD Securities Inc. or another financial advisor, (b) would not prejudice the Company's securityholders, (c) would not impede or materially delay the consummation of the Arrangement, (d) is otherwise on terms and conditions no more onerous than the Arrangement and this Arrangement Agreement, (e) would not require the Company to obtain any regulatory approval and (f) would not require the Company to take any action in contravention of any applicable Law, the Charter Documents or any material provision of any material agreement to which it is a party.

(2) In the event that following application made in accordance with the terms of this Arrangement Agreement, the Court declines to grant the Interim Order substantially in the form of Schedule B, upon request of the Company, the Acquiror shall make an offer to acquire all of the outstanding Certicom Shares by way of a take-over bid undertaken in accordance with Securities Laws (the "**TO Bid**"), and the Parties shall, subject to Section 2.16(3), not be obliged to undertake the Arrangement. If the Acquiror is required by the Company to undertake the TO Bid, the Company shall make commercially reasonable efforts to obtain from all the directors and officers of the Company lock-up agreements containing customary provisions in favour of the Acquiror including, without limitation, agreements by such directors and officers to (i) cancel each Certicom Option held by the applicable director or officer the exercise price of which Certicom Option is less than or equal to the Cash Proceeds Per Share (such Certicom Option, an "**Out-of-Money Option**") and (ii) exercise each Certicom Option (other than Out-of-Money Options) held by the applicable director or officer and deposit the Certicom Shares issued upon such exercise, together with any other Certicom Shares held by such director or officer, to the TO Bid, each such lock-up agreement to be terminable at the option of the director and officer, as applicable, in the event of termination of the agreement between the Parties referred to in Section 2.16(3).

(3) In the event that the transaction structure is modified in accordance with Section 2.16(1) or (2), the relevant provisions of this Arrangement Agreement shall be modified as necessary in order that they shall apply with full force and effect, *mutatis mutandis*, but with the adjustments necessary to reflect the revised transaction structure, and the Parties hereto shall execute and deliver an agreement in writing giving effect to and evidencing such amendments as may be reasonably required as a result of such modifications and adjustments.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Certicom

Except as set forth in the letter (with specific reference to the Section of this Arrangement Agreement to which the information stated in such disclosure relates; provided that information contained in any section of the Disclosure Letter shall be deemed to be disclosed with respect to any other Section of this Arrangement Agreement to the extent that it is readily apparent from the face of such disclosure that such information is applicable to such other Section of this Arrangement Agreement) delivered by Certicom to the Acquiror prior to the execution of this Arrangement Agreement (the "**Disclosure Letter**") or except as contemplated by this Arrangement Agreement, Certicom represents and warrants to the Acquiror as follows:

(a) Organization, Standing and Corporate Power. Except as set forth in Section 3.1(a) of the Disclosure Letter, each of Certicom and its Subsidiaries, (i) is a corporation or other legal entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization (except, in the case of good standing, for entities organized under the Laws of any jurisdiction that does not recognize such concept), (ii) has all requisite corporate or company power and authority to carry on its business as now being conducted and (iii) is duly qualified or licensed to do business and is in good standing in each jurisdiction (except, in the case of good standing, any jurisdiction that does not recognize such concept) in which the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary or desirable, other than where the failure to be so organized, existing, qualified or licensed or in good standing, individually or in the aggregate, is not reasonably likely to have a Material Adverse Effect. Certicom has made available to the Acquiror complete and correct copies of Certicom's Charter Documents and the Charter Documents of each of its Subsidiaries, in each case as amended to the date of this Arrangement Agreement. Certicom has made available to the Acquiror complete and correct copies of the minutes (or, in the case of draft minutes, the most recent drafts thereof) of all meetings of the shareholders, the Board and each committee of the Board and each of its Subsidiaries held since January 1, 2005, excluding any minutes of the Special Committee of the Board formed on December 3, 2008 (the "**Special Committee**").

(b) Subsidiaries. Section 3.1(b) of the Disclosure Letter sets forth a complete and correct list of each Subsidiary of Certicom, its place and form of organization. All the outstanding shares in the capital of, or other equity or voting interests in, each such Subsidiary are owned, directly or indirectly, by Certicom free and clear of any Liens, except for Liens for taxes not yet due and payable that are payable without penalty or that are being contested in good faith and for which adequate reserves have been recorded and transfer restrictions imposed by applicable Securities Laws, and are duly authorized, validly issued, fully paid and nonassessable. Except for the shares in the capital of, or other equity or voting interests in, its Subsidiaries, Certicom does not own, directly or indirectly, any shares in the capital of, or other equity or voting interests in, any person. Each Subsidiary of Certicom set forth in Section 3.1(a) of the Disclosure Letter is dormant and has no assets or liabilities.

(c) Capital Structure.

(i) The authorized share capital of Certicom consists of an unlimited number of Certicom Shares and an unlimited number of preference shares. As of January 21, 2009, there were 43,728,790 Certicom Shares and no preference shares issued and

outstanding. In addition, as of January 21, 2009, there were Certicom Options to acquire 7,461,182 Certicom Shares outstanding under the Certicom Stock Option Plans. As of the date hereof, other than the Certicom Shares, there are outstanding no other shares of any class or series in the capital of Certicom. Other than the Certicom Stock Option Plans, there are no plans or other Contracts providing for the grant of options exercisable for or into Certicom Shares by Certicom or any of its Subsidiaries. No Certicom Shares are owned by any Subsidiary of Certicom. Section 3.1(c)(i) of the Disclosure Letter sets out a complete and correct list of all outstanding Certicom Options, the number of Certicom Shares subject to such Certicom Options, the grant date, exercise price, vesting schedule and expiration date of each such Certicom Option and the name of the holder thereof and an indication of whether or not each such holder is a current employee of Certicom or any of its Subsidiaries.

(ii) Except as set forth in Section 3.1(c)(i) and in Section 3.1(c)(ii) of the Disclosure Letter, as of the date of this Arrangement Agreement, no shares in the capital of, or other equity or voting interests in, Certicom, or options, warrants, share units, restricted stock awards, stock appreciation rights, phantom stock awards or other rights to acquire any such stock or securities, or other rights that are linked to the value of the Certicom Shares or the value of Certicom or any part thereof, were issued, reserved for issuance or outstanding.

(iii) All outstanding Certicom Shares are, and all Certicom Shares that may be issued pursuant to the Certicom Stock Option Plans will be, when issued in accordance with the terms thereof, duly authorized, validly issued, fully paid and non-assessable and not subject to pre-emptive rights. There are no (A) bonds, debentures, notes or other indebtedness of Certicom or any of its Subsidiaries and (B) except as set forth in Section 3.1(c)(i) and pursuant to the Certicom Stock Option Plans and the Shareholder Rights Plan, there are no securities or other instruments or obligations of Certicom or any of its Subsidiaries, in each case, the value of which is based upon or derived from any shares in the capital of, or other equity or voting interests in, Certicom or which has or which by its terms may have at any time (whether actual or contingent) the right to vote (or which is convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of Certicom or any of its Subsidiaries may vote. Except as set forth in Section 3.1(c)(i), there are no securities, options, warrants, calls, rights or Contracts of any kind to which Certicom or any of its Subsidiaries is a party, or by which Certicom or any of its

Subsidiaries is bound, obligating Certicom or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares in the capital of, or other equity or voting interests in, or securities convertible into, or exchangeable or exercisable for, shares in the capital of, or other equity or voting interests in, Certicom or any of its Subsidiaries or obligating Certicom or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right or Contract. With respect to the Certicom Options, (1) each grant of a Certicom Option was duly authorized no later than the date on which the grant of such Certicom Option was by its terms to be effective (the "**Grant Date**") by all necessary corporate action, including, as applicable, approval by the Board (or a duly constituted and authorized committee thereof) and any required shareholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (2) each such grant was made in accordance with the Certicom Stock Option Plans and all applicable Laws and regulatory rules or requirements, including the rules of the TSX, (3) the per share exercise price of each Certicom Option was not less than the fair market value of a Certicom Share on the applicable Grant Date and (4) each such grant was properly accounted for in all material respects in accordance with GAAP in the financial statements (including the related notes) of Certicom and disclosed in accordance with applicable Securities Laws. There are no outstanding contractual or other obligations of Certicom or any of its Subsidiaries to (I) repurchase, redeem or otherwise acquire any shares in the capital of, or other equity or voting interests in, Certicom or any of its Subsidiaries or (II) vote or dispose of any shares in the capital of, or other equity or voting interests in, Certicom or any of its Subsidiaries. Certicom is not a party to any voting agreements with respect to any shares in the capital of or other equity or voting interests in Certicom or any of its Subsidiaries and, to the knowledge of Certicom, as of the date of this Arrangement Agreement, other than any support agreements executed and delivered contemporaneously with this Arrangement Agreement, there are no irrevocable proxies and no voting agreements with respect to any shares in the capital of, or other equity or voting interests in, Certicom or any of its Subsidiaries.

(iv) All outstanding Certicom Options are evidenced by individual written certificates and or agreements, substantially identical to the forms set forth in Section 3.1(c)(iv) of the Disclosure Letter. No stock option agreement contains terms that are materially inconsistent with, or, except as set forth in Section 3.1(c)(iv) of the Disclosure Letter, in addition to, the terms contained in the Certicom Stock Option Plans.

(v) Section 3.1(c)(v) of the Disclosure Letter sets forth (i) the name of each Optionholder of unvested Certicom Options that will be entitled to any acceleration of the vesting of such unvested Certicom Options as a result of the transactions contemplated by this Arrangement Agreement, (ii) with respect to each such Optionholder, the number of Certicom Shares subject to such unvested Certicom Options that will be subject to such acceleration and (iii) with respect to each such Optionholder, the Contracts pursuant to which such Optionholder is entitled to such acceleration, if any.

(vi) Section 3.1(c)(vi) of the Disclosure Letter sets forth, as of the date hereof, all outstanding Financial Indebtedness of Certicom and its Subsidiaries. All the outstanding Financial Indebtedness of Certicom or any of its Subsidiaries is prepayable without prepayment penalty or premium, and no Financial Indebtedness of Certicom or any of its Subsidiaries contains any restriction upon the incurrence of Financial Indebtedness by Certicom or any of its Subsidiaries or restricts the ability of Certicom or any of its Subsidiaries to grant any Liens on its properties or assets.

(vii) There are no outstanding Guarantees (or any similar instruments or Contracts) of Financial Indebtedness by Certicom or any of its Subsidiaries.

(d) Authority; Noncontravention. Certicom has the requisite corporate power and authority to execute and deliver this Arrangement Agreement, to complete the Arrangement and the other transactions contemplated by this Arrangement Agreement, subject, in the case of completion of the Arrangement, to obtaining Shareholder Approval, and to comply with the provisions of this Arrangement Agreement. The execution and delivery of this Arrangement Agreement by Certicom, the completion of the Arrangement and the other transactions contemplated by this Arrangement Agreement and the compliance by Certicom with the provisions of this Arrangement Agreement have been duly authorized by all necessary corporate action on the part of Certicom, and no other corporate proceedings on the part of Certicom are necessary to authorize this Arrangement Agreement, to comply with the terms of this Arrangement Agreement or to complete the Arrangement and the other transactions contemplated by this Arrangement Agreement, subject, in the case of completion of the Arrangement, to obtaining Shareholder Approval. This Arrangement Agreement has been duly executed and delivered by Certicom and, assuming the due execution and delivery of this Arrangement Agreement by the Acquiror, constitutes a valid and binding

obligation of Certicom, enforceable against Certicom in accordance with its terms, except that such enforceability may be (i) limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) subject to general principles of equity, whether considered in a proceeding at law or in equity (the "**Bankruptcy and Equity Exception**"). The Special Committee has duly and unanimously (i) concluded that it is in the best interests of Certicom to enter into this Arrangement Agreement and complete the Arrangement and the other transactions contemplated by this Arrangement Agreement on the terms and subject to the conditions set forth in this Arrangement Agreement, (ii) concluded that the Arrangement is fair to the Certicom Shareholders, and (iii) recommended to the Board that the Board approve and declare advisable this Arrangement Agreement, the Arrangement and the other transactions contemplated by this Arrangement Agreement and recommend the Arrangement to Certicom Shareholders. The Board, at a meeting duly called and held at which all of the directors of Certicom were present, duly and unanimously adopted (i) resolutions approving this Arrangement Agreement, the Arrangement and the other transactions contemplated by this Arrangement Agreement, (ii) resolutions declaring that it is in the best interests of Certicom for Certicom to enter into this Arrangement Agreement and complete the Arrangement and the other transactions contemplated by this Arrangement Agreement on the terms and subject to the conditions set forth in this Arrangement Agreement and to file and deliver to Certicom Shareholders and Optionholders the Proxy Circular recommending the Arrangement, (iii) a statement that each director of Certicom who is a Certicom Shareholder intends to vote in favour of the Arrangement Resolution, and (iv) a recommendation that the Certicom Shareholders vote in favour of the Arrangement Resolution, which resolutions, in each case, have not been rescinded, modified or withdrawn in any way. The execution and delivery of this Arrangement Agreement, the completion of the Arrangement and the other transactions contemplated by this Arrangement Agreement and compliance by Certicom with the provisions of this Arrangement Agreement do not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, or give rise to a right of, or result in, termination, cancellation or acceleration of any obligation or to a loss of a benefit under, or require any consent or other action by any person under, or result in the creation of any Lien in or upon any of the properties or assets of Certicom or any of its Subsidiaries under, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under (including any right of a holder of a security of Certicom or any of its Subsidiaries to require Certicom or any of its Subsidiaries to acquire such security), any provision of (A) the Charter Documents of Certicom or similar organizational documents of any of its Subsidiaries, (B) any material Contract or Permit to which Certicom or

any of its Subsidiaries is a party or bound by or any of their respective properties or assets are bound by or subject to or otherwise under which Certicom or any of its Subsidiaries has rights or benefits or (C) subject to the governmental filings and other matters referred to in the following sentence, any (1) Laws or (2) federal, provincial or local, domestic or foreign, judgment, injunction, order, writ or decree of any Governmental Entity (each, a "**Judgment**"), in each case, applicable to Certicom or any of its Subsidiaries or their respective properties or assets, other than, in the case of clauses (B) and (C), any such conflicts, violations, breaches, defaults, rights, terminations, cancellations, accelerations, consents, losses, Liens, rights or entitlements that, individually or in the aggregate, have not had and would not reasonably be likely to (x) result in a Material Adverse Effect (or affect the Acquiror in a material and adverse manner), (y) prevent, materially impede or materially delay the consummation by Certicom of the Arrangement or the other transactions contemplated hereby or (z) result in an impairment in any material respect of the ability of Certicom to perform its obligations under this Arrangement Agreement. No consent, approval, order or authorization of, registration, declaration or filing with, or notice to, any Governmental Entity, is required by Certicom or any of its Subsidiaries in connection with the execution and delivery of this Arrangement Agreement by Certicom, the completion of the Arrangement or any of the other transactions contemplated by this Arrangement Agreement or the compliance by Certicom with the provisions of this Arrangement Agreement, except for (I) the Shareholder Approval, Interim Order and Final Order, (II) the consents, approvals, orders, authorizations, registrations, declarations, filings and notices set forth in Section 3.1(d)(A) of the Disclosure Letter, (III) the filing with the CSA of this Arrangement Agreement, a material change report, the Proxy Circular and such other documents and reports under the Securities Laws and the rules and regulations promulgated thereunder, as may be required in connection with this Arrangement Agreement and the transactions contemplated by this Arrangement Agreement, (IV) any filings with the Director under the CBCA, (V) any filings required under the rules of the TSX and (VI) such other consents, approvals, orders, authorizations, registrations, declarations, filings and notices the failure of which to be obtained or made, individually or in the aggregate, have not had and would not be reasonably likely to (x) result in a Material Adverse Effect, (y) prevent, materially impede or materially delay the completion by Certicom of the Arrangement or the other transactions contemplated hereby or (z) result in an impairment in any material respect of the ability of Certicom to perform its obligations under this Arrangement Agreement. Following the consummation of the Arrangement in accordance with its terms, the Acquiror will not have any obligation to make any payment to any person with respect to the purchase of any Certicom Shares or any Certicom Options, except as contemplated in the Plan of Arrangement.

(e) CSA Documents.

(i) Certicom is a "reporting issuer" under Securities Laws and is not in default of any material requirements under Securities Laws. No delisting, suspension of trading or cease trading order with respect to the Certicom Shares is pending or, to the knowledge of Certicom, threatened. To the knowledge of Certicom, no inquiry, review or investigation (formal or informal) of any securities regulatory authority under applicable Securities Laws or the TSX is in effect or ongoing or expected to be implemented or undertaken.

(ii) Certicom has made available to the Acquiror, or the System for Electronic Data, Analysis and Retrieval (SEDAR) database contains in a publicly available format, complete and correct copies of all reports, schedules, forms, statements and other documents filed with or furnished to the CSA by Certicom since May 1, 2007 (together with all exhibits and schedules thereto and documents and other information incorporated therein by reference, the "**CSA Documents**"). Certicom has filed with or furnished to the CSA each report, schedule, form, statement or other document or filing required by Law to be filed or furnished since May 1, 2007. No Subsidiary of Certicom is required to file or furnish any material report, schedule, form, statement or other document with, or make any other filing with, or furnish any other material to, the CSA. As of their respective dates, each of the CSA Documents complied as to form in all material respects with the requirements of Securities Laws applicable to such CSA Document, and none of the CSA Documents at the time it was filed or furnished contained any Misrepresentation. Except to the extent that information contained in any CSA Document filed or furnished and publicly available prior to the date of this Arrangement Agreement (a "**Filed CSA Document**"**)** has been revised or superseded by a later filed or furnished Filed CSA Document, none of the CSA Documents contains any Misrepresentation. Certicom has not received any comment letter from the CSA relating to the CSA Documents. As of the date of this Arrangement Agreement, to the knowledge of Certicom, none of the CSA Documents is the subject of any ongoing review by the CSA. The comparative financial statements (including the related notes) of Certicom included in the CSA Documents complied, at the time the respective statements were filed, as to form in all material respects with the applicable accounting requirements and the rules of the CSA with respect thereto, have been prepared in accordance with generally accepted accounting principles in effect from time to time in Canada ("**GAAP**") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of Certicom

and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject, in the case of unaudited quarterly financial statements, to normal and recurring year-end audit adjustments and provided that such unaudited interim financial statements may omit notes that are not required in the unaudited financial statements). Except (A) as set forth in the most recent balance sheet (including the notes thereto) included in the Filed CSA Documents (the "**Baseline Financials**"), (B) for liabilities incurred after the date of the Baseline Financials in the ordinary course of business consistent with past practice and similar in character and amount to the liabilities and obligations set forth in the Baseline Financials, and (C) liabilities in respect of fees and expenses incurred by Certicom in connection with the Arrangement and the other transactions contemplated by this Arrangement Agreement, Certicom and its Subsidiaries have no liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise). Certicom has not filed any confidential material change report or similar disclosure document with any securities regulatory authority or stock exchange that remains confidential as of the date of this Arrangement Agreement.

(iii) The chief executive officer of Certicom and the chief financial officer of Certicom each has made all certifications required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, as applicable, with respect to the CSA Documents, and the statements contained in such certifications were accurate as of the date they were made.

(iv) Neither Certicom nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract relating to any transaction or relationship between or among Certicom and any of its Subsidiaries, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose entity or person, on the other hand), where the result, purpose or effect of such Contract is to avoid disclosure of any transaction involving, or liabilities of, Certicom or any of its Subsidiaries in Certicom's or any of its Subsidiaries published financial statements or other CSA Documents.

(f) Absence of Certain Changes or Events.

(i) Since April 30, 2008 to the date of this Arrangement Agreement, Certicom and its Subsidiaries have conducted their respective businesses only in the ordinary course consistent with past

practice and, except as disclosed in Section 3.1(f)(i) of the Disclosure Letter, there has not been (A) any Material Adverse Effect, (B) any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, any shares in the capital of, or equity or other voting interests in, Certicom or any of its Subsidiaries, except for dividends by a direct or indirect wholly-owned Subsidiary of Certicom to its parent, (C) any split, combination or reclassification of any shares in the capital of, or equity or other voting interests in, Certicom or any of its Subsidiaries or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares in the capital of, or other equity or voting interests in, Certicom or any of its Subsidiaries, (D) except for the Executive Retention Agreements, any grant by Certicom or any of its Subsidiaries to any current or former director, officer, employee, individual contractor or individual consultant of Certicom or any of its Subsidiaries (collectively, "**Certicom Personnel**") of any bonus opportunity, any loan or any increase in any type of compensation or benefits, (E) any payment by Certicom or any of its Subsidiaries to any Certicom Personnel of any bonus, (F) except for the Executive Retention Agreements, any grant by Certicom or any of its Subsidiaries to any current director or officer of Certicom or any of its Subsidiaries of any severance, change in control, termination or similar compensation or benefits or increases therein or of the right to receive any severance, change in control, termination or similar compensation or benefits or increases therein or any grant by Certicom or any of its Subsidiaries to any other Certicom Personnel of any severance, change in control, termination or similar compensation or benefits or increases therein or of the right to receive any severance, change in control, termination or similar compensation or benefits or increases therein, (G) any adoption of or entry by Certicom or any of its Subsidiaries into, any amendment of or modification to or agreement to amend or modify, or any termination of, (1) any employment, deferred compensation, change in control, severance, termination, loan, indemnification, retention, stock repurchase, or similar Contract between Certicom or any of its Subsidiaries, on the one hand, and any Certicom Personnel, on the other hand, (2) any consulting agreement between Certicom or any of its Subsidiaries, on the one hand, and any current or former officer or director of Certicom or any of its Subsidiaries, on the other hand, (3) any consulting agreement between Certicom or any of its Subsidiaries, on the one hand, and any other Certicom Personnel, on the other hand, (4) any Contract between Certicom or any of

its Subsidiaries, on the one hand, and any Certicom Personnel, on the other hand, the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving Certicom of the nature contemplated by this Arrangement Agreement or (5) any trust or insurance Contract or other agreement to fund or otherwise secure payment of any compensation or benefit to be provided to any Certicom Personnel (all such Contracts under this clause (G), including any such Contract which is entered into any time prior to or on or after the date of this Arrangement Agreement, collectively, "**Benefit Agreements**"), (H) any grant or amendment of any incentive award (including stock options, stock appreciation rights, performance units, restricted stock, restricted stock units, stock repurchase rights or other stock-based or stock-related awards) or the removal or modification of any restrictions in any such award (including the acceleration thereof), (I) any change in financial or tax accounting methods, principles or practices by Certicom or any of its Subsidiaries, except insofar as may have been required by GAAP or applicable Laws, (J) any tax election or change in any tax election or any settlement or compromise of any income tax liability, (K) any write-down by Certicom or any of its Subsidiaries of any of the assets of Certicom or any of its Subsidiaries, or (L) any licensing or other agreement with regard to the acquisition or disposition of any Intellectual Property or rights thereto, other than nonexclusive licenses granted in the ordinary course of the business of Certicom and its Subsidiaries consistent with past practice.

(ii) Since April 30, 2008, each of Certicom and its Subsidiaries has continued all pricing, sales, receivables and payables practices in accordance with the ordinary course of business consistent with past practice and has not engaged, except in the ordinary course of business consistent with past practice, in (A) any trade loading practices or other promotional sales or discount activity with any customers or distributors with the effect of accelerating to prior fiscal quarters (including the current fiscal quarter) sales to the trade or otherwise that would otherwise be expected to occur in subsequent fiscal quarters, (B) any practice that would have the effect of accelerating to prior fiscal quarters (including the current fiscal quarter) collections of receivables that would otherwise be expected to be made in subsequent fiscal quarters, (C) any practice that would have the effect of postponing to subsequent fiscal quarters payments by Certicom or any of its Subsidiaries that would otherwise be expected to be made in prior fiscal quarters (including the current fiscal quarter) or (D) any other promotional sales or discount activity.

(g) Litigation. Section 3.1(g) of the Disclosure Letter sets forth, as of the date of this Arrangement Agreement, a complete and correct list of each claim (other than immaterial claims), action, suit, arbitration, judicial, administrative and regulatory proceeding or investigations pending or, to the knowledge of Certicom, threatened by or against Certicom or any of its Subsidiaries (i) for money damages, (ii) that seeks injunctive relief, (iii) that may give rise to any legal restraint on or prohibition against or limit the material benefits to the Acquiror of the transactions contemplated by this Arrangement Agreement or (iv) that, if resolved in accordance with plaintiff's demands, is reasonably likely to have a Material Adverse Effect. Except as set forth in Section 3.1(g), Section 3.1(m)(ii) or Section 3.1(m)(xii) of the Disclosure Letter, there is no Judgment of any Governmental Entity or arbitrator outstanding against, or, to the knowledge of Certicom, investigation, proceeding, notice of violation, order of forfeiture or complaint by any Governmental Entity involving, Certicom or any of its Subsidiaries. Neither Certicom nor any of its Subsidiaries has commenced any Litigation (other than any Litigation, on an individual basis, that is comprised solely of monetary claims of less than $50,000, immaterial internal investigations, actions for non-payment in the ordinary course of business consistent with past practice that have been settled, and the mere transmittal of ordinary course trade-mark cease and desist letters) since April 30, 2008.

(h) Contracts. Section 3.1(h) of the Disclosure Letter sets forth a complete and correct list as of the date of this Arrangement Agreement of Contracts except for non-disclosure and standstill agreements entered into with parties in connection with a possible Acquisition Proposal prior to the date hereof or in accordance with the terms of this Arrangement Agreement:

(A) each Contract pursuant to which Certicom or any of its Subsidiaries has, in any material respect, agreed not to compete with any person in any area or to engage in any activity or business, or pursuant to which any benefit or right is required to be given or lost in any material respect as a result of so competing or engaging;

(B) each Contract to which Certicom or any of its Subsidiaries is a party providing for exclusivity or any similar requirement or pursuant to which Certicom or any of its Subsidiaries is restricted in any material respect, or which after the Effective Time could restrict the Acquiror or any of its Subsidiaries in any way, with respect to the development, manufacture, marketing or distribution of their respective products or services or otherwise prohibits any activity in respect of the operation of their businesses, or pursuant to which any benefit or right is required to be given or lost as a result of non-compliance

with any such exclusive or prohibiting requirements, or which requires Certicom or any of its Subsidiaries to refrain from granting license or franchise rights to any other person;

(C) each Contract by and between Certicom or any of its Subsidiaries and (1) any affiliate or related party of Certicom or any of its Subsidiaries, (2) any Certicom Personnel, (3) any union or other labour organization or (4) any person known by Certicom to be an affiliate of any such person, other than, in each case, (I) offer letters or employment agreements or consulting agreements that are (i) entered into by Certicom or any of its Subsidiaries in the ordinary course of business, do not deviate substantially or materially from Certicom or such Subsidiary's standard form agreement and are not with a director or officer of Certicom or any of its Subsidiaries or (ii) terminable in accordance with applicable Law by Certicom or any of its Subsidiaries both without any contractual penalty and without any contractual obligation of Certicom or any of its Subsidiaries to pay severance or other compensation or benefits (other than accrued base salary, accrued commissions, accrued bonuses, accrued vacation pay, accrued floating holidays and legally mandated benefits or amounts) and are not with a director or officer of Certicom or any of its Subsidiaries, (II) invention assignment and confidentiality agreements relating to the assignment of inventions to Certicom or any of its Subsidiaries not involving the payment of money and (III) Benefit Plans and Benefit Agreements;

(D) except as disclosed in Section 3.1(c)(vi) of the Disclosure Letter and other than liabilities in respect of fees and expenses incurred by Certicom in connection with the Arrangement and the other transactions contemplated by this Arrangement Agreement, each Contract under which Certicom or any of its Subsidiaries has any outstanding indebtedness having an aggregate principal amount in excess of $100,000;

(E) each Contract to which Certicom or any of its Subsidiaries is a party creating or granting a Lien (including Liens upon properties or assets acquired under conditional sales, capital leases or other title retention or security devices), other than (1) immaterial Liens for taxes not yet due and payable, that are payable without penalty or that are being contested in good faith and for

which adequate reserves have been recorded, (2) immaterial Liens for assessments and other governmental charges or landlords', carriers', warehousemen's, mechanics', repairmen's, workers' or similar Liens, incurred in the ordinary course of business, consistent with past practice, in each case for sums not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, (3) immaterial Liens incurred in the ordinary course of business, consistent with past practice, in connection with workers' compensation, unemployment insurance, Canada Pension Plan and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations, (4) title of a lessor under a capital or operating lease and (5) Liens that are not reasonably likely to adversely interfere in a material way with the use of properties or assets encumbered thereby (collectively, "**Permitted Liens**");

(F) each Customer Contract material to Certicom and its Subsidiaries on a consolidated basis to which Certicom or any of its Subsidiaries is a party (1) containing any "change in control" or similar provisions with respect to Certicom or any of its Subsidiaries, including provisions requiring consent or approval of, or notice to, any Governmental Entity or other person in the event of, or with respect to, completion of the Arrangement or any of the other transactions contemplated by this Arrangement Agreement or the execution, delivery or effectiveness of this Arrangement Agreement will conflict with, result in a violation or breach of, or constitute a default (with or without notice or lapse of time or both) under, such Customer Contract, or give rise under such Customer Contract to any right of, or result in, a termination, right of first refusal, amendment, revocation, cancellation or acceleration of any obligation, or a loss of a benefit or the creation of any Lien upon any of the properties or assets of Certicom, the Acquiror or any of their respective Subsidiaries, or to any increased, guaranteed, accelerated or additional rights or entitlements of any person, (2) in the case of a Customer Contract, prohibiting or imposing any material restrictions on the assignment of all or any portion of such Customer Contract by Certicom or its Subsidiaries (without regard to any exception permitting assignments to Subsidiaries or affiliates) or (3) containing

any provisions having the effect of providing that the completion of the Arrangement or any of the other transactions contemplated by this Arrangement Agreement or the execution, delivery or effectiveness of this Arrangement Agreement will require that a third party be provided with access to source code or that any source code be released from escrow and provided to any third party;

(G) each Contract to which Certicom or any of its Subsidiaries is a party providing for material payments of royalties or other license fees to third parties, other than payments of licence fees to third parties for commercially available off-the-shelf Third Party Software;

(H) each Customer Contract to which Certicom or any of its Subsidiaries is a party granting a third party any license to Intellectual Property, other than any contract entered into in the ordinary course of business of Certicom and its Subsidiaries consistent with past practice;

(I) each Contract pursuant to which Certicom or any of its Subsidiaries has been granted any license to Intellectual Property, other than non-exclusive licenses granted in the ordinary course of business of Certicom and its Subsidiaries consistent with past practice;

(J) each Customer Contract to which Certicom or any of its Subsidiaries is a party granting the other party to such Contract or a third party "most favoured nation" pricing or terms that (1) applies to Certicom or any of its Subsidiaries or (2) following the Effective Date, would apply to the Acquiror or any Subsidiary of the Acquiror;

(K) each Contract that guarantees or warrants that any of the products or services of Certicom or any of its Subsidiaries are fit for any particular purposes or that guarantees a result or commits to performance levels, other than any Contract entered into in the ordinary course of business of Certicom and its Subsidiaries consistent with past practice or for warranties granted pursuant to applicable Law;

(L) each Contract pursuant to which Certicom or any of its Subsidiaries has agreed or is required to provide any third party with products in source code form, or to provide for source code to be put in escrow, in each case excluding non-material pieces of source code developed for customers by Certicom which are not integral to Certicom's products or services;

(M) each Contract containing any non-solicitation or similar provision that restricts Certicom or any of its Subsidiaries except for Contracts with customers of Certicom or any of its Subsidiaries entered into in the ordinary course of business consistent with past practice containing covenants not to solicit the employees of such customers who have been involved with the provision of services by Certicom or its Subsidiaries to such customers;

(N) each Contract to which Certicom or any of its Subsidiaries is a party for any joint venture (whether in partnership, limited liability company or other organizational form) or material alliance or similar arrangement (excluding any membership in a standards setting organization);

(O) each Contract to which Certicom or any of its Subsidiaries is a party for any material development, marketing, resale, distribution or similar arrangement relating to any product or service other than any Contract entered into in the ordinary course of business, consistent with past practice;

(P) each Contract to which Certicom or any of its Subsidiaries is a party with any Governmental Entity involving aggregate amounts paid or payable to Certicom under such Contract in excess of $250,000 since May 1, 2006;

(Q) each Contract to which Certicom or any of its Subsidiaries is a party entered into in the last five years in connection with the settlement or other resolution of any Litigation that has any material continuing obligations, liabilities or restrictions;

(R) each Contract to which Certicom or any of its Subsidiaries is a party providing for future performance by Certicom or any of its Subsidiaries in consideration of amounts previously paid, excluding maintenance agreements with customers entered into in the ordinary course of business consistent with past practice;

(S) each Contract to which Certicom or any of its Subsidiaries is a party providing for liquidated damages of a material amount;

(T) each Contract to which Certicom or any of its Subsidiaries is a party for professional services engagements for a fixed fee that guarantees a specific result other than any Contract entered into in the ordinary course of business of Certicom and its Subsidiaries, consistent with past practice;

(U) each Contract between Certicom or any of its Subsidiaries and any of the 20 largest customers of Certicom and its Subsidiaries on a consolidated basis (determined on the basis of revenues received by Certicom or any of its Subsidiaries in the 24 month period ended October 31, 2008 (each such customer, a "**Major Customer**", and each such Contract, a "**Major Customer Contract**");

(V) each Contract between Certicom or any of its Subsidiaries and any of the 15 largest licensors or other suppliers to Certicom and its Subsidiaries determined on the basis of amounts paid by Certicom or any of its Subsidiaries in the 24 month period ended October 31, 2008 in excess of $50,000 (each such licensor or other supplier, a "**Major Supplier**", and each such Contract, a "**Major Supplier Contract**");

(W) each Contract with a customer of Certicom or any of its Subsidiaries or with any distributor or re-seller of Certicom's products or services and each Contract under which Certicom or any of its Subsidiaries is providing any products or services, in each case not containing a waiver of incidental, consequential, punitive, indirect or special damages in favour of Certicom or such Subsidiary in all circumstances; and

(X) except for Contracts otherwise disclosed pursuant to this Section 3.1, each Contract which has aggregate future sums due to or from Certicom or any of its Subsidiaries, taken as a whole, (1) during the period commencing on the date of this Arrangement Agreement and ending on the 12-month anniversary of this Arrangement Agreement, in excess of $250,000 or (2) during the life of the Contract, in excess of $500,000.

The Contracts of Certicom or any of its Subsidiaries of the type referred to in clauses (A) through (X) of subsection (h) above are collectively referred to in this Arrangement Agreement as "**Specified Contracts**". Certicom has made available to the Acquiror a complete and correct copy of each of the Specified Contracts, including all amendments thereto, and no Specified Contract has been modified, rescinded or terminated since the date such Specified Contract was posted to Certicom Data Rooms. Subject to the Bankruptcy and Equity Exception, each Specified Contract is in full force and effect (except for those Contracts that have expired in accordance with their terms) and is a legal, valid and binding agreement of Certicom or its Subsidiary, as the case may be, and, to the knowledge of Certicom, of each other party thereto, enforceable against Certicom or such Subsidiary, as the case may be, and, to the knowledge of Certicom, against the other party or parties thereto, in each case, in accordance with its terms. Each of Certicom and its Subsidiaries has performed or is performing all material obligations required to be performed by it under the Specified Contracts and is not (with or without notice or lapse of time or both) in breach or in default in any material respect thereunder, and has not waived or failed to enforce any material rights or benefits thereunder, and, to the knowledge of Certicom, no other party to any of the Specified Contracts is (with or without notice or lapse of time or both) in breach or in default in any material respect thereunder. To the knowledge of Certicom, there has occurred no event giving (with or without notice or lapse of time or both) to others any right of termination, material amendment or cancellation of any Specified Contract. To the knowledge of Certicom, there are no circumstances that are reasonably likely to occur that is reasonably likely to adversely affect the ability of Certicom or any of its Subsidiaries to perform its material obligations under any Specified Contract.

Certicom has disclosed to the Acquiror the terms and status of all negotiations with respect to any proposed Contract with any Major Customer or Major Supplier involving aggregate amounts payable under such Contract to or by Certicom or any of its Subsidiaries in excess of $250,000. As of the date of this Arrangement Agreement, none of the Major Customers or Major Suppliers has terminated, notified Certicom of its intention to terminate, or discontinue provision of services (if applicable), failed to renew or requested any material amendment to any of its Major Customer Contracts or Major Supplier Contracts, or any of its existing relationships, with Certicom or any of its Subsidiaries.

(i) Compliance with Laws. Certicom and its Subsidiaries and their respective properties, assets, operations and businesses have been and are being operated and have been and are in compliance in all material respects with all applicable Laws and Judgments. None of Certicom or any of its Subsidiaries has received a notice or other communication alleging a possible material violation of any Law or Judgments applicable to its

properties, assets, businesses or operations. Certicom and its Subsidiaries have in effect all Permits necessary for them to own, lease or otherwise hold and operate their respective properties and assets and to carry on their respective businesses in all material respects as currently conducted, including with respect to the transfer or export of any Certicom IP, and as currently proposed to be conducted, and there has occurred no material violation of, or material default (with or without notice or lapse of time, or both) under, any such Permit. There has occurred no event which, to the knowledge of Certicom, could reasonably be expected to result in the revocation, cancellation, non-renewal or adverse modification of any such Permit and the Arrangement, in and of itself, and the other transactions contemplated by this Arrangement Agreement could not reasonably be expected to cause the revocation, cancellation, non-renewal or adverse modification of any such Permit. There are no past or present events, conditions, circumstances, activities, practices, incidents, actions or plans that could reasonably be expected to (i) interfere with or prevent compliance or continued compliance by Certicom or any of its Subsidiaries with any import/export Laws governing Certicom's or any of its Subsidiaries' present and currently contemplated future operations or with any Law, Judgment, notice or demand letter issued, entered, promulgated or approved thereunder, (ii) give rise to any liability of Certicom or any of its Subsidiaries under any import/export Law governing Certicom or any of its Subsidiaries' past, present and currently contemplated future operations or business or (iii) otherwise form a valid basis of any Litigation based on or related to import or export of goods or services, and, to the knowledge of Certicom, no such events, conditions, circumstances, activities, practices, incidents, actions or plans could reasonably be expected to arise in the future. None of Certicom's or, to the knowledge of Certicom, any of its Subsidiaries or any of their respective directors, executives, representatives, agents or employees (i) has used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal, (ii) has used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees, (iii) has violated or is violating any provision of the United States Foreign Corrupt Practices Act of 1977, (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties or (v) has made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

(j) Absence of Changes in Benefit Plans; Employment Agreements; Labour Relations.

(i) Except as disclosed in the Filed CSA Documents, since May 1, 2007 to the date of this Arrangement Agreement, none of Certicom or any of its Subsidiaries has adopted, entered into, terminated, amended, modified or agreed to adopt, enter into,

terminate, amend or modify in any material respect any collective bargaining agreement or any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock appreciation, restricted stock, stock repurchase right, stock option (including the Certicom Stock Option Plans), phantom stock, stock-based compensation, performance, retirement, savings, paid time off, perquisite, vacation, severance, change in control, termination, retention, disability, death benefit, hospitalization, medical or other welfare benefit or other similar plan, program, arrangement or agreement (whether oral or written, funded or unfunded and whether or not subject to the laws of Canada or the United States), which is sponsored, maintained, contributed to or required to be maintained or contributed to by Certicom or any of its Subsidiaries or with respect to which Certicom is otherwise jointly or severally liable under applicable Laws (each, a "**Commonly Controlled Entity**"), in each case, providing compensation or benefits to any Certicom Personnel and other persons, but not including the Benefit Agreements (all such plans, programs, arrangements and agreements, including any such plan, program, arrangement or agreement entered into or adopted on or after the date of this Arrangement Agreement, collectively, "**Benefit Plans**") and a plan to make employer contributions of up to $2,000 per year for each individual that is a Certicom Personnel.

(ii) As of the date of this Arrangement Agreement, there are no collective bargaining or other labour union agreements to which Certicom or any of its Subsidiaries is a party or by which any of them is bound. Since May 1, 2007, neither Certicom nor any of its Subsidiaries has encountered any labour union organizing activity, or had any actual or, to the knowledge of Certicom, threatened employee strikes, work stoppages, slowdowns or lockouts. None of the employees of Certicom or any of its Subsidiaries is represented by any union with respect to his or her employment by Certicom or such Subsidiary. Each of Certicom and its Subsidiaries is, and since May 1, 2007, has been, in compliance in all material respects with all applicable Laws and Judgments relating to employment and employment practices, occupational safety and health standards, terms and conditions of employment and wages and hours, and is not, and since May 1, 2007, has not, engaged in any unfair labour practice. As of the date hereof, Certicom has not received notice of any unfair labour practice charge or complaint against Certicom or any of its Subsidiaries that is pending, and, to the knowledge of Certicom, there is no unfair labour practice charge or complaint against Certicom or any of its Subsidiaries threatened, in each case before any board or tribunal with respect to any employment or labour matters.

(iii) To the knowledge of Certicom, no Certicom Personnel is a party to or bound by any Contract, is subject to any Judgment or is a party to any Litigation, in each case, that may interfere with the use of such Certicom Personnel's best efforts to promote the interests of Certicom and its Subsidiaries, conflict with the operations or business of Certicom or any of its Subsidiaries (as currently conducted or as currently proposed to be conducted) or the transactions contemplated by this Arrangement Agreement or could reasonably be expected to adversely affect Certicom or any of its Subsidiaries in any material respect. To the knowledge of Certicom, no activity of any Certicom Personnel as or while Certicom Personnel has caused a violation of any employment Contract, confidentiality agreement, patent disclosure agreement or other Contract. The execution and delivery of this Arrangement Agreement and the completion of the transactions contemplated hereby (including the Arrangement) and compliance by Certicom and its Subsidiaries with the provisions of this Arrangement Agreement do not and will not conflict with, or result in any violation or breach by Certicom or any of its Subsidiaries of, or default by Certicom or any of its Subsidiaries (with or without notice or lapse of time, or both) under, or give rise to a right of, or result in, termination, cancellation or acceleration of any material obligation of Certicom or any of its Subsidiaries or to a loss of a material benefit by Certicom or any of its Subsidiaries under, or result in the creation of any Lien in or upon any of the properties or assets of Certicom or any of its Subsidiaries under, or give rise to any materially increased, additional, accelerated or guaranteed rights or entitlements against Certicom or any of its Subsidiaries under, any Contract under which any Certicom Personnel is now obligated.

(k) Environmental Matters. (i) Each of Certicom and its Subsidiaries is, and since May 1, 2007, has been, in compliance in all material respects with all applicable Environmental Laws, and as of the date hereof neither Certicom nor any of its Subsidiaries has received any written communication alleging that Certicom or such Subsidiary is in violation of, or may have liability under, any Environmental Law; (ii) each of Certicom and its Subsidiaries possesses and is in compliance in all material respects with all Permits required under applicable Environmental Laws for the conduct of their respective operations as now being conducted, and all such Permits are in good standing; and (iii) there are no material Environmental Claims pending or, to the knowledge of Certicom, threatened against Certicom or any of its Subsidiaries. For all purposes of this Arrangement Agreement, (A) "**Environmental Claims**" means any

and all administrative, regulatory or judicial actions, suits, Judgments, demands, directives, claims, Liens, investigations, proceedings or written or oral notices of noncompliance or violation by or from any person alleging liability of any kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resource damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from the failure to comply with any Environmental Law; and (B) "**Environmental Law**" means any Law, Judgment, legally binding agreement or Permit issued, promulgated or entered into by or with any Governmental Entity relating to pollution, the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), natural resources or human health and safety.

(l) Pension and Benefit.

(i) Section 3.1(l)(i) of the Disclosure Letter sets forth a complete and correct list of all Benefit Plans and all material Benefit Agreements (which, for greater certainty, includes all Benefit Agreements between Certicom or any of its Subsidiaries, on one hand, and any director or officer of Certicom or any of its Subsidiaries or shareholder of Certicom, on the other). Certicom has delivered or made available to the Acquiror current and complete copies of all Benefit Plans and Benefit Agreements, as amended to date, together with all other material documents relating to the Benefit Plans and Benefit Agreements.

(ii) There are no Benefit Plans or Benefit Agreements providing pensions, superannuation benefits or retirement savings including pension plans, top up pensions or supplemental pensions, "registered retirement savings plans" (as defined in the Tax Act), "registered pension plans" (as defined in the Tax Act) and "retirement compensation arrangements" (as defined in the Tax Act) to Certicom Personnel or other persons employed or resident in Canada other than a plan to make employer contributions of up to $2,000 per year for each individual that is a Certicom Personnel.

(iii) Each Benefit Plan is, and has been, established, registered, amended, funded, administered and invested in compliance in all material respects with the terms of such Benefit Plan (including the terms of any Benefit Agreement or other documents in respect of such Benefit Plan) and all Laws. Neither Certicom nor any of its Subsidiaries has received, in the last three years, any notice from any person questioning or challenging such compliance, and Certicom has no knowledge of any such notice

beyond the last three years. There is no investigation by a Governmental Entity, pending termination proceedings or other claims (other than routine claims for payment of benefits), suits or proceedings pending or, to the knowledge of Certicom threatened involving any Benefit Plan or their assets, and no facts exist which could reasonably be expected to give rise to any claims (other than routine claims for payment of benefits), suits or proceedings. All reports, returns and similar documents with respect to all Benefit Plans required to be filed with any Governmental Entity or distributed to any Benefit Plan participant have been duly and timely filed or distributed.

(iv) Neither Certicom nor any of its Subsidiaries has any formal plan or has made any promise or commitment, whether legally binding or not, to create any additional Benefit Plan or to improve or change the benefits provided under any Benefit Plan.

(v) None of the Benefit Plans provide for benefit increases or acceleration of, or an increase on, securing or funding obligations that are contingent upon, or will be triggered by, the entering of this Arrangement Agreement or the completion of the transactions contemplated herein.

(vi) Except as set forth in Section 3.1(l)(vi) of the Disclosure Letter, there are no Benefit Plans to which the Company or its Subsidiaries are required to contribute which are not maintained or administered by the Company or its Subsidiaries.

(vii) All data necessary to administer each Benefit Plan is in the possession of the Company or its agent and is in a form which is sufficient for the proper administration of the Benefit Plan in accordance with its terms and all Laws and such data is complete and correct.

(viii) None of the Benefit Plans, or any Benefit Agreements, require or permit a retroactive increase in premiums or payments, or require additional premiums or payments on termination of the Benefit Plan or any Benefit Agreement relating thereto.

(ix) All employer and employee payments, contributions and premiums required to be remitted, paid to or in respect of each Benefit Plan have been paid or remitted in a timely fashion in accordance with its material terms and Laws. Neither Certicom nor any of its Subsidiaries has incurred, or is reasonably likely to incur, any unfunded liabilities in relation to any Benefit Plan that have not been properly accounted for under GAAP.

(x) There are no agreements, or undertakings, written or oral, other than those set forth in the written Benefit Plans that would result in any material liability to Certicom or any of its Subsidiaries on or at any time after the Effective Date on amendment or termination of any Benefit Plan (including any Benefit Plan covering retirees or other former employees).

(xi) None of the Benefit Plans provide benefits beyond retirement or other termination of service to Certicom Personnel except where the cost thereof is borne entirely by the former employee (or his or her eligible dependents or beneficiaries) or as required by applicable Law.

(m) Taxes.

(i) Each of Certicom and each of its Subsidiaries has filed in the prescribed form and within the prescribed time all tax returns required to be filed by it, and all such tax returns are complete and correct in all material respects. Each of Certicom and its Subsidiaries has timely paid all material taxes due and payable by it, including all instalments on account of taxes for the current year that are due and payable by it, whether or not assessed and whether or not shown on any tax return, other than taxes being contested in good faith and for which adequate reserves, in accordance with GAAP, have been established. The most recent financial statements contained in the Filed CSA Documents reflect an adequate reserve, in accordance with GAAP for amounts at least equal to the amount of all material taxes payable by Certicom and its Subsidiaries that are not yet due and payable whether or not assessed and whether or not shown as being due on any tax returns and that relate to periods ending on or prior to the date of such financial statements, and Certicom and has made adequate provisions in accordance with GAAP in their books and records for any taxes accruing in respect of any period which has ended subsequent to the period covered by such financial statements.

(ii) As of the date hereof, no tax return of Certicom or any of its Subsidiaries is, to the knowledge of Certicom, currently under audit or examination by any taxing authority, and no written notice of such an audit or examination has been received by Certicom or any of its Subsidiaries. There is no deficiency, assessment or reassessment, refund litigation, proposed adjustment or matter in controversy with respect to any taxes due and owing by Certicom or any of its Subsidiaries. Any deficiency, assessment or reassessment resulting from any completed audit or examination or concluded litigation relating to

taxes by any taxing authority has been timely paid. Except as set out in Section 3.1(m)(ii) of the Disclosure Letter, as of the date hereof, no proposed adjustments relating to taxes were raised in writing by the relevant taxing authority during any presently pending audit or examination, and no proposed adjustments relating to taxes were raised in writing by the relevant taxing authority in any completed audit or examination that could reasonably be expected to recur in a later taxable period.

(iii) Neither Certicom nor any of its Subsidiaries has requested any extension of time within which to file any tax return which tax return has not yet been filed and there is no currently effective agreement or other document extending the period of assessment or collection of any taxes.

(iv) No Liens for taxes exist with respect to any assets or properties of Certicom or any of its Subsidiaries, except for Liens imposed by applicable Laws for taxes not yet due and Liens for taxes that Certicom or any of its Subsidiaries is contesting in good faith through appropriate proceedings and for which adequate reserves, in accordance with GAAP, have been established.

(v) Each of Certicom and its Subsidiaries has complied in all material respects (individually or in the aggregate) with all applicable Laws relating to the withholding and remittance of taxes and have, within the time and the manner prescribed by Law, withheld all material taxes and other amounts (individually or in the aggregate) required to be so withheld and has duly and timely remitted to the appropriate taxing authority such taxes and other amounts required by Law to be remitted by it.

(vi) Each of Certicom and its Subsidiaries has conducted all aspects of its business in accordance with the terms and conditions of all tax rulings and tax concessions that were provided by any relevant taxing authority.

(vii) Since the publication date of Certicom’s most recently published consolidated financial statements, no material tax liability not reflected in such statements or otherwise provided for in the books and records of Certicom in accordance with GAAP has been assessed, proposed to be assessed, incurred or accrued.

(viii) Each of Certicom and its Subsidiaries has duly and timely collected all material amounts on account of any sales or transfer taxes, including goods and services taxes, harmonized sales and provincial or territorial sales taxes, required by applicable Laws to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by applicable Laws to be remitted by it.

(ix) Except as set out in Section 3.1(m)(ix) of the Disclosure Letter, none of Certicom or any of the Subsidiaries has made, prepared and/or filed any elections, designations, or similar filings relating to taxes or entered into any agreement or other arrangement in respect of taxes or tax returns that has any material effect for any period ended after the Effective Date.

(x) Certicom has delivered or made available to the Acquiror (A) complete and correct copies of all tax returns of Certicom and each of its Subsidiaries relating to taxes for the past three taxable periods and (B) complete and correct copies of all tax rulings (including private letter rulings), taxation authority reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests, transfer pricing studies, valuation studies and any similar documents received from or submitted to a taxation authority by, or agreed to by or on behalf of Certicom and/or any of its Subsidiaries, and relating to taxes for the past three taxable periods.

(xi) Neither Certicom nor any of its Subsidiaries is a party to, bound by any or currently has any liability under any tax sharing agreement, tax indemnity obligation or similar agreement or arrangement with respect to taxes (including any advance pricing agreement, closing agreement or other similar written agreement relating to taxes with any taxing authority).

(xii) To the knowledge of Certicom, the Company has not participated, directly or through a partnership, in a transaction or series of transactions contemplated in subsection 247(2) of the Tax Act or any comparable law in any province or territory in Canada. Certicom has delivered or made available to the Acquiror complete and correct copies of all transfer pricing studies commissioned by the Company since 2005.

(xiii) To the knowledge of Certicom, which has not completed a formal study of its "paid-up capital" of the Certicom Shares, the "paid-up capital" of the Certicom Shares for purposes of the Tax Act is approximately $39 million.

(xiv) Except pursuant to this Arrangement Agreement, for purposes of the Tax Act or any other applicable tax statute, no person or group of persons has ever acquired or had the right to acquire control of Certicom or any of its Subsidiaries.

(xv) None of sections 78, 80, 80.01, 80.02, 80.03 or 80.04 of the Tax Act, or any equivalent provision of the tax legislation of any province or any other jurisdiction, have applied or will apply to Certicom or any of its Subsidiaries at any time up to and including the Closing Date.

(xvi) None of Certicom or any of its Subsidiaries has acquired property from a non-arm's length person, within the meaning of the Tax Act, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which could subject it to a liability under section 160 of the Tax Act.

(xvii) For purposes of this Arrangement Agreement, (A) "**taxes**" shall include all federal, provincial, state and local, domestic and foreign income, franchise, property, sales, goods and services, harmonized sales, excise, employment, employer health, payroll, health, social security, value-added, ad valorem, transfer, withholding and other taxes, including taxes based on or measured by gross receipts, profits, capital, sales, use or occupation, tariffs, levies, customs duties and import and export taxes, countervail and anti-dumping, license or registration fees, Canada, Quebec and other government pension plan premiums or contributions, impositions, assessments or governmental charges of any nature whatsoever, including any interest, penalties, fines or additions with respect thereto and including any transfer pricing penalties imposed by a taxation authority; (B) "**taxing authority**" means any Governmental Entity exercising regulatory authority in respect of any taxes; and (C) "**tax return**" means any returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto made, prepared, filed or required to be made, prepared or filed in respect of taxes.

(n) Properties.

(i) Each of Certicom and its Subsidiaries has good and marketable title to, or in the case of leased property and leased tangible assets has valid and enforceable leasehold interests in, all of its properties and tangible assets, except for such properties and tangible assets as are no longer used or useful in the conduct of its businesses or as have been disposed of in the ordinary course of business and except for defects in title, easements, restrictive covenants, taxes that are not yet delinquent and similar encumbrances that, individually or in the aggregate, have not materially interfered with, and is not reasonably likely to

materially interfere with, the ability of Certicom and its Subsidiaries to use such property and assets in the business of Certicom and its Subsidiaries as currently conducted and as proposed by Certicom to be conducted. All such properties and tangible assets, other than properties and tangible assets in which Certicom or any of its Subsidiaries has a leasehold interest, are free and clear of all Liens, except for Permitted Liens.

(ii) Section 3.1(n)(ii) of the Disclosure Letter sets forth a complete and correct list as of the date of this Arrangement Agreement of all real property and interests in real property leased by Certicom or any of its Subsidiaries (each such property, a "**Leased Real Property**"). Neither Certicom nor any of its Subsidiaries currently owns, or has previously owned, in fee any real property or interests in real property.

(iii) With respect to each Leased Real Property, (A) the transactions contemplated by this Arrangement Agreement do not require the consent of any party to any lease and (B) neither Certicom nor any of its Subsidiaries has subleased, licensed or otherwise granted anyone the right to use or occupy such Leased Real Property or any material portion thereof.

(iv) Each of Certicom and its Subsidiaries is in compliance in all material respects with the terms of all leases of Leased Real Property to which it is a party and under which it is in occupancy, and each such lease is a legal, valid and binding agreement of Certicom or its Subsidiary, as the case may be and, to the knowledge of Certicom, of each other party thereto, enforceable against Certicom or such Subsidiary, as the case may be, and, to the knowledge of Certicom, against the other party or parties thereto, in each case, in accordance with its terms, subject to the Bankruptcy and Equity Exception. Each of Certicom and its Subsidiaries enjoys peaceful and undisturbed possession in all material respects under all the leases to material Leased Real Property to which it is a party and under which it is in occupancy.

(o) Intellectual Property.

(i) Section 3.1(o)(i) of the Disclosure Letter sets forth a complete and correct list of (A) all issued patents, patent applications, registered trade-marks, trade-mark applications, trade names, domain names, registered service marks, service mark applications, registered copyrights and mask work rights and applications therefor owned by Certicom or any of its Subsidiaries as of the date of this Arrangement Agreement (the "**Registered Certicom IP**"), (B) all other material Intellectual

Property owned by Certicom or any of its Subsidiaries as of the date of this Arrangement Agreement (together with the Registered Certicom IP, the "**Certicom Owned IP**") and (C) all material Certicom Licensed IP.

(ii)

(A) Certicom and each of its Subsidiaries owns, or is licensed or otherwise has the right to use (in each case, free and clear of any Liens, other than Permitted Liens) all Intellectual Property necessary for or material to the conduct of its business as currently conducted.

(B) All Registered Certicom IP has been duly registered and/or filed, as applicable, with or issued by each applicable Governmental Entity in each applicable jurisdiction, all necessary affidavits of continuing use have been filed, and all necessary maintenance fees have been paid to continue all such rights in effect.

(C) To the knowledge of Certicom, none of Certicom or any of its Subsidiaries or any of its or their products or services nor any Third Party Software as contained in, incorporated into, bundled with or used by such products or services has materially infringed upon or otherwise materially violated, or is materially infringing upon or otherwise materially violating, the Intellectual Property rights of any third party.

(D) There is no Litigation pending or, to the knowledge of Certicom, threatened with respect to, any possible infringement or other violation in any material respect by Certicom or any of its Subsidiaries or any of its or their products or services of the Intellectual Property rights of any third party. To the knowledge of Certicom, there is no investigation pending or threatened with respect to any possible infringement or other violation in any material respect by Certicom or any of its Subsidiaries or any of its or their products or services of the Intellectual Property rights of any third party.

(E) Except as set forth in Section 3.1(o)(ii)(E) of the Disclosure Letter, Certicom has not notified any person that such person or any product or service of such person is infringing upon or otherwise violating in any material respect any Certicom Owned IP. No licensor of any Certicom Licensed IP has notified or otherwise informed

Certicom or any of its Subsidiaries in writing that any person or any product or service of any person is infringing upon or otherwise violating in any material respect any Certicom Licensed IP.

(F) All Certicom IP that is confidential or proprietary has been maintained in confidence in accordance with protection procedures customarily recognized as best practices in Certicom's industry to protect rights of like importance. Each of the former or current members of management or key personnel of Certicom or any of its Subsidiaries, including all former and current employees, agents, consultants and independent contractors who have contributed to or participated in the conception and development of material Intellectual Property owned, intended to be owned or used by Certicom or any of its Subsidiaries (all such persons, the "**IP Contributing Parties**"), have assigned or otherwise transferred to Certicom or any of its Subsidiaries all ownership and other rights of any nature whatsoever (to the extent permitted by Law) of such IP Contributing Party in such Intellectual Property, have waived in favour of Certicom or any of its Subsidiaries any moral rights or other similar rights of such IP Contributing Party in such Intellectual Property, and none of the IP Contributing Parties have a valid claim against Certicom or any of its Subsidiaries in connection with the involvement of such IP Contributing Party in the conception and development of any such Intellectual Property, and no such claim has been asserted or threatened against Certicom or any of its Subsidiaries. None of Certicom or any of its Subsidiaries or, to the knowledge of Certicom, any of their current or former Certicom Personnel has any patents issued or applications pending for any device, process, method, design or invention of any kind now used or needed by Certicom or any of its Subsidiaries in the furtherance of its business operations as currently conducted or as currently proposed to be conducted, which patents or applications have not been assigned to Certicom or such Subsidiary with such assignment duly recorded with the applicable Governmental Entity.

(G) To the extent Third Party Software is distributed to customers of Certicom or any of its Subsidiaries together with Certicom Owned IP, (1) any third party rights have been identified in Section 3.1(o)(ii)(G)(1) of the Disclosure Letter, (2) all necessary licenses have been

obtained and (3) no royalties or payments are due (or such royalties and payments are identified in Section 3.1(o)(ii)(G)(2) of the Disclosure Letter).

(H) Except as disclosed in Section 3.1(o)(ii)(H) of the Disclosure Letter, none of the trade secrets or confidential information of Certicom or any of its Subsidiaries has been published or disclosed by Certicom or any of its Subsidiaries, except pursuant to non-disclosure agreements entered into by Certicom or, to the knowledge of Certicom, by any other person to any person except pursuant to licenses or Contracts requiring such other person to keep such trade secrets confidential (which licenses or Contracts will be enforceable by Certicom or such Subsidiary after the Effective Time to an extent sufficient to exploit all trade secrets material to the operations and businesses of Certicom and its Subsidiaries as currently conducted or as currently proposed by Certicom to be conducted).

(I) None of the products of Certicom or its Subsidiaries contains code or interfaces based on or created using information or source code owned by a third party to enable its functions, other than information, documentation or source code which is either publicly available or with respect to which Certicom or a Subsidiary has been granted a perpetual license.

(J) Except as disclosed in Section 3.1(o)(ii)(J) of the Disclosure Letter, no person has any exclusive use, marketing rights or distribution rights to any Certicom Owned IP, or any material marketing rights or material distribution rights, in each case, which cannot be terminated on 30 days notice without any cost or penalty to Certicom or any of its Subsidiaries.

(K) Neither Certicom nor any of its Subsidiaries has sold, exclusively licensed or otherwise transferred ownership of any Intellectual Property to any person, other than to Certicom or one of its Subsidiaries.

(L) Except for source code provided to third party developers to make modifications or Derivative Works for the benefit of Certicom or any Subsidiary, no Source Code has been published or disclosed by Certicom or any of its Subsidiaries and no licenses or rights have been granted to a third person to distribute the Source Code for, or to

use any Source Code to create Derivative Works of, any Certicom Owned IP included in any product currently marketed by, commercially available from or under development by Certicom or any of its Subsidiaries for which Certicom possesses the Source Code. Except as disclosed in Section 3.1(o)(ii)(L) of the Disclosure Letter, none of the Source Code forming part of the Certicom IP has been deposited in escrow and Certicom has not entered into any arrangement under which Source Code may be released to any person upon the happening of certain events or conditions.

(M) Certicom and each of its Subsidiaries has (1) created and has safely stored back-up copies of all their material computer programs and Software (including object code, source code and associated data and documentation, including Ancillary Software IP), and (2) taken reasonable steps to protect their Certicom IP and their rights thereunder, and to the knowledge of Certicom, no such rights to any Certicom IP have been lost or are in jeopardy of being lost through failure to act by Certicom or any of its Subsidiaries.

(N) Section 3.1(o)(ii)(N) of the Disclosure Letter identifies any and all Open Source, public source or freeware software or any modification or derivative thereof, including any version of any software licensed pursuant to any GNU, general public license, LGPL or limited general public license, that is used in, incorporated into, integrated or bundled with Certicom IP.

(O) Except as set out in Schedule 3.1(o)(ii)(O), none of Certicom or any of its Subsidiaries has provided any services pursuant to Contracts that contemplate ownership by a third party of Intellectual Property created in connection with such services that is used in products or services of Certicom or any of its Subsidiaries.

(P) Certicom and its Subsidiaries have complied, and continue to comply, with the material terms and conditions of the licenses under which Certicom Licensed IP has been licensed.

(Q) No Certicom Licensed IP has been modified by Certicom or any of its Subsidiaries, except if (1) modifications are permitted pursuant to the terms and conditions of the license under which such Certicom Licensed IP has been

licensed; and (2) in the case of material Certicom Licensed IP, indicated as being modified by Certicom in Section 3.1(o)(i) of the Disclosure Letter.

(iii) For purposes of this Arrangement Agreement, "**Derivative Work**" is a work based upon one or more pre-existing works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.

(iv) For purposes of this Arrangement Agreement, (A) "**Intellectual Property**" means Software, Ancillary Software IP, trademarks, service marks, brand names, certification marks, trade dress, assumed names, domain names, trade names and other indications of origin, the goodwill associated with the foregoing and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries and ideas, whether patentable or not in any jurisdiction; patents, applications for patents (including divisions, provisionals, continuations, continuations in-part and renewal applications), and any renewals, extensions or reissues thereof, in any jurisdiction; non-public information, trade secrets, know-how, formulae, processes, procedures, research records, records of invention, test information, market surveys, software and confidential information, whether patentable or not in any jurisdiction and rights in any jurisdiction to limit the use or disclosure thereof by any person; writings and other works, whether copyrightable or not in any jurisdiction, and any renewals or extensions thereof; any similar intellectual property or proprietary rights; and any claims or causes of action (pending, threatened or which could be filed) arising out of any infringement or misappropriation of any of the foregoing; (B) "**Software**" means all types of computer software programs, including operating systems, application programs, software tools, firmware and software imbedded in equipment, including both object code and source code; (C) "**Ancillary Software IP**" means all written or electronic data, documentation, and materials that explain the structure or use of Software or that were used in the development of Software or are used in the operation of the Software including logic diagrams, flow charts, procedural diagrams, error reports, manuals and training materials, look-up tables and databases; (D) "**Third Party Software**" means Software with respect to which a third party holds any copyright or other ownership right (and, therefore, such Software is not owned exclusively by Certicom or any of its Subsidiaries);

(E) “**Certicom Licensed IP**” means any Intellectual Property licensed to Certicom or any of its Subsidiaries; (F) “**Certicom IP**” means Certicom Owned IP and material Certicom Licensed IP; (G) “**Open Source Software**” means Software licensed under terms that require as a condition of modification or distribution of the Software that the Source Code of such Software (or other Software combined or distributed with such Software) be disclosed or distributed to third persons; and (H) “**Source Code**” means the human readable code of any Software.

(p) Customers. As of the date of this Arrangement Agreement, no customer of Certicom that represented 5% or more of Certicom’s consolidated revenues in the fiscal year ended April 30, 2008, has indicated to Certicom that it will stop, or materially decrease the rate of, buying materials, products or services from Certicom.

(q) Insurance. Copies of all material insurance policies have been made available to the Acquiror. All such material policies are in full force and effect, all premiums due and payable thereon have been paid, and no notice of cancellation or termination has been received with respect to any such material policy which has not been replaced on substantially similar terms prior to the date of such cancellation. There is no material claim pending under any such material policies as to which coverage has been questioned, denied or disputed.

(r) Shareholder Rights Plan. The Shareholder Rights Plan does not apply to this Arrangement Agreement, the Arrangement or the acquisition of Certicom Shares thereunder.

(s) Brokers; Schedule of Fees and Expenses. No broker, investment banker, financial advisor or other person, other than TD Securities Inc., the fees and expenses of which will be paid by Certicom, is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission in connection with the Arrangement and the other transactions contemplated by this Arrangement Agreement based upon arrangements made by or on behalf of Certicom. Certicom has delivered to the Acquiror complete and correct copies of all agreements under which any such fees or commissions are payable and all indemnification and other agreements related to the engagement of the persons to whom such fees are payable. The fees and expenses of any accountant, broker, financial advisor, consultant, legal counsel or other person retained by Certicom in connection with this Arrangement Agreement or the transactions contemplated hereby incurred or to be incurred by Certicom in connection with this Arrangement Agreement and the transactions contemplated by this Arrangement Agreement and not yet paid will not exceed the fees and expenses set forth in Section 3.1(s) of the Disclosure Letter. Neither Certicom nor any of its Subsidiaries has paid or agreed to pay any fee,

commission or expense incurred by any Shareholder (including the fees, commissions or expenses of any accountant, auditor, broker, financial advisor, consultant or legal counsel retained by or on behalf of any Shareholder) arising from or in connection with this Arrangement Agreement or the transactions contemplated hereby.

(t) Opinion of Financial Advisor. Certicom has received the written Fairness Opinion of TD Securities Inc. to the effect that, as of the date of this Arrangement Agreement, and based upon and subject to the qualifications and assumptions set forth therein, the Arrangement is fair, from a financial point of view, to Certicom Shareholders (other than the Acquiror), a copy of which Fairness Opinion has been delivered to the Acquiror.

(u) Confidentiality Obligations. The conduct of the businesses of Certicom and its Subsidiaries as currently conducted and as currently proposed by Certicom to be conducted does not materially violate or conflict with any obligation of confidentiality to any other person.

(v) Government Contracts.

(i) To the knowledge of Certicom, none of the employees, consultants or agents of Certicom or any of its Subsidiaries is or during the last two years has been (except as to routine security investigations) under administrative, civil or criminal investigation or indictment by any Governmental Entity in connection with their employment at Certicom or any of its Subsidiaries. There is no pending, and during the last two years there has been no, audit or, to the knowledge of Certicom, investigation by a Governmental Entity with respect to any alleged improper activity, misstatement or omission arising under or relating to any Contract between or among Certicom or any of its Subsidiaries and any Governmental Entity (a "**Government Contract**"). During the last two years, neither Certicom nor any of its Subsidiaries has conducted or initiated any internal investigation, has had reason to conduct, initiate or report any internal investigation, or has made a voluntary disclosure with respect to any alleged improper activity, misstatement or omission arising under or relating to a Government Contract. None of Certicom, its Subsidiaries nor, to the knowledge of Certicom, any of their respective employees, consultants or agents has made any intentional misstatement or omission in connection with any voluntary disclosure that has led, or is expected to lead, either before or after the Effective Date, to any of the consequences set forth in the immediately preceding two sentences or any other damage, penalty assessment, recoupment of payment or disallowance of cost.

(ii) There are (A) no outstanding claims against Certicom or any of its Subsidiaries by a Governmental Entity or by any prime contractor, subcontractor, vendor or other third party arising under or relating to any Government Contract that is reasonably likely to result in a material liability to Certicom or any of its Subsidiaries, a suspension or debarment of Certicom or any of its Subsidiaries from doing business with a Governmental Entity, a finding of non-responsibility or ineligibility for contracting with a Governmental Entity or any other material impairment of any business relationship between Certicom and any of its Subsidiaries, on the one hand, and a Governmental Entity, on the other hand, and (B) no material disputes between Certicom or any of its Subsidiaries and a Governmental Entity or between Certicom or any of its Subsidiaries and any prime contractor, subcontractor or vendor arising under or relating to any Government Contract. To the knowledge of Certicom, no event, condition or omission has occurred that would reasonably constitute grounds for a claim or a dispute under clause (A) or (B). Neither Certicom nor any of its Subsidiaries has an interest in any pending or potential claim against a Governmental Entity or any prime contractor, subcontractor or vendor arising under or relating to any Government Contract.

(iii) None of Certicom, its Subsidiaries or, to the knowledge of Certicom, any of their respective employees, consultants or agents is (or during the last four years has been) suspended or debarred from doing business with a Governmental Entity or is (or during such period was) the subject of a finding of non-responsibility or ineligibility for contracting with a Governmental Entity.

(iv) All test and inspection results that Certicom or its Subsidiaries have provided to a Governmental Entity or any other entity pursuant to a Government Contract or as a part of the delivery to a Governmental Entity pursuant to a Government Contract of any article designed, engineered or manufactured by Certicom or its Subsidiaries were complete and correct in all material respects. Either Certicom or one of its Subsidiaries has provided all material test and inspection results to the relevant Governmental Entity pursuant to each Government Contract as required by applicable Laws and the terms of the applicable Government Contract.

(v) With respect to each Government Contract (A) all material representations and certifications of Certicom, any of its Subsidiaries, or any of their respective officers, directors or employees set forth in or pertaining to such Government Contract

were current, complete and correct as of their effective date, and Certicom or one of its Subsidiaries has complied in all material respects with all such representations and certifications; (B) as of the date of this Arrangement Agreement, no Governmental Entity nor any prime contractor, subcontractor or other entity has notified Certicom or its Subsidiaries in writing that Certicom or its Subsidiaries has materially breached or violated any applicable Laws pertaining to such Government Contract; (C) as of the date of this Arrangement Agreement, no termination for default, cure notice or show cause notice is in effect pertaining to such Government Contract and (D) as of the date of this Arrangement Agreement, to the knowledge of Certicom, no event, condition or omission has occurred or exists that would constitute grounds to any action referred to in clause (C); (E) as of the date of this Arrangement Agreement, to the knowledge of Certicom, no cost incurred by Certicom or its Subsidiaries pertaining to such Government Contract is the subject of any investigation or has been disallowed by the relevant Governmental Entity and (F) as of the date of this Arrangement Agreement, no amount of money due to Certicom or its Subsidiaries pursuant to such Government Contract has been withheld or set off.

(w) Transactions with Affiliates. There are no material Contracts (other than employment agreements entered into in the ordinary course of business) existing between, among or involving Certicom or any of its Subsidiaries, on the one hand, and any of their respective Certicom Personnel or shareholders or any of their respective affiliates, on the other hand (including in respect of purchasing, leasing or obtaining any product or service or in respect of any Financial Indebtedness or Guarantee thereof). No Certicom Personnel or affiliate of Certicom or any of its Subsidiaries has any direct or indirect ownership interest in any person in which Certicom or any of its Subsidiaries has any direct or indirect ownership interest.

(x) U.S. Securities Laws. Certicom is not subject to the reporting requirements of the federal or state securities laws of the United States of America, or any rules or regulations thereunder, and is a "foreign issuer" as defined under Regulation S promulgated under the *U.S. Securities Act of 1933*, as amended. As at December 23, 2008, there were 46 persons with addresses in the United States of America as reflected on the share registers of Certicom holding an aggregate of 9,300,059 Certicom Shares, or approximately 19.48% of the total number of Certicom Shares outstanding as at that date. To the knowledge of Certicom, the number of Certicom Shares held by persons resident in the United States of America as at that date and the date of this Arrangement Agreement is less than 40% of the total number of Certicom Shares outstanding as at each such date.

(y) Investment Canada Act. Neither Certicom nor any of its Subsidiaries provides any services or engages in any of the activities of a business described in subsection 14.1(5) of the *Investment Canada Act*.

(z) No "Collateral Benefit". To the knowledge of Certicom, no "related party" of Certicom (within the meaning of CSA Multilateral Instrument 61-101 – *Protection of Minority Holders in Special Transactions* ("**MI 61-101**")) will receive a "collateral benefit" (with the meaning of MI 61-101) as a consequence of the transactions contemplated by this Arrangement Agreement.

3.2 Investigation

Any investigation by or knowledge of the Acquiror and their advisors shall not mitigate, diminish or affect the representations and warranties of Certicom pursuant to this Arrangement Agreement.

3.3 Survival of Representations and Warranties

The representations and warranties of Certicom contained in this Arrangement Agreement shall expire and be terminated on the earlier of the Effective Date and the date on which this Arrangement Agreement is terminated in accordance with its terms.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE ACQUIROR

4.1 Representations and Warranties

The Acquiror represents and warrants to Certicom as follows:

(a) Organization. The Acquiror is a corporation duly organized and validly existing under the Laws of the jurisdiction of its organization and has all requisite corporate power and authority to carry on its business as now being conducted.

(b) Authority; Noncontravention. The Acquiror has the requisite corporate power and authority to execute and deliver this Arrangement Agreement, to complete the Arrangement and the other transactions contemplated by this Arrangement Agreement and to comply with the provisions of this Arrangement Agreement. The execution and delivery of this Arrangement Agreement by the Acquiror, the completion by the Acquiror of the Arrangement and the other transactions contemplated by this Arrangement Agreement and the compliance by the Acquiror with the provisions of this Arrangement Agreement have been duly authorized by all necessary corporate action on the part of the Acquiror, and no other corporate

proceedings on the part of the Acquiror are necessary to authorize this Arrangement Agreement, to comply with the terms of this Arrangement Agreement or to complete the Arrangement and the other transactions contemplated by this Arrangement Agreement. This Arrangement Agreement has been duly executed and delivered by the Acquiror and, assuming the due execution and delivery of this Arrangement Agreement by Certicom, constitutes a valid and binding obligation of the Acquiror, enforceable against the Acquiror in accordance with its terms, subject to the Bankruptcy and Equity Exception. The execution and delivery of this Arrangement Agreement, the completion of the Arrangement and the other transactions contemplated by this Arrangement Agreement and the compliance by the Acquiror with the provisions of this Arrangement Agreement do not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time or both) under, or give rise to a right of, or result in, termination, cancellation or acceleration of any material obligation or to a loss of a material benefit under, or result in the creation of any material Lien in or upon any of the material properties or assets of the Acquiror under, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under, any provision of (i) the Charter Documents of the Acquiror, or (ii) subject to the governmental filings and other matters referred to in the following sentence, any Law or Judgment, in each case, applicable to the Acquiror or its material properties or assets, other than, in the case of clause (ii), any such conflicts, violations, breaches, defaults, terminations, cancellations, accelerations, losses, Liens, rights or entitlements that, individually or in the aggregate, are not reasonably likely to impair in any material respect the ability of the Acquiror to perform its obligations under this Arrangement Agreement or prevent or materially impede or materially delay the completion of the Arrangement or the other transactions contemplated by this Arrangement Agreement. No consent, approval, order or authorization of, registration, declaration or filing with, or notice to, any Governmental Entity is required by or with respect to the Acquiror in connection with the execution and delivery of this Arrangement Agreement by the Acquiror, the completion by the Acquiror of the Arrangement or the other transactions contemplated by this Arrangement Agreement or the compliance by the Acquiror with the provisions of this Arrangement Agreement, except for (A) the filings and receipt, termination or expiration, as applicable, of such other approvals or waiting periods required under any applicable competition, merger control, antitrust or similar Law, (B) the filing of a post-closing notification under the *Investment Canada Act*, and (C) such other consents, approvals, orders, authorizations, registrations, declarations, filings and notices, the failure of which to be obtained or made, individually or in the aggregate, are not reasonably likely to impair in any material respect the ability of the Acquiror to perform its obligations under this Arrangement Agreement or prevent or materially impede or materially delay the completion of the Arrangement or the other transactions contemplated by this Arrangement Agreement.

(c) Certicom Shares. Neither the Acquiror nor any of its affiliates nor any "joint actor" (as defined in MI 61-101) thereof owns or exercises control or direction over any Certicom Shares.

(d) Investment Canada Act. The Acquiror is either not a non-Canadian within the meaning of the *Investment Canada Act* or, if the Acquiror is a non-Canadian, the Acquiror qualifies as a WTO Investor within the meaning of the *Investment Canada Act*.

(e) Financing. The Acquiror has sufficient funds to fund the payment of the aggregate Cash Proceeds per Share and Option Consideration payable by the Acquiror and the Company, respectively, pursuant to the Plan of Arrangement on the Effective Date in accordance with the terms hereof and thereof.

4.2 Investigation

Any investigation by or knowledge of Certicom and its advisors shall not mitigate, diminish or affect the representations and warranties of the Acquiror pursuant to this Arrangement Agreement.

4.3 Survival of Representations and Warranties

The representations and warranties of the Acquiror contained in this Arrangement Agreement shall expire and be terminated on the earlier of the Effective Date and the date on which this Arrangement Agreement is terminated in accordance with its terms.

ARTICLE 5
COVENANTS

5.1 Covenants of Certicom Regarding the Conduct of Business

(1) Certicom covenants and agrees that, during the period from the date of this Arrangement Agreement until the earlier of the Effective Date and the time that this Arrangement Agreement is terminated in accordance with its terms, unless the Acquiror shall otherwise consent in writing, such consent not to be unreasonably withheld or delayed, or as is otherwise expressly permitted or specifically contemplated by this Arrangement Agreement or the Arrangement or set forth in the Disclosure Letter:

(a) Certicom shall, and shall cause each of its Subsidiaries to, carry on their respective businesses in the ordinary course consistent with past practice, comply in all material respects with the terms of all Specified Contracts and use commercially reasonable efforts to comply with all applicable Laws and, to the extent consistent therewith, use commercially reasonable

efforts to keep available the services of their present officers, software developers and other key employees and to preserve their assets and technology and preserve their relationships with customers, suppliers, licensors, licensees, distributors and others having material business dealings with them and maintain their material franchises, rights and Permits;

(b) Certicom shall not, and shall not permit any of its Subsidiaries to, directly or indirectly: (i) amend its Charter Documents or other comparable organizational documents or the Shareholder Rights Plan; (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of the Certicom Shares owned by any person or the securities of any Subsidiary owned by a person other than Certicom; (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Certicom or its Subsidiaries, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Certicom or its Subsidiaries or any stock appreciation rights, phantom stock awards or other rights that are linked to the value of Certicom Shares or the value of Certicom or any part thereof, other than (A) the issuance of Certicom Shares issuable pursuant to the terms of the outstanding Certicom Options, (B) the grant of Certicom Options pursuant to the terms of contractual commitments set forth in Section 5.1(1)(b) of the Disclosure Letter for the Certicom Stock Option Plans, (C) transactions between two or more wholly-owned Subsidiaries of Certicom or between Certicom and a wholly-owned Subsidiary of Certicom, (D) pursuant to pledge commitments contained in written agreements set forth in Section 5.1(1)(b) of the Disclosure Letter, and (E) as required under existing Contracts set forth in Section 5.1(1)(b) of the Disclosure Letter; (iv) redeem, purchase or otherwise acquire any of its outstanding securities or those of its Subsidiaries or any options, warrants, calls or rights to acquire any such securities (including any Certicom Options), unless otherwise required by the terms of such securities and other than in transactions between two or more wholly-owned Subsidiaries of Certicom or between Certicom and a wholly-owned Subsidiary of Certicom; (v) amend the terms of any of its securities; (vi) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Certicom or any of its Subsidiaries, or undertake any merger, consolidation or a reorganization of Certicom or any of its Subsidiaries; (vii) write-down any of its assets, including any Intellectual Property, or amend its accounting policies or adopt new accounting policies, in each case except as required in accordance with GAAP; (viii) make any material tax election or settle or compromise any material tax liability; (ix) split, combine or reclassify any shares its capital or other equity or voting interests, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares in its capital or other equity or voting interests; (x) take any action that would result in any amendment, modification or change of any term of any Financial

Indebtedness of Certicom or any of its Subsidiaries; (xi) take any action described in Section 3.1(f)(i)(D) to (H); or (xii) enter into, modify or terminate any Contract with respect to any of the foregoing;

(c) Certicom shall promptly notify the Acquiror in writing of any circumstance or development that is or could reasonably be expected to constitute a Material Adverse Effect or any change in any material fact set forth in the Disclosure Letter;

(d) Certicom shall not, and shall not permit any of its Subsidiaries to, directly or indirectly: (i) except in the ordinary course of business consistent with past practice, sell, pledge, lease, license, dispose of or encumber any assets of Certicom or of any Subsidiary thereof; (ii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment either by the purchase of securities or contributions of capital (other than to wholly-owned Subsidiaries), (iii) acquire any material property or assets of any person except for purchases of inventory in the ordinary course of business; (iv) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, or make any loans or advances except for refinancing of existing debt on substantially the same or more favourable terms, except as set forth in the Disclosure Letter; (v) except in the ordinary course of business, incur any liability or obligation; (vi) pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the unaudited interim financial statements of Certicom as at and for the six months ended October 31, 2008; (vii) waive, relinquish, release, grant or transfer any rights of material value; (viii) make or commit to make capital expenditures that are, in the aggregate, in excess of $100,000; or (ix) authorize or propose any of the foregoing, or enter into or modify any Contract to do any of the foregoing;

(e) subject to Section 5.1(2), Certicom shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

(i) modify, amend, accelerate, terminate or cancel (A) any Specified Contract, other than amendments to customer Contracts in the ordinary course of business, or (B) any material provision of any Contract involving Intellectual Property other than amendments to customer Contracts in the ordinary course of business, or, in either case, waive, release or assign any material rights or claims thereunder;

(ii) enter into any lease or sublease of real property (whether as a lessor, sublessor, lessee or sublessee), or modify, amend or exercise any right to renew any lease or sublease of real property or acquire any interest in real property;

(iii) enter into any Contract containing any restriction on the ability of Certicom or any of its Subsidiaries to assign all or any portion of its rights, interests or obligations thereunder, unless such restriction expressly excludes any assignment to Acquiror and any of its Subsidiaries in connection with or following the consummation of the Arrangement or the other transactions contemplated by this Arrangement Agreement; or

(iv) enter into or modify any Contract or series of Contracts resulting in a new Contract or series of related new Contracts or modifications to an existing Contract or series of related existing Contracts outside the ordinary course of business, including, without limitation, any of the foregoing that would (A) result in any Vendor Contract having a term in excess of 24 months and which is not terminable by Certicom or its Subsidiaries upon notice of 6 months or less from the date of the relevant Contract or modification of Contract or impose payment or other obligations on Certicom or any of its Subsidiaries in excess of $200,000; or (B) otherwise have a Material Adverse Effect;

(f) other than as is necessary to comply with applicable Laws, neither Certicom nor any of its Subsidiaries shall (i) grant to any officer or director of Certicom or any of its Subsidiaries an increase in compensation in any form, grant any general salary increase, make any loan to any Certicom Personnel, (ii) take any action with respect to the grant of, or increase in, any severance, change of control, or termination pay to or enter into any employment agreement with any Certicom Personnel, (iii) increase any benefits payable under its current severance or termination pay policies, (iv) adopt or materially amend or make any contribution to any Benefit Plan, Benefit Agreement or other bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, compensation or other similar plan, agreement, trust, fund or arrangement for the benefit of any Certicom Personnel, or (v) take any action to accelerate the time of payment or vesting of any compensation or benefits under any Benefit Plan or Benefit Agreement;

(g) Certicom shall not, and shall not permit any of its Subsidiaries to, settle or compromise (i) any material action, claim or proceeding brought against it and/or any of its Subsidiaries; or (ii) any action, claim or proceeding brought by any present, former or purported holder of its securities in connection with the transactions contemplated by this Arrangement Agreement or the Arrangement;

(h) Certicom shall use its commercially reasonable efforts to cause the current insurance (or re-insurance) policies maintained by Certicom or any of its Subsidiaries, including directors' and officers' insurance, not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing having comparable deductions and providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that none of Certicom or any of its Subsidiaries shall obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months from the date hereof;

(i) Certicom shall not, and shall not permit any of its Subsidiaries to, (i) take any action or fail to take any action which action or failure to act would result in the material loss or reduction in value of the Certicom IP, taken as a whole; or (ii) enter into any Contract providing for a license of Intellectual Property;

(j) Certicom shall not, and shall not permit any of its Subsidiaries to (i) enter into, extend or renew (A) any Contract or amendment thereof which, if executed prior to the date of this Arrangement Agreement, would have been required to have been disclosed pursuant to Section 3.1(h)(A), (B), (H), (J) or (N), (ii) any Contract or amendment thereof that grants any person the right or ability to access, license or use all or a portion of Certicom IP, other than in the ordinary course of business consistent with past practice, or (iii) any Contract providing for the services of any dealer, distributor, sales representative or similar representative; except, with respect to this clause (iii), where (x) such entry, extension or renewal is in the ordinary course of business and is not inconsistent with past practice, or (y) if the entry, extension or renewal is other than on standard terms and conditions, including any terms and conditions relating to geographic exclusivity, Certicom shall have provided the Acquiror with prior written notice of the material terms of the proposed Contract, extension or renewal and not less than 48 hours to comment on such terms;

(k) Certicom shall not, and shall not permit any of its Subsidiaries to, enter into any Contract or material amendment to a Contract which contains any provision listed in 3.1(h)(E), (F), (G), (I), (K), (L), (R), (S), (T) or (W); and

(l) Certicom shall not, and shall not permit any of its Subsidiaries to, commence any Litigation (other than Litigation in connection with the collection of accounts receivable, to enforce the terms of this Arrangement Agreement or the Confidentiality Agreement or as a result of Litigation commenced against Certicom or any of its Subsidiaries).

(2) Notwithstanding Section 5.1(1)(e), Certicom shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, enter into or modify any Major Customer Contract or series of Major Customer Contracts resulting in a new Major Customer Contract or series of related new Major Customer Contracts or modifications to an existing Major Customer Contract or series of related existing Major Customer Contracts outside the ordinary course of business, including, without limitation, any of the foregoing that would (i) result in any Major Customer Contract having a term in excess of 12 months from the date hereof; (ii) result in any Major Customer Contract containing material obligations of Certicom or any of its Subsidiaries in respect of which Certicom or any of its Subsidiaries is not fully covered by an existing policy of insurance (or re-insurance) that is in full force and effect; or (iii) otherwise have a Material Adverse Effect.

(3) Between the date of this Arrangement Agreement and the Effective Time, subject to applicable Laws, Certicom shall consult in good faith on a reasonably regular basis with the Acquiror to report material, individually or in the aggregate, operational developments, the general status of relationships with customers and resellers, the general status of ongoing operations and other matters reasonably requested by the Acquiror pursuant to procedures reasonably requested by the Acquiror; provided, however, that no such consultation shall affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Arrangement Agreement.

5.2 Covenants of Certicom Regarding the Performance of Obligations

Certicom shall and shall cause its Subsidiaries to perform all obligations required or desirable to be performed by Certicom or any of its Subsidiaries under this Arrangement Agreement, co-operate with the Acquiror in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Arrangement Agreement and, without limiting the generality of the foregoing, Certicom shall and, where appropriate, shall cause its Subsidiaries to:

(a) apply for and use all commercially reasonable efforts to obtain any applicable regulatory approvals relating to Certicom or any of its Subsidiaries which are required in order to consummate the Arrangement and, in doing so, keep the Acquiror reasonably informed as to the status of the proceedings related to obtaining such regulatory approvals, including providing the Acquiror with copies of all related applications and notifications excluding any part thereof constituting confidential information, in draft form, in order for the Acquiror to provide its reasonable comments thereon; provided that Certicom shall not make any commitments, provide any undertakings or assume any obligations, in each case that are or would reasonably be expected to be material to Certicom or the Acquiror without the prior written consent of the Acquiror, which shall not be unreasonably withheld or delayed;

(b) defend all lawsuits or other legal, regulatory or other proceedings against Certicom challenging or affecting this Arrangement Agreement or the consummation of the transactions contemplated hereby;

(c) use commercially reasonable efforts to assist in effecting the resignations of the Certicom directors and cause them to be replaced as of the Effective Date by persons nominated by the Acquiror;

(d) use commercially reasonable efforts to: (i) assist the Acquiror in obtaining all regulatory approvals referred to in Section 5.3(a); (ii) obtain all necessary or desirable consents, waivers or approvals under the Specified Contracts; provided that Certicom and its Subsidiaries shall not, without the prior written consent of the Acquiror (not to be unreasonably withheld or delayed), pay or commit to pay any money or issue or commit to issue any guarantee of any obligations in connection with Certicom obtaining such consents, waivers or approvals; and (iii) give all necessary or desirable notices under the Specified Contracts;

(e) subject to applicable Laws, effect such reorganizations of the business, operations and assets of Certicom and its Subsidiaries or such other transactions as the Acquiror may request, acting reasonably (each a "**Pre-Acquisition Reorganization**") and co-operate with the Acquiror and its advisors in order to determine the nature of any Pre-Acquisition Reorganization that might be undertaken and the manner in which they might most effectively be undertaken; provided that any Pre-Acquisition Reorganization: (i) would not require Certicom to obtain the prior approval of the Certicom Shareholders in respect of such Pre-Acquisition Reorganization other than at the Special Meeting; (ii) are not prejudicial to Certicom securityholders in that they would not result in any taxes being imposed on, or any adverse tax or other consequences to, any securityholder of Certicom incrementally greater than the taxes or other consequences to such party in connection with the consummation of the Arrangement in the absence of any Pre-Acquisition Reorganization; and (iii) would not impede or materially delay the completion of the Arrangement. The Acquiror shall provide written notice to Certicom of any proposed Pre-Acquisition Reorganization at least ten Business Days prior to the Effective Time. Upon receipt of such notice, the Acquiror and Certicom shall, if Certicom is required to do so pursuant to the immediately preceding sentence, work co-operatively and use commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do all such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization at least two Business Days prior to the Effective Time, or such later time as may be agreed to by the Acquiror. In addition:

(A) if the Plan of Arrangement (or alternative transaction structure referred to in Section 2.16) is not completed, Acquiror shall pay the implementation costs of the Pre-Acquisition Reorganization and any direct or indirect costs and liabilities of Certicom and its Subsidiaries, including employment costs, taxes and liabilities as well as any costs, taxes and liabilities that may be incurred to unwind any such Pre-Acquisition Reorganization (including actual out-of-pocket costs and expenses for filing fees and external counsel);

(B) any Pre-Acquisition Reorganization or required cooperation of Certicom in structuring, planning and implementing any Pre-Acquisition Reorganization shall not unreasonably interfere in material operations prior to the Effective Time of Certicom or any Subsidiary of Certicom (it being understood that any combination of the business, operations or assets of Certicom or any of its Subsidiaries with the business, operations or assets of one or more other Subsidiary of Certicom by way of amalgamation, merger, winding-up or otherwise shall not be considered to unreasonably interfere in material operations);

(C) unless the Parties otherwise agree, any Pre-Acquisition Reorganization shall not require any pre-approval from any Governmental Entity;

(D) any Pre-Acquisition Reorganization shall not require Certicom or any Subsidiary of Certicom to contravene any applicable Laws or any material Contract; and

(E) such cooperation does not require the directors, officers, employees or agents of Certicom or its Subsidiaries to take any action in any capacity other than as a director, officer or employee or agent, and the Acquiror shall indemnify and save harmless such directors, officers, employees or agents from and against any and all liabilities, taxes, losses, damages, claims, costs, expenses, interest awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of implementing any Pre-Acquisition Reorganization.

Acquiror acknowledges and agrees that the planning for and implementation of any Pre-Acquisition Reorganization shall not be considered a breach of any covenant under this Arrangement Agreement and shall not be considered in determining whether a representation or warranty of Certicom hereunder has been breached. Acquiror and Certicom shall work cooperatively and use reasonable commercial efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization; and

(f) except as prohibited by applicable Laws, promptly notify the Acquiror of: (i) the occurrence of any matter or event that (A) is, or that is reasonably likely to be, material, in an adverse manner, to the business, assets, properties, financial condition or results of operations of Certicom and its Subsidiaries, taken as a whole, or (B) has resulted, or is reasonably likely to result, in (I) any representation and warranty of Certicom set forth in this Arrangement Agreement becoming untrue or inaccurate such that the condition set forth in Section 6.2(a) would not be satisfied or (II) any other condition to the transactions contemplated hereby and set forth in Section 6.2 not being satisfied; (ii) the failure of Certicom to perform any obligation to be performed by it under this Arrangement Agreement such that the condition set forth in Section 6.2(b) would not be satisfied; (iii) any notice or other communication from any person (other than a Governmental Entity) alleging that the consent of such person is required in connection with the Arrangement or any of the other transactions contemplated by this Arrangement Agreement; (iv) any notice or other communication from any Major Customer or Major Supplier to the effect that such Major Customer or Major Supplier is terminating or otherwise materially adversely modifying its relationship with Certicom or any of its Subsidiaries as a result of the Arrangement or any of the other transactions contemplated by this Arrangement Agreement; (v) any notice or other communication from any Governmental Entity in connection with the Arrangement or any of the other transactions contemplated in this Arrangement Agreement, and a copy of any such notice or communication (if in written form) shall be promptly furnished to the Acquiror; and (vi) any actions, suits, claims, investigations or proceedings commenced or, to the knowledge of Certicom, threatened against, relating to or involving or otherwise affecting Certicom or any of its Subsidiaries that, if pending on the date of this Arrangement Agreement, would have been required to have been disclosed pursuant to Section 3.1(g) or that relate to the consummation of the Arrangement or any of the other transactions contemplated by this Arrangement Agreement; provided, however, that, in each case, no such notification shall affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the parties under this Arrangement Agreement.

5.3 Covenants of the Acquiror Regarding the Performance of Obligations

The Acquiror shall, and the Acquiror shall cause its Subsidiaries to, perform all obligations required or desirable to be performed by the Acquiror or any of the Acquiror's Subsidiaries under this Arrangement Agreement, co-operate with Certicom in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in this Arrangement Agreement and, without limiting the generality of the foregoing, the Acquiror shall and where appropriate shall cause its Subsidiaries to:

(a) apply for and use all commercially reasonable efforts to obtain any regulatory approvals relating to the Acquiror or any of the Acquiror's Subsidiaries which are required in order to consummate the Arrangement and, in doing so, keep Certicom reasonably informed as to the status of the proceedings related to obtaining such regulatory approvals, including providing Certicom with copies of all related applications and notifications excluding any part thereof constituting confidential information, in draft form, in order for Certicom to provide its reasonable comments thereon; provided that for greater certainty, nothing contained in this Arrangement Agreement shall restrict or limit the Acquiror from making such commitments or providing such undertakings or assuming such obligations as it considers, in its sole discretion, necessary or desirable in order to obtain the regulatory approvals or any other sanctions, rulings, consents, orders, exemptions, permits and other approvals required by applicable antitrust or competition Law or (ii) shall require the Acquiror to make any such commitments, provide any such undertakings or assume any such obligations;

(b) use all commercially reasonable efforts to assist Certicom in obtaining all consents, waivers or approvals pursuant to Specified Contracts, provided that the Acquiror shall not be obligated to pay any fees or guarantee any obligations in connection with Certicom obtaining such consents, waivers or approvals; and

(c) defend all lawsuits or other legal, regulatory or other proceedings against the Acquiror challenging or affecting this Arrangement Agreement or the Arrangement.

5.4 Mutual Covenants

Each of the Parties covenants and agrees that, except as contemplated in this Arrangement Agreement, during the period from the date of this Arrangement Agreement until the earlier of the Effective Time and the time that this Arrangement Agreement is terminated in accordance with its terms:

(a) it shall, and shall cause its Subsidiaries to, use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 6 to the extent the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by this Arrangement Agreement, including using its commercially reasonable efforts to: (i) obtain all regulatory approvals required to be obtained by it; (ii) effect all necessary registrations, filings and submissions of

information requested by Governmental Entities required to be effected by it in connection with the Arrangement; (iii) oppose, lift or rescind any injunction or restraining order against it or other order or action against it seeking to stop, or otherwise adversely affecting its ability to complete, the Arrangement; and (iv) co-operate with the other Party in connection with the performance by it and its Subsidiaries of their obligations hereunder;

(b) it shall not take any action, or fail to take any commercially reasonable action, or permit any of its Subsidiary to take any action or fail to take any commercially reasonable action, which action or failure to take action (i) is inconsistent with this Arrangement Agreement or (ii) would reasonably be expected to significantly impede the completion of the Arrangement except as permitted by this Arrangement Agreement;

(c) it shall use commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained to consummate the Arrangement in addition to those referred to in Sections 5.2 and 5.3; and

(d) it shall use its commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained herein qualified as to materiality shall be true and correct and all of its representations and warranties contained herein not so qualified shall be true and correct in all material respects, in each case, on and as of the Effective Date as if made thereon (other than the representations and warranties specific to a particular date which shall remain true and correct in all material respects or in all respects, as appropriate, as of that date).

ARTICLE 6
CONDITIONS

6.1 Conditions to Each Party's Obligation to Effect the Arrangement

The respective obligation of each Party to effect the Arrangement is subject to the satisfaction or waiver on or prior to the Effective Date of the following conditions:

(1) The Shareholder Approval shall have been obtained.

(2) The Interim Order shall have been obtained in form and substance satisfactory to each of the Parties hereto, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties, acting reasonably, on appeal or otherwise.

(3) The Final Order shall have been obtained in form and substance satisfactory to the Parties hereto, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties, acting reasonably, on appeal or otherwise.

(4) No temporary restraining order, preliminary or permanent injunction or other Judgment issued by any court of competent jurisdiction or other legal restraint or prohibition (collectively, "**Legal Restraints**") that has the effect of preventing the consummation of the Arrangement shall be in effect.

(5) This Arrangement Agreement shall not have been terminated pursuant to Article 8.

6.2 Additional Conditions Precedent to Obligations of the Acquiror

The obligations of the Acquiror are further subject to the satisfaction of the following conditions or waiver on or before the Effective Date or such other time prior thereto as is specified below:

(1) The representations and warranties of Certicom contained herein that are qualified by materiality or Material Adverse Effect qualifications shall be true and correct (as so qualified), and the representations and warranties of Certicom contained herein that are not so qualified shall be true and correct in all material respects, in each case as of the date of this Arrangement Agreement and as of the Effective Date with the same effect as though made as of the Effective Date, except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date, and the Acquiror shall have received a certificate signed on behalf of Certicom by the chief executive officer and chief financial officer of Certicom to such effect.

(2) Certicom shall have performed in all material respects all obligations required to be performed by it under this Arrangement Agreement at or prior to the Effective Date, and the Acquiror shall have received a certificate signed on behalf of the Company by the chief executive officer and the chief financial officer of the Company or other authorized senior officers to such effect.

(3) There shall not be pending any claim, suit, action or proceeding brought or threatened in writing by any third party that has a reasonable likelihood of success or by any Governmental Entity, (i) challenging or seeking to restrain or prohibit the consummation of the Arrangement or the other transactions contemplated by this Arrangement Agreement or seeking to obtain from the Acquiror or any of its Subsidiaries any damages that are material, individually or in the aggregate, in relation to the value of Certicom and its Subsidiaries, taken as a whole as a consequence of the consummation of the Arrangement or the other transactions contemplated by this Arrangement Agreement, (ii) seeking to prohibit or limit in any respect, or place any conditions on, the ownership or operation by Certicom, the Acquiror or all or any of their respective affiliates of all or any portion of the business or assets or any product of Certicom or its Subsidiaries or the Acquiror or its Subsidiaries or to require any such person to dispose of, license (whether pursuant to an exclusive or nonexclusive license) or hold separate all or any portion of the business or assets or any product of Certicom or its Subsidiaries or the Acquiror or its Subsidiaries, in each case as a result of or in connection with

the consummation of the Arrangement or the other transactions contemplated by this Arrangement Agreement, (iii) seeking to impose limitations on the ability of the Acquiror or any of its affiliates to acquire or hold, or exercise full rights of ownership of, any Certicom Shares or any shares in the capital of the Acquiror, including the right to vote the Certicom Shares or the shares in the capital of the Acquiror on all matters properly presented to the Certicom Shareholders, or (iv) seeking to (A) prohibit the Acquiror or any of its affiliates from effectively controlling in any respect any of the business or operations of Certicom or its Subsidiaries or (B) prevent Certicom or its Subsidiaries from operating any of their business in substantially the same manner as operated by Certicom and its Subsidiaries prior to the date of this Arrangement Agreement.

(4) No Legal Restraint that is reasonably likely to result, directly or indirectly, in any of the effects referred to in clauses (i) through (iv) of Section 6.2(3) shall be in effect.

(5) There shall not have occurred a Material Adverse Effect on or with respect to Certicom that has not been publicly disclosed by Certicom prior to the date hereof or disclosed to the Acquiror in writing prior to the date hereof, and since the date of this Arrangement Agreement, there shall not have occurred a Material Adverse Effect on or with respect to Certicom, and the Acquiror shall have received a certificate signed on behalf of Certicom by the chief executive officer and the chief financial officer of Certicom to such effect.

(6) Dissent Rights shall not have been duly exercised in connection with the Arrangement with respect to more than 10% of the Certicom Shares held by Certicom Shareholders entitled to receive notice of and vote at the Special Meeting in accordance with the Interim Order.

The foregoing conditions are for the benefit of the Acquiror and may be waived, in whole or in part, by the Acquiror in writing at any time and, unless otherwise provided in the written waiver, will be limited to the specific condition waived. If any of such conditions shall not have been complied with or waived by the Acquiror on or before the date required for their performance, the Acquiror may terminate this Arrangement Agreement by written notice to Certicom.

6.3 Additional Conditions Precedent to the Obligations of Certicom

The obligations of Certicom hereunder are further subject to the satisfaction or waiver of the following conditions on or before the Effective Date or such other time prior thereto as is specified below:

(1) The representations and warranties made by the Acquiror in this Arrangement Agreement shall be true and correct in all material respects as of the date hereof and the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Arrangement

Agreement or except as would not have a material adverse effect on the Acquiror's ability to complete the transactions contemplated by this Arrangement Agreement), and Certicom shall have received a certificate signed on behalf of the Acquiror by an authorized signatory to such effect.

(2) The Acquiror shall have performed in all material respects all obligations required to be performed by it under this Arrangement Agreement at or prior to the Effective Date, and Certicom shall have received a certificate signed on behalf of the Acquiror by an authorized signatory to such effect.

(3) Prior to the Effective Date, the Acquiror shall have deposited or cause to be deposited with the Depository, for the benefit of the Certicom Shareholders and Optionholders, cash in the amount equal to the aggregate amount of the Cash proceeds per Share and Option Consideration payable to the Certicom Shareholders and Optionholders pursuant to the Plan of Arrangement.

The foregoing conditions are for the benefit of Certicom and may be waived, in whole or in part, by Certicom in writing at any time and, unless otherwise provided in the written waiver, will be limited to the specific condition waived. If any of such conditions shall not have been complied with or waived by Certicom on or before the date required for their performance, Certicom may terminate this Arrangement Agreement by written notice to the Acquiror.

6.4 <u>Notice and Cure Provisions</u>

Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Arrangement Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:

(a) cause any of the representations or warranties of either Party contained herein qualified as to materiality to be untrue or inaccurate or any of those not so qualified to be untrue or inaccurate in any material respect on the date hereof or at the Effective Date; or

(b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by either Party hereunder prior to the Effective Date.

No Party may elect not to complete the transactions contemplated hereby pursuant to the conditions set forth herein or any termination right arising therefrom under Section 8.2(1)(b) or Section 8.2(1)(c) and no payments are payable as a result of such election pursuant to Section 7.4 unless, prior to the Effective Date, the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfilment or the applicable condition or termination right, as the case may be. If any such notice is delivered, provided that a Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party may terminate this Arrangement Agreement until the expiration of a period of five Business Days from such notice.

6.5 Merger of Conditions

The conditions set out in Sections 6.1, 6.2 and 6.3 shall be conclusively deemed to have been satisfied, waived or released upon the filing of the Articles of Arrangement as contemplated by this Arrangement Agreement.

ARTICLE 7
ADDITIONAL AGREEMENTS

7.1 Non-Solicitation

(1) Certicom shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of Certicom or any of its Subsidiaries, (i) make, solicit, initiate, assist, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement) the initiation of any inquiries or proposals regarding, constituting or that may reasonably be expected to lead to, an Acquisition Proposal, (ii) participate in any discussions or negotiations regarding, or provide any information with respect to, or otherwise co-operate in any way with, any effort or attempt by any other person to make or complete an Acquisition Proposal, (iii) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to the Acquiror, the approval or recommendation of the Board or Special Committee of the Arrangement, (iv) approve, recommend or remain neutral with respect to, or propose publicly to approve, recommend or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal until ten business days following the public announcement of such Acquisition Proposal shall not be considered a violation of this Section 7.1(1)) or (v) accept or enter into, or propose publicly to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking in respect of an Acquisition Proposal; provided that nothing contained in this Arrangement Agreement shall prevent the Board from considering, negotiating, accepting, approving, recommending to Certicom Shareholders or entering into an agreement in respect of a bona fide, written Acquisition Proposal received at any time prior to obtaining Shareholder Approval, in each case solely in the manner and under the circumstances set forth in this Section 7.1 or Section 7.2, as the case may be, and in each case where the Acquisition Proposal in question:

(a) did not result from a breach of any agreement between the person making such Acquisition Proposal and Certicom or any of its Subsidiaries, or this Section 7.1;

(b) is not subject to a due diligence condition;

(c) involves not less than 66 2/3% of the outstanding Certicom Shares or all or substantially all of the consolidated assets of Certicom; and

(d) in respect of which the Board determines in its good faith judgment, after consultation with its financial advisors and its outside counsel would, if consummated in accordance with its terms, result in a transaction that: (A) is reasonably capable of completion in accordance with its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; (B) is more favourable from a financial point of view to Certicom Shareholders than the Arrangement, and (C) is not subject to any financing condition and in respect of which any required financing to complete such Superior Proposal has been demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel), will be obtained.

(any such Acquisition Proposal being referred to herein as a "**Superior Proposal**").

(2) Certicom shall, and shall cause the officers, directors, employees, representatives and agents of Certicom and its Subsidiaries to, immediately terminate any existing discussions or negotiations with any parties (other than the Acquiror) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal. Certicom agrees not to release any third party from, and shall enforce, any confidentiality agreement relating to a potential Acquisition Proposal to which such third party is a party. Certicom further agrees not to release any third party from, and shall enforce, any standstill agreement or provision to which such third party is a party. Certicom shall immediately request the return or destruction of all information provided to any third party which, at any time since January 1, 2007, has entered into a confidentiality agreement with Certicom relating to a potential Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and shall use all commercially reasonable efforts to ensure that such requests are honoured.

(3) Certicom shall immediately (and in any event within 24 hours of receipt by Certicom) notify the Acquiror of, at first orally and then in writing, of any Acquisition Proposal or inquiry that could lead to an Acquisition Proposal, in each case received after the date hereof of which any of its directors or officers become aware, or any amendments to the foregoing, or any request for non-public information relating to Certicom or any of its Subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of Certicom or any of its Subsidiaries by any person that informs Certicom or such Subsidiary that it is considering making, or has made, an Acquisition Proposal and any amendment thereto and if in writing or electronic form, a copy thereof, and if not in writing or electronic form, a description of the material terms of any such Acquisition Proposal or inquiry, and shall provide the identity of the person making any such Acquisition Proposal or inquiry and such other details of the proposal or inquiry as the Acquiror may reasonably request. Certicom shall keep

the Acquiror fully informed of the status, including any change to the material terms, of any such Acquisition Proposal or inquiry, and shall provide to the Acquiror copies of all correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to Certicom by or on behalf of any person making any such Acquisition Proposal.

(4) If, prior to the approval of the Arrangement Resolution by the Certicom Shareholders, Certicom receives a request for material non-public information from a person who proposes an unsolicited bona fide Acquisition Proposal that is subject to a due diligence condition or due diligence access condition, and the Board determines in good faith that such proposal would be, if consummated in accordance with its terms and the due diligence or due diligence access condition satisfied, a Superior Proposal, then, and only in such case, the Board may, subject to the execution by such person of a non-disclosure and standstill agreement having substantially the same terms as the Confidentiality Agreement (including, for greater certainty, a standstill provision substantially identical to that set forth in the Confidentiality Agreement), provide such person with access in accordance with subsection (1) to information regarding Certicom; provided, however that the person making the Acquisition Proposal shall not be precluded thereunder from making the Acquisition Proposal, and provided further that Certicom sends a copy of any such non-disclosure and standstill agreement to the Acquiror immediately upon its execution and the Acquiror is immediately provided with a list and copies of all information provided to such person not previously provided to the Acquiror and is immediately provided with access to information similar to that which was provided to such person.

(5) Certicom shall ensure that its officers and directors and those of its Subsidiaries and any financial or other advisors or representatives retained by it are aware of the provisions of this Section, and it shall be responsible for any breach of this Section by any such person or its advisors or representatives.

(6) Subject to the rights of the Acquiror in Sections 7.1, 7.2 and 8.2, nothing contained in this Arrangement Agreement shall prohibit the Board from making any disclosure to Certicom Shareholders or from calling and holding a meeting of Certicom Shareholders, or any of them, requisitioned by Certicom Shareholders, or any of them, in each case prior to the Effective Date if required under applicable Laws.

7.2 Right to Match

(1) Subject to Section 7.2(2), Certicom covenants that it will not accept, approve, recommend or enter into any agreement in respect of an Acquisition Proposal (other than a non-disclosure and standstill agreement permitted by Section 7.1(4)) nor withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to Acquiror the approval or recommendation of the Arrangement, nor accept, approve or recommend any Acquisition Proposal unless:

(a) an Acquisition Proposal has been made that the Board determines in good faith constitutes a Superior Proposal;

(b) Certicom has complied with its obligations under Section 7.1 and the other provisions of this Article 7;

(c) Certicom has provided Acquiror with a notice in writing that there is a Superior Proposal together with all documentation comprising the Superior Proposal, including any value (including a range of value, if any) in financial terms that the Board has in consultation with its financial advisors determined should be ascribed to any non-cash consideration offered under the Superior Proposal;

(d) a period (the "**Response Period**") of five Business Days shall have elapsed from the date on which the Acquiror received the entirety of the documentation set forth in the prior paragraph, and, if Acquiror has proposed to amend the terms of the Arrangement in accordance with Subsection 7.2(2), the Board shall have determined, in good faith, after consultation with its financial advisors and outside legal counsel, that the Acquisition Proposal is a Superior Proposal compared to the terms of the Arrangement after giving effect to any offer to amend the terms of the Arrangement made by the Acquiror in accordance with Section 7.2(2);

(e) Certicom terminates this Arrangement Agreement pursuant to Section 8.2(1)(e); and

(f) Certicom has previously, or concurrently will have, paid to the Acquiror the Termination Fee.

(2) During the Response Period, the Acquiror will have the right, but not the obligation, to offer to amend the terms of the Arrangement, and Certicom shall co-operate with the Acquiror with respect thereto, including negotiating in good faith with the Acquiror to enable the Acquiror to make such adjustments to the terms and conditions of this Arrangement Agreement and the Arrangement as the Acquiror deems appropriate and as would enable the Acquiror to proceed with the Arrangement and any related transactions on such adjusted terms. The Board will review in good faith any such offer by the Acquiror to amend the terms of the Arrangement, including an increase in, or modification of, the consideration to be received by the Certicom Shareholders, to determine whether the Acquisition Proposal to which the Acquiror is responding would be a Superior Proposal when assessed against the Arrangement as the Acquiror has offered to amend it. If the Board does not so determine, the Board will promptly reaffirm its recommendation of the Arrangement and enter into an amended Arrangement Agreement with Acquiror reflecting Acquiror's offer to amend the terms of the Arrangement.

(3) If Certicom provides Acquiror with notice under Section 7.2(1) on a date that is less than five Business Days before the date of the Special Meeting, subject to applicable Laws, Certicom shall postpone or adjourn the Special Meeting to a date that is at least five Business Days but not more than 10 Business Days after the scheduled date of the Special Meeting.

(4) Each successive amendment to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the holders of Certicom Shares shall constitute a new Acquisition Proposal for the purposes of this Section 7.2 and the Acquiror shall be afforded a new Response Period in respect of each such Acquisition Proposal.

7.3 Agreement as to Damages

Notwithstanding any other provision relating to the payment of fees, including the payment of brokerage fees, if after the execution of this Arrangement Agreement the Arrangement is not consummated because:

(a) the Acquiror shall have terminated this Arrangement Agreement pursuant to Section 8.2(1)(d);

(b) (i) a *bona fide* Acquisition Proposal shall have been made or proposed to Certicom or to the Certicom Shareholders after the date hereof and prior to the Special Meeting; (ii) this Arrangement Agreement is terminated pursuant to Section 8.2(1)(a)(iii); and (iii) within 12 months of the date of this Arrangement Agreement an Acquisition Proposal is completed (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above);

(c) the Acquiror shall have terminated this Arrangement Agreement pursuant to Section 8.2(1)(b) in the event of any willful or intentional breach by Certicom of any of its obligations under this Arrangement Agreement; or

(d) Certicom shall have terminated this Arrangement Agreement pursuant to Section 8.2(1)(e),

then Certicom shall pay to the Acquiror, within two Business Days of the first to occur of (a), (b) or (c) above (or, in the case of (d) contemporaneously or prior to such termination), the amount of $4,000,000 (the “**Termination Fee**”) as liquidated damages in immediately available funds to an account designated by the Acquiror. For greater certainty, the Parties acknowledge that Certicom shall not be obligated to make more than one payment pursuant to this Section 7.3.

Each Party acknowledges that the payment amount set out in this Section 7.3 is a payment of liquidated damages which is a genuine pre-estimate of the damages which the Acquiror will suffer or incur as a result of the event giving rise to such damages and the resultant

termination of this Arrangement Agreement and is not a penalty. Certicom irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties agree that, subject to Article 8, payment of the amount determined pursuant to this Section 7.3 in the manner provided in respect thereof is the sole monetary remedy of the Acquiror, provided however that payment by Certicom and acceptance by Acquiror of the amounts required to be paid pursuant to Section 7.3 shall not be in lieu of any damages or any other payment or remedy available in the event of any willful or intentional breach by Certicom of any of its obligations under this Arrangement Agreement.

7.4 Fees and Expenses

(1) Subject to subsections (2), (3) and (4), each Party shall pay all fees, costs and expenses incurred by such Party in connection with this Arrangement Agreement and the Arrangement.

(2) If this Arrangement Agreement is terminated by the Acquiror pursuant to (i) Section 8.2(1)(a)(iii) or (ii) Section 8.2(1)(b) based on any condition contained in Section 6.2(1) or (2) not having been satisfied or waived by the Acquiror at or before the Effective Date, then (unless the Acquiror shall have made a misrepresentation or breached a warranty or covenant under this Arrangement Agreement in such a manner that Certicom would be entitled to rely on the failure of a condition set forth in Section 6.3 as a reason not to complete the Arrangement and terminate this Arrangement Agreement pursuant to Section 8.2(1)(c)), Certicom shall pay the Acquiror $500,000 as reimbursement to the Acquiror for its out-of-pocket expenses incurred in connection with the transactions contemplated hereby.

(3) If this Arrangement Agreement is terminated by Certicom pursuant to Section 8.2(1)(c), then (unless Certicom shall have made a misrepresentation or breached a warranty or covenant under this Arrangement Agreement in such a manner that the Acquiror would be entitled to terminate this Arrangement Agreement pursuant to Section 8.2(1)(b)), the Acquiror shall pay Certicom $500,000 as reimbursement to Certicom for its out-of-pocket expenses incurred in connection with the transactions contemplated hereby.

(4) No fees shall be payable by Certicom under subsection (2) if Certicom has paid the amount provided under Section 7.3.

(5) The Acquiror shall be responsible for any filing fees made in support of any filings made to a Governmental Entity in respect of the transactions contemplated by this Arrangement Agreement.

(6) Payments of any amounts under subsection (2) (in the case only of terminations pursuant to Section 8.2(1)(b)), or subsection (3) shall not be exclusive of any other remedies to which the parties may be entitled as a result of the termination of this Arrangement Agreement.

7.5 Injunctive Relief

Nothing contained herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Arrangement Agreement or the Confidentiality Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting a bond or security in connection therewith.

7.6 Access to Information; Confidentiality

From the date hereof until the earlier of the Effective Time and the termination of this Arrangement Agreement, Certicom shall, and shall cause its Subsidiaries and their respective officers, directors, employees, independent auditors, accounting advisers and agents to, afford to the Acquiror and to the officers, employees, agents and representatives of the Acquiror such access as the Acquiror may reasonably require at all reasonable times, including for the purpose of facilitating integration business planning, to their officers, employees, agents, properties, books, records and Contracts, and shall furnish the Acquiror with all data and information as the Acquiror may reasonably request. The Parties acknowledge and agree that information furnished pursuant to this Section shall be subject to the terms and conditions of the Confidentiality Agreement.

7.7 Insurance and Indemnification

(1) The Acquiror shall, or in the alternative may request Certicom to, purchase “run-off” directors’ and officers’ liability insurance for a period of up to six years from the Effective Date, provided that the cost of such insurance shall not exceed $125,000.

(2) The Acquiror agrees that all rights to indemnification or exculpation now existing in favour of present and former officers and directors of Certicom and its Subsidiaries that are disclosed in Section 7.7 of the Disclosure Letter shall survive the completion of the Arrangement and shall continue in full force and effect for a period of not less than six years from the Effective Date.

7.8 Certain employee matters

Following the Effective Date, the Acquiror shall cause Certicom to make a bonus payment to all employees and consultants of Certicom as at the date of this Agreement in accordance with any Certicom’s annual incentive bonus plan and on a basis consistent with Certicom’s past practice following the completion of the fiscal year ending April 30, 2009; provided that any such employee or consultant whose position or engagement, as the case may be, is terminated prior to the payment of the time of payment of such bonuses shall receive at the time of payment of such bonuses an amount that would have been determined in accordance with the foregoing, pro-rated such that it is proportional to the duration of the portion of such fiscal year that the employee has been employed or engaged, as the case may be, without regard to any periods of notice that the individual may have at Law or pursuant to any Contract.

7.9 Termination of Certain Plans

Prior to the Closing Date, the Company shall take all actions necessary (including without limitation, the required corporate actions) to terminate, in accordance with all applicable Law, any and all tax qualified defined contribution plans sponsored or maintained by the Company that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, provided that the Acquiror shall use commercially reasonable efforts to offer those employees of the Company who will be employees of the Acquiror (including for greater certainty its direct and indirect subsidiaries) immediately following the Effective Time with the opportunity to participate in a tax-qualified defined contribution plan sponsored by the Acquiror (including, without limitation and subject to applicable Law, the ability of such employee to rollover any account balance and plan loan outstanding as of the Effective Time.

ARTICLE 8
TERM, TERMINATION, AMENDMENT AND WAIVER

8.1 Term

This Arrangement Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Arrangement Agreement in accordance with its terms.

8.2 Termination

(1) This Arrangement Agreement may:

(a) be terminated either by the Acquiror or by Certicom if

(i) any Law makes the making or completion of the Arrangement or the transactions contemplated by this Arrangement Agreement illegal or otherwise prohibited;

(ii) the Arrangement shall not have been consummated by the Outside Date for any reason; *provided*, *however*, that the right to terminate this Arrangement Agreement under this Section 8.2(1)(a)(ii) shall not be available to any Party whose action or failure to act has been a principal cause of or resulted in the failure of the Arrangement to occur on or before such date and such action or failure to act constitutes a breach of this Arrangement Agreement; or

(iii) the Special Meeting shall have been held and the Shareholder Approval shall not have been obtained thereat or at any adjournment or postponement thereof;

(b) subject to Section 6.4, be terminated by the Acquiror if the Acquiror is not in material breach of its obligations under this Arrangement Agreement and Certicom breaches any of its representations, warranties, covenants or agreements contained in this Arrangement Agreement, which breach would give rise to the failure of a condition set forth in Section 6.2;

(c) subject to Section 6.4, be terminated by Certicom if Certicom is not in material breach of its obligations under this Arrangement Agreement and the Acquiror breaches any of its representations, warranties, covenants or agreements contained in this Arrangement Agreement, which breach would give rise to the failure of a condition set forth in Section 6.3;

(d) be terminated by Acquiror if, prior to the Effective Time, (i) the Board or Special Committee shall have withdrawn, withheld, qualified or modified in a manner adverse to Acquiror its recommendation of the Arrangement and this Arrangement Agreement (it being understood that publicly taking a neutral position or no position with respect to an Acquisition Proposal beyond a period of ten calendar days after public announcement of an Acquisition Proposal shall be considered an adverse modification), (ii) the Board or Special Committee shall have approved or recommended any Acquisition Proposal; (iii) Certicom shall have breached Section 7.1 in any material respect; or (iv) the Acquiror requests that the Board reaffirm its recommendation of the Arrangement and this Arrangement Agreement and the Certicom Board shall not have done so by the fifth Business Day following receipt of such request; or

(e) be terminated by Certicom in order to enter into a binding written agreement with respect to a Superior Proposal (other than a non-disclosure and standstill agreement permitted by Section 7.1(4)), subject to compliance with Sections 7.1 and 7.2 in all material respects and provided that no termination under this Section 8.2(1)(e) shall be effective unless and until Certicom shall have paid to the Acquiror the amount required to be paid pursuant to Section 7.3;

in each case, prior to the Effective Time unless stated otherwise.

(2) If this Arrangement Agreement is terminated in accordance with the foregoing provisions of this Section, this Arrangement Agreement shall forthwith become void and of no further force or effect and no Party shall have any further obligations hereunder except as provided in Sections 7.3, 7.4, 7.5 (including for greater certainty payment of the Termination Fee under any of the circumstances specified in Section 7.3), 9.1, 9.2, 9.3, 9.6 and 9.7 and the Confidentiality Agreement and as otherwise expressly contemplated hereby, and provided that neither the termination of this Arrangement Agreement nor anything contained in this Section 8.2 shall relieve any Party from any liability for any breach by it of this Arrangement Agreement, including from any inaccuracy in its representations and warranties and any non-performance by it of its covenants made herein.

8.3 Waiver

Any Party may (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with any of the other Party's agreements or the fulfilment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in any of the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

ARTICLE 9
GENERAL PROVISIONS

9.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or e-mail transmission, or as of the following Business Day if sent by prepaid overnight courier, to the Parties at the following addresses (or at such other addresses as shall be specified by either Party by notice to the other given in accordance with these provisions):

(1) if to the Acquiror:

487 E. Middlefield Road
M/S MV2-2-1
Mountain View, California 94043
U.S.A.

Attention: Kevin Werner
Richard H. Goshorn

Telephone: (650) 961-7500
Facsimile: (650) 426-5113

with a copy to:

Osler, Hoskin & Harcourt LLP
620 8th Avenue
36th Floor
New York, NY 10018

Attention: Doug Bryce

Telephone: (212) 867-5800
Facsimile: (212) 867-5802
E-Mail: dbryce@osler.com

and a copy to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006
Attention: Christopher Austin

Telephone: (212) 225-2000
Facsimile: (212) 225-3999
E-Mail: caustin@cgsh.com

(2) if to Certicom:

Certicom Corp.
5520 Explorer Drive, 4th Floor
Mississauga, Ontario L4W 5L1
Attention: Karna Gupta

Telephone: 1.905.507.4220
Facsimile: 1.905.507.4230
E-Mail: kgupta@certicom.com

with a copy to:

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
199 Bay Street
Toronto, Ontario
Canada M5L 1A9

Attention: Chris Hewat

Telephone: 416.863.2761
Facsimile: 416.863.2653
E-Mail: chris.hewat@blakes.com

9.2 Miscellaneous

This Arrangement Agreement: (i) constitutes the entire agreement and supersedes all other prior agreements, both written and oral, between the Parties with respect to the subject-matter hereof save for the Confidentiality Agreement; (ii) shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns; and (iii) is not intended to confer upon any other person any rights or remedies hereunder. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar electronic copy of this Arrangement Agreement, and such facsimile or similar electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

9.3 Governing Law

This Arrangement Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein, and shall be construed and treated in all respects as an Ontario contract. Each of the Parties hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Arrangement Agreement and the Arrangement.

9.4 Injunctive Relief

The Parties agree that irreparable harm would occur in the event that any of the provisions of this Arrangement Agreement were not performed in accordance with their specific terms or were otherwise breached for which money damages would not be an adequate remedy at law. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions and other equitable relief to prevent breaches of this Arrangement Agreement, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived.

9.5 Time of Essence

Time shall be of the essence in this Arrangement Agreement.

9.6 Binding Effect and Assignment

The Acquiror may assign all or any part of its rights under this Arrangement Agreement to, and its obligations under this Arrangement Agreement may be assumed by, a Subsidiary of the Acquiror, provided that if such assignment and/or assumption takes place, the Acquiror shall continue to be liable jointly and severally with such Subsidiary for all of its obligations hereunder. This Arrangement Agreement shall be binding on and shall enure to the benefit of the Parties and their respective successors and permitted assigns. No third party shall have any rights hereunder. Except as expressly permitted by the terms hereof, neither this Arrangement Agreement nor any of the rights, interests or obligations hereunder may be assigned by either of the Parties without the prior written consent of the other Party.

9.7 Severability

If any term or other provision of this Arrangement Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this Arrangement Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Arrangement Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

9.8 Counterparts

This Arrangement Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the Acquiror and Certicom have caused this Arrangement Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

VERISIGN, INC

By: Kevin A. Werner, SVP, Corporate Development & Strategy

By: /s/ Kevin A. Werner

CERTICOM CORP.

By: /s/ J. Ian Giffen, Director

By: /s/ David Lewis, VP, General Counsel

Exhibit A

To the Arrangement Agreement

ARRANGEMENT RESOLUTION

SPECIAL RESOLUTION OF THE SHAREHOLDERS OF CERTICOM CORP.

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the “**Arrangement**”) under section 192 of the *Canada Business Corporations Act* (the “**CBCA**”) involving Certicom Corp. (the “**Company**”) and VeriSign, Inc. (the “**Acquiror**”), as more particularly described and set forth in the management information circular (the “**Circular**”) of the Company accompanying the notice of this meeting (as the Arrangement may be modified or amended in accordance with its terms) is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”) involving the Company, the full text of which is set out as Exhibit C to the Arrangement Agreement made as of January 23, 2009 between the Acquiror and the Company (the “**Arrangement Agreement**”) (as the Plan of Arrangement may be modified or amended in accordance with its terms) is hereby authorized, approved and adopted.
3. Notwithstanding that this resolution has been passed, and the Arrangement adopted, by the holders of common shares of the Company (“**Common Shares**”) or that the Arrangement has been approved by the Superior Court of Justice (Ontario), the directors of the Company are hereby authorized and empowered without further notice to or approval of the holders of Common Shares (i) to amend the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
4. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute, under the seal of the Company or otherwise, and to deliver articles of arrangement and such other documents as are necessary or desirable to the Director under the CBCA in accordance with the Arrangement Agreement for filing.
5. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such Person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

Exhibit B

To the Arrangement Agreement

INTERIM ORDER

Court File No. 09 – CL - ·

Ontario
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	**· DAY, THE**
	)	**· DAY OF ·, 2009**
JUSTICE ·	)	

IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AS AMENDED, AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT OF CERTICOM CORP.

INTERIM ORDER

THIS MOTION, made by the Applicant Certicom Corp. ("Certicom"), for an interim order (the "Interim Order") for advice and directions of the Court in connection with an application (the "Application") to approve an arrangement under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "CBCA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application issued ·, 2009, the Notice of Motion dated ·, 2009, the affidavit of · sworn ·, 2009 (the "Affidavit") and the exhibits thereto, and on hearing the submissions of counsel for Certicom and counsel for **[Acquiror]** ("**[Acquiror]**") and on being advised that the Director appointed under the CBCA (the "Director") does not consider it necessary to appear.

Definitions

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Interim Order shall have the meanings ascribed thereto in the draft Management Information Circular (the "Circular") attached as Exhibit "A" to the Affidavit.

The Meeting and Materials

2. **THIS COURT ORDERS** that Certicom is authorized and directed to call, hold and conduct a special meeting (the "Meeting") of the holders (the "Shareholders") of voting common shares in the capital of Certicom (the "Common Shares") at which the Shareholders will be asked to, among other things, consider and, if deemed advisable, to approve, with or without variation, the Arrangement Resolution, a copy of which is attached as Appendix "·" to the draft Circular, to, among other things, authorize, approve and adopt the Arrangement and Plan of Arrangement.

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the notice of Meeting which forms part of the Circular (the "Notice of Meeting"), the CBCA, the articles and the by-laws of Certicom (including quorum requirements thereof) and the rulings and directions of the Chair of the Meeting, subject to the terms of this Interim Order or any further Order of this Honourable Court.

4. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be: (a) the registered Shareholders as at the Record Date (·, 2009, as defined below) or their respective proxy holders; (b) the officers, directors, auditors and advisors of Certicom; (c) representatives and advisors of **[Acquiror]**; (d) the Director; and (e) other persons with the permission of the Chair of the Meeting.

Distribution of Meeting Materials and Optionholder Materials

5. **THIS COURT ORDERS** that Certicom is hereby authorized to distribute the Notice of Meeting, the Circular (which attaches the Notice of Application and this Interim Order), the form of proxy (for registered Shareholders) and the letter of transmittal, along with such amendments or additional documents as counsel for Certicom may advise are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "Meeting Materials"), as follows:

(a) to registered Shareholders, by

(i) mailing same by pre-paid ordinary mail, delivery in person, by courier or inter-office mail, to their last known address as they appear on the books

and records of Certicom as of the Record Date (·, 2009) and if no address is shown therein, then the last address of the person known to the Corporate Secretary of Certicom, or

(ii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of Certicom, who requests such transmission in writing and, if required by Certicom, who is prepared to pay the charges for such transmission,

not later than twenty-one (21) days prior to the date established for the Meeting in the Notice of Meeting,

(b) to non-registered Shareholders, by providing multiple copies of the Meeting Materials to intermediaries and registered nominees, in accordance with National Instrument 54-101 of the Canadian Securities Administrators, and in the case of the form of proxy and letter of transmittal, as requested by intermediaries or registered nominees,

(c) to the directors and auditors of Certicom and to the Director, by mailing by pre-paid ordinary mail, delivery in person, courier, inter-office mail, electronic or facsimile transmission, not later than twenty-one (21) days prior to the date established for the Meeting in the Notice of Meeting, and

(d) the Toronto Stock Exchange by electronically filing the Meeting Materials via the System for Electronic Document Analysis and Retrieval at least twenty-one (21) days prior to the date established for the Meeting in the Notice of Meeting,

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

6. **THIS COURT ORDERS** that Certicom is hereby authorized to distribute the Circular (which attaches the Notice of Application and this Interim Order) and any other communications or documents determined by Certicom to be necessary or desirable (collectively, the “Optionholder Materials”) to the holders of options to purchase Common Shares (“Optionholders”), by pre-paid ordinary mail, delivery in person, electronic or facsimile

transmissions, courier or inter-office mail, concurrently with the distribution described in paragraph 5 of this Interim Order. Distribution to such persons shall be to their last known addresses as they appear on the books and records of Certicom. The Optionholders are hereby made parties to this proceeding.

Updating Meeting Materials and Optionholder Materials

7. **THIS COURT ORDERS** that Certicom is hereby authorized to make such amendments, updates, revisions or supplements to the Meeting Materials and Optionholder Materials which are not inconsistent with the terms of this Interim Order as Certicom may determine in accordance with the terms of the arrangement agreement entered into between Certicom and the **[Acquiror]** including any amendments made in accordance therewith (collectively, the "Arrangement Agreement") (the "Additional Information"), and that notice of such Additional Information may be communicated to Shareholders and Optionholders by press release, newspaper advertisement or one of the methods by which the Meeting Materials and Optionholder Materials will be distributed as Certicom may determine appropriate. Any amendments, updates or supplements to any of the Meeting Materials, and any notice of any adjournment or postponement of the Meeting, will be deemed to have been received by the Shareholders and Optionholders within the times provided in paragraph 9 below.

Record Date

8. **THIS COURT ORDERS** that the record date (the "Record Date") for determining (i) the Shareholders entitled to receive the Meeting Materials and to vote at the Meeting, and (ii) Optionholders entitled to receive the Optionholder Materials shall, in each case, be 5:00 p.m. (Toronto time) on ·, 2009.

Deemed Receipt

9. **THIS COURT ORDERS** that the Meeting Materials and Optionholder Materials shall be deemed for the purposes of this Interim Order to have been received,

(a) in the case of mailing, three (3) days after delivery thereof to the post office,

(b) in the case of delivery in person, upon receipt thereof at the intended recipient's address,

(c) in the case of delivery by courier or by inter-office mail, one (1) Business Day after receipt by the courier or inter-office system,

(d) in the case of distribution by facsimile transmission, upon obtaining a delivery receipt confirming the transmission thereof,

(e) in the case of distribution by electronic transmission, upon the sending thereof,

(f) in the case of press release, at the time of dissemination of the press release,

(g) in the case of newspaper advertisement, at the time of publication of the newspaper advertisement, and

(h) in all such cases leave is granted for service outside Ontario to the extent such leave is required.

For the purposes of this Interim Order, "Business Day" shall mean any day, other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario, Canada or New York, N.Y., Unites States of America.

10. **THIS COURT ORDERS** that distribution of the Meeting Materials and Optionholder Materials pursuant to paragraphs 5 and 6 of this Interim Order shall constitute good and sufficient service and notice thereof upon all such persons of the Meeting and the within Application. Further, no other form of service of the Meeting Materials or the Optionholder Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings, the within Application, and/or the Meeting to the persons described in paragraphs 5 and 6 of this Interim Order or to any other persons.

11. **THIS COURT ORDERS** that the accidental failure or omission by Certicom to give notice of the Meeting or to distribute the Meeting Materials or Optionholder Materials due to mistake or events beyond the control of Certicom, or the non-receipt of such notice or materials, shall not invalidate any resolution passed or proceedings taken at the Meeting and shall not

constitute a breach of this Interim Order, but if any such failure or omission is brought to the attention of Certicom, then Certicom shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

Amendments

12. **THIS COURT ORDERS** that Certicom is authorized, in the manner contemplated by the Arrangement Agreement, to make such amendments, revisions and/or supplements to the Arrangement and Plan of Arrangement as it may determine are appropriate, without any additional notice to the Shareholders, the Optionholders, or any other person, and the Arrangement and the Plan of Arrangement as so amended, revised and/or supplemented, shall be the Arrangement and Plan of Arrangement submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. If such amendment, modification or supplement is made following the Meeting it shall be subject to approval by this Honourable Court at the hearing for the Final Order.

Adjournments and Postponements

13. **THIS COURT ORDERS** that Certicom, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement. Notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or by such method as Certicom deems appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments.

Proxies

14. **THIS COURT ORDERS** that Certicom is authorized to use the form of proxy in substantially the same form attached as Exhibit "•" to the Affidavit, with such amendments as counsel for Certicom may determine are necessary or desirable, provided that such amendments and additional information are not inconsistent with the terms of this Interim Order. Certicom is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for this purpose, and by mail or such other forms of personal or electronic communication as it may determine, subject to the terms of the Arrangement Agreement.

15. **THIS COURT ORDERS** that the procedures for Shareholders to revoke proxies and to use proxies at the Meeting shall be as set out in the Circular, including that proxies must be received by Certicom no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the start of the Meeting or any adjournment of the Meeting. Certicom may in its discretion waive generally the time limits for the deposit of proxies by Shareholders, if Certicom deems it advisable to do so, subject to the terms of the Arrangement Agreement.

Voting

16. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution shall be the registered Shareholders as at the close of business on the Record Date.

17. **THIS COURT ORDERS** that, subject to further Order of this Honourable Court, the vote required to pass and approve the Arrangement Resolution shall be the affirmative vote of at least 66 $^{2}/_{3}$% of the votes cast on the Arrangement Resolution by Shareholders present in person or represented by proxy at the Meeting. Such vote shall be sufficient to authorize and direct Certicom to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with that provided for in the Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Plan of Arrangement by this Honourable Court.

18. **THIS COURT ORDERS** that in respect of the vote on the Arrangement Resolution and in respect of matters properly brought before the Meeting pertaining to items of business affecting Certicom (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Common Share held. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but that do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

Rights of Dissent

19. **THIS COURT ORDERS** that:

(a) each registered Shareholder as of the Record Date, and

(b) each non-registered Shareholder as of the Record Date who becomes a registered Shareholder as of the Dissent Deadline (defined below), and

(c) each holder of Options as of the Record Date who (i) exercises their Options prior to the Dissent Deadline (defined below), and (ii) is a registered Shareholder as of the Dissent Deadline (defined below),

shall be entitled to exercise rights of dissent in connection with the Arrangement Resolution in accordance with section 190 of the CBCA, as modified by the terms of the Plan of Arrangement and this Interim Order, including that:

(a) notwithstanding subsection 190(5) of the CBCA, the written objection to the Arrangement Resolution referred to in subsection 190(5) of the CBCA must be received by Certicom as set out in the Circular by no later than 5:00 p.m. (Toronto time) on the Business Day that is two Business Days prior to the date of the Meeting (or any adjournment or postponement thereof) (the “Dissent Deadline”),

(b) notwithstanding section 190 of the CBCA, if the Arrangement is completed, **[Acquiror]** shall be required to offer to pay fair value as of the day prior to approval of the Arrangement Resolution, to Shareholders who duly exercise rights of dissent, and to pay the amount to which such holders may be entitled pursuant to the terms of the Plan of Arrangement, and

(c) the “court” referred to in section 190 of the CBCA means this Honourable Court.

20. **THIS COURT ORDERS** that registered Shareholders who duly exercise such rights of dissent set out in paragraph 19 above and who:

(a) are determined to be entitled to be paid fair value for their Common Shares, shall be deemed to have transferred their Common Shares to **[Acquiror]** as of the

Effective Time without any further act or formality and free and clear of all hypothecs, mortgages, liens, charges, security interests, encumbrances, restrictions, adverse claims or other claims of third parties of any kind, for cancellation in consideration for a payment of cash from **[Acquiror]** equal to such fair value, or

(b) are not entitled, for any reason, to be paid fair value for their Common Shares pursuant to the exercise of the right of dissent, shall be deemed to have participated in the Plan of Arrangement on the same basis and at the same time as any non-dissenting registered Shareholder,

but in no case shall Certicom or **[Acquiror]** or any other person or entity be required to recognize such dissenting Shareholders as holders of Common Shares at or after the Effective Time, and the names of such dissenting Shareholders shall be deleted from the registers of the Shareholders at the Effective Time.

Approval of Arrangement

21. **THIS COURT ORDERS** that upon approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, Certicom may apply to this Honourable Court for the Final Order approving this Arrangement on or about ·, 2009.

22. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to notice of any further proceedings herein, including any hearing to consider and if deemed advisable to approve the Arrangement (including any adjournments thereof), and to appear and to be heard thereon, shall be (a) solicitors for Certicom, (b) solicitors for **[Acquiror]**, (c) the Director, and (d) persons who have delivered a Notice of Appearance herein in accordance with this Interim Order.

Variance

23. **THIS COURT ORDERS** that Certicom shall be entitled, at any time, to seek leave to vary this Interim Order.

Precedence

24. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between the matters provided for in this Interim Order and the terms of any instrument creating, governing or collateral to the Common Shares or Options or the articles or by-laws of Certicom, this Interim Order shall govern.

Service and Filing

25. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record be and is hereby abridged and that the Notice of Motion is properly returnable today and that service of the Notice of Motion and Motion Record on any of the Shareholders or Optionholders or any other interested person is hereby dispensed with.

26. **THIS COURT ORDERS** that any materials to be filed by Certicom in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

27. **THIS COURT ORDERS** that a Notice of Appearance together with any materials that a person intends to rely upon must be served on Certicom's solicitors as soon as reasonably practicable, and, in any event, not less than five (5) Business Days before the hearing of the Application. Service of any such Notice of Appearance and materials shall be made on Certicom's solicitors, ·, Attention: ·, with a copy to solicitors for **[Acquiror]** at the following address: ·, Attention: ·.

Extra-Territorial Assistance

28. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any Province or Territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United Sates to act in aid of and to assist this Honourable court in carrying out the terms of this Interim Order.

<u>Exhibit C</u>

To the Arrangement Agreement

<u>PLAN OF ARRANGEMENT</u>

PLAN OF ARRANGEMENT
UNDER SECTION 192 OF THE
CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Acquiror**" means VeriSign, Inc., a corporation incorporated under the laws of the State of Delaware;

"**Arrangement**" means an arrangement under the provisions of Section 192 of the CBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or modification thereto made in accordance with the terms of the Arrangement Agreement and this Plan of Arrangement, or made at the direction of the Court in the Final Order (with the consent of the Company and the Acquiror, each acting reasonably);

"**Arrangement Agreement**" means the arrangement agreement made as of the 23rd day of January, 2009 between the Company and the Acquiror, as same may be amended, supplemented or restated in accordance with its terms providing for, among other things, the Arrangement;

"**Arrangement Resolution**" means the special resolution of the Shareholders, approving the Arrangement, such resolution to be in substantially the form of Exhibit A attached to the Arrangement Agreement;

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement, to be filed with the Director after the Final Order is made;

"**Business Day**" means any day, other than a Saturday, a Sunday and a statutory holiday in Toronto, Ontario, Canada or New York, N.Y., United States of America;

"**Cash Proceeds per Share**" shall mean $2.10 cash, subject to adjustment in accordance with Section 2.6;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as promulgated or amended from time to time;

“**Certificate**” means the certificate or other confirmation of filing giving effect to the Arrangement to be issued by the Director pursuant to section 192(7) of the CBCA after the Articles of Arrangement have been filed;

“**Charter Documents**” means articles and by-laws and similar constating documents of the Company;

“**Company**” means Certicom Corp., a corporation continued under the CBCA;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Depository**” means Computershare Trust Company of Canada at its principal office in Toronto, Ontario;

“**Director**” means the Director appointed pursuant to Section 260 of the CBCA;

“**Dissent Rights**” shall have the meaning ascribed thereto in Section 3.1(a);

“**Dissenting Shareholder**” means a Shareholder who has properly and validly dissented in respect of the Arrangement Resolution in strict compliance with the Dissent Rights, who has not withdrawn or been deemed to have withdrawn such dissent and who is ultimately determined to be entitled to be paid the fair value of its Shares, but only in respect of the Shares in respect of which Dissent Rights are validly exercised by such Shareholder;

“**Effective Date**” means the date upon which the Arrangement becomes effective as established by the date of issue shown on the Certificate;

“**Effective Time**” means the first moment in time in Toronto on the Effective Date;

“**Final Order**” means the order of the Court approving the Arrangement as such order may be amended by the Court (with the consent of the Company and the Acquiror, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or amended (provided that any such amendment shall be acceptable to the Acquiror and the Company, each acting reasonably) on appeal;

“**Governmental Entity**” means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, commissioner (including the Commissioner of Competition appointed pursuant to the *Competition Act* (Canada)), tribunal (including the Competition Tribunal established under the *Competition Tribunal Act* (Canada)), board, bureau, agency or instrumentality, domestic or foreign, (b) any subdivision or authority of any of the foregoing, (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above, or (d) stock exchange, automated quotation system, self regulatory authority or securities regulatory authority, including, without limitation, the TSX;

“**Interim Order**” means the interim order of the Court, as the same may be amended by the Court (with the consent of the Company and the Acquiror, each acting reasonably), made in connection with the Arrangement following the application therefor contemplated by the Arrangement Agreement;

“**Law**” means any federal, state, provincial or local, domestic or foreign, statute, law, code, ordinance, rule or regulation of any Governmental Entity;

“**Letter of Transmittal**” means a letter of transmittal to be forwarded or made available by the Company to Shareholders, in a form acceptable to the Acquiror, acting reasonably, for use by such Shareholders in connection with the Arrangement as contemplated herein;

“**Liens**” means any pledges, claims, liens, charges, options, hypothecs, mortgages, security interests, restrictions, adverse rights or any other encumbrances of any kind or nature whatsoever;

“**Notice of Dissent**” means a written notice provided by a Shareholder to the Company setting forth such Shareholder’s objection to the Arrangement Resolution and exercise of Dissent Rights;

“**Option Consideration**” means the aggregate cash payable by the Company pursuant to Section 2.2(3);

“**Optionholders**” means the holders of Options;

“**Options**” means any existing right or option to purchase Shares outstanding under the Stock Option Plans;

“**Person**” includes an individual, limited or general partnership, limited liability company, limited liability partnership, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“**Plan of Arrangement**” means this plan of arrangement, and references to “**Article**” or “**Section**” mean the specified Article or Section of this Plan of Arrangement;

“**Proxy Circular**” means the management information circular of the Company dated ·, 2009 sent to Shareholders in connection with the Special Meeting, including the schedules and appendices thereto and all amendments, revisions, supplements and updates from time to time made thereto;

“**Purchase Price**” shall have the meaning ascribed thereto in Section 2.4;

“**Shareholder Rights Plan**” means the Shareholder Rights Plan Agreement adopted on September 22, 1997 and amended and restated on October 8, 2003 and ratified and reconfirmed as of September 21, 2006 between the Company and Computershare Trust Company of Canada, as amended from time to time;

“**Shareholders**” means, at any time and unless the context otherwise requires, the registered holders of Shares at such time;

“**Shares**” means the issued and outstanding common shares in the capital of the Company (including common shares issued upon the exercise of Options) and shall include any shares into which the Shares may be reclassified, subdivided, consolidated or converted and any rights or benefits arising therefrom including any extraordinary distribution of securities which may be declared in respect of the Shares (except in accordance with this Plan of Arrangement);

“**Special Meeting**” means the special meeting of the Shareholders (including any adjournments or postponements thereof) to be held to consider, among other things, the Arrangement Resolution;

“**SRP Rights**” means the rights issued pursuant to the Shareholder Rights Plan;

“**Stock Option Plans**” means the 1997 Stock Option Plan, as amended as of October 19, 2000 and September 20, 2007, of Certicom, the March 25, 2000 U.S. Stock Option Plan, as amended as of September 20, 2007, of Certicom, and the 2000 Directors’ Incentive Plan of Certicom, collectively; and

“**TSX**” means Toronto Stock Exchange.

1.2 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections and other parts and the insertion of headings are for convenience only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.4 Time

All times expressed herein or in any Letter of Transmittal are local time (Toronto, Ontario) unless otherwise stipulated herein or therein.

1.5 Currency

All references to currency in this Plan of Arrangement are to Canadian dollars, being lawful money of Canada, unless otherwise specified.

1.6 Statutory References

Unless otherwise expressly provided herein, any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

ARTICLE 2
THE ARRANGEMENT

2.1 Effectiveness

Subject to the terms of the Arrangement Agreement, this Plan of Arrangement will become effective at the Effective Time (except as otherwise provided herein) and will be binding from and after the Effective Time on: (i) the Company; (ii) the Acquiror; (iii) all holders and all beneficial owners of Shares; (iv) all holders and all beneficial owners of Options; (v) the registrar and transfer agent in respect of the Shares; and (vi) the Depository.

2.2 The Arrangement

On the Effective Date and commencing at the Effective Time, the following shall occur and be deemed to occur in the following order without further act or formality:

(1) notwithstanding the terms of the Shareholder Rights Plan, the Shareholder Rights Plan shall be terminated and all SRP Rights shall be cancelled without any payment in respect thereof;

(2) each Share in respect of which Dissent Rights have been validly exercised before the Effective Time shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to the Acquiror in consideration for a debt claim against the Acquiror in an amount determined and payable in accordance with Article 3, and the name of such holder will be removed from the register of holders of Shares (in respect of the Shares for which Dissent Rights have been validly exercised before the Effective Time), and the Acquiror shall be recorded as the registered holder of Shares so transferred and shall be deemed to be the legal and beneficial owner of such Shares free and clear of any Liens;

(3) all of the Options granted and outstanding and exercisable to acquire Shares immediately prior to the Effective Time shall, without any further action on behalf of any Optionholder and without any payment except as provided in this Plan of Arrangement, be disposed of and surrendered by the holders thereof to the Company without any act or formality on its or their part in exchange for a cash amount equal to the excess, if any, of (i) the product of the number of Shares underlying such Options held by such holder and the Cash Proceeds per Share over (ii) the aggregate exercise price payable under such Options by the holder to acquire the Shares underlying such Options. All Options issued and outstanding immediately prior to the Effective Time shall thereafter immediately be cancelled;

(4) notwithstanding the terms of the Stock Option Plans, the Stock Option Plans shall be terminated; and

(5) each Share outstanding immediately prior to the Effective Time (including any Share issued upon the effective exercise of Options prior to the Effective Date), other than Shares held by the Acquiror and its affiliates, and other than Shares held (or previously held) by a Dissenting Shareholder, shall be transferred and deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to the Acquiror in exchange for a payment in cash equal to the Cash Proceeds per Share, and the name of such holder will be removed from the register of holders of Shares and the Acquiror shall be recorded as the registered holder of Shares so transferred and shall be deemed to be the legal and beneficial owner thereof, free and clear of any Liens, and such payment shall be made upon the presentation and surrender by or on behalf of the holder to the Depository (acting on behalf of the Acquiror) of the certificate formerly representing Shares and a Letter of Transmittal as more fully described in Section 2.3.

2.3 Letter of Transmittal

At the time of mailing the Proxy Circular or as soon as practicable after the Effective Date, the Company shall forward to each Shareholder and Optionholder at the address of such holder as it appears on the register maintained by or on behalf of the Company in respect of the holders of Shares or Options, as the case may be, the Letter of Transmittal in the case of holders of Shares and instructions for obtaining delivery of that portion of the Purchase Price or the Option Consideration, as the case may be, payable to such holder following the Effective Date pursuant to this Plan of Arrangement.

2.4 Delivery of Purchase Price and Option Consideration

Prior to the Effective Date, (i) the Acquiror shall deposit, or arrange to be deposited, the money required for the payment of the aggregate Cash Proceeds per Share (the "**Purchase Price**") for the Shares acquired pursuant to Section 2.2(5) for the benefit of and in trust for the holders of Shares entitled to receive Cash Proceeds per Share for each Share held by them in a special account with the Depository to be paid to or to the order of the respective former holders of such Shares without interest, and (ii) the Company shall deposit the money required for the payment of the aggregate Option Consideration for the Options which are acquired by the Company for cash pursuant to Section 2.2(3) for the benefit of and in trust for the holders of such Options in a special account with the Depository to be paid to or to the order of the respective former holders of such Options without interest. All such money shall be cash, denominated in Canadian dollars in same day funds payable at Toronto, Ontario. Such money shall not be used for any purpose except as provided in this Plan of Arrangement. Such payment to or to the order of the aforesaid former holders shall be made on presentation and surrender at the principal office of the Depository in the City of Toronto of, in the case of Shares, the certificate(s) representing the Shares which were acquired by the Acquiror pursuant to Section 2.2(5), and a duly completed Letter of Transmittal and such other documents and instruments, if any, as the Acquiror and/or the Depository may reasonably require. Upon surrender to the Depository for transfer to the Acquiror of, in the case of a Shareholder, a

certificate which immediately prior to the Effective Time represented Shares in respect of which the holder is entitled to receive cash under the Arrangement, and a duly completed Letter of Transmittal, and such other documents and instruments as would have been required to effect the transfer of the Shares formerly represented by such certificate under the CBCA and the by-laws of the Company and such additional documents and instruments as the Acquiror and the Depository may reasonably require, such former holder shall be entitled to receive in exchange therefor, and as soon as practicable after the Effective Time the Depository shall deliver to such holder, by cheque (or, if required by applicable laws, a wire transfer) for the amount of cash such holder is entitled to receive under the Arrangement (together, if applicable, with any unpaid dividends or distributions declared on the Shares, if any, prior to the Effective Time). In the event of a transfer of ownership of Shares that was not registered in the securities register of the Company, the amount of cash payable for such Shares under the Arrangement may be delivered to the transferee if the certificate representing such Shares is presented to the Depository as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable share transfer taxes have been paid. As soon as practicable after the Effective Time, the Depositary shall deliver on behalf of the Company to each Optionholder, as reflected on the books and records of the Company, a cheque (or, if required by applicable laws, a wire transfer) for the amount of cash such Optionholder is entitled to receive under the Arrangement in accordance with Section 2.2(3). Thereafter, the Acquiror and the Company shall be fully and completely discharged from their obligation to pay the Purchase Price to the former holders of such Shares and the aggregate Option Consideration to former holders of Options referred to in Section 2.2(5) and 2.2(3), respectively, and the rights of such holders shall be limited to receiving, without interest, from the Depository their proportionate part of the money so deposited on, in case of Shareholders, presentation and surrender of the documentation specified above. Any interest on such deposit shall belong to the Acquiror.

2.5 <u>Expiration of Rights</u>

Any amounts deposited with the Depository for the payment of the Purchase Price or the aggregate Option Consideration which remain unclaimed on the date which is six years from the Effective Date shall be forfeited to the Acquiror and paid over to or as directed by the Acquiror and the former holders of Shares and/or Options shall thereafter have no right to receive their respective entitlement to the Purchase Price or the aggregate Option Consideration, as applicable.

2.6 <u>Dividends and Distributions</u>

If the Company declares, sets aside or pays any dividend on, or makes any other actual, constructive or deemed distribution in respect of any of the Shares, or otherwise makes any payments to the holders of the Shares in their capacity as such, during the period commencing on the date of the Arrangement Agreement and ending on the Effective Date, the Acquiror may reduce the amount of the Cash Proceeds per Share by any amount it determines in its sole discretion, provided that such discount shall not exceed the amount of such dividend, distribution or payment received per Share. No dividend or other distribution declared or made after the Effective Time with respect to

the Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Shares.

2.7 Transfers Free and Clear

Any transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens.

ARTICLE 3
RIGHTS OF DISSENT

3.1 Dissent Rights

(1) Each Shareholder may exercise rights of dissent with respect to its Shares pursuant to and in the manner set forth in section 190 of the CBCA as modified by the Interim Order and this Section 3.1 (the "**Dissent Rights**"); provided that a Notice of Dissent is received by the Company by no later than 5:00 p.m. (Toronto time) on the Business Day that is two Business Days prior to the date of the Special Meeting, or, if the Meeting is adjourned or postponed, 5:00 p.m. (Toronto time) on the Business Day that is two Business Days preceding the date of such adjourned or postponed Special Meeting.

(2) Shareholders who duly and validly exercise their Dissent Rights shall be deemed to have transferred their Shares, without any further act or formality on their part, free and clear of all Liens, to the Acquiror as provided in Section 2.2(2), and such Shareholders who: (i) are ultimately determined to be entitled to be paid fair value for their Shares shall be entitled to a payment of cash equal to such fair value, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement in respect of such Shares had such Shareholders not exercised their Dissent Rights; or (ii) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Shares shall have participated and shall be deemed to have participated in the Arrangement, as at the Effective Time, on the same basis as a non-Dissenting Shareholder and shall receive cash consideration in respect of their Shares on the basis set forth in Article 2.

(3) In addition to any other restrictions under Section 190 of the CBCA, none of the following shall be entitled to exercise Dissent Rights: (i) Optionholders and (ii) Shareholders who vote in favour of the Arrangement Resolution.

(4) In no case shall the Company, the Acquiror, the Depository, the registrar and transfer agent in respect of the Shares or any other Person be required to recognize a Dissenting Shareholder as a holder of Shares after the Effective Time and the name of each Dissenting Shareholder shall be deleted from the registers of holders of Shares as at the Effective Time as provided in Article 2.

ARTICLE 4
CERTIFICATES

4.1 Certificates

From and after the Effective Time, until surrendered as contemplated by Section 2.4, each certificate formerly representing Shares that, under the Arrangement, were transferred or deemed to be transferred to the Acquiror in return for cash pursuant to Section 2.2, shall represent and be deemed, at all times after the Effective Time, to represent only the right to receive upon such surrender the applicable amount per Share specified in Section 2.2(2) or Section 2.2(5) of this Plan of Arrangement. From and after the Effective Time, each Option referred to in Section 2.2(3) and any evidence thereof shall be deemed, at all times after the Effective Time, to represent only the right to receive the applicable Option Consideration specified in Section 2.2(3) of this Plan of Arrangement.

4.2 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Shares that was sold and transferred to the Acquiror pursuant to Section 2.2 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depository will pay such Person the cash that such Person would have been entitled to had such share certificate not been lost, stolen or destroyed. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom cash is to be paid shall, at the sole discretion of the Acquiror, give a bond satisfactory to the Acquiror in such sum as the Acquiror may direct or otherwise indemnify the Depository and the Acquiror in a manner satisfactory to each of them against any claim that may be made against the Depository or the Acquiror with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 5
GENERAL

5.1 Paramountcy

From and after the Effective Time (i) this Plan of Arrangement shall take precedence and priority over any and all Shares and Options issued prior to the Effective Time, (ii) the rights and obligations of the registered holders of Shares and Options, and the Company, the Acquiror, the Depository and any trustee or transfer agent therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement, and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Shares or Options shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

5.2 **Amendment**

(1) Subject to the Sections 5.2(2), (4), (5) and (6), the Company and the Acquiror reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any such amendment, modification and/or supplement must be contained in a written document which is (i) agreed to in writing by the Company and the Acquiror, (ii) filed with the Court and, if made following the Special Meeting, approved by the Court subject to such conditions as the Court may impose, and (iii) if so required by the Court, communicated to Shareholders and/or Optionholders if and in the manner as required by the Court.

(2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company or the Acquiror at any time prior to or at the Special Meeting (provided that the Company and the Acquiror shall have consented thereto in writing), with or without any prior notice or communication, and if so proposed and accepted by the Persons voting at the Special Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(3) Any amendment, modification and/or supplement to this Plan of Arrangement that is approved by the Court following the Special Meeting shall be effective only if: (i) it is agreed to by each of the Company and the Acquiror; (ii) it is filed with the Court (other than amendments contemplated in Section 5.2(2) or (5), which shall not require such filing), and (iii) if required by the Court, it is consented to by holders of the Shares voting in the manner directed by the Court.

(4) Any amendment, modification and/or supplement to this Plan of Arrangement may be made by the Acquiror unilaterally after the Effective Date without the approval of the Shareholders or the Company provided that it concerns a matter which, in the reasonable opinion of the Acquiror, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the former Shareholders and Optionholders contemplated by this Plan of Arrangement prior to giving effect to such amendment, modification and/or supplement.

(5) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, the Acquiror shall be entitled, at any time prior to or following the Special Meeting, to modify this Plan of Arrangement to increase the consideration the Acquiror is prepared to make available to Shareholders or Optionholders pursuant to the Arrangement, whether or not the Board of the Company has changed its recommendation, provided that the Acquiror shall use its commercially reasonable efforts to provide not less than one Business Day’s prior written notice of such proposal to the Company.

(6) Notwithstanding anything in this Plan of Arrangement or the Arrangement Agreement, no amendment, revision, update or supplement shall be made to the Plan of Arrangement that (i) would require the Company to obtain any regulatory approval or the approval of Shareholders in respect of such amendment, revision, update or supplement other than at the Special Meeting, (ii) would prejudice the Company's securityholders or would result in the withdrawal or material modification of the Fairness Opinion, (iii) would impede or materially delay the consummation of the transactions contemplated by the Plan of Arrangement, or (iv) would require the Company to take any action in contravention of applicable Law, the Charter Documents or any material provision of any material agreement to which it is a party.

5.3 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and be deemed to have occurred in the order set out herein, without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

5.4 Withholding Rights

Notwithstanding anything in the Arrangement Agreement or this Plan of Arrangement to the contrary, the Company, the Depository, the Acquiror or one or more Subsidiaries of the Acquiror, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to this Plan of Arrangement to any holder of Shares or Options such amounts as are required to be deducted and withheld with respect to the making of such payment under the *Income Tax Act* (Canada), the United States *Internal Revenue Code of 1986*, or any provision of local, state, provincial or foreign tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of the Arrangement Agreement and this Plan of Arrangement as having been paid to the former holder of the Shares or Options, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable Laws.

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EXHIBIT 21.01

Subsidiaries of the Registrant

Name of Subsidiary	Country/State of Incorporation/Organization
Best4U Media Sarl	Switzerland
EMBP 455, LLC	California
EMBP 685, LLC	California
eNIC Cocos (Keeling) Island Pty. Limited	Australia
eNIC Corporation	Washington
Garden Acquisition LLC	Delaware
GeoTrust, Inc.	Delaware
GeoTrust Japan KK	Japan
Global Registration Services Limited	United Kingdom
GNR Limited	England and Wales
HV Acquisition Corporation	Delaware
Jamster International Sarl	Switzerland
Langoo Acquisition Corp.	Delaware
LightSurf International, Inc.	California
Moreover Technologies, Inc.	Delaware
Moreover Technologies Ltd.	United Kingdom
m-Qube Canada, Inc.	Canada
m-Qube, Inc.	Delaware
Name Engine, Inc.	Delaware
NS Holding Company	Delaware
Personal Names Ltd.	England and Wales
siteRock K.K.	Japan
Thawte Consulting (Pty) Limited	South Africa
Thawte Holdings (Pty) Limited	South Africa
Thawte, Inc.	Delaware
Thawte Technologies, Inc.	Delaware
The Global Name Registry Ltd.	England and Wales
The .tv Corporation International	Delaware
The.tv Corporation (Tuvalu) Proprietary Ltd.	Tuvalu
Tocop Sarl	Switzerland
VeriSign Australia (Pty) Ltd.	Australia
VeriSign Brasil Ltda.	Brazil
VeriSign Canada Limited	Canada
VeriSign Capital Management, Inc.	Delaware
VeriSign Denmark ApS	Denmark
VeriSign Deutschland GmbH	Germany
VeriSign Digital Services Technology (China) Co., Ltd.	China
VeriSign do Brasil Servicos para Internet Ltda.	Brazil
VeriSign France SAS	France
VeriSign Holdings Limited	Cayman Islands
VeriSign Hong Kong Limited	Hong Kong

VeriSign ICX Corporation	Delaware
VeriSign India Private Limited	India
VeriSign Information Services, Inc.	Delaware
VeriSign International Holdings, Inc.	Delaware
VeriSign Israel Ltd.	Israel
VeriSign Italy S.r.l.	Italy
VeriSign Japan K.K.	Japan
VeriSign Korea Ltd.	Korea
VeriSign Naming and Directory Services, LLC	Delaware
VeriSign Netherlands B.V.	Netherlands
VeriSign Netherlands Mobile Holdings B.V.	Netherlands
VeriSign Norway AS	Norway
VeriSign Reinsurance Company, Ltd.	Bermuda
VeriSign Sarl	Switzerland
VeriSign Services India Private Limited	India
VeriSign Spain S.L.	Spain
VeriSign Sweden AB	Sweden
VeriSign Switzerland SA	Switzerland
VeriSign UK Limited	United Kingdom
VeriSign U.S. Holdings, Inc.	Nevada
Whiteley Investments, Ltd.	United Kingdom

EXHIBIT 23.01

Consent of Independent Registered Public Accounting Firm

The Board of Directors
VeriSign, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-147136, 333-144590, 333-134026, 333-132988, 333-127249, 333-126352, 333-125052, 333-123937, 333-117908, 333-113431, 333-106395, 333-86188, 333-86178, 333-75236, 333-69818, 333-59458, 333-53230, 333-50072, 333-39212, 333-82941, 333-58583, 333-46803, and 333-45237) on Form S-8 and registration statements (Nos. 333-76386, 333-72222, 333-94445, 333-89991, 333-77433, and 333-74393) on Form S-3 of VeriSign, Inc. of our reports dated March 3, 2009, with respect to the consolidated balance sheets of VeriSign, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2008, and the effectiveness of internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008 annual report on Form 10-K of VeriSign, Inc.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

/s/ KPMG LLP

Mountain View, California
March 3, 2009

EXHIBIT 31.01

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

I, D. James Bidzos, certify that:

1. I have reviewed this annual report on Form 10-K of VeriSign, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

By: /s/ D. JAMES BIDZOS

D. James Bidzos
Interim Chief Executive Officer

EXHIBIT 31.02

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

I, Brian G. Robins, certify that:

1. I have reviewed this annual report on Form 10-K of VeriSign, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

By: /s/ BRIAN G. ROBINS

Brian G. Robins
Acting Chief Financial Officer

EXHIBIT 32.01

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

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

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 3, 2009

By: /s/ D. JAMES BIDZOS

D. James Bidzos
Interim Chief Executive Officer

EXHIBIT 32.02

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

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

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 3, 2009

By: /s/ BRIAN G. ROBINS

Brian G. Robins
Acting Chief Financial Officer