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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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
(State or other jurisdiction of
incorporation or organization)

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

487 East Middlefield Road, Mountain View, CA
(Address of principal executive offices)

94043
(Zip Code)

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

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

Indicate 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. (Check one):

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 Exchange Act.): YES NO

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

<u>Class</u>	<u>Shares Outstanding July 31, 2008</u>
Common stock, \$.001 par value	193,210,208

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PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

<u>Financial Statement Description</u>	<u>Page</u>
ÿ Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007	4
ÿ Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2008 and 2007	5
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VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 621,017	\$ 1,376,722
Short-term investments	548	1,011
Accounts receivable, net of allowance for doubtful accounts of \$3,729 and \$6,329 at June 30, 2008, and December 31, 2007, respectively	125,138	208,799
Prepaid expenses and other current assets	160,203	163,041
Assets held for sale	466,204	—
Total current assets	<u>1,373,110</u>	<u>1,749,573</u>
Property and equipment, net	435,971	621,917
Goodwill	617,524	1,082,420
Other intangible assets, net	62,386	121,792
Restricted cash	47,209	46,936
Other assets	300,976	290,647
Investments in unconsolidated entities	112,137	109,828
Total long-term assets	<u>1,576,203</u>	<u>2,273,540</u>
Total assets	<u>\$ 2,949,313</u>	<u>\$ 4,023,113</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 318,110	\$ 398,124
Accrued restructuring costs	31,544	2,878
Deferred revenues	581,833	552,070
Other liabilities	2,844	2,632
Liabilities related to assets held for sale	9,041	—
Total current liabilities	<u>943,372</u>	<u>955,704</u>
Long-term deferred revenues	198,486	186,719
Long-term accrued restructuring costs	1,208	1,473
Convertible debentures	1,263,199	1,265,296
Other long-term liabilities	39,846	41,133
Total long-term liabilities	<u>1,502,739</u>	<u>1,494,621</u>
Total liabilities	<u>2,446,111</u>	<u>2,450,325</u>
Commitments and contingencies		
Minority interest in subsidiaries	58,715	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: 196,687,528 excluding 104,896,643 held in treasury, at June 30, 2008, and 222,849,348 excluding 73,720,953 shares held in treasury, at December 31, 2007	301	297
Additional paid-in capital	21,551,301	22,559,045
Accumulated deficit	(21,117,891)	(21,043,014)
Accumulated other comprehensive income	10,776	1,975
Total stockholders' equity	<u>444,487</u>	<u>1,518,303</u>
Total liabilities and stockholders' equity	<u>\$ 2,949,313</u>	<u>\$ 4,023,113</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$303,240	\$258,988	\$599,873	\$528,884
Costs and expenses				
Cost of revenues	86,033	82,675	177,620	169,561
Sales and marketing	51,993	62,545	109,581	139,732
Research and development	32,891	31,868	68,752	71,937
General and administrative	57,783	74,355	120,380	122,846
Restructuring, impairments and other charges, net	136,958	14,319	157,071	38,434
Amortization of other intangible assets	5,495	16,461	14,193	34,631
Total costs and expenses	371,153	282,223	647,597	577,141
Operating loss	(67,913)	(23,235)	(47,724)	(48,257)
Other (loss) income, net	(5,171)	11,934	(7,743)	93,214
(Loss) income from continuing operations before income taxes, earnings (loss) from unconsolidated entities and minority interest	(73,084)	(11,301)	(55,467)	44,957
Income tax benefit (expense)	4,293	(5,632)	(1,003)	(10,254)
Earnings (loss) from unconsolidated entities, net of tax	1,172	1,748	(590)	2,196
Minority interest, net of tax	(989)	82	(1,895)	(487)
(Loss) income from continuing operations	(68,608)	(15,103)	(58,955)	36,412
Discontinued operations, net of tax	565	10,386	(15,192)	20,624
Net (loss) income	<u>\$ (68,043)</u>	<u>\$ (4,717)</u>	<u>\$ (74,147)</u>	<u>\$ 57,036</u>
Basic (loss) income per share from:				
Continuing operations	\$ (0.35)	\$ (0.06)	\$ (0.29)	\$ 0.15
Discontinued operations	—	0.04	(0.08)	0.08
Net (loss) income	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>	<u>\$ (0.37)</u>	<u>\$ 0.23</u>
Diluted (loss) income per share from:				
Continuing operations	\$ (0.35)	\$ (0.06)	\$ (0.29)	\$ 0.15
Discontinued operations	—	0.04	(0.08)	0.08
Net (loss) income	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>	<u>\$ (0.37)</u>	<u>\$ 0.23</u>
Shares used in per share computation:				
Basic	195,515	243,846	201,032	243,849
Diluted	<u>195,515</u>	<u>243,846</u>	<u>201,032</u>	<u>246,102</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net (loss) income	\$ (74,147)	\$ 57,036
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on divestiture of businesses, net of tax	(31,629)	(74,999)
Unrealized gain on joint venture call options	—	(3,755)
Unrealized gain on contingent interest derivative on convertible debentures	(2,084)	—
Depreciation of property and equipment	61,084	55,564
Amortization of other intangible assets	17,452	61,456
Impairment of goodwill, other intangible assets and assets held for sale	117,208	4,849
Provision for doubtful accounts	1,166	(720)
Stock-based compensation	46,096	42,047
Restructuring and other charges, net	45,679	37,342
Loss on sale of property and equipment	80,371	—
Net gain on sale and impairment of investments	(258)	(885)
Loss (earnings) from unconsolidated entities, net of tax	590	(2,196)
Minority interest, net of tax	1,895	487
Deferred income taxes	(19,355)	(11,469)
Changes in operating assets and liabilities:		
Accounts receivable	31,186	(110,843)
Prepaid expenses and other current assets	10,330	130,661
Accounts payable and accrued liabilities	(104,105)	(106,241)
Deferred revenues	62,302	76,698
Net cash provided by operating activities	<u>243,781</u>	<u>155,032</u>
Cash flows from investing activities:		
Purchases of investments	—	(135,882)
Proceeds from sale of property and equipment	48,843	—
Proceeds from maturities and sales of investments	100	248,128
Purchases of property and equipment	(59,620)	(47,511)
Proceeds received from divestiture of businesses, net of cash contributed	60,613	152,643
Proceeds received from contingent purchase price adjustment	1,175	—
Other assets	1,950	1,989
Net cash provided by investing activities	<u>53,061</u>	<u>219,367</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	92,405	—
Change in net assets of minority interest	134	89
Repurchases of common stock	(1,148,380)	—
Proceeds from credit facility	200,000	—
Repayment of short-term debt related to credit facility	(200,000)	(199,000)
Dividend paid to minority interest	(723)	—
Net cash used in financing activities	<u>(1,056,564)</u>	<u>(198,911)</u>
Effect of exchange rate changes on cash and cash equivalents	4,017	(984)
Net (decrease) increase in cash and cash equivalents	(755,705)	174,504
Cash and cash equivalents at beginning of period	1,376,722	501,784
Cash and cash equivalents at end of period	621,017	676,288
Cash and cash equivalents of Jamba Service at end of period	—	(19,771)
Cash and cash equivalents of continuing operations at end of period	<u>\$ 621,017</u>	<u>\$ 656,517</u>
Supplemental cash flow disclosures:		
Cash paid for interest	<u>\$ 20,442</u>	<u>\$ 2,649</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. and its subsidiaries (collectively, "VeriSign" or the "Company") in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative, nor comparable to the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in VeriSign's fiscal 2007 Annual Report on Form 10-K filed with the SEC (the "2007 Form 10-K") on February 29, 2008.

Reclassifications and Adjustments

The Condensed Consolidated Statements of Operations have been reclassified for all periods presented to reflect discontinued operations treatment. Unless noted otherwise, discussions in the Notes to Condensed 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"). As of June 30, 2008, the Company's business consists of the following reportable segments: Internet Infrastructure and Identity Services ("IIS"), which consists of Naming Services, Secure Socket Layer ("SSL") Certificate Services, and Identification and Authentication Services ("IAS"), and Other Services, which represents continuing operations of non-core businesses and legacy products and services. Accordingly, the segment information has been reclassified for all periods presented. See Note 12, "Segment Information," for further information regarding the Company's reportable segments.

During the first quarter of 2008, the Company identified that it had not accrued for penalties related to late payment of federal payroll taxes for the periods during fiscal 2004 through fiscal 2007 of approximately \$7.5 million. During the second quarter of 2008, the Company identified that it had not accrued for \$2.1 million for penalties and interest related to late payment of state payroll taxes for the periods during fiscal 2005 through fiscal 2007. The amounts associated with each affected prior period are not material to the consolidated financial statements of such periods. However, as the cumulative amount of unrecorded penalties identified during the first two quarters of 2008 are expected to have a significant impact on the results of operations of fiscal 2008, the Company has 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) previously reported. This required reversing the penalties and interest recorded during the first quarter of 2008 of approximately \$7.5 million. There were no penalties to be recorded for the three and six months ended June 30, 2007, and as a result there was no impact on the results of operations for the three and six months ended June 30, 2007.

In addition, the Company identified an overstatement of its consolidated income tax expense of \$5.0 million relating to the first quarter of 2008, of which \$1.7 million impacts income tax expense from continuing operations and \$3.3 million impacts income tax expense associated with discontinued operations. The Company determined the amounts are not material to the Condensed Consolidated Financial Statements of the first quarter of 2008. Consistent with the correction of the unrecorded penalties described above, the Company adjusted the income tax expense of the first quarter of 2008 in presenting the consolidated results of operations for the six months ended June 30, 2008, as presented in this Quarterly Report.

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The following table presents the effects of the adjustments to the Company's Condensed Consolidated Statement of Operations for the three months ended March 31, 2008:

	Three months ended March 31, 2008		
	As Reported	Adjustments (In thousands)	As Adjusted
Revenues .	\$ 354,281	\$ —	\$ 354,281
Costs and expenses .	323,719	(7,343)(1)	316,376
Operating income	30,562	7,343 (1)	37,905
Income from continuing operations before income taxes	25,657	7,497 (1)	33,154
Income tax expense	(13,399)	1,715 (2)	(11,684)
Discontinued operations, net of tax	(30,845)	3,271 (2)	(27,574)
Net loss	<u>\$ (18,587)</u>	<u>\$ 12,483</u>	<u>\$ (6,104)</u>
Basic income (loss) per share from:			
Continuing operations	\$ 0.06		\$ 0.10
Discontinued operations	\$ (0.15)		\$ (0.13)
Net loss	<u>\$ (0.09)</u>		<u>\$ (0.03)</u>
Diluted income (loss) per share from:			
Continuing operations	\$ 0.06		\$ 0.10
Discontinued operations	\$ (0.15)		\$ (0.13)
Net loss	<u>\$ (0.09)</u>		<u>\$ (0.03)</u>

- (1) Reversal of federal payroll tax penalties and interest previously reported in VeriSign's Form 10-Q for the quarter ended March 31, 2008, filed with the SEC on May 12, 2008.
- (2) Correction of income tax expense overstatement previously reported in VeriSign's Form 10-Q for the quarter ended March 31, 2008, filed with the SEC on May 12, 2008.

The results of operations for the three months ended March 31, 2008, were further adjusted for classification of a disposal group as a discontinued operation, as described in Note 4, "Assets Held for Sale and Discontinued Operations."

The cumulative effect of the payroll tax penalties and interest described above as of December 31, 2006, of \$3.6 million (relating to 2006 of \$1.0 million, 2005 of \$1.8 million and 2004 of \$0.8 million) is presented in the 2007 interim condensed consolidated financial statements as an adjustment to Accumulated deficit as of January 1, 2007. Accounts payable and accrued liabilities, and Accumulated deficit, as of January 1, 2008, individually increased by \$9.6 million.

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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. The Company expects the adoption of FSP APB 14-1 will result in higher interest expense for fiscal 2007 through fiscal 2037, assuming the debentures will be settled upon maturity in 2037, associated with a significant reduction in its debentures balance along with a corresponding increase in its stockholders’ equity as of December 31, 2007 and 2008.

In April 2008, the FASB issued FSP No. Statement of Financial Accounting Standards (“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 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. The Company is currently evaluating the effect of FSP SFAS 142-3 and the impact it will have on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161 (“SFAS 161”), “*Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*.” SFAS 161 requires enhanced disclosures about an entity’s derivative instruments and hedging activities. It requires qualitative disclosures about the objectives and strategies for using derivative instruments, quantitative disclosures about the fair value amounts of gains and losses on derivative instruments, and disclosures about how derivative instruments and related hedged items affect a company’s financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 and will be adopted by the Company in the first quarter of fiscal 2009. The Company is currently evaluating the effect of SFAS 161, and the impact it will have on its financial position and results of operations.

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. The Company is currently evaluating the effect of SFAS 160, and the impact it will have on its financial position and results of operations.

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. The Company is currently evaluating the effect of SFAS 141R, and the impact it will have on its financial position and results of operations.

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Note 2. Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Stock-based compensation:				
Cost of revenues	\$ 3,624	\$ 1,968	\$ 8,087	\$ 4,489
Sales and marketing	3,558	4,105	8,314	8,812
Research and development	2,465	1,982	6,211	4,831
General and administrative	10,310	15,099	17,159	20,227
Restructuring, impairments and other charges, net	3,050	—	6,781	2,297
Other (loss) income, net	610	—	610	—
Stock-based compensation for continuing operations	23,617	23,154	47,162	40,656
Discontinued operations	5,919	2,119	9,169	3,544
Total stock-based compensation	<u>\$29,536</u>	<u>\$25,273</u>	<u>\$56,331</u>	<u>\$44,200</u>

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock options:				
Volatility	33%	34%	36%	34%
Risk-free interest rate	2.92%	4.76%	2.62%	4.71%
Expected term	3.10	3.30	3.11	3.10
Dividend yield	zero	zero	zero	zero
Employee stock purchase plan awards:				
Volatility	n/a	n/a	31%	n/a
Risk-free interest rate	n/a	n/a	2.69%	n/a
Expected term	n/a	n/a	1.25	n/a
Dividend yield	n/a	n/a	zero	n/a

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 United States ("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.

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During the six months ended June 30, 2007, the Company was precluded from selling shares under its employee stock purchase plan due to not being current in its filings with the SEC. The Company suspended its employee payroll withholdings for the purchase of its common stock under the employee stock purchase plan until July 16, 2007, when it became current in its SEC filings.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock-based compensation:				
Stock options	\$ 5,352	\$ 8,851	\$ 11,975	\$ 20,404
Employee stock purchase plans	6,167	2,312	14,694	4,761
Restricted stock units	7,863	3,751	15,831	6,628
Stock options/awards acceleration	10,730	10,961	14,975	13,258
Capitalization (1)	(576)	(602)	(1,144)	(851)
Total stock-based compensation	<u>\$29,536</u>	<u>\$25,273</u>	<u>\$56,331</u>	<u>\$44,200</u>

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

During the first and second quarters of 2008, the Company modified certain stock-based awards to accelerate the vesting of twenty-five percent (25%) of unvested "in-the-money" stock options outstanding and 25% of unvested restricted stock units outstanding on the termination dates of employees affected by divestitures and workforce reductions. The Company remeasured the fair value of these modified awards and recorded the charges over the future service periods, if any. The modification charges are included in Restructuring, impairments and other charges, net, for continuing operations as well as for discontinued operations.

In addition, during the second quarter of 2008, the Company modified certain stock-based awards outstanding for 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 shares of sign-on options, unvested shares of sign-on restricted stock unit awards, first-year options outstanding 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 unit awards outstanding. Upon acceleration of vesting of Mr. Roper's stock-based awards, the Company recognized an additional amount of \$4.9 million of stock-based compensation during the second quarter of 2008.

During the second quarter of 2007, the Company recorded additional stock-based compensation of \$11.0 million related to the acceleration of vesting of certain stock-based awards for Mr. Stratton Sclavos, a former chief executive officer.

Note 3. Joint Ventures

On January 31, 2007, VeriSign entered into two joint venture agreements with Fox Entertainment ("Fox"), a subsidiary of News Corporation, to provide mobile entertainment to consumers on a global basis. Under the terms of the agreements, Fox owns a 51% interest and VeriSign owns a 49% interest in the joint ventures.

In 2007, the Company provided a working capital loan of \$15.0 million under a promissory note to the joint ventures, of which \$8.9 million is outstanding as of June 30, 2008, and is included in Other assets.

In connection with the joint ventures, VeriSign and Fox entered into various put and call arrangements related to the Company's ownership interests in the joint ventures, including VeriSign's right to sell all of its

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interests in the joint ventures to Fox for \$150 million and \$350 million in fiscal 2010 and 2012, respectively (the “put options”), and Fox’s right to purchase all of VeriSign’s interests in the joint ventures for \$400 million, the greater of \$250 million or fair value, and the greater of \$400 million or fair value, in fiscal 2009, 2010 and 2012, respectively (the “call options”). As of June 30, 2008, the Company determined that the call options did not have a material value. The Company has not recorded the value of the put options separately from its investments in the joint ventures.

Note 4. Assets Held for Sale and Discontinued Operations

During the fourth quarter of 2007, VeriSign announced a change to its business strategy to be more aligned with its core competencies, which are to provide highly scaleable, reliable and secure Internet infrastructure and identity services to customers around the world. The strategy calls for the divestiture or winding down of a number of non-core businesses in the Company’s portfolio, such as communications, billing and commerce, content delivery, messaging and enterprise security services as well as other smaller businesses. By divesting or winding down these non-core businesses, additional resources should be available to invest in the core businesses that will remain: Naming Services, SSL Certificate Services, and IAS.

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.

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.

Completed Divestitures

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 proceeds of \$50.4 million and recorded a gain on sale of \$30.5 million. The net cash proceeds include \$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 its second quarter of fiscal 2009. The DBMS business was part of the former ISG segment. 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 proceeds of \$1.0 million and recorded a gain on sale of \$1.4 million. The Company has retained an equity ownership in the CDN 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 CDN business was part of the former CSG segment.

On March 31, 2008, the Company sold its Self-Care and Analytics (“SC&A”) business, which provided online analysis applications for mobile communications customers and online customer self-service with a single view of billing across multiple systems, for net cash proceeds of \$14.2 million and recorded a gain on sale of \$0.5 million. The SC&A business was part of the former CSG segment. The historical results of operations of the SC&A business have been classified as discontinued operations for all periods presented.

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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 proceeds of \$12.8 million and recorded a gain on sale of \$1.8 million. Jamba Service was part of the former CSG segment. 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 June 30, 2008. During the three and six months ended June 30, 2008, the Company recorded losses on disposals, including estimated losses of \$45.9 million and \$71.4 million, respectively, which is included in discontinued operations. Gains on disposal are recorded on the date the sale of the disposal group is consummated.

	<u>June 30,</u> <u>2008</u>
	<u>(In thousands)</u>
Assets:	
Accounts receivable	\$ 46,629
Goodwill	\$ 355,383
Other long-lived assets	64,192
Total assets held for sale	<u>\$ 466,204</u>
Liabilities:	
Deferred revenues	<u>\$ 9,041</u>
Total liabilities related to assets held for sale	<u>\$ 9,041</u>

As of June 30, 2008, businesses classified as held for sale and presented as discontinued operations included the following. As the Company executes its divestiture strategy, additional businesses are likely to be classified as held for sale in future periods.

Communications Services

The Company’s Communications Services business provides communications services, such as connectivity and interoperability services, intelligent database services and clearing and settlement services. The Company’s Connectivity and interoperability services primarily include its Signaling System 7 (“SS7”) Connectivity and Voice and Data Roaming services. The Company’s intelligent database services primarily include its Number Portability, Caller Name Identification, Toll-free Database and TeleBlock Do Not Call Services. The Company’s clearing and settlement services primarily include its Clearinghouse services which serve as a distribution and collection point for billing information and payment collection for services provided by one carrier to customers billed by another.

Communications Consulting

The Company’s Communications Consulting business offers 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.

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Enterprise Security Services

The Company's Enterprise Security Services business includes the Managed Security Services ("MSS") business, the iDefense Security Intelligence services business, and the Security Consulting business. The Company's MSS business enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, 365 days per 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 business delivers comprehensive, actionable intelligence to help companies decide how to respond to threats and manage risk on networks. The Security Consulting business provides services that assist companies in understanding corporate security requirements, navigating the maze of diverse regulations, identifying security vulnerabilities, defending against and responding to attacks, reducing risk, and meeting the security compliance requirements of their business and industry.

International Clearing

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

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 Condensed 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 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 extend for periods less than 12 months.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Revenues	\$ 89,064	\$ 108,636	\$ 187,877	\$ 216,186
(Loss) income before income taxes	\$(38,782)	\$ 17,060	\$(59,299)	\$ 32,209
Income tax benefit (expense)	9,897	(6,674)	12,714	(11,585)
(Loss) income from discontinued operations	(28,885)	10,386	(46,585)	20,624
Gain on sale of discontinued operations, before income taxes	32,083	—	31,614	—
Income tax expense on sale of discontinued operations	(2,633)	—	(221)	—
Gain on sale of discontinued operations	29,450	—	31,393	—
Total discontinued operations, net of tax	\$ 565	\$ 10,386	\$ (15,192)	\$ 20,624

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Note 5. Restructuring, Impairments and Other Charges, Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
2008 restructuring plan charges	\$ 11,982	\$ —	\$ 31,780	\$ —
2007 restructuring plan charges	98	3,162	369	25,195
2003 and 2002 restructuring plan charges	16	48	60	142
Total restructuring charges for continuing operations	12,096	3,210	32,209	25,337
Impairments and other charges for continuing operations	124,862	11,109	124,862	13,097
Total restructuring, impairments and other charges, net, for continuing operations	136,958	14,319	157,071	38,434
2008 restructuring plan charges for discontinued operations	7,118	—	13,470	—
2007 restructuring plan charges for discontinued operations	—	889	—	3,537
Impairments and other charges for discontinued operations	45,904	(29)	71,415	220
Total restructuring, impairments and other charges, net, for discontinued operations	53,022	860	84,885	3,757
Total restructuring, impairments and other charges, net	<u>\$ 189,980</u>	<u>\$ 15,179</u>	<u>\$ 241,956</u>	<u>\$ 42,191</u>

2008 Restructuring Plan

In the fourth quarter of 2007, VeriSign announced a change in its business strategy to be more aligned with its core competencies, which are providing highly scalable, 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, the Company 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 June 30, 2008, VeriSign recorded a total of \$45.2 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 charges.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Workforce reduction	\$ 18,043	\$ 1,183	\$43,679	\$23,298
Excess facilities	274	1,472	288	2,626
Other exit costs	897	1,444	1,712	2,950
Total restructuring charges	<u>\$ 19,214</u>	<u>\$ 4,099</u>	<u>\$45,679</u>	<u>\$28,874</u>

Of the total consolidated restructuring charges, \$7.1 million and \$13.5 million relate to workforce reduction for discontinued operations for the three and six months ended June 30, 2008, respectively. Of the total consolidated restructuring charges, \$0.1 million and \$2.6 million relate to workforce reduction for discontinued operations for the three and six months ended June 30, 2007, respectively.

For the three and six months ended June 30, 2008, \$3.1 million and \$6.8 million, respectively, of the workforce reduction charges relate to stock-based compensation for certain severed employees. For the six months ended June 30, 2007, \$2.3 million of the workforce reduction charges relate to stock-based compensation for certain severed employees. For the three months ended June 30, 2007, there were no workforce reduction charges related to stock-based compensation for severed employees.

As of June 30, 2008, the consolidated accrued restructuring costs associated with all restructuring plans were \$32.8 million and consist of the following:

	Accrued Restructuring Costs at December 31, 2007	Restructuring Charges	Cash Payments (In thousands)	Non-cash Charges	Accrued Restructuring Costs at June 30, 2008
Workforce reduction	\$ 493	\$ 43,679	\$ (5,829)	\$ (8,971)	\$ 29,372
Excess facilities	3,702	288	(1,539)	23	2,474
Other exit costs	156	1,712	(962)	—	906
Total accrued restructuring costs	<u>\$ 4,351</u>	<u>\$ 45,679</u>	<u>\$ (8,330)</u>	<u>\$ (8,948)</u>	<u>\$ 32,752</u>
Included in current portion of accrued restructuring costs					<u>\$ 31,544</u>
Included in long-term portion of accrued restructuring costs					<u>\$ 1,208</u>

Cash payments totaling approximately \$4.1 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 2011. 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 (In thousands)	Net
2008 (remaining 6 months)	\$ 802	\$ (34)	\$ 768
2009	1,138	(473)	665
2010	1,169	(591)	578
2011	878	(415)	463
	<u>\$ 3,987</u>	<u>\$ (1,513)</u>	<u>\$2,474</u>

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Impairments and Other Charges

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Impairment of goodwill, other intangible assets and assets held for sale	\$ 91,697	\$ 4,849	\$ 117,208	\$ 4,849
Other charges	79,069	6,231	79,069	8,468
Total impairments and other charges	\$ 170,766	\$ 11,080	\$ 196,277	\$ 13,317

Impairments of goodwill, other intangible assets and assets held for sale

During the three and six months ended June 30, 2008, the Company recorded a charge of \$91.7 million and \$117.2 million, respectively, for impairment of goodwill, other intangible assets and assets held for sale. During the second quarter of 2008, the Company recorded a charge of \$45.8 million in continuing operations for an impairment of goodwill related to its Post-pay business which offers advanced billing and customer care services to wireless carriers. During the three and six months ended June 30, 2008, the Company recorded a charge of \$45.9 million and \$71.4 million, respectively, in discontinued operations for estimated losses on assets held for sale. See Note 6, "Goodwill and Other Intangible Assets," for further information regarding the impairment of goodwill related to the Post-pay business.

Other charges

During the second quarter of 2008, the Company 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 7, "Other Balance Sheet Items." The sale of Mountain View facilities was consummated as a result of the 2008 restructuring plan to divest or wind down the non-core businesses. During the three and six months ended June 30, 2007, the Company recorded a charge of \$6.2 million and \$8.5 million, respectively, for excess and obsolete property and equipment. Of the total consolidated other charges, \$0.2 million relates to discontinued operations for the six months ended June 30, 2007.

Note 6. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill as allocated to the Company's reportable segments during the six months ended June 30, 2008:

	Internet Infrastructure and Identity Services	Other Services (In thousands)	Total
Balance at December 31, 2007	\$ 362,308	\$ 720,112	\$ 1,082,420
Divestiture of businesses	—	(19,726)	(19,726)
Impairment	—	(45,793)	(45,793)
Reclassification to assets held for sale	—	(401,368)	(401,368)
Other adjustments (1)	2,566	(575)	1,991
Balance at June 30, 2008	\$ 364,874	\$ 252,650	\$ 617,524

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

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VeriSign performed its annual impairment tests during the second quarter of 2008 and 2007. 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 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 did not record any impairment for goodwill from the annual impairment test conducted during the second quarter of 2007.

During the second quarter of 2008, the Company performed an impairment review of its Naming Services, SSL Certificate Services, IAS and VeriSign Japan reporting units related to its core businesses; and the Post-pay business and Messaging Services reporting units related to its non-core businesses. In accordance with SFAS 142, 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 the two-step approach required by SFAS 142. The estimated fair value of each reporting unit was computed using the combination of the income and market valuation approach. Each of the reporting units reviewed for impairment, except for the Post-pay business reporting unit, had a fair value in excess of its carrying value and no further analysis was required. The Post-pay business reporting unit had a fair value less than its carrying value and the Company concluded that the goodwill in its Post-pay business 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 requires the Company to allocate the fair value of the Post-pay business reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a current business combination and the fair value of the reporting unit was the price paid to acquire it. Prior to this allocation of the assets to the reporting unit, the Company assessed the long-lived assets 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 is the implied fair value of goodwill. The carrying value of goodwill for the Post-pay business reporting unit exceeded its implied goodwill calculated by \$45.8 million which the Company recorded as an impairment charge in continuing operations for the quarter ended June 30, 2008.

VeriSign's other intangible assets are comprised of:

	June 30, 2008		
	Gross Carrying Value	Accumulated Amortization (In thousands)	Net Carrying Value
Customer relationships	\$ 46,093	\$ (22,773)	\$ 23,320
Technology in place	76,390	(53,145)	23,245
Carrier relationships	36,300	(27,749)	8,551
Non-compete agreement	3,381	(2,151)	1,230
Trade name	5,800	(1,772)	4,028
Other	9,000	(6,988)	2,012
Total other intangible assets	<u>\$ 176,964</u>	<u>\$ (114,578)</u>	<u>\$ 62,386</u>

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	December 31, 2007		
	Gross Carrying Value	Accumulated Amortization (In thousands)	Net Carrying Value
Customer relationships	\$ 212,978	\$ (152,844)	\$ 60,134
Technology in place	212,377	(179,144)	33,233
Carrier relationships	36,300	(26,864)	9,436
Non-compete agreement	30,154	(19,089)	11,065
Trade name	12,968	(7,425)	5,543
Other	9,000	(6,619)	2,381
Total other intangible assets	<u>\$ 513,777</u>	<u>\$ (391,985)</u>	<u>\$ 121,792</u>

Fully amortized other intangible assets are not included in the above tables. At June 30, 2008, the net carrying value of other intangible assets included in the 3IS segment totaled \$27.9 million. 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 June 30, 2008, totaled \$45.6 million. Estimated future amortization expense related to other intangible assets at June 30, 2008, is as follows:

	(In thousands)
2008 (remaining 6 months)	\$ 10,593
2009	19,485
2010	14,926
2011	9,339
2012	5,059
Thereafter	2,984
	<u>\$ 62,386</u>

Note 7. Other Balance Sheet Items

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2008	December 31, 2007
	(In thousands)	
Prepaid expenses	\$ 33,259	\$ 25,344
Other current assets	126,944	137,697
Total prepaid expenses and other current assets	<u>\$160,203</u>	<u>\$ 163,041</u>

Other current assets primarily consist 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; non-trade receivables, which primarily consist of income tax receivables and value added tax receivables; and deferred tax assets.

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Property and Equipment, Net

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(In thousands)	
Land	\$ 133,746	\$ 222,750
Buildings	63,010	118,220
Computer equipment and software	514,512	738,549
Capital work in progress	80,399	69,298
Office equipment, furniture and fixtures	17,922	33,408
Leasehold improvements	48,248	47,510
Total cost	<u>857,837</u>	<u>1,229,735</u>
Less: accumulated depreciation and amortization	(421,866)	(607,818)
Total property and equipment, net	<u>\$ 435,971</u>	<u>\$ 621,917</u>

During the second quarter of 2008, the Company sold certain property and equipment in its Mountain View, California location for net cash proceeds 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. 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 is a more appropriate categorization of these assets. The amounts presented at December 31, 2007, are reclassified accordingly.

Other Assets

Other assets consist of the following:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(In thousands)	
Long-term deferred tax assets	\$244,956	\$ 230,695
Long-term note receivable	8,857	15,000
Long-term investments	5,985	6,385
Debt issuance costs	27,765	28,411
Security deposits and other	13,413	10,156
Total other assets	<u>\$300,976</u>	<u>\$ 290,647</u>

Long-term note receivable as of June 30, 2008, included a working capital loan provided under a promissory note to the joint ventures described in Note 3, "Joint Ventures." The promissory note bears an interest rate of 6% per annum and is receivable in December 2011. The promissory note may be optionally prepaid by the borrower at any time before maturity. Debt issuance costs represent costs incurred upon the issuance of the convertible debentures and credit facility which are being amortized over their respective terms.

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Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30, 2008	December 31, 2007
	(In thousands)	
Accounts payable	\$ 9,308	\$ 9,075
Accrued employee compensation	113,424	136,891
Customer deposits	89,526	115,014
Taxes payable and other tax liabilities	23,127	25,847
Other accrued liabilities	82,725	111,297
Total accounts payable and accrued liabilities	<u>\$ 318,110</u>	<u>\$ 398,124</u>

Note 8. Comprehensive (Loss) Income

Comprehensive (loss) income consists of net (loss) income adjusted for unrealized gains and losses on marketable securities classified as available-for-sale and foreign currency translation adjustments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Net (loss) income	\$(68,043)	\$(4,717)	\$(74,147)	\$57,036
Change in unrealized (loss) gain on investments, net of tax	(512)	1,237	(315)	2,882
Foreign currency translation adjustments	(7,366)	(3,090)	9,116	(1,471)
Comprehensive (loss) income	<u>\$(75,921)</u>	<u>\$(6,570)</u>	<u>\$(65,346)</u>	<u>\$58,447</u>

Note 9. Credit Facility

VeriSign has 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. During the first quarter of 2008, the Company borrowed \$200.0 million and repaid \$60.0 million under the Facility. During the second quarter of 2008, the Company repaid the previously outstanding loan balance of \$140.0 million under the Facility. As of June 30, 2008, the Company did not have any outstanding borrowings under the Facility and the Company had utilized \$1.4 million for outstanding letters of credit. The Company's Credit Agreement contains negative covenants that limit 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. As of June 30, 2008, the Company was in compliance with all covenants under the Facility.

Note 10. 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 income per share gives effect to dilutive potential common equivalent 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(In thousands, except per share data)				
(Loss) income:				
(Loss) income from continuing operations	\$ (68,608)	\$ (15,103)	\$ (58,955)	\$ 36,412
Discontinued operations, net of tax	565	10,386	(15,192)	20,624
Net (loss) income .	<u>\$ (68,043)</u>	<u>\$ (4,717)</u>	<u>\$ (74,147)</u>	<u>\$ 57,036</u>
Weighted-average shares:				
Weighted-average common shares outstanding	195,515	243,846	201,032	243,849
Weighted-average potential common shares outstanding:				
Stock options .	—	—	—	1,884
Unvested restricted stock awards	—	—	—	218
Employee stock purchase plans and other .	—	—	—	151
Shares used to compute diluted net (loss) income per share	<u>195,515</u>	<u>243,846</u>	<u>201,032</u>	<u>246,102</u>
(Loss) income per share:				
Basic:				
Continuing operations.	\$ (0.35)	\$ (0.06)	\$ (0.29)	\$ 0.15
Discontinued operations.	—	0.04	(0.08)	0.08
Net (loss) income .	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>	<u>\$ (0.37)</u>	<u>\$ 0.23</u>
Diluted:				
Continuing operations	\$ (0.35)	\$ (0.06)	\$ (0.29)	\$ 0.15
Discontinued operations	—	0.04	(0.08)	0.08
Net (loss) income .	<u>\$ (0.35)</u>	<u>\$ (0.02)</u>	<u>\$ (0.37)</u>	<u>\$ 0.23</u>

Weighted-average potential common shares do not include stock options with an exercise price that exceeded the average fair market value of VeriSign's common stock for the periods presented. The following table sets forth the weighted-average potential common 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
(In thousands, except per share data)				
Weighted-average stock options outstanding (1)	11,635	32,000	12,876	16,714
Weighted-average exercise price	\$ 25.59	\$ 27.14	\$ 25.19	\$ 41.97
Weighted-average restricted stock awards outstanding (1)	4,357	2,475	4,566	66
Weighted-average conversion spread related to convertible debentures (1)	3,053	—	1,655	—

(1) As the Company recognized a net loss for the three months ended June 30, 2008 and 2007 and six months ended June 30, 2008, all potential common shares were excluded as they were anti-dilutive.

Note 11. Repurchase of Common Stock

On January 31, 2008, the Board of Directors of VeriSign authorized a stock repurchase program ("2008 Stock Repurchase Program") having an aggregate purchase price of up to \$600.0 million of its common stock.

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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 agreement. The average price per share paid by the Company on the ASR agreement was \$36.33.

In 2006, the Board of Directors authorized a stock repurchase program (“2006 Stock Repurchase Program”) with no expiration date to repurchase up to \$1.0 billion of its common stock. During the second quarter of 2008, the Company did not repurchase any shares under the 2006 Stock Repurchase Program. During the first quarter of 2008, the Company repurchased approximately 15.9 million shares of its common stock for an aggregate cost of \$544.7 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 of \$120.0 million pursuant to a stock repurchase agreement with a financial institution under the 2006 Stock Repurchase Program. As of August 8, 2008, approximately \$320.0 million is available under the 2006 Stock Repurchase Program.

Note 12. Segment Information

Description of segments

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 operating segments: ISG and CSG. As of June 30, 2008, the Company’s business consists of the following reportable segments: 3IS, and Other Services. The 3IS segment is comprised of Naming Services, SSL Certificate Services, IAS and VeriSign Japan. The Naming Services business is the authoritative directory provider of all .com, .net, .cc, and .tv domain names. 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. IAS includes Managed public key infrastructure (“PKI”) services, Unified Authentication services, and VeriSign Identity Protection services. VeriSign Japan is a majority-owned subsidiary and its operations primarily consist of resale of SSL Certificate Services and IAS.

The Other Services segment consists of the continuing operations of non-core businesses and legacy products and services. The non-core businesses that the Company plans to divest or wind down primarily include billing and payment services, digital content services and messaging services.

The segments were determined based on how the chief operating decision maker (“CODM”) views and evaluates VeriSign’s operations. VeriSign’s Chief Executive Officer has been identified as the CODM. 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:

	<u>Internet Infrastructure and Identity Services</u>	<u>Other Services</u>	<u>Total Segments</u>
	(In thousands)		
Three months ended June 30, 2008:			
Revenues	\$ 232,963	\$ 70,277	\$ 303,240
Cost of revenues	<u>36,734</u>	<u>34,966</u>	<u>71,700</u>
	<u>\$ 196,229</u>	<u>\$ 35,311</u>	<u>\$ 231,540</u>

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	<u>Internet Infrastructure and Identity Services</u>	<u>Other Services</u> (In thousands)	<u>Total Segments</u>
Three months ended June 30, 2007:			
Revenues	\$ 193,260	\$ 65,728	\$ 258,988
Cost of revenues	27,971	32,802	60,773
	<u>\$ 165,289</u>	<u>\$ 32,926</u>	<u>\$ 198,215</u>
Six months ended June 30, 2008:			
Revenues	\$ 456,048	\$ 143,825	\$ 599,873
Cost of revenues	74,535	72,666	147,201
	<u>\$ 381,513</u>	<u>\$ 71,159</u>	<u>\$ 452,672</u>
Six months ended June 30, 2007:			
Revenues	\$ 374,163	\$ 154,721	\$ 528,884
Cost of revenues	53,255	75,475	128,730
	<u>\$ 320,908</u>	<u>\$ 79,246</u>	<u>\$ 400,154</u>

A reconciliation of the totals reported for the reportable segments to the applicable line items in the Condensed Consolidated Statements of Operations is as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In thousands)			
Total revenues from reportable segments	\$ 303,240	\$ 258,988	\$ 599,873	\$ 528,884
Total cost of revenues from reportable segments	71,700	60,773	147,201	128,730
Unallocated operating expenses (1)	299,453	221,450	500,396	448,411
Operating loss	(67,913)	(23,235)	(47,724)	(48,257)
Other (loss) income, net	(5,171)	11,934	(7,743)	93,214
(Loss) income from continuing operations before income taxes, earnings (loss) from unconsolidated entities and minority interest	<u>\$ (73,084)</u>	<u>\$ (11,301)</u>	<u>\$ (55,467)</u>	<u>\$ 44,957</u>

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

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Geographic Revenues

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
United States	\$ 218,067	\$ 201,708	\$ 434,826	\$ 417,236
Switzerland	52,203	26,048	97,803	29,883
Japan	20,512	18,044	39,563	34,241
Other	12,458	13,188	27,681	47,524
Total revenues	<u>\$ 303,240</u>	<u>\$ 258,988</u>	<u>\$ 599,873</u>	<u>\$ 528,884</u>

VeriSign operates in North America, Europe, Japan, Australia, Latin America, South Africa and India. 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:

	June 30,	December 31,
	2008	2007
	(In thousands)	
Americas:		
United States	\$408,987	\$ 592,554
CALA (1)	232	1,130
Total Americas	409,219	593,684
EMEA (2)	8,734	10,005
APAC (3)	18,018	18,228
Total property and equipment, net	<u>\$435,971</u>	<u>\$ 621,917</u>

(1) Canada and Latin America ("CALA")

(2) Europe, the Middle East and Africa ("EMEA")

(3) Australia, Japan and Asia Pacific ("APAC")

Note 13. Other (Loss) Income, Net

The following table presents the components of other (loss) income, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Interest income	\$ 2,792	\$ 8,456	\$ 11,137	\$17,178
Interest expense	(10,425)	(354)	(20,300)	(2,583)
Net gain on sale and impairment of investments	203	56	258	885
Net gain on divestiture of businesses	2,127	—	1,001	74,999
Unrealized gain on joint venture call options	—	3,755	—	3,755
Unrealized gain on contingent interest derivative on convertible debentures	246	—	2,084	—
Income from transition services agreements	1,366	—	1,366	—
Other, net	(1,480)	21	(3,289)	(1,020)
Total other (loss) income, net	<u>\$ (5,171)</u>	<u>\$11,934</u>	<u>\$ (7,743)</u>	<u>\$93,214</u>

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Interest income is earned principally from the investment of VeriSign's surplus cash balances. Interest expense is derived principally from interest on VeriSign's short-term debt and convertible debentures. Income from transition services agreements includes income 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 14. Income Taxes

For the three and six months ended June 30, 2008, the Company recorded an income tax benefit for continuing operations of \$4.3 million and an income tax expense for continuing operations of \$1.0 million, respectively. For the three and six months ended June 30, 2007, the Company recorded income tax expenses for continuing operations of \$5.6 million and \$10.3 million, respectively. The decrease in income tax expense was primarily attributable to the decrease in income from continuing operations before income taxes.

The Company applies a valuation allowance to certain deferred tax assets which management does not believe that it is more likely than not that they will be realized. These deferred assets consist primarily of investments with differing book and tax bases, capital loss carryforwards, and net operating losses related to certain foreign operations.

As of June 30, 2008, the Company had an unrecognized tax benefit for income taxes associated with uncertain tax positions of \$41.4 million. If the liabilities associated with these uncertain tax positions are recognized in the future, the entire amount of unrecognized tax benefits would affect the effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. At June 30, 2008, the Company had \$11.0 million of accrued interest and penalties relating to uncertain tax positions. For the three months ended June 30, 2008, and June 30, 2007, the Company expensed \$0.5 million and \$0.7 million, respectively, for interest and penalties related to income tax liabilities through income tax expense.

The Company is currently under examination by the Internal Revenue Service ("IRS") and 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 may utilize net operating losses and other tax attributes to offset its taxable income in years subsequent to their origination, 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 statutes of limitations for these jurisdictions are generally 5 years.

Note 15. Fair Value of Financial Instruments

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "*The Fair Value Option for Financial Assets or Financial Liabilities*," which provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Company has not elected to report its financial instruments at fair value, other than those already recognized and reported at fair value.

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. On February 12, 2008, the FASB issued 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

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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.

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, 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:

	June 30, 2008			Total
	Level 1	Level 2	Level 3	
(In thousands)				
Assets:				
Investments in money market funds	\$ 486,086	\$ —	\$ —	\$ 486,086
Equity investments	548	—	—	548
Total	<u>\$ 486,634</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 486,634</u>
Liabilities:				
Foreign currency forward contracts	\$ —	\$ 1,357	\$ —	\$ 1,357
Contingent interest derivative on convertible debentures	—	—	12,080	12,080
Total	<u>\$ —</u>	<u>\$ 1,357</u>	<u>\$ 12,080</u>	<u>\$ 13,437</u>

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

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 Prepaid expenses and other current assets. The Company recorded unrealized losses of \$1.4 million and \$0.7 million for the six months ended June 30, 2008, and June 30, 2007, respectively, in Other (loss) income, net, 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 Short-term investments.

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The following table summarizes the change in the fair value of the Company's Level 3 contingent interest derivative on convertible debentures:

	Six Months Ended June 30, 2008 (In thousands)
Balance at December 31, 2007	\$ 14,164
Unrealized gain (1)	(2,084)
Balance at June 30, 2008	<u>\$ 12,080</u>

(1) The unrealized gain is included in Other (loss) income, net.

The Company's junior subordinated 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.

Note 16. Commitments and Contingencies

Lease Commitments

On June 19, 2008, the Company entered into a lease agreement with the purchaser of its Mountain View property. Under the terms of the lease agreement, the Company 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. The Company's lease obligations under the initial term will be approximately \$3.1 million, \$5.6 million and \$5.4 million in 2008, 2009 and 2010, respectively

Legal Proceedings

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the United States District Court for the District of Arizona asserting infringement of 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 United States Court of Appeals for the Federal Circuit docketed the appeal. Oral argument took place on July 10, 2008. While the Company cannot predict the outcome of this lawsuit, it believes that the allegations are without merit.

On February 14, 2005, Southeast Texas Medical Associates, LLP filed a putative class action lawsuit in the Superior Court of California, alleging violations of the unfair competition laws, breach of express warranty and unjust enrichment relating to VeriSign's Secure Site Pro SSL certificates. The complaint is brought on behalf of a class of persons who purchased the Secure Site Pro SSL certificate from February 2001 to present. On April 17, 2006, the class was certified and class notice was issued on May 21, 2007. VeriSign disputes these claims. In March 2008, the parties entered into a settlement agreement to resolve this matter. The settlement became final on July 15, 2008.

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On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the United States 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 United States 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 United States Court of Appeals for the Federal Circuit affirmed the district court's claim construction ruling and dismissal in VeriSign's favor.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in United States District Court for the Northern District of California (Port Authority v. Bidzos, et al., and VeriSign), and one in state court (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. 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 wherein the Company was again named 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 state court 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 are scheduled for hearing in August 2008.

On November 7, 2006, a judgment was entered against VeriSign by an Italian trial court in the matter of Penco v. VeriSign, Inc. for Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. 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.

On November 30, 2006, Freedom Wireless, Inc. filed a complaint against VeriSign and other defendants alleging that VeriSign infringes certain patents by making, using, selling or supplying products, methods or services relating to supplying prepaid wireless telephone services to telecommunications companies. VeriSign filed an answer to the complaint on January 25, 2007. The lawsuit was filed in the United States District Court for the Eastern District of Texas. On May 16, 2008, the parties entered into a confidential settlement agreement. The claims against VeriSign have been dismissed.

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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, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show “Deal or No Deal” to incur premium text message charges in order to participate in an interactive television promotion called “Lucky Case Game.” The lawsuit is pending in the United States District Court for the Central District of California, Western Division. 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, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show “The Apprentice” to incur premium text message charges in order to participate in an interactive television promotion called “Get Rich With Trump.” Both *Herbert* and *Bentley* are currently pending in the United States Court of Appeals for the Ninth Circuit awaiting resolution of defendants’ petition for interlocutory appeal of the District Court’s denial of a motion to dismiss. 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 June 7, 2007, plaintiffs Michael and Michele Hardin, on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc. and other defendants in the United States District Court for the Northern District of Georgia alleging that defendants collectively operate various “gambling games” in violation of Georgia state law. Plaintiffs allege that interactive television promotions contained in various broadcasts, including NBC’s “Deal or No Deal,” wrongly permit participants to incur premium text message charges in order to participate in the promotions to win a prize. The Hardin lawsuit was dismissed on April 28, 2008 following a favorable ruling by the Georgia Supreme Court on a matter of law certified to the Supreme Court by the United States District Court.

On October 9, 2007, the Associated Press filed a complaint in the United States District Court for the Southern District of New York against Moreover Technologies, Inc. and VeriSign, Inc. for copyright and trademark infringement and other claims arising from the Real Time Publishing business. The complaint seeks unspecified compensatory, punitive and treble damages and a permanent injunction. While the Company cannot predict the outcome of this matter, it intends to vigorously defend against the claims.

On April 30, 2008, Prism Technologies LLC filed a complaint against VeriSign in the United States District Court for the District of Nebraska alleging that VeriSign’s manufacture, sale and use of “security certificates” infringes a United States patent. While the Company cannot predict the outcome of this matter, it intends to vigorously defend against the claims.

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.

Note 17. Subsequent Events

The ASR agreement described in Note 11, “Repurchase of Common Stock,” 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 agreement. The average price per share paid by the Company on the ASR agreement was \$36.33.

In July 2008, the Company also repurchased approximately 3.5 million shares of its 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 July 2008, the Company invested an additional amount of \$15.7 million pursuant to capital calls approved by the board of managers of the joint ventures with Fox, 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 joint ventures. As of June 30, 2008, the Company does not have any further commitments for additional investments in the joint ventures.

On August 5, 2008, the Company’s Board of Directors authorized additional stock repurchases having an aggregate purchase price of up to \$680.0 million of the Company’s common stock under the 2008 Stock Repurchase Program.

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

You should read the following discussion in conjunction with the interim unaudited Condensed Consolidated Financial Statements and related notes.

Except for historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A. You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2008 and our 2007 Form 10-K, which was filed on February 29, 2008, which discuss our business in greater detail. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We operate intelligent infrastructure services that enable and protect billions of interactions every day across the world's voice and data networks and provide enterprises, governmental entities, and individuals with highly scaleable, reliable and secure Internet infrastructure and identity services.

Our business consists of the following reportable segments: Internet Infrastructure and Identity Services ("3IS"), and Other Services. Our 3IS segment, comprising the retained core businesses from our former ISG segment, consists of our Naming Services, Secure Socket Layer ("SSL") Certificate Services, Identity and Authentication Services ("IAS") businesses and VeriSign Japan.

The Naming Services business is the exclusive registry of all .com, .net, .cc and .tv domain names and maintains a shared registration system that allows registrars to enter new names in the master directory and to submit modifications, transfers, re-registrations and deletions for their domain names. The SSL Certificate Services business enables our online customers, such as enterprises or Internet merchants, to authenticate themselves to their end users and encrypt Internet communications through use of public key infrastructure ("PKI") and SSL protocol. The IAS business includes managed PKI services, unified authentication services, and identity protection services, all of which provide services 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 resale of SSL Certificate Services and IAS.

The Other Services segment consists of the continuing operations of non-core businesses as well as legacy products and services. The businesses included in the Other Services segment provide various managed solutions to fixed line, broadband, mobile operators and enterprise customers through our integrated content and commerce platforms.

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 Communications Services Group ("CSG"), and all business lines in our former Internet Services Group ("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. The

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continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions. 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; and the potential damage to relationships with our existing customers. 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.

Our Core Businesses

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

Naming Services

As of June 30, 2008, we had approximately 87.3 million domain names registered under the *.com* and *.net* 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 United States and Europe, growth on an annual percentage basis is expected to be greatest in markets 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 June 30, 2008, we had an installed base of SSL certificates of approximately 1.1 million. 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 United States where e-commerce has the largest growth potential.

IAS

As with our SSL Certificate Services business, the major factors impacting the growth and performance of our IAS 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 growth in our business, in particular from our VeriSign Identity Protection (“VIP”) and One Time Password (“OTP”) programs which we expect will account for a greater percentage of our product mix over time.

Business Highlights and Trends—Three and six months ended June 30, 2008

Our 3IS segment recorded revenues of \$233.0 million and \$456.0 million during the three and six months ended June 30, 2008, respectively, experiencing an increase of 21% and 22%, respectively, from the same periods last year. For the three and six months ended June 30, 2008, domestically and internationally, we experienced revenue growth in all of the business lines in the 3IS segment, with the largest growth coming from our Naming services business. Our increased revenues are primarily related to the continued expansion of e-commerce which has, in turn, resulted in an increase in active domain names ending in *.com* and *.net*, an increase in the installed base of SSL certificates and an increase in demand for our identity and authentication services.

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Our Other Services segment recorded revenues of \$70.3 million and \$143.8 million during the three and six months ended June 30, 2008, respectively, experiencing an increase of 7% and a decrease of 7%, respectively, from the same periods last year. We expect revenues for our Other Services segment to decrease in absolute dollars as we divest or wind down non-core businesses.

We recorded a net loss of \$68.0 million and \$74.1 million during the three and six months ended June 30, 2008, respectively, as compared to a net loss of \$4.7 million and a net income of \$57.0 million during the three and six months ended June 30, 2007, respectively. Our net loss during the three and six months ended June 30, 2008, is primarily a result of an impairment charge of goodwill of \$45.8 million related to our Post-pay business and estimated losses on assets held for sale of \$45.9 million during the second quarter of 2008.

On June 19, 2008, we sold certain land and buildings located in Mountain View, California for net cash proceeds of \$47.6 million. At the time of closing, we entered into a separate lease agreement with the purchaser of the Mountain View property. We leased the property from the purchaser for an initial term of 30 months, expiring 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 initial term are \$14.1 million. As a result of the sale, we recorded a loss of approximately \$79.1 million.

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 for net cash proceeds of \$50.4 million and recorded a gain on sale of \$30.5 million. The net cash proceeds include \$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 our second quarter of fiscal 2009. The DBMS business was part of our former ISG segment. 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 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 proceeds of \$1.0 million and recorded a gain on sale of \$1.4 million. We have 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 CDN business was part of our former CSG segment.

On March 31, 2008, we sold our Self-Care and Analytics (“SC&A”) business unit, which provided online analysis applications for mobile communications customers and online customer self-service with a single view of billing across multiple systems, for net cash proceeds of \$14.2 million and recorded a gain on sale of \$0.5 million. The SC&A business was part of our former CSG segment. The historical results of operations of the SC&A business have been classified as discontinued operations for all periods presented.

Our 2008 Restructuring Plan, was announced in late 2007 to complement our divestiture plan. We recorded \$45.2 million in restructuring charges related to the 2008 Restructuring Plan as of June 30, 2008, of which expenses related to severance and benefit costs for terminated employees, inclusive of amounts for discontinued operations, totaled \$43.6 million. Since announcing the 2008 Restructuring Plan, we have reduced our headcount in businesses targeted for divestiture, either through sale of businesses, employee terminations or voluntary resignations.

Recent Accounting Pronouncements

Recent accounting pronouncements are detailed in Note 1, “Basis of Presentation,” of the Notes to Condensed Consolidated Financial Statements.

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Subsequent Events

The ASR agreement described in Note 11, "Repurchase of Common Stock," of the Notes to Condensed Consolidated Financial Statements, 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 by us on the ASR agreement was \$36.33.

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 July 2008, we invested an additional amount of \$15.7 million pursuant to capital calls approved by the board of managers of the joint ventures with Fox, 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 joint ventures. We do not have further commitments for any additional investments in the joint ventures.

On August 5, 2008, our Board of Directors authorized additional stock repurchases having an aggregate purchase price of up to \$680.0 million of our common stock under the 2008 Stock Repurchase Program.

Results of Operations

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues	100%	100%	100%	100%
Costs and expenses				
Cost of revenues	28	32	30	32
Sales and marketing	17	24	18	26
Research and development	11	12	11	14
General and administrative	19	29	20	23
Restructuring, impairments and other charges, net	45	6	27	7
Amortization of other intangible assets	2	6	2	7
Total costs and expenses	122	109	108	109
Operating loss	(22)	(9)	(8)	(9)
Other (loss) income, net	(2)	5	(1)	18
(Loss) income from continuing operations before income taxes, earnings (loss) from unconsolidated entities and minority interest	(24)	(4)	(9)	9
Income tax benefit (expense)	2	(2)	—	(2)
Earnings (loss) from unconsolidated entities, net of tax	—	—	—	—
Minority interest, net of tax	—	—	—	—
(Loss) income from continuing operations	(22)	(6)	(9)	7
Discontinued operations, net of tax	—	4	(3)	4
Net (loss) income	(22%)	(2%)	(12%)	11%

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Revenues

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

	Three Months Ended June 30,		% Change
	2008	2007	
(Dollars in thousands)			
Internet Infrastructure and Identity Services	\$232,963	\$193,260	21%
Other Services	70,277	65,728	7%
Total revenues	<u>\$303,240</u>	<u>\$258,988</u>	17%

	Six Months Ended June 30,		% Change
	2008	2007	
(Dollars in thousands)			
Internet Infrastructure and Identity Services	\$456,048	\$374,163	22%
Other Services	143,825	154,721	(7%)
Total revenues	<u>\$599,873</u>	<u>\$528,884</u>	13%

The changes in revenues during the three and six months ended June 30, 2008, are described in the segment discussions that follow.

Internet Infrastructure and Identity Services

3IS segment revenues increased \$39.7 million and \$81.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year.

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 as of June 30, 2008 and 2007:

	June 30,		% Change
	2008	2007	
Active domain names ending in <i>.com</i> and <i>.net</i>	87.3 million	73.0 million	20%
Installed base of SSL certificates	1,056,000	923,000	14%

Naming Services

Revenues in our Naming Services business are derived from registrations for domain names in the *.com*, *.net*, *.tv*, and *.cc* domain name registries. We receive a fixed fee per domain name registered with the *.com* and *.net* registries, at a fee per annual registration that is fixed pursuant to our agreements with the Internet Corporation for Assigned Names and Numbers ("ICANN"). Changes in revenues are driven largely by increases in the number of new domain name registrations and the renewal rate for existing registrations.

Our Naming Services revenues increased \$26.0 million and \$50.4 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a 20% year-over-year increase in active domain names ending in *.com* and *.net* and partly due to an increase in *.com* and *.net* domain name registry fees which became effective during October 2007.

Our *.com* and *.net* domain name registry fees will increase further by 7% and 10%, respectively, which are expected to become effective on October 1, 2008.

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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, level of encryption and rigor of authentication; (ii) the number of servers authenticated, and (iii) the duration of the certification. We issue SSL certificates for one, two and three years and the majority of our customers tend to commit to shorter certifications. We have historically experienced strong renewal rates. We have not increased prices for our SSL certificates during the first six months ended June 30, 2008.

Our SSL Certificate Services revenues increased \$11.6 million and \$24.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a 14% year-over-year increase in the installed base of SSL certificates.

IAS

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. 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. Over time, we expect the VIP and OTP programs will account for a larger percentage of our product mix over time. We anticipate that due to consistent growth, our managed PKI service could remain a significant presence in our product mix.

Our IAS revenues increased \$1.4 million and \$5.6 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to increased demand for our enterprise authentication and identity protection services.

Other Services

Other Services segment revenues increased \$4.5 million and decreased \$10.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The decrease during the six months ended June 30, 2008, as compared to the same period last year, was primarily due to a decrease of \$28.9 million from our legacy businesses which includes the divested majority ownership interest in our Jamba subsidiary, our CDN business and other smaller historical businesses. Our mobile content and messaging services revenues increased \$5.1 million and \$13.1 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year primarily due to an increase in volume in our inter-carrier Multi-Media Messaging Services ("MMS") and Short Send Messaging Services ("SMS"). Our payment services revenues increased \$2.5 million and \$4.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to an increase in revenues from our advanced billing and customer care services to wireless carriers.

We expect revenues for our Other Services segment to decrease in absolute dollars as we divest or wind down certain non-core businesses in 2008. Upon classification as discontinued operations, the revenues of the non-core business will be reclassified from Other Services to discontinued operations.

Within the Other Services segment, our divestiture plan has led some of our customers to delay entering into arrangements with us until they are able to obtain greater clarity concerning the composition and direction the divested businesses will take following the completion of the divestiture plan. We anticipate having greater clarity as to the trends impacting these businesses as the divestiture plan progresses.

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Geographic Revenues

A comparison of our geographic revenues is presented below:

	Three Months Ended		% Change
	June 30,		
	2008	2007	
	(In thousands)		
United States	\$218,067	\$201,708	8%
Switzerland	52,203	26,048	100%
Japan	20,512	18,044	14%
Other	12,458	13,188	(6%)
Total revenues	\$303,240	\$258,988	17%

	Six Months Ended		% Change
	June 30,		
	2008	2007	
	(In thousands)		
United States	\$434,826	\$417,236	4%
Switzerland	97,803	29,883	227%
Japan	39,563	34,241	16%
Other	27,681	47,524	(42%)
Total revenues	\$599,873	\$528,884	13%

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

Revenues in Switzerland increased \$26.2 million and \$67.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, 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 United States and Japan. Revenues in the United States increased \$16.4 million and \$17.6 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to continued growth in our Naming Services and SSL Certificate Services businesses. Revenues in Japan increased \$2.5 million and \$5.3 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to increases in demand from our SSL Certificate Services and IAS. Revenues from our Other regions decreased \$0.7 million and \$19.8 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The decrease during the six months ended June 30, 2008, was primarily due to the divestiture of our majority ownership interest in our Jamba subsidiary in the first quarter of 2007.

Mature markets, such as the United States and Western Europe, where broadband and e-commerce have seen strong market penetration, may be expected to see consistent incremental growth reflecting the maturity of these markets. We expect to see larger increases in revenues from other EMEA and APAC countries 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.

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Cost of revenues

Cost of revenues consist primarily of content licensing costs, costs related to providing digital certificate enrollment and issuance services, billing services, operational costs for the domain name registration business, customer support and training, consulting and development services, labor costs to provide security and costs of facilities and computer equipment used in these activities.

A comparison of cost of revenues is presented below:

	Three Months Ended			Six Months Ended		
	June 30,		% Change	June 30,		% Change
	2008	2007		2008	2007	
Cost of revenues	\$ 86,033	\$ 82,675	4%	\$ 177,620	\$ 169,561	5%

Cost of revenues increased \$3.4 million and \$8.1 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. Salary and employee benefits expenses, which include stock-based compensation expenses, increased \$5.8 million and \$13.1 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The increase is primarily due to an increase in the issuances of restricted stock to employees and greater participation pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages beginning in the latter half of 2007. The increase in salary and employee benefits expenses is partially offset by a decrease in headcount related to the 2008 restructuring plan to divest or wind down our non-core businesses. Depreciation expense increased \$2.5 million and \$4.9 million during the three months and six months ended June 30, 2008, respectively, as compared to the same periods last year, due to an increase in capitalized projects placed into service during the latter half of 2007. Contract and professional service expenses decreased \$2.3 million and \$2.9 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a reduction in spending on consulting services as a result of management's realignment initiatives relating to the 2008 restructuring plan. Telecommunication expenses increased \$0.7 million and \$3.1 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to increased spending on capacity for global constellation sites that support our .com and .net registries. Direct cost of revenues decreased \$2.6 million during the three months ended June 30, 2008, as compared to the same period last year, primarily due to lower costs incurred for our registry fees and lower consumer authentication costs. Direct cost of revenues decreased \$10.2 million during the six months ended June 30, 2008, as compared to the same period last year, primarily due to the divestiture of our majority ownership interest in Jamba during the first quarter of 2007, partially offset by the increases during the second quarter of 2008.

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 and costs of marketing programs, such as the Internet, television, radio, print and direct mail advertising costs.

A comparison of sales and marketing expenses is presented below:

	Three Months Ended			Six Months Ended		
	June 30,		% Change	June 30,		% Change
	2008	2007		2008	2007	
Sales and marketing	\$ 51,993	\$ 62,545	(17%)	\$ 109,581	\$ 139,732	(22%)

Sales and marketing expenses decreased \$10.6 million and \$30.2 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. Salary and employee benefit

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expenses, which include stock-based compensation expenses, decreased \$8.4 million and \$18.3 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The decrease is primarily due to lower headcount resulting from the 2007 and 2008 restructuring plan activities. Advertising and marketing expenses increased \$1.2 million and decreased \$5.6 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The increase in advertising and marketing expenses during the second quarter of 2008, as compared to the same period last year, was primarily due to efforts to increase the market penetration of our Naming Services and SSL Certificate Services businesses. The decrease in advertising and marketing expenses during the six months ended June 30, 2008, as compared to the same period last year, was primarily due to a reduction in spending in our Content Services business as a result of the divestiture of our majority ownership interest in Jamba during the first quarter of 2007. Travel expenses decreased \$1.5 million and \$2.5 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to reduced travel that resulted from lower headcount. Allocated overhead expenses decreased \$1.1 million and \$2.0 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a reduction in headcount in the sales and marketing function, year-over-year.

Research and development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees and the costs of facilities, computer and communications equipment and support services used in service and technology development.

A comparison of research and development expenses is presented below:

	Three Months Ended		% Change	Six Months Ended		% Change
	June 30,			June 30,		
	2008	2007		2008	2007	
	(Dollars in thousands)			(Dollars in thousands)		
Research and development	\$ 32,891	\$ 31,868	3%	\$ 68,752	\$ 71,937	(4%)

Research and development expenses increased \$1.0 million and decreased \$3.2 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. Salary and employee benefits expenses, which include stock-based compensation expenses, increased \$1.5 million and \$3.4 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to merit pay increases in the first half of 2008, partially offset by a decrease in headcount as a result of workforce reduction and redeployment initiated by the 2007 and 2008 restructuring plans. The increase is also in part due to an increase in the issuances of restricted stock to employees and greater participation pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages beginning in the latter half of 2007. Depreciation expenses increased \$1.4 million and \$2.7 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to an increase in capitalized projects placed into service during the latter half of 2007. Contract and professional services expenses decreased \$2.2 million and \$8.3 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily driven by decreased deployment of external consultants resulting from the 2008 restructuring plan initiatives during the first six months of fiscal 2008. Allocated overhead expenses decreased \$0.3 million and \$1.4 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a reduction in headcount in the research and development function, year-over-year.

General and administrative

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

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A comparison of general and administrative expenses is presented below:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2008	2007		2008	2007	
	(Dollars in thousands)			(Dollars in thousands)		
General and administrative	\$ 57,783	\$ 74,355	(22%)	\$ 120,380	\$ 122,846	(2%)

General and administrative expenses decreased \$16.6 million and \$2.5 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. Salary and employee benefits expenses, which include stock-based compensation expenses, decreased \$12.8 million and \$8.6 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The decrease was primarily due to stock-based compensation and severance charges related to a former chief executive officer in the second quarter of 2007. The decrease was partially offset by an increase in the issuances of restricted stock to employees and greater participation pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages beginning in the latter half of 2007, and \$4.9 million of stock-based compensation expenses related to the acceleration of vesting of stock-based awards for our former chief executive officer in the second quarter of 2008. Legal expenses decreased \$5.9 million and increased \$2.2 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. The decrease in legal expenses during the second quarter of 2008, as compared to the same period last year, was primarily due to releases in the second quarter of 2008 of previously accrued estimated litigation costs as a result of negotiated settlements. The increase in legal expenses for the six months ended June 30, 2008, as compared to the same period last year, was primarily due to increased litigation expense and legal consulting fees related to the 2008 restructuring plan to divest or wind down our non-core businesses. Allocated overhead expenses increased \$1.4 million and \$2.8 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year primarily due to proportionately higher headcount in the general and administrative function.

Restructuring, impairments and other charges, net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
2008 restructuring plan charges	\$ 11,982	\$ —	\$ 31,780	\$ —
2007 restructuring plan charges	98	3,162	369	25,195
2003 and 2002 restructuring plan charges	16	48	60	142
Total restructuring charges for continuing operations	12,096	3,210	32,209	25,337
Impairments and other charges for continuing operations	124,862	11,109	124,862	13,097
Total restructuring, impairments and other charges, net, for continuing operations	136,958	14,319	157,071	38,434
Total restructuring, impairments and other charges, net, for discontinued operations	53,022	860	84,885	3,757
Total restructuring, impairments and other charges, net	<u>\$ 189,980</u>	<u>\$ 15,179</u>	<u>\$ 241,956</u>	<u>\$ 42,191</u>

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 restructuring plan includes workforce reductions, abandonment of excess facilities and other exit costs. As of June 30, 2008, we recorded \$45.2 million in restructuring charges, inclusive of amounts for discontinued operations, under our 2008 restructuring plan. See

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Note 5, “Restructuring, Impairments and Other Charges, Net,” of the Notes to Condensed Consolidated Financial Statements for further information on our restructuring plans.

Under our 2008 restructuring plan, through the second quarter of fiscal 2008, we notified certain employees of their termination and recognized total consolidated expense relating to severance and benefits costs of \$43.6 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 over the next several quarters, the timing of which will primarily depend upon the timing of notification of the employees leaving VeriSign as determined by local employment laws 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 new 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.

Impairments of goodwill, other intangible assets and assets held for sale

During the three and six months ended June 30, 2008, we recorded a charge of \$91.7 million and \$117.2 million, respectively, for impairment of goodwill, other intangible assets and assets held for sale. During the second quarter of 2008, we recorded a charge of \$45.8 million in continuing operations for an impairment of goodwill related to our Post-pay business. During the three and six months ended June 30, 2008, we recorded a charge of \$45.9 million and \$71.4 million, respectively, in discontinued operations, for impairment of assets held for sale.

Other charges

During the second quarter of 2008, we recorded a loss of \$79.1 million 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. During the three and six months ended June 30, 2007, we recorded a charge of \$6.2 million and \$8.5 million, respectively, for excess and obsolete property and equipment. Of the total consolidated other charges, \$0.2 million relates to discontinued operations for the six months ended June 30, 2007.

Amortization of other intangible assets

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Amortization of other intangible assets	\$ 5,495	\$ 16,461	\$14,193	\$34,631

Amortization of other intangible assets decreased approximately \$11.0 million and \$20.4 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year, primarily due to a \$62.6 million impairment charge for other intangible assets at December 31, 2007. Amortization expense also decreased due to certain other intangible assets becoming fully amortized during the latter half of 2007.

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Other (loss) income, net

Other (loss) income, net, consists primarily of interest earned on our cash, cash equivalents, and investments, interest expense related to our borrowings, gains and losses on the sale and impairment of equity investments, gains and losses on divestiture of businesses, realized and unrealized gains and losses on the contingent interest derivative on convertible debentures, income from transition services agreements, and the net effect of foreign currency gains and losses.

A comparison of other (loss) income, net, is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Interest income	\$ 2,792	\$ 8,456	\$ 11,137	\$ 17,178
Interest expense	(10,425)	(354)	(20,300)	(2,583)
Net gain on sale and impairment of investments	203	56	258	885
Net gain on divestiture of businesses	2,127	—	1,001	74,999
Unrealized gain on joint venture call options	—	3,755	—	3,755
Unrealized gain on contingent interest derivative on convertible debentures	246	—	2,084	—
Income from transition services agreements	1,366	—	1,366	—
Other, net	(1,480)	21	(3,289)	(1,020)
Total other (loss) income, net	<u>\$ (5,171)</u>	<u>\$ 11,934</u>	<u>\$ (7,743)</u>	<u>\$ 93,214</u>

Other (loss) income, net, decreased approximately \$17.1 million and \$101.0 million during the three and six months ended June 30, 2008, respectively, as compared to the same periods last year. Interest income during the three and six months ended June 30, 2008, decreased primarily due to lower average invested balances, resulting from stock repurchase activity during the third quarter of 2007 and the first quarter of 2008 partially offset by cash proceeds received from convertible debentures during the third quarter of 2007, as well as lower average interest rates compared to the same periods last year. Interest expense increased during the three and six months ended June 30, 2008, as compared to the same periods last year, primarily due to the additional interest expense related to our convertible debentures issued during the third quarter of 2007. We recorded a pre-tax gain of \$2.1 million on the sale of our CDN business during the second quarter of 2008. We recorded a \$0.2 million and \$2.1 million unrealized gain on the contingent interest derivative on convertible debentures during the three and six months ended June 30, 2008, respectively. Due to the fact that we are required to mark-to-market the fair value of the contingent interest derivative on convertible debentures at each reporting period, such revaluations could result in further gains or losses. We entered into certain transition services agreements with the purchasers of certain divested businesses. The income received from such agreements was \$1.4 million during the second quarter of 2008.

Income taxes

For the three and six months ended June 30, 2008, we recorded an income tax benefit for continuing operations of \$4.3 million and an income tax expense for continuing operations of \$1.0 million, respectively. For the three and six months ended June 30, 2007, we recorded income tax expenses for continuing operations of \$5.6 million and \$10.3 million, respectively. The decrease in income tax expense was primarily attributable to the decrease in income from continuing operations before income taxes.

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Earnings (loss) from unconsolidated entities, net of tax

Earnings (loss) from unconsolidated entities, net of tax, represent the net income recognized from the joint ventures entered into with Fox.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Earnings (loss) from unconsolidated entities, net of tax	\$ 1,172	\$ 1,748	\$(590)	\$2,196

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.

A comparison of minority interest is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Minority interest, net of tax	\$ (989)	\$ 82	\$(1,895)	\$(487)

Minority interest, net of tax, increased during the three and six months ended June 30, 2008, as compared to the same periods last year, primarily due to the increase in net income from our VeriSign Japan subsidiary. The increase is primarily due to an increase in SSL Certificate Services revenues.

Discontinued operations, net of tax

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. 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 our continuing operations and we no longer have the ability to influence the operating and/or financial policies of the disposal group.

As of June 30, 2008, businesses classified as held for sale and presented as discontinued operations included the following: Communications Services, Communications Consulting, and International Clearing (all previously part of our former CSG segment), and Enterprise Security Services (previously part of our former ISG segment). Businesses that were divested during the second quarter of 2008, and whose results of operations are reflected as discontinued operations include the DBMS business (previously part of our former ISG segment) and the SC&A business (previously part of our former CSG segment). We also sold our CDN business (previously part of our former CSG segment) during the second quarter of 2008. We retained an equity ownership in the CDN business and accounted for the investment 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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	(In thousands)			
Revenues	\$ 89,064	\$ 108,636	\$ 187,877	\$ 216,186
(Loss) income before income taxes	\$(38,782)	\$ 17,060	\$(59,299)	\$ 32,209
Income tax benefit (expense)	9,897	(6,674)	12,714	(11,585)
(Loss) income from discontinued operations	(28,885)	10,386	(46,585)	20,624
Gain on sale of discontinued operations, before income taxes	32,083	—	31,614	—
Income tax expense on sale of discontinued operations	(2,633)	—	(221)	—
Gain on sale of discontinued operations	29,450	—	31,393	—
Total discontinued operations, net of tax	\$ 565	\$ 10,386	\$ (15,192)	\$ 20,624

We incurred losses from discontinued operations for the three and six months ended June 30, 2008, primarily due to estimated losses on the assets held for sale. See Note 4, "Assets Held for Sale and Discontinued Operations," of the Notes to Condensed Consolidated Financial Statements for further information on our discontinued operations.

The continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions.

Liquidity and Capital Resources

	June 30,	December 31,
	2008	2007
	(In thousands)	
Cash and cash equivalents	\$ 621,017	\$ 1,376,722
Short-term investments	548	1,011
Subtotal	621,565	1,377,733
Restricted cash	47,209	46,936
Total	\$ 668,774	\$ 1,424,669

As of June 30, 2008, our principal source of liquidity was \$621.0 million of cash and cash equivalents consisting principally of money market funds.

On February 8, 2008, we entered into an 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.

In July 2008, we also 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. As of August 8, 2008, approximately \$320.0 million is available under the 2006 Stock Repurchase Program.

In July 2008, the Company invested an additional amount of \$15.7 million pursuant to capital calls approved by the board of managers of the joint ventures with Fox, 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 joint ventures.

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During the second quarter of 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 result of the sale of our Mountain View facilities, as described in Note 7, "Other Balance Sheet Items," of the Notes to Condensed Consolidated Financial Statements.

On June 19, 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 initial term will be approximately \$3.1 million, \$5.6 million and \$5.4 million in 2008, 2009 and 2010, respectively.

During the first quarter of 2008, we received \$200.0 million from draw-down of our credit facility and repaid \$60.0 million of the borrowed amount. During the second quarter of 2008, we repaid the entire outstanding balance of \$140.0 million under the credit facility.

In summary, our cash flows were as follows:

	Six Months Ended	
	June 30,	
	2008	2007
	(In thousands)	
Net cash provided by operating activities	\$ 243,781	\$ 155,032
Net cash provided by investing activities	53,061	219,367
Net cash used in financing activities	(1,056,564)	(198,911)
Effect of exchange rate changes on cash and cash equivalents	4,017	(984)
Net (decrease) increase in cash and cash equivalents	<u>\$ (755,705)</u>	<u>\$ 174,504</u>

Cash flows from 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.

Net cash provided by operating activities increased for the six months ended June 30, 2008, as compared to the same period last year, primarily due to non-cash items and changes in operating assets and liabilities. The non-cash items contributing to the increase primarily include an impairment charge for goodwill, estimated loss on assets held for sale, an increase in stock-based compensation expense resulting from an increase in the issuances of restricted stock to employees and greater participation pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages beginning in the latter half of 2007, loss from unconsolidated entities, net of tax, loss on sale of certain Mountain View property and equipment, and a decrease in amortization of other intangible assets primarily due to a \$62.6 million impairment charge at December 31, 2007. Amortization expense of other intangible assets also decreased due to certain other intangible assets becoming fully amortized during the latter half of 2007 and due to the divestiture of our majority ownership interest in Jamba in the first quarter of 2007. The non-cash items partially offsetting the increase include the decrease in gain on divestiture of businesses, and unrealized gain on the contingent interest derivative on convertible debentures. The changes in operating assets and liabilities was primarily due to changes in accounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities, and deferred revenues due to the timing of shipments, receipts, purchases and payments.

Cash flows from investing activities

The changes in cash flows from investing activities primarily relate to the divestiture of businesses, timing of purchases, maturities and sales of investments, and purchases of property and equipment.

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Net cash provided by investing activities decreased for the six months ended June 30, 2008, as compared to the same period last year. The decrease was primarily due to a decrease in proceeds received from maturity and sales of investments for the six months ended June 30, 2008, and a decrease in proceeds received from divestiture of businesses, net of cash contributed, for the six months ended June 30, 2008, partially offset by proceeds received from the sale of our Mountain View property and equipment in the second quarter of 2008.

Cash flows from 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.

Net cash used in financing activities increased for the six months ended June 30, 2008, as compared to the same period last year, primarily due to an increase in cash used for stock repurchases, partially offset by an increase in proceeds received from issuance of common stock from stock option exercises and employee stock purchase plans, and proceeds received from draw-down of credit facility.

Other Liquidity and Capital Resources Information

As of June 30, 2008, restricted cash primarily includes \$45.0 million related to a trust established during 2004 for our director and officer liability self-insurance coverage. On May 6, 2008, the Board of Directors approved termination of the trust, which requires the written consent of two-thirds of the known beneficiaries of the trust. We are in the process of obtaining the consents required to terminate the trust. Once the trust is terminated, our ability to use the \$45.0 million related to the trust will no longer be restricted.

The credit facility is available for cash borrowings up to a maximum of \$500.0 million and for the issuance of letters of credit up to a maximum limit of \$50.0 million. As of June 30, 2008, we had no outstanding borrowings under the credit facility and we had utilized \$1.4 million for outstanding letters of credit.

Future operating lease payments include payments related to leases on excess facilities included in our restructuring plans. If sublease rates decrease in these markets, or if it takes longer than expected to sublease these facilities, the actual lease expense could exceed this estimate by an additional \$1.6 million over the next three years relating to our restructuring plans. Cash payments totaling approximately \$4.1 million related to the abandonment of excess facilities will be paid over the next three years. See Note 5, "Restructuring, Impairments and Other Charges, Net," of the Notes to Condensed Consolidated Financial Statements.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk profile has not changed significantly from that described in our 2007 Form 10-K, except that at June 30, 2008, we held forward contracts in notional amounts totaling approximately \$68.8 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer, on an interim basis, and Acting Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of June 30, 2008. We determined that our disclosure controls and procedures were not effective to

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ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC because of the material weakness in our internal control over financial reporting as disclosed in Item 9A, Controls and Procedures, of our 2007 Form 10-K. In light of the material weakness, we implemented additional analyses and procedures to ensure that the financial statements we issue are prepared in accordance with GAAP and are fairly presented in all material respects. The Company has performed the additional analyses and procedures with respect to this Quarterly Report on Form 10-Q. Accordingly, we believe that the condensed consolidated financial statements (unaudited) included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

During our last fiscal quarter, there has not occurred any 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) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under the “Legal Proceedings in Note 16, “Commitments and Contingencies,” of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1, of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to other information in this Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q as a result of the risk factors discussed below and elsewhere in this Quarterly Report on Form 10-Q.

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;
- 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 domain name registrations and customer renewals in our Naming Services business;
- changes in the payment structures of online advertising network providers 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;
- continued development of our direct and indirect distribution channels for our information and security services, both in the United States 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 communications services and information and security services or our competitors’ products and services; and
- general economic and market conditions as well as economic and market conditions specific to e-commerce and the telecommunications and Internet industries.

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

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

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

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

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

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

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

Many of the companies we have acquired during the past seven years operated in different businesses from our then-current business. Although we plan on divesting many of these businesses, until our divestiture plan is complete, our success will depend on many 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 success in marketing and overall demand for our content services to consumers and businesses;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services; and
- our continued ability to maintain our current, and enter into additional, strategic relationships.

To address these risks we must, among other things, continue to:

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

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

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

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

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

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

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

As of June 30, 2008, we had approximately 1,100 employees outside the United States, including Europe, Asia, Australia, and the Americas. 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 other services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the United States. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in 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;

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- 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 from Europe, Japan, South America, Canada and Australia are not denominated in United States dollars;
- difficulty in repatriating profits to the United States;
- 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 United States proprietary rights adequately;
- more stringent privacy policies in foreign countries;
- additional vulnerability from terrorist groups targeting United States interests abroad;
- seasonal reductions in business activity; and
- potentially adverse tax consequences.

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

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

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

Our management has identified a material weakness in our internal control over financial reporting as of December 31, 2007, arising from internal control deficiencies in our stock administration policies and practices, as discussed in Part II, Item 9A, “Controls and Procedures” of our Annual Report on Form 10-K for the year ended December 31, 2007. In addition, due to the identification of a material weakness in internal control over financial reporting, our President and Chief Executive Officer, on an interim basis, and Acting Chief Financial Officer concluded that, as of June 30, 2008, our disclosure controls and procedures were not effective as discussed in Part I, Item 4, “Controls and Procedures” of this report. We expect remediation of this material weakness to be completed by the end of the fourth quarter of 2008, and we expect that the cost of remediation will be immaterial.

We will continue to evaluate, upgrade and enhance our internal controls. Because of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more “significant deficiencies” (as defined by the relevant auditing standards) or material weaknesses in our internal control over financial reporting will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations and there could be a material adverse effect on 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 United States Department of Commerce (“DOC”) has adopted a plan for the phased transition of the DOC’s responsibilities for the domain name system to Internet Corporation for Assigned Names and Numbers (“ICANN”). As part of this transition, as the exclusive registry of domain names within the .com and .net generic top-level domains (“gTLDs”), we have entered into agreements with ICANN and with the DOC.

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 and .net gTLDs, that are inconsistent with our current or future plans, or that affect our competitive position;
- the DOC or ICANN could terminate our agreements to be the registry for the .com or .net gTLDs under certain circumstances, in which case it could have a material adverse impact on our business;
- the .net or .com Registry Agreements may not renew when they expire in 2011 and 2012 respectively, in which case it could have a material adverse effect on our business;

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- 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 United States 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 domain name registry business.

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

- legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with the DOC or ICANN, or to the legal authority underlying the roles and actions of the DOC, ICANN or us;
- the United States 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 United States have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the United States 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 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 Domain Name System ("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.

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 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;
- computer viruses or software defects; and
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control.

Most of our systems are located at, and most of our customer information is stored in, our facilities in Mountain View, California and Kawasaki, Japan, both of which are susceptible to earthquakes; Providence, Rhode Island; Dulles, Virginia; Lacey, Washington; Overland Park, Kansas; Melbourne, Australia; and Berlin, Hamburg and Verl, Germany. Any damage or failure that causes interruptions in any of these facilities or our

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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, which could harm our business.

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

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

Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, 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 network connectivity and interoperability services and content services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

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

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

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

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

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

We also license third-party technology that is used in our products and services to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms or at all. Our business could suffer if we lost the rights to use these technologies. 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 delay the introduction of our Internet infrastructure services until equivalent technology, if available, is identified, licensed and integrated. This 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 real-time publisher service. It is possible that we could become subject to additional claims for infringement of the intellectual property of third parties. Any claims, with or without merit, could be time

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consuming, result in costly litigation and diversion of technical and management personnel, cause delays or require us to develop non-infringing technology or enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may not be available on acceptable terms or at all. If a successful claim of infringement were made against us, we could be required to pay damages or have portions of our business enjoined. If we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business could be harmed.

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

We must establish and maintain strategic and other relationships.

One of our significant business strategies has been to enter into strategic or other similar collaborative relationships in order to reach a larger customer base than we could reach through our direct sales and marketing efforts. We may need to enter into additional relationships to execute our business plan. We may not be able to enter into additional, or maintain our existing, strategic relationships on commercially reasonable terms, 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 will also depend on our ability to continue to establish direct seller channels and to develop multiple distribution channels. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

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

We have licensed to VeriSign Affiliates our Processing Center platform, which is designed to replicate our own secure data centers and allows the VeriSign Affiliate to offer back-end processing of PKI services for enterprises. The VeriSign Processing Center platform provides a VeriSign Affiliate with the knowledge and technology to offer PKI services similar to those offered by us. It is critical to our business strategy that the facilities and infrastructure used in issuing and marketing digital certificates remain secure and we are perceived by the marketplace to be secure. Although we provide the VeriSign Affiliate with training in security and trust practices, network management and customer service and support, these practices are performed by the 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 services business depends in part on the acceptance of our services.

Our future growth in our VeriSign Identity Protection services as part of our IAS business depends, in part, on the commercial success and acceptance, and reliability of our VeriSign Identity Protection services. Our

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VeriSign Identity Protection services business will suffer if our target customers do not use our VeriSign Identity Protection services. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced VeriSign Identity Protection services. We are not certain that our target customers will choose our VeriSign Identity Protection services or continue to use our VeriSign Identity Protection services.

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 information and security services 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 is very uncertain. The factors that may affect market acceptance of our services include the following:

- market acceptance of products and services based upon technologies other than those we use;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile handsets;
- demand for supply chain information services, including acceptance of 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. Our success also depends on our ability to attract, integrate, train, retain and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the United States 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 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. The search for permanent replacements to fill any of these 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 this period of transition, 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 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

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

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.

Competition in Naming Services. We face competition in the domain name registry space from other gTLD and country code top-level domain (“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, .name, .pro, .aero, .museum and .coop gTLDs and registries offering services related to ccTLDs. ICANN currently has registry agreements with 15 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.

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.

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

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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 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, Monsternob, 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 Publisher Services. We face competition from various smaller companies providing similar services.

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.

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

Our 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 industry 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 will require 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 that we expect will result 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 from our portfolio. For example, we may 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.

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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 United States 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.

Subsequent to the end of the second quarter of 2008, management determined that due in large part to the downturn in the economy, the divestiture plan would take longer and would be more complicated than originally expected. Buyers have become more conservative, which is making 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 required to conduct the sale process. In addition, the credit crisis has limited sources of financing for potential purchasers, which has affected the number of proposals we have received. These developments are having an adverse effect on the timing and our chances of completing the divestiture plan.

We may be adversely affected under certain covenants in our Facility.

Our Credit Agreement 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.

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

It is possible that under the agreements reached with buyers for businesses divested under the divestiture plan, we may remain liable for certain contingent and corporate liabilities. 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.

Completion of the divestiture plan may restrict our ability to compete in certain market sectors.

It is possible that under the agreements reached with buyers for businesses divested under the plan, we will be 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.

Risks related to our securities

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

As of June 30, 2008, we had one billion authorized common shares, of which approximately 196.7 million shares were outstanding. In addition approximately, 39.8 million common shares were reserved for issuance pursuant to employee stock option and employee stock purchase plans (“Equity Plans”), and approximately 36.4 million shares were reserved for issuance upon conversion of the debentures. The availability of substantial amounts of our common stock resulting from the exercise or settlement of equity awards outstanding under our Equity Plans or the conversion of debentures using common stock, which 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.

We have not historically maintained substantial levels of indebtedness, and 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 debentures, we have a substantially greater amount of long term debt than we have maintained in the past. In addition to the debentures, we have a Facility with a borrowing capacity of \$500.0 million. As of June 30, 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.

We may not have the ability to repurchase the debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of debentures, as required by the indenture governing the 3.25% junior subordinated convertible debentures.

Holders of our outstanding 3.25% junior subordinated convertible debentures will have the right to require us to repurchase the debentures upon the occurrence of a fundamental change as defined in the Indenture dated as of August 20, 2007 (the “Indenture”). Although we currently have the intent and the ability 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 debentures in cash or to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms. In addition, upon conversion of the debentures, we will be required to make cash payments to the holders of the debentures equal to the lesser of the principal amount of the debentures being converted and the conversion value 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 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 debentures or pay cash in respect of conversions when required would result in an event of default with respect to the 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 condition and results of operations.

There may be potential new accounting pronouncements or regulatory rulings, which may have an impact on our future financial condition and results of operations. For example, in May 2008, the FASB issued

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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 3.25% junior subordinated 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 debentures will be settled upon maturity in 2037, associated with a significant reduction in our debentures balance along with a corresponding increase in our stockholders’ equity as of December 31, 2007 and 2008. In addition, if our 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 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

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our engineering service support, we may experience reduced operating margins. Our customers' ability to deploy our network services to their own customers and integrate them successfully within their systems depends on our customers' capabilities and the complexity involved. Difficulty in deploying those services could reduce our operating margins due to increased customer support and could cause potential delays in recognizing revenues until the services are implemented.

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

The telecommunications industry is characterized by significant price competition. Competition and industry consolidation in our communications services could result in significant pricing pressure and an erosion in 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2008 Annual Meeting of Stockholders was held on May 29, 2008, at our corporate offices, located at 487 East Middlefield Road, Mountain View, California. Two proposals were voted on at the meeting. The results of each proposal are as follows:

Proposal No. 1 to elect six directors of VeriSign, each to serve a one-year term, or until a successor has been elected and qualified or until the director's earlier resignation or removal, was approved by the stockholders. The nominees received the following votes:

	<u>For</u>	<u>Withheld</u>
D. James Bidzos	165,352,959	10,171,628
William L. Chenevich	130,921,380	44,603,207
Kathleen A. Cote	170,286,593	5,237,994
John D. Roach	136,797,569	38,727,018
Louis A. Simpson	135,501,250	40,023,337
Timothy Tomlinson	138,379,283	37,145,304

Roger H. Moore and William A. Roper, Jr., were incumbent directors with terms expiring in 2009. Mr. Roper resigned from the Board of Directors on June 30, 2008.

In Proposal No. 2, stockholders ratified the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. This proposal received the following votes:

	<u>Votes</u>
For	169,251,565
Against	4,576,293
Abstain	1,696,728

Abstentions and broker non-votes were included in the determination of the number of shares represented at the meeting for purposes of determining the presence of a quorum at the Annual Meeting of Stockholders.

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ITEM 6. EXHIBITS

(a) Index to Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Filed Herewith</u>
10.01	Lease between PR III Middlefield Road, LLC, Landlord, and VeriSign, Inc., Tenant, dated as of June 19, 2008.	X
10.02	Settlement Agreement and General Release by and between VeriSign, Inc. and William A. Roper, Jr., dated June 30, 2008.	X
10.03	Release and Waiver of Age Discrimination Claims by William A. Roper, Jr., dated June 30, 2008	X
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).	X
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).	X
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350). *	X
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350). *	X

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

SIGNATURES

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

VERISIGN, INC.

Date: August 8, 2008

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

Date: August 8, 2008

By: _____ /s/ BRIAN G. ROBINS
Brian G. Robins
Acting Chief Financial Officer
(Principal Accounting Officer)

EXHIBITS

As required under Item 6—Exhibits, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.01	Lease between PR III Middlefield Road, LLC, Landlord, and VeriSign, Inc., Tenant, dated as of June 19, 2008.
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LEASE

between

PR III MIDDLEFIELD ROAD, LLC,

Landlord

and

VERISIGN, INC.,

Tenant

Date: As of: June 19, 2008

Premises:

675 and 685 East Middlefield Road
Mountain View, California 94043

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LEASE

THIS LEASE (“Lease”) is made as of June 19, 2008, (the “**Effective Date**”) by and between PR III Middlefield Road, LLC, a California limited liability company, (“**Landlord**”) and VeriSign, Inc., a Delaware corporation, (“**Tenant**”).

W I T N E S S E T H:

WHEREAS, Landlord owns fee simple title to a parcel of land, more particularly described as the “Land” below, upon which are currently constructed surface parking areas, infrastructure components and the following improvements: (i) the building commonly known as 675 East Middlefield Road, Mountain View, California containing approximately 52,931 rentable square feet of interior floor area and (ii) the building commonly known as 685 East Middlefield Road, Mountain View, California containing approximately 105,950 rentable square feet of interior floor area.

WHEREAS, Landlord desires to lease the Property to Tenant and Tenant desires to lease the Property from Landlord, upon and subject to the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. DEFINITIONS

As used herein, the following terms and phrases shall have the meanings indicated below:

1.1 “**Additional Rent**” means any payments or reimbursements required to be made by Tenant to Landlord hereunder during the Term of this Lease, other than the Basic Rent.

1.2 “**Alterations**” means any alterations, additions, improvements or replacements to the Premises.

1.3 “**Anti-Terrorism Laws**” has the meaning set forth in Section 32.

1.4 “**Basic Rent**” has the meaning set forth in Section 4.1.

1.5 “**Building**” or “**Buildings**” means, individually or collectively as the context requires, the buildings, other improvements, associated equipment and appurtenances thereto of every kind and description located on and within the Land as of the Commencement Date.

1.6 “**Building Systems**” has the meaning set forth in Section 9.1.

1.7 “**Casualty**” has the meaning set forth in Section 13.1.

1.8 “**Chiller**” means that certain water cooled chiller referenced in that certain Property Condition Assessment Report dated February 8, 2008, prepared by Marx/Okubo as Job No. 08-9007 B.

1.9 “**Claims**” means, collectively, liability, claims, demands, damages and costs (including attorneys’ fees and expenses) of any and every kind or character, known or unknown, for, arising out of, or attributable to, an event, circumstance or condition, including, without limitation, any and all actual, threatened or potential claims, claims for contribution under Environmental Laws, suits, proceedings, actions, causes of action, demands, liabilities, losses, obligations, orders, requirements or restrictions, liens, penalties, fines, charges, debts, damages, costs, and expenses of every kind and nature, whether now known or unknown, whether foreseeable or unforeseeable, whether under any foreign, federal, state or local law (both statutory and non-statutory), and, whether asserted or demanded by a third party against Landlord, a Landlord Affiliate or any other claimant or potential claimant, or incurred directly or indirectly by any of them.

1.10 “**Commencement Date**” means the Effective Date of this Lease.

1.11 “**Common Areas**” has the meaning set forth in Section 6.3.

1.12 “**Condemnation**” has the meaning set forth in Section 14.1.

1.13 “**Condemnation Restoration Completion Estimate**” has the meaning set forth in Section 14.3.

1.14 “**Damaged Property**” has the meaning set forth in Section 13.1.

1.15 “**Default Rate**” means ten percent (10%) per annum.

1.16 “**Effective Date**” has the meaning set forth in the first sentence of this Lease.

1.17 “**EMBP 455**” has the meaning set forth in Section 1.54.

1.18 “**Environmental Laws**” means any applicable federal, state or local law, statute, regulation, rule, ordinance, permit, prohibition, restriction, license, requirement, agreement, consent, or approval, or any determination, directive, judgment, decree or order of any executive, administrative or judicial authority at any federal, state or local level (whether now existing or subsequently adopted or promulgated) relating to pollution or the protection of the environment, natural resources or public health and safety.

1.19 “**Event of Default**” has the meaning set forth in Section 15.1.

1.20 “**Expenses**” has the meaning set forth in Section 4.4.

1.21 “**Expiration Date**” means the last day of the thirtieth (30th) full calendar month following the Commencement Date.

1.22 “**Extension Notice**” has the meaning set forth in Section 3.3.

1.23 “**Extension Option**” has the meaning set forth in Section 3.2.

1.24 “**Extension Optionee**” has the meaning set forth in Section 3.4.

1.25 “**Extension Period**” has the meaning set forth in Section 3.2.

1.26 “**Extension Period Fair Market Rent**” has the meaning set forth in Section 3.6.

1.27 “**Governmental Authority**” means the United States, the state, county, city and political subdivision in which the Property is located or that exercises jurisdiction over the Property, Landlord or Tenant, and any agency, department, commission, board, bureau or instrumentality of any of the foregoing that exercises jurisdiction over the Property, Landlord or Tenant.

1.28 “**Hazardous Materials**” means any material, waste, chemical, compound, substance, mixture, or byproduct that is identified, defined, designated, listed, restricted or otherwise regulated under Environmental Laws as a “hazardous constituent,” “hazardous substance,” “hazardous material,” “extremely hazardous material,” “hazardous waste,” “acutely hazardous waste,” “hazardous waste constituent,” “infectious waste,” “medical waste,” “biohazardous waste,” “extremely hazardous waste,” “pollutant,” “toxic pollutant,” or “contaminant,” or any other formulation intended to classify substances by reason of properties that are deleterious to the environment, natural resources or public health or safety including, without limitation, ignitability, corrosiveness, reactivity, carcinogenicity, toxicity, and reproductive toxicity. The term Hazardous Materials shall include, without limitation, the following:

(a) a “Hazardous Substance,” “Hazardous Material,” “Hazardous Waste,” or “Toxic Substance” under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, et seq. or the Solid Waste Disposal Act, 42 U.S.C. Section 6901, et seq., including any regulations promulgated thereunder, as any of the foregoing may be amended;

(b) an “Acutely Hazardous Waste,” “Extremely Hazardous Waste,” “Hazardous Waste,” or “Restricted Hazardous Waste,” under Section 25110.02, 25115, 25117 or 25122.7 of the California Health and Safety Code, or listed pursuant to Section 25140 of the California Health and Safety Code, as any of the foregoing may be amended;

(c) a “Hazardous Material,” “Hazardous Substance” or “Hazardous Waste” under Section 25117, 25260, 25281, 25316, 25501, or 25501.1 of the California Health and Safety Code, as any of the foregoing may be amended;

(d) “Oil” or a “Hazardous Substance” under Section 311 of the Federal Water Pollution Control Act, 33 U.S.C. Section 1321, as may be amended; as well as any other hydrocarbonic substance, fraction, distillate or by-product;

(e) any substance or material defined, identified or listed as an “Acutely Hazardous Waste,” “Extremely Hazardous Material,” “Extremely Hazardous Waste,”

“Hazardous Constituent,” “Hazardous Material,” “Hazardous Waste,” “Hazardous Waste Constituent,” or “Toxic Waste” pursuant to Division 4.5, Chapters 10 or 11 of Title 22 of the California Code of Regulations, as may be amended;

(f) any substance or material listed by the State of California as a chemical known by the State to cause cancer or reproductive toxicity pursuant to Section 25249.8 of the California Health and Safety Code, as may be amended;

(g) a “Biohazardous Waste” or “Medical Waste” under Sections 117635 or 117690 of the California Health and Safety Code, as may amended;

(h) mold;

(i) asbestos and any asbestos containing material; and/or

(j) a substance that, due to its characteristics or interaction with one or more other materials, wastes, chemicals, compounds, substances, mixtures, or byproducts, damages or threatens to damage the environment, natural resources or public health or safety, or is required by any law or public entity to be remediated, including remediation which such law or public entity requires in order for property to be put to any lawful purpose.

1.29 “**Holdover Period**” has the meaning set forth in Section 17.3.

1.30 “**Insurance Requirements**” means the requirements, whether now or hereafter in force, of any insurer, the local Board of Fire Underwriters and Fire Insurance Rating Organization or any other organization performing the same or similar functions, applicable to the Premises, or the use or manner of use thereof.

1.31 “**Land**” means that certain parcel of land located in the City of Mountain View, Santa Clara County, California identified as parcel Number 16 060 013 in the land records of Santa Clara, aggregating approximately 10.6 acres of land area and appurtenances thereto of every kind and description, which parcel of land is more particularly described on Exhibit A attached hereto and made a part hereof.

1.32 “**Landlord Affiliate**” means any firm, corporation or other entity directly or indirectly controlled by, in control of or under common control with Landlord.

1.33 “**Landlord Party**” or “**Landlord Parties**” means (1) any Landlord Affiliate, (2) any principal, director, officer, employee, agent, consultant or contractor of Landlord or any Landlord Affiliate, or (3) any Mortgagee or any principal, director, officer, employee, agent, consultant or contractor thereof.

1.34 “**Landlord’s Restoration Work**” has the meaning set forth in Section 13.1.

1.35 “**Legal Requirements**” means all laws (including Environmental Laws), statutes, ordinances, orders, rules, regulations and requirements and permits of any

Governmental Authority, whether now or hereafter in force, applicable to the Premises, or the ownership, operation, occupancy, repair, maintenance or use thereof. The term "Legal Requirements" shall include any requirements of Environmental Laws.

1.36 "**Monetary Default**" has the meaning set forth in Section 15.1(a).

1.37 "**Mortgage**" means any mortgage, deed of trust, deed to secure debt, or similar instrument encumbering fee title to the Premises (whether or not such mortgage shall also cover other real property) and any and all modifications, consolidations and extensions, renewals and replacements thereof.

1.38 "**Mortgagee**" shall mean the holder of or beneficiary under, as applicable, any Mortgage.

1.39 "**Non-Disturbance Agreement**" means a subordination, non-disturbance and attornment agreement in the form of Exhibit B attached hereto (subject to such commercially reasonable changes as the holder of such mortgage may reasonably propose in accordance with Section 21.2).

1.40 "**notice**" shall have the meaning set forth in Section 23.1.

1.41 "**Outside Completion Date**" has the meaning set forth in Section 13.2.

1.42 "**Parking Areas**" has the meaning set forth in Section 6.3.

1.43 "**Premises**" means the Property and all easements, rights and appurtenances with respect thereto.

1.44 "**Prime Rate**" means the per annum rate identified as the "Prime Rate" in the "Money Rates" section of the Wall Street Journal (or comparable index, if such publication is discontinued).

1.45 "**Prohibited Persons**" has the meaning set forth in Section 32.

1.46 "**Property**" means, collectively, the Land and the Buildings.

1.47 "**Real Estate Taxes**" means all real estate taxes, assessments and water and sewer rents, general or special, ordinary or extraordinary, foreseen or unforeseen, of any kind or nature whatsoever to the extent assessed against the Property, but not income, franchise, sales, excess profit, transfer, inheritance or other taxes assessed against Landlord's income or profits from the Premises, the Property or otherwise.

1.48 "**Rent**" means, collectively, Basic Rent and Additional Rent.

1.49 "**Restoration Completion Estimate**" has the meaning set forth in Section 13.1.

1.50 "**Successor**" has the meaning set forth in Section 3.4.

1.51 “**Support Equipment**” has the meaning set forth in Section 7.2.

1.52 “**Surrender Condition**” has the meaning set forth in Section 9.1.

1.53 “**Tenant Affiliate**” has the meaning set forth in Section 3.4.

1.54 “**Tenant Party**” or “**Tenant Parties**” means (1) any Successor or Tenant Affiliate other than EMBP 455, L.L.C., a California limited liability company, its successors and assigns (“**EMBP 455**”) in its capacity as owner, lessee or occupant of any real property that is adjacent to or in the vicinity of the Premises, (2) any principal, director, officer, employee, agent, consultant, or contractor of Tenant or of any Successor or Tenant Affiliate other than EMBP 455 in its capacity as owner, lessee or occupant of any real property that is adjacent to or in the vicinity of the Premises and (3) any invitee of Tenant or, if the Lease is assigned, or the Premises are sublet to any Successor or Tenant Affiliate, any invitee of such Successor or Tenant Affiliate, as the case may be.

1.55 “**Tenant Property**” means all furniture, equipment and other personal property of Tenant, including, without limitation, its data and computer equipment, trade fixtures. Tenant Property excludes fixtures (other than trade fixtures) and Alterations.

1.56 “**Tenant’s Prior Use**” has the meaning set forth in Section 6.1.

1.57 “**Term**” has the meaning set forth in Section 3.1.

1.58 “**Unavoidable Delay**” means any delay caused by strikes or other labor disputes, acts of God, inability to obtain labor or materials, governmental actions or restrictions, enemy action, civil commotion, sabotage, terrorism, vandalism, fire and other casualty, judicial or other legal proceeding affecting performance hereunder, or similar causes beyond the reasonable control of the responsible party.

1.59 “**Untenantable**” has the meaning set forth in Section 13.1.

1.60 “**Utilities**” has the meaning set forth in Section 8.1.

1.61 “**USA Patriot Act**” has the meaning set forth in Section 32.

1.62 “**Worth at the Time of Award**” shall have the meaning set forth in Section 15.

2. DEMISE

2.1 In consideration of the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term, upon and subject to the terms and conditions set forth herein.

2.2 Landlord’s rights, title and interest in and to vault spaces, if any, that are within or outside the boundary of the Land, but adjoining the Land and the Premises are included

in the Premises and shall be available to Tenant for its use and enjoyment hereunder, provided that such use shall be at Tenant's sole cost and expense and shall be subject to and shall comply with all applicable Legal Requirements.

2.3 Tenant's leasehold estate shall be burdened by, and Tenant shall have the right to use and enjoy and otherwise benefit from, as the case may be, any easement, negative easement, restrictive covenant, or any other right or interest appurtenant to or burdening the Land as of the Effective Date hereof.

3. TERM

3.1 The term of this Lease (the "**Term**") shall commence on the Commencement Date and shall continue through and end at 11:59 p.m. on the Expiration Date, unless extended pursuant to this Section 3, in which case the Term shall continue through and end at 11:59 p.m. on the last calendar day of the Extension Period (defined below).

3.2 Tenant shall have and is hereby granted one (1) option (the "**Extension Option**") to extend the Term of this Lease for a period commencing at 11:59 p.m. on the Expiration Date and ending on the fifth (5th) anniversary of the Expiration Date (such period, the "**Extension Period**"). If the Extension Option is exercised, Tenant shall continue to lease the entire Premises during the Extension Period on the same terms, covenants and conditions as provided in this Lease, except that the monthly Basic Rent during the Extension Period shall be the greater of (i) \$2.75 per square foot of rentable area of the Premises (based on the rentable square feet of interior floor areas specified in the Recitals) and (ii) the Extension Period Fair Market Rent (defined in Section 3.6 below).

3.3 The Extension Option must be exercised, if at all, by written notice (the "**Extension Notice**") given by Tenant to Landlord at least twelve (12) months prior to the date on which the Extension Period is to commence. If the Extension Notice is not so given, such Extension Option shall automatically expire.

3.4 Notwithstanding anything above to the contrary, unless Landlord approves otherwise, the Extension Option is personal to (i) VeriSign, Inc.; (ii) any other corporation or other entity which directly or indirectly controls, is controlled by or is under common control with VeriSign Inc. (a "**Tenant Affiliate**"), and (iii) a successor corporation or other entity into which or with which Tenant is merged or consolidated or which acquires all or a substantial portion of Tenant's assets located at, or the business conducted by Tenant in and from, the Premises (a "**Successor**") (collectively, items (i) through (iii), an "**Extension Optionee**") and may be exercised only by the Extension Optionee (and not any sublessee or other transferee of Extension Optionee's interest in this Lease) and may not be exercised or be assigned, voluntarily or involuntarily, by any person or entity other than the Extension Optionee. The Extension Option is not assignable separate and apart from this Lease, nor may the Extension Option be separated from this Lease in any manner, either by reservation or otherwise.

3.5 Tenant shall have no right to exercise the Extension Option during the pendency of a default under this Lease. The period of time within which the Extension Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise such Extension Option because of the provisions of this Section 3.5.

3.6 On the first day of the fifteenth (15th) month prior to the date on which the Extension Period would commence, if the Extension Option were to be exercised, Landlord shall give Tenant a written notice of Landlord’s good faith determination of the fair market Basic Rent for the Premises to be applicable during the Extension Period. In the event that Tenant accepts Landlord’s determination or Landlord and Tenant reach an agreement of the amount of fair market rent for the extension period, Landlord and Tenant shall execute a written agreement as to such amount and such amount shall constitute the Extension Period fair market Basic Rent. In the event that Landlord and Tenant fail to reach agreement on the fair market rent for the extension period, then the “Extension Period Fair Market Rent” shall be the fair market rent last proposed by Landlord to Tenant in writing, and if Tenant is not satisfied with such “fair market rent,” Tenant may elect not to exercise the Extension Option. The fair market Basic Rent for the Premises during the Extension Period as determined pursuant to this Section 3.6 shall constitute the “**Extension Period Fair Market Rent.**”

4. RENT

4.1 Tenant, throughout the following period of the Term, shall pay to Landlord basic rent (“**Basic Rent**”) for the Premises at the following rates:

<u>Lease Period</u>	<u>Basic Rent per Rentable Square Foot</u>	<u>Monthly Basic Rent for 675 East Middlefield Road, Mountain View, California</u>	<u>Monthly Basic Rent for 685 East Middlefield Road, Mountain View, California</u>	<u>Total Monthly Basic Rent</u>
Commencement Date – 06/30/09	\$ 2.50	\$132,327.50	\$264,875.00	\$397,202.50
07/01/09 – 06/30/10	\$ 2.60	\$137,620.60	\$275,470.00	\$413,090.60
07/01/10 – 12/31/10	\$ 2.70	\$142,913.70	\$286,065.00	\$428,978.70

During the Extension Period, if any, Tenant shall pay the amount of Basic Rent determined in accordance with Section 3.2.

4.2 Monthly installments of Basic Rent shall be due and payable, in advance, on the Commencement Date and thereafter on the first (1st) day of each calendar month during the Term (except that installments of Basic Rent for less than a full calendar month shall be pro-rated on a per diem basis). Basic Rent shall be payable, at Tenant’s election, by check or wire transfer. Basic Rent is not subject to adjustment or recalculation based on any measurement or remeasurement of the Premises or Buildings.

4.3 Basic Rent shall be paid to Landlord (at Landlord's address as provided in Section 23.2) without notice or demand and without deduction, abatement or set-off of any kind, except as otherwise expressly provided in this Lease.

4.4 Tenant acknowledges and agrees that, subject to Sections 6.2, 9, 13 and 14, this Lease is intended by the parties to yield to Landlord the Basic Rent as and when due hereunder absolutely free or net of all expenses, costs and charges (including, without limitation, Real Estate Taxes) allocable to the Term (including the Option Term, if applicable), which are in any manner associated with the operation, use, management, repair, maintenance, and insuring of the Premises (including, without limitation, all costs and expenses incurred by Tenant in connection with satisfying Tenant's operation, maintenance and repair obligations as set forth in Section 9.1 or by Landlord pursuant to Section 9.3, but not including costs and expenses excluded under Section 9.4) (collectively, "Expenses"), all of which Expenses shall be paid by Tenant directly to the applicable utility companies, vendors and other entities to whom such Expenses are owed, (except for (a) Real Estate Taxes, which shall be paid as Additional Rent by Tenant to Landlord in accordance with Section 5, (b) Landlord's insurance required under Section 12, which shall be procured and paid for by Landlord and reimbursed to Landlord by Tenant as Additional Rent in accordance with Section 12.7), and (c) Expenses reimbursable to Landlord pursuant to Section 9.3 below. However, the foregoing obligations shall be apportioned between Landlord and Tenant as of the Commencement Date and the expiration of the Term, so that Tenant shall be obligated to pay only those portions of such payment obligations and liabilities that are allocable to the Term. Notwithstanding the foregoing, however, Tenant shall not be obligated to pay any Expenses of: (i) repairing or maintaining the Premises to the extent excluded under Section 6.2 or Section 9; (ii) any Expenses for improving, remodeling or replacing the Premises (except to the extent covered by Tenant's indemnification obligations set forth in Section 19 below, but subject to Section 12.3); (iii) Expenses that are identified as an obligation of Landlord or otherwise excluded from Tenant's obligations under this Lease or (iv) expenses for insurance to the extent such insurance does not relate to the Premises or insures other property, none of which shall be due or payable as Additional Rent.

4.5 Basic Rent shall be paid to Landlord (at Landlord's address as set forth in Section 23.2 as said address may be changed from time to time by notice given under that section) without notice or demand and without deduction, abatement or set-off of any kind, except as otherwise expressly provided in this Lease.

5. REAL ESTATE TAXES

5.1 Tenant shall pay, as Additional Rent, all Real Estate Taxes payable during the Term of this Lease in accordance with this Section 5. Landlord, at Landlord's option, shall either (i) pay such Real Estate Taxes accruing during the Term of this Lease directly to the taxing authority on or prior to the date due and Tenant shall reimburse Landlord therefor within thirty (30) days after receipt of a bill therefor from Landlord, which bill shall be accompanied by a copy of the tax bill to which it relates or (ii) bill Tenant in advance for such Real Estate Taxes by delivering to Tenant a written notice therefor together with a copy of the tax bill to which it relates at least forty five (45) days prior to the date that such Real Estate Taxes will become delinquent, in which case Tenant shall make payment to Landlord of the full amount of Real

Estate Taxes shown in such bill within thirty (30) days following receipt of such notice and bill from Landlord or fifteen (15) days prior to the date that such taxes will become delinquent, whichever is later. Landlord shall take the benefit of any statute or ordinance permitting Real Estate Taxes to be paid in installments, and the payments required hereunder shall be made in such installments. Landlord shall be responsible for any interest or penalty resulting from Landlord's delay in billing Tenant or Landlord's delay in paying Real Estate Taxes to the taxing authority; Tenant shall be responsible for any interest or penalty resulting from Tenant's failure to make payment of Real Estate Taxes to Landlord or the applicable taxing authority as the case may be in accordance with the deadlines for payment set forth in this Section 5.1.

5.2 Tenant shall have the right to contest the amount or validity, in whole or in part, of any Real Estate Taxes, or to seek a reduction in the valuation of the Property, or any part thereof, as assessed for Real Estate Tax purposes, by appropriate proceedings diligently conducted in good faith; provided that, Tenant must either pay any such taxes in protest, submit such bonds to the taxing authorities or take such other action as may be prudent to prevent any loss or forfeit of the Property or any penalties. Landlord shall cooperate with any such tax reduction proceeding at Tenant's sole cost and expense. Landlord shall notify Tenant of any increase in the assessed valuation of the Property at least thirty (30) days before the last day for filing an objection thereto. Any refund of Real Estate Taxes that were paid by the Tenant during the Term or for a period allocable to the Term shall promptly be paid to and be the property of Tenant. Tenant agrees to indemnify, defend and hold Landlord harmless from and against any claims, liabilities, damages, loss, expenses, costs to, or penalties incurred by, Landlord arising from Tenant's contesting any Real Estate Tax or seeking a reduction in the valuation of the Property pursuant to this Section 5.2.

5.3 Real Estate Taxes shall be apportioned between Landlord and Tenant for tax bills relating to the Term, so that Tenant shall be required to pay only the portion of the Real Estate Taxes allocable to the Premises during the Term (including the Extension Period, if applicable), and Landlord shall pay the remainder of such Real Estate Taxes.

5.4 Anything in this Section 5 to the contrary notwithstanding, Tenant shall have no obligation to pay Real Estate Taxes which Landlord has failed to bill to Tenant for one year or more following the date such Real Estate Taxes were due and payable.

6. USE AND COMPLIANCE

6.1 Tenant may use and occupy the Premises for the uses which Tenant made of the Premises prior to the Effective Date ("**Tenant's Prior Use**"), and for office use, parking, storage and other uses ancillary thereto to the extent that any such uses do not violate Legal Requirements or Insurance Requirements. Tenant shall have access to and from the Premises 24 hours a day, 7 days per week, throughout the Term.

6.2 Notwithstanding anything to the contrary, nothing in this Lease (including, without limitation, Section 4.5, this Section 6.2, Section 9 and Section 19) shall be construed so as to require Tenant to repair, remedy or cure any condition (or to indemnify, defend or hold Landlord or any of the Landlord Parties harmless from or against any condition) that existed on or before the Commencement Date (except to the extent that Tenant or any Tenant Party

exacerbates such condition after the Commencement Date) or to make any payment or reimbursement therefor whether under Section 4.5 as Additional Rent or otherwise, or so as to negate, impair or diminish Landlord's agreement to accept the Property at the time of expiration or termination of this Lease in its "as is," "where is," "with all faults" condition as of the Commencement Date. Tenant shall not be obligated to remediate, cure or improve any condition relating to the Premises (including any condition that constitutes a violation of Legal Requirements) that existed on the Commencement Date or to pay or to reimburse Landlord for any costs thereof whatsoever (unless, and except to the extent that, Tenant or any Tenant Party exacerbates such existing condition after the Commencement Date). Without limiting the foregoing, Tenant shall not have any obligation to remove or remediate any Hazardous Materials that exist on, in, at, under, beneath, emanating from, migrating to or from, or otherwise affecting the Property prior to the Commencement Date (unless, and except to the extent that, Tenant or any Tenant Party exacerbates such existing condition after the Commencement Date). In no event shall the legal and regulatory compliance obligations of Tenant under this Lease be construed as requiring Tenant directly or indirectly to pay or reimburse Landlord for legal or regulatory compliance costs not caused directly by Tenant's business activities conducted on the Premises during the Term. Further, Tenant shall have no obligation to repair, remedy or cure or to indemnify, defend or hold Landlord or any of the Landlord Parties harmless from or against any environmental or other condition of (including, without limitation, the presence of Hazardous Materials in, on, or about) any real property adjacent to, or in the vicinity of, the Premises that is owned or leased by Tenant, any Tenant Parties or EMBP 455 or any of their respective affiliates, which condition existed on or before the Commencement Date and was known by or disclosed to Landlord, any Landlord Affiliate, or its or their consultants prior to the Commencement Date, except to the extent that Tenant, any Tenant Party, EMBP 455 or any of their respective affiliates exacerbates such existing condition after the Commencement Date, and Landlord releases Tenant, all Tenant Parties and EMBP 455 from all Claims related thereto (except as otherwise provided in this sentence above). For purposes of this Section 6.2, exacerbation of a condition shall not be deemed to include a failure to repair, remedy or cure the condition of the Premises as such condition existed on or before the Commencement Date.

6.3 At all times during the Term, Tenant and its employees shall have the right to use all surface and garage parking spaces in and on the Property ("**Parking Areas**"). All of such spaces shall be available on an exclusive, unassigned self-parking basis without additional charge to Tenant, and Landlord shall not hold, reserve, assign or grant third party rights to any of such parking spaces. Tenant shall have the right to use at all times all common areas and appurtenant sidewalks, roadways and other facilities located on the Property and serving the Premises and any and all other portions of the Property, including, without limitation, the lobby areas, hallways, stairways, elevators, lavatory facilities, and loading docks (collectively, the "**Common Areas**").

6.4 Landlord shall not close or change the common areas in a way as to alter or diminish the quantity, quality, utility or character thereof or limit Tenant's ease of access to or use of its Premises, except as provided below on a temporary basis, and then in a manner that minimizes any adverse impact on Tenant. Landlord reserves the right from time to time to temporarily use any of the Common Areas for the purpose of making repairs in or to the Buildings or Common Areas that are within the scope of Landlord's repair obligations under

Section 9.2 of this Lease or are within the scope of Landlord's obligations to comply with any law or regulation or in connection with the exercise of its other rights set forth in Section 27 of the Lease below, as long as such acts do not unreasonably interfere with Tenant's use of or access to the Premises. Landlord may close temporarily such portions of the Common Areas and Parking Areas as Landlord reasonably requires to make such repairs or as may be required in connection with the exercise of its other rights set forth in Section 27 below. Notwithstanding the foregoing, however, during the Term (including, without limitation the Extension Period, if any), Landlord shall not be entitled to make and such reservation shall not include the right to make any improvements or alterations to the Buildings, the Common Areas or the Parking Areas or to make any changes in the location, size, shape and number of driveways, entrances, stairways, elevators, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas and walkways and, parking spaces and parking areas unless such changes are required to be made during the Term (or any Extension Term) for the use of the Premises by Tenant or such changes are required by Legal Requirements or Insurance Requirements or to maintain the safety of persons and property at the Premises. During the Term (or any Extension Term), Landlord shall not make any other changes with respect to the Buildings, the Common Areas or the Parking Areas, unless Tenant consents thereto in its sole discretion. Tenant hereby agrees that Landlord's actions consistent this Section 6.4 shall not constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from Landlord's actions with respect to this Section 6.4, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or of Tenant's personal property or improvements resulting from Landlord's actions with respect to this Section 6.4, or for any inconvenience or annoyance occasioned by Landlord's actions with respect to this Section 6.4, unless due to the gross negligence or willful misconduct of Landlord.

6.5 Tenant hereby agrees to accept the Premises and the Property in their "AS IS," "WHERE IS," "WITH ALL FAULTS" condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises (provided that Tenant's compliance obligations shall be limited as set forth in Section 6.2), and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant also acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty regarding the present or future condition or suitability of all or any portion of the Premises or the Property for the conduct of Tenant's business. Tenant hereby acknowledges that Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises except as expressly provided in Section 9.2 below.

6.6 Tenant shall have the right, after notice to Landlord, to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any and all Legal Requirements or Insurance Requirements with which Tenant is obligated to comply pursuant to the provisions of Section 6 hereof; provided that, Tenant must either submit such bonds to the applicable Governmental Authority or take such other action as may be necessary to prevent any loss to or forfeiture of the Premises or penalty. Tenant agrees to

indemnify, defend and hold harmless Landlord from and against any claim, liability, loss cost or expense arising from Tenant's contesting the validity or application of any such Legal Requirement or Insurance Requirement pursuant to this Section 6.6. Landlord shall provide reasonable cooperation to Tenant (at Tenant's sole cost and expense) in connection with the exercise by Tenant of its rights under this Section 6.1, including, without limitation, executing any application or document that may be reasonably required to be executed by Landlord in connection therewith; provided that, in no event will Landlord be obligated to execute any application or other document for any change to the zoning or entitlement for the Property or to approve any change to the zoning or entitlement for the Property or to take any other action that may materially adversely affect the use or value of the Property as determined by Landlord in its reasonable discretion.

6.7 Landlord shall reasonably cooperate with Tenant in connection with Tenant's rights and obligations under this Section 6, including, without limitation, executing any application or document that may be reasonably required to be executed by Landlord in connection therewith; provided that, in no event will Landlord be obligated to execute any application or other document for any change to the zoning or entitlement for the Property or to approve any change to the zoning or entitlement for the Property or to take any other action that may materially adversely affect the use or value of the Property as determined by Landlord in its reasonable discretion.

7. INSTALLATIONS OF TENANT PROPERTY

7.1 At any time during the Term, Tenant may, without incurring any liability to Landlord for payment of rent or otherwise, but at Tenant's sole cost and risk and subject to the other terms and provisions of this Lease (including, without limitation, provisions obligating Tenant to comply with Legal Requirements and Insurance Requirements), place and install Tenant Property in and upon the Premises. During the Term hereof, Tenant shall pay, prior to delinquency, all business and other taxes, charges, notes, duties, and assessments levied, and rates or fees imposed, charged, or assessed against or in respect of Tenant's occupancy of the Premises or in respect of Tenant Property (including, without limitation, taxes and assessments attributable to the cost or value of any leasehold improvements made in or to the Premises during the Term by or for Tenant), and shall indemnify, defend and hold Landlord harmless from and against all payment of such taxes, charges, notes, duties, assessments, rates, and fees, and against all loss, costs, charges, notes, duties, assessments, rates, and fees, and any and all such taxes. Tenant shall cause Tenant Property to be assessed and billed separately from the real and personal property of Landlord.

7.2 Landlord grants an irrevocable license to Tenant throughout the Term to install, maintain, repair, replace, remove and use cables, utility boxes, lines, wires, devices, generators, facilities and appurtenances (collectively, "**Support Equipment**") in, on or about the locations of the Property where the same are located on the Commencement Date, including, without limitation, within conduits and risers and any existing data rooms to the extent the same are used or are necessary for the operation of Tenant's internet, router, server, data and computer equipment. During the Term, Tenant shall have the right to use the existing Support Equipment serving the Premises and to run its data and computer cabling into and between the floors of the

Premises. Landlord shall cause any and all work being performed by Landlord or by any third party or by any of its and their contractors to be performed so as not to sever or interfere with such Support Equipment or with Tenant's use of risers and conduits. Except in the event of an emergency, Landlord shall provide Tenant with not less than ten (10) days prior notice of any work (with details as to the location and scope of such work) that could cause such severing or interference. During such period, Tenant shall undertake commercially reasonable efforts to identify such Support Equipment that may be affected by such proposed work by tagging or other practical protective measures.

8. UTILITIES AND SERVICES

8.1 Tenant, throughout the Term, shall be solely responsible to arrange for all services and utilities (including, without limitation, electricity, water, sewerage, gas and telecommunications) necessary or desirable for Tenant in connection with its operations at the Property (the "**Utilities**") at the sole cost, risk, and expense of Tenant.

8.2 Landlord shall have no obligation to provide for or pay for any Utilities, nor shall Landlord unreasonably interfere in any manner with Tenant's access to or use or enjoyment of any Utilities at any time during the Term.

9. REPAIR AND MAINTENANCE; EXPENSES

9.1 Subject to Section 6.2, and except for Landlord's obligations under Section 9.2, Tenant shall at all times during the Term and at Tenant's sole cost and expense, operate, clean, maintain, repair, and preserve the Premises, including without limitation the roof, plumbing, heating, ventilating, air-conditioning, sprinkler and electrical systems within the Buildings ("**Building Systems**") and the Parking Areas, as and to the extent necessary to keep them in their condition as of the Effective Date, reasonable wear and tear, casualty and condemnation excepted (such condition, the "**Surrender Condition**"), and, subject to the limitations set forth in Section 6.2, in compliance with all applicable Legal Requirements and Insurance Requirements. Notwithstanding the foregoing, Tenant's obligations to repair the Premises shall include only ordinary non-capital repairs ancillary to Tenant's maintenance and preservation obligations, but shall not include (i) extraordinary repairs, or repairs or replacements the expenditure for which would be considered a "capital expenditure" or "capital expense" under generally accepted accounting principles, (ii) structural replacements or improvements, (iii) repairs or replacements that could reasonably be deferred until expiration of the Term without causing waste or degradation of the condition of the Premises below the Surrender Condition, (iv) repairs or replacements that are covered by insurance maintained or required to be maintained by Landlord, and (v) repairs or replacements arising as a consequence of casualty or condemnation. Tenant shall perform its foregoing obligations to operate, clean, maintain, repair, and preserve the Premises to the standard of similar first-class office buildings in the geographical area of the Buildings. To the extent possible, Landlord will cause Tenant to have the benefit of any guaranty or warranty to which Landlord is entitled relating to components of the Premises that Tenant is required to operate, maintain, repair, and preserve. The foregoing does not nullify or modify the Tenant's obligation to pay to Landlord "Expenses" incurred by Landlord to the extent such payment is required under the terms of Sections 9.3 and 9.4 below (including the obligation to pay the amortized portion of capital expenditures that are incurred by Landlord and that are allocable to the Term of this Lease).

9.2 Landlord shall at its expense (but subject to Sections 9.3 and 9.4 below), maintain and repair the structural portions of the Buildings to the extent that such maintenance and repairs constitute extraordinary repairs, or repairs or replacements the expenditure for which would be considered a “capital expenditure” or “capital expense” under generally accepted accounting principles, including, without limitation, all portions of the roof, roof structures and supports, the foundation and structural supports, exterior and load bearing walls, subfloors and floors (but not floor coverings), the Building Systems and standard conduits, connections and distribution systems thereof within the Premises (but not any Support Equipment or Tenant’s Property) to the standard of similar first-class office buildings in the geographical area of the Buildings and in compliance with all applicable Legal Requirements and Insurance Requirements. Landlord’s obligations under this Section 9.2 shall not include maintenance and repairs within the scope of Tenant’s maintenance, repair and preservation obligations set forth in Section 9.1. Except in the case of maintenance and repairs that must be performed on an emergency basis or that are requested in writing by Tenant, Landlord shall give Tenant advance written notice of at least twenty (20) days prior to performing any maintenance or repair under this Section 9.2. Unless otherwise approved by Tenant in writing, Landlord shall defer any or all maintenance, repairs or replacements that could reasonably be deferred until expiration of the Term without causing waste, degradation of the condition of the Premises below the Surrender Condition or imposition on Landlord of a fine, penalty or loss of insurance coverage based on noncompliance with applicable Legal Requirements or Insurance Requirements. Landlord shall not be permitted to make alterations or improvements to the Premises during the Term or perform maintenance or repairs that are not required under this Section 9.2, except following not less than 30 days’ prior written notice during the last twelve (12) months of the Term, if Tenant has waived its Extension Option in writing, or during the last twelve (12) months of the Extension Period, and then, in each such case, only in a manner that does not interfere with or disturb Tenant’s access, use, occupancy and quiet enjoyment of the Premises.

9.3 Subject to Section 6.2 and except as provided in Section 9.4 below: (i) actual out of pocket expenses incurred by Landlord in the performance of Landlord’s obligations under Section 9.2 (but not including any maintenance, repairs or replacements to be deferred until expiration of the Term under the standards set forth in Section 9.2) shall be “Expenses” and (ii) shall be paid or reimbursed to Landlord by Tenant as Additional Rent on the first calendar day of each month during the Term (provided written demand for payment accompanied by reasonably detailed supporting documentation of such Expenses is made to Tenant at least thirty (30) days prior to such 1st calendar day, otherwise on the 1st calendar day of the next month and further provided that the amortized portion of any capital expenditure allocable to the Term and permitted to be an Expense shall be due and payable in monthly installments during the remaining Term and not as a lump sum) and such Expenses may include, without limitation, the following:

(a) All supplies, materials and tools used exclusively in connection with the Premises and the performance of Landlord’s obligations under Section 9.2;

(b) The cost of repair (but not replacement) of the Chiller, but only to the extent required to keep the Chiller fully and properly operational during the Term;

(c) The cost of any capital expenditure made to the Premises by Landlord after the date of this Lease which are required by Legal Requirements or Insurance Requirements that were not in effect as of the Effective Date or, subject to Section 9.4(c), to keep the Premises in a safe condition or in the Surrender Condition; provided that, the cost of any such capital expenditure or improvement shall be amortized on a straight-line basis over the useful life (as determined by Landlord) of such capital expenditure or improvement following such repair or replacement, together with interest at the Prime Rate plus two percent (2%) per annum on the unamortized balance thereof from time to time, and only the amortized portion of such expenditure, plus interest, during the Term will constitute an "Expense" hereunder; provided, further however that any capital expenditure or improvement which costs less than \$25,000 shall be expensed in the year in which incurred and treated as "Expenses" in such year; and

(d) The cost of licenses, certificates, permits and inspections for the performance of obligations required to be performed by Landlord under Section 9.2.

9.4 Notwithstanding anything to the contrary, the following items shall be excluded from Expenses and Tenant shall not be charged or required to reimburse Landlord therefor under any provision of this Lease:

(a) Expenses for repairs or replacements that reasonably could be deferred until expiration of the Term (or, as applicable, the Extension Term) while maintaining the Surrender Condition described in (and pursuant to) Section 9.1 and without causing waste to the Premises, degradation of the condition of the Premises below the Surrender Condition or imposition on Landlord of a fine or penalty or resulting in the loss of insurance based on noncompliance with Legal Requirements or Insurance Requirements;

(b) Expenses that are not incurred for the performance of obligations required to be performed by Landlord under Section 9.2;

(c) Expenses for replacements of components or items that reasonably could be repaired at a lower cost;

(d) Wages, salaries, and any and all taxes, insurance and benefits of any property manager or other management employees of or employed by Landlord or any Landlord Affiliate;

(e) Any capital costs and expenses, including, without limitation, any, capital replacements, capital repairs or other capital items, that are not expressly permitted to be included as Expenses under Section 9.3 above;

(f) Costs or expenses of repairs made in connection with casualty or condemnation; costs or expenses of repairs and restoration paid for by the proceeds of any insurance policies and costs or expenses that would be reimbursable under insurance required to be maintained by Landlord under this Lease;

(g) Financing costs or depreciation;

(h) The costs resulting from Hazardous Materials which (i) existed on the Property on or before the Effective Date (except to the extent any such condition is exacerbated by Tenant or any Tenant Parties), and/or (ii) were placed within the Property by Landlord or Landlord Parties;

(i) Interest and penalties resulting from Landlord's failure to pay Expense when due; and

(j) Costs or expenses arising from the gross negligence or willful misconduct of Landlord or Landlord Parties.

(k) Depreciation or amortization of the Buildings or equipment in the Buildings;

(l) Loan principal and interest payments;

(m) Amounts constituting either or both the deductible portion of insurance or self-insured risks;

(n) Costs or expenses (including fines, penalties and legal fees) incurred due to the violation by Landlord or any Landlord Parties of any terms and conditions of this Lease, or of any applicable laws that would not have been incurred but for such violation; and

(o) Penalties for any late payment by Landlord, including, without limitation, taxes and equipment leases.

9.5 If Tenant disputes the amount of any Expenses for which Landlord is requesting payment or reimbursement from Tenant, Tenant may inspect and copy Landlord's books and records relating to the Premises and, in addition, may at its sole expense, except as provided below, designate a consultant to do so who must be a member of a reputable accounting firm or management company and must not charge a fee based on the amount of Expenses that such consultant is able to save the Tenant. Tenant shall give not less than seven (7) days' prior written notice to Landlord of the request for inspection, and the inspection must be conducted in Landlord's offices during normal business hours. Tenant and such consultant shall maintain in strict confidence any and all information obtained in connection with the review and shall not disclose any such information to any person or entity other than to management personnel of Tenant, except for (i) information that is or becomes available to the public other than as a result of a disclosure pursuant to this Section 9.5, (ii) information that is or becomes available to Tenant on a non-confidential basis from another source which, to the best of Tenant's knowledge, is not subject to a confidentiality agreement with Landlord, (iii) information that is or was known by Tenant prior to its disclosure by Landlord, (iv) disclosures required by applicable law, subpoena or any court, agency, regulatory or supervisory authority having jurisdiction or (v) disclosures required in connection with the enforcement of Tenant's rights under this Lease. The period during which Tenant or its consultant may inspect and copy

Landlord's books and records shall end on the ninetieth (90th) day following the date on which Tenant or its consultant shall have begun its inspection and Landlord shall have provided Landlord's books and records relating to such Expenses and payment or reimbursement request to Tenant or its consultant for inspection and copying. If, after any such inspection, Tenant still disputes any such Expense payment or reimbursement request, and if Landlord disagrees with the results of Tenant's review, then Landlord and Tenant shall together select a neutral auditor having not less than ten (10) years' experience in managing or auditing properties of a type similar to the Premises and who is otherwise qualified to conduct a review of such books and records (the fees of such neutral auditor to be shared equally by Landlord and Tenant), and the determination of Expenses reached by such neutral auditor shall be final and conclusive. If the parties do not agree on such selection within fifteen (15) days following written notice by Tenant to Landlord of its election to cause such an auditor to conduct such review, then Tenant may request appointment of such an auditor by the American Arbitration Association (or any successor organization thereto) in accordance with its rules then prevailing, or if the American Arbitration Association (or such successor organization) shall fail to appoint such auditor within fifteen (15) days after such request is made, then Tenant may apply, on notice to Landlord, to any court having jurisdiction for the appointment of such auditor. If the amounts paid by Tenant to Landlord on account of Expenses exceed the amounts to which Landlord is entitled hereunder, then Landlord shall, upon its final determination, credit the amount of such excess toward the next monthly payment(s) of Rent due hereunder. All costs and expenses of any such review shall be paid by Tenant; provided, however, that if the aggregate amount of Expenses set forth in any such statement was overstated by Landlord by more than five percent (5%), Landlord shall reimburse Tenant for the commercially reasonable, out of pocket hourly or flat fee costs and expenses paid by Tenant in connection with Tenant's review and, if applicable, the costs of causing the appointment of and review by such auditor. Notwithstanding anything to the contrary stated in this Lease, Tenant shall not be permitted or have the right to challenge any particular Expense (or inspect Landlord's books and records with respect to any such Expense) if Tenant fails to deliver to Landlord written notice either challenging such Expense or requesting access to Landlord's books and records with respect to such Expense in connection with a potential challenge within ninety (90) days after Landlord first delivers to Tenant its demand for payment of such Expense. Tenant will diligently pursue any such inspections and challenges permitted hereinabove in an expeditious manner.

9.6 Except as otherwise expressly provided in this Lease, Tenant hereby waives all rights it would otherwise have under California Civil Code Sections 1932(1) and 1942(a) or any successor statutes to deduct repair costs from rent and/or terminate this Lease as the result of any failure by Landlord to maintain, repair or replace the Premises. If Landlord fails to perform any of its repair, replacement and maintenance obligations under Section 9.2 or otherwise as required in this Lease, and such failure materially affects Tenant's ability to use and occupy the Premises for the purposes permitted herein, Tenant shall have the right, but not the obligation, to perform such repairs, replacements and/or maintenance if such failure continues for more than ten (10) days after the second written notice from Tenant to Landlord; provided, however, that if the nature of the repairs, replacements and/or maintenance to be completed by Landlord is such that more than ten (10) days are reasonably required to complete such repairs, replacements and/or maintenance, then Landlord shall have such additional time as is reasonably necessary to complete such repairs, replacements and/or maintenance so long as Landlord takes

appropriate action to commence such repairs, replacements and/or maintenance within such ten (10) day period and thereafter diligently pursues such repairs, replacements and/or maintenance to completion. In such event, Landlord shall reimburse Tenant for the reasonable costs incurred by Tenant to complete such repairs, replacements and/or maintenance within ten (10) days after receipt of Tenant's written demand therefor and supporting documentation evidencing such expenditures, together with interest thereon at the Default Rate from the date such expenditures are made by Tenant until paid by Landlord. In the event of an emergency, Tenant shall be empowered to undertake immediate repairs of such nature as would be Landlord's responsibility and notify Landlord promptly after such repairs have been undertaken and seek reimbursement from Landlord as provided herein.

10. MECHANICS' AND OTHER LIENS. Tenant shall not suffer or permit any mechanics' or other liens to be recorded or filed against the Premises or any part thereof or against the interests therein of Landlord or Tenant as a result of any work performed by or on behalf of Tenant during the Term. If any such lien shall at any time be recorded or filed against the Premises or any such interest therein, Tenant shall cause the same to be discharged of record within thirty (30) days after Tenant receives notice of the recording or filing of the same. Tenant shall have the right, after notice to Landlord, to contest by appropriate legal proceedings, diligently conducted in good faith, the amount or validity of any such mechanics' or other lien filed against the Premises, provided that such contest shall not abrogate Tenant's obligation to cause such lien to be discharged of record as provided in this Section 10. Tenant agrees to indemnify, defend and hold Landlord harmless from and against any losses or costs to, or penalties incurred by, Landlord arising from Tenant's contesting any mechanics' or other lien filed against the Premises or any part thereof or against the interest therein of Landlord or Tenant's failure to cause the same to be discharged of record within thirty (30) days after Tenant receives notice of the recording or filing of the same. Tenant's obligations under this Section 10 shall survive the expiration or earlier termination of this Lease.

11. ALTERATIONS

11.1 Title to all improvements constructed by Tenant within the Premises following the Commencement Date shall be and remain in Tenant for and during the entire Term of this Lease, and on the expiration or earlier termination of this Lease, Tenant hereby covenants and agrees that the sole right to possess and use the same (but not Tenant's Property) shall automatically pass to and be vested in Landlord without payment or consideration of any kind, unless Landlord provides Tenant with written notice at the time Landlord approves such improvements, that Landlord shall require Tenant to remove such improvements (or a specified portion thereof) at its sole cost and expense prior to the expiration of the Term, or to the extent permitted under the terms of this Lease any earlier termination of the Term, provided that Tenant is afforded a reasonable advance notice of such earlier termination to effect such removal.

11.2 Tenant shall have the right, at any time and from time to time during the Term of this Lease, to make, at its sole cost and expense Alterations to the Premises, subject, however, in all cases, to the following:

(a) All Alterations shall be made promptly in a good and workmanlike manner on a lien-free basis and in compliance with all applicable Legal Requirements, and any national or local Insurance Rating Bureau, or any other body hereafter exercising similar functions.

(b) The cost of all Alterations shall be paid by Tenant, so that the Property shall at all times be free from all liens for labor and material supplied or claimed to have been supplied to the Premises and free from all liens, encumbrances or security interests.

(c) Tenant shall not make any Alterations (i) to any portion of the Property described in Section 9.2, without Landlord's prior written approval (including approval of all plans and specifications) to be given or withheld in Landlord's sole and absolute discretion, (ii) to the exterior of the Buildings or Property if such Alterations would change the appearance of the Property or any part thereof, or (iii) that are not included in clauses (i) or (ii) above but cost more than Fifty Thousand Dollars (\$50,000) without Landlord's prior written approval (including approval of all plans and specifications, if any), which approval shall not be unreasonably withheld, conditioned or delayed. Within fifteen (15) days after the receipt of plans and specifications from Tenant requiring Landlord's approval, Landlord shall notify Tenant in writing of its approval of the plans and specifications or the reasons for its rejection thereof. Landlord shall be deemed to have approved such plans and specifications or such Alterations if it fails to give Tenant a rejection notice within fifteen (15) days after receipt by Landlord of Tenant's plans and request for approval.

11.3 Except as expressly set forth in this Lease, Landlord shall have no right to make any Alterations to the Premises (as distinguished from repairs and maintenance) without the prior written consent of Tenant, which consent Tenant may grant or withhold in its reasonable discretion.

11.4 Landlord, at Tenant's sole cost and expense, shall provide reasonable cooperation with Tenant with respect to Tenant's efforts to secure building and other permits or authorizations that may be required from time to time by Tenant in connection with the performance of any Alterations. Any reasonable costs incurred by Landlord in connection with Landlord's (or Landlord's construction consultant's) review of any plans submitted to Landlord by Tenant shall be paid by Tenant as Additional Rent upon thirty (30) days written demand therefore by Landlord.

12. INSURANCE

12.1 At all times during the Term hereof, Tenant shall, keep in full force and effect:

(a) a policy of commercial general public liability insurance with respect to the Premises, and the business operated by Tenant in the Premises, in which the primary coverage per accident or occurrence is not less than Five Million Dollars (\$5,000,000.00) combined single limit; and

(b) a policy of "all-risk" insurance so as to cause all of the Tenant Property to be insured against loss or damage by fire, wind, sprinkler leakage, vandalism, malicious mischief, flood and such other hazards as are from time to time included in a standard

extended coverage endorsement, in an amount and form so that the proceeds thereof are sufficient to provide for actual replacement in full of the Tenant Property (*i.e.*, full replacement cost).

Nothing in this Section 12 shall prevent Tenant from carrying any of the insurance required of Tenant hereunder in the form of self-insurance (provided Tenant shall have liquid assets of One Hundred Million Dollars (\$100,000,000) or more), or blanket policies of insurance.

12.2 At all times during the Term hereof, subject to Section 12.5 below, Landlord shall keep in full force and effect:

(a) a policy of commercial general public liability insurance with respect to the Property, in which the primary coverage per accident or occurrence is not less than Five Million Dollars (\$5,000,000.00) combined single limit; and

(b) policy of insurance "all-risk" so as to cause all of the Buildings and other improvements located within the Property to be insured against loss or damage by fire, wind, sprinkler leakage, earthquake, terrorist acts, vandalism, malicious mischief, flood and such other hazards as are from time to time included in a standard extended coverage endorsement, in an amount and form so that the proceeds thereof are sufficient to provide for actual replacement in full of the Buildings and improvements (*i.e.*, full replacement cost). Such coverage shall include rental loss coverage for a period of at least twelve (12) months. Landlord shall have no obligation to insure, and shall not be responsible for, Tenant's Property.

12.3 With respect to the insurance policies maintained by Landlord and Tenant pursuant to Sections 12.1 and 12.2, respectively, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty and, to the extent permitted by law, Landlord and Tenant each hereby releases and waives, to the extent that the party sustaining such loss is compensated for such loss by insurance, all right of recovery against the other or anyone claiming through or under each of them by way of subrogation or otherwise.

12.4 Tenant (and Landlord, if Landlord has any employees), shall maintain (i) Worker's Compensation insurance as required by any applicable law or regulation and in accordance with the laws of the state, territory or province having jurisdiction over Tenant's employees, (ii) Employer's Liability insurance with limits of One Million Dollars (\$1,000,000) and (iii) Business Automobile Liability insurance covering all owned, rented (hired) and non-owned vehicles used in connection with this Lease or the Premises having limits of One Million Dollars (\$1,000,000) each accident for bodily injury and property damage.

12.5 The policies required under Section 12.1(b) and Section 12.2(b) shall permit the waivers set forth in Section 12.3, and the policies required under Sections 12.1(a) and 12.4 shall name Landlord, Landlord Parties and Landlord's lender as additional insureds with respect to liability arising out of the activities of Tenant, shall be deemed primary coverage as to any insurance carried by Landlord and such other additional insureds, and shall contain a clause that the insurer will not cancel or materially change the insurance without first giving the Landlord thirty (30) days prior written notice. A copy of the certificates of the insurers

evidencing the maintenance of such insurance policies shall be delivered to Landlord and Tenant, as applicable, prior to the Commencement Date, and, upon renewals, no later than 21 days after the expiration of a coverage period.

12.6 All insurance required hereunder shall be issued by insurance companies having a rating of not less than A-VIII in Best's Insurance Guide (or which is otherwise acceptable to the non-insuring party hereunder) and licensed to do business in the State of California. If Tenant fails to procure and maintain any insurance required to be procured and maintained by Tenant pursuant to this Lease, or to deliver certificates of insurance as required by this Lease, Landlord may, at its option, procure such insurance policies for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within five (5) days after delivery to Tenant of the bills therefore.

12.7 Expenses for insurance required to be maintained by Landlord under this Section 12 shall be reimbursed by Tenant within ten (10) days following written notice by Landlord containing an invoice of the amount thereof, accompanied by reasonable supporting documentation for all such insurance premium Expenses. All insurance required to be maintained by Tenant under this Lease shall be maintained at Tenant's sole cost and expense.

13. DAMAGE OR DESTRUCTION

13.1 If, at any time during the Term, the Premises (including, without limitation, any of the Buildings or other improvements therein or thereon) or any part thereof (collectively, the "**Damaged Property**") is damaged by fire, earthquake, flood or by any other casualty of any kind or nature (a "**Casualty**") then, unless this Lease is terminated as hereinafter provided in this Section 13.1, Landlord shall proceed diligently to rebuild or restore the Damaged Property at Landlord's sole cost and expense; provided, that, in no event shall Damaged Property include, nor shall Landlord or Tenant have any obligation to rebuild or restore, any of the Tenant Property (unless such Casualty is caused by the gross negligence or willful misconduct of Landlord). Such rebuilding and restoration work required of Landlord is herein collectively called "**Landlord's Restoration Work.**" If any Casualty shall render the Premises completely or partially Untenantable for any period, then, provided that such Casualty was not caused by the gross negligence or willful misconduct of Tenant or any Tenant Parties, Basic Rent shall be abated (in the proportion that the rentable portion of the Untenantable area of the Premises bears to the total rentable area of the Premises for the period of such untenability) until (10) days after the date that the Premises (or such portion thereof) is no longer Untenantable and Landlord has given written notice to Tenant that the Premises have again been rendered fully tenantable and a certificate of occupancy for the Premises, as restored following such fire or other casualty, has been obtained (if such certificate is required by applicable law). The term "**Untenantable,**" when used with respect to the Premises, or any portions thereof, shall mean that the Premises, or any portion thereof, is not reasonably capable of being used by Tenant for its intended purpose or that the continuance of Tenant's business from the Premises is impractical (as reasonably determined by Tenant). Within thirty (30) days following any Casualty, Landlord shall cause to be prepared and delivered to Tenant a written estimate of the date by which the Landlord's Restoration Work necessitated by Casualty shall be completed (which estimate shall be prepared by an independent reputable contractor, registered

architect or licensed professional engineer designated by Landlord, and reasonably approved by Tenant) (such estimate being herein called the “**Restoration Completion Estimate**”). If the Restoration Completion Estimate is a date later than the date that is one hundred eighty (180) days after the date of the Casualty, or the Casualty occurs during the last one hundred twenty (120) days of the Term (as may be extended by the Extension Option), then, provided that such Casualty was not the direct or indirect result of Tenant’s or any Tenant Party’s negligence or willful misconduct, Tenant may elect to terminate this Lease by providing Landlord written notice no later than thirty (30) days following the delivery of the Restoration Completion Estimate to Tenant or, in the case of a Casualty occurring in the last one hundred twenty (120) days of the Term (as may be extended by the Extension Option), within thirty (30) days after the occurrence of such Casualty. If (i) the Restoration Completion Estimate is a date later than the date that is one hundred eighty (180) days after the date of the Casualty, (ii) the Casualty is the result of a risk that is not covered by Landlord’s insurance (provided that Landlord has procured and maintained the insurance required under Section 12.2(b) of this Lease), (iii) the amount of insurance proceeds payable to and received by Landlord as a result of such Casualty plus the applicable deductible are insufficient to compete Landlord’s Restoration Work (provided that Landlord has procured and maintained the insurance required under Section 12.2(b) of this Lease) or (iv) the Casualty occurs during the last one hundred twenty (120) days of the Term (as may be extended by the Extension Option), then Landlord may elect to terminate this Lease by providing Tenant written notice no later than fifteen (15) days following the delivery of the Restoration Completion Estimate to Tenant (in the case of clause (i)), fifteen (15) days after the insurer finally denies coverage or settles the insurance claim (in the case of clauses (ii) and (iii)), and fifteen (15) days after the occurrence of the Casualty (in the case of clause (iv)).

13.2 If a Casualty occurs and the Lease is not terminated in accordance with the terms of Section 13.1 above, then Landlord shall commence and diligently pursue to completion Landlord’s Restoration Work. If Landlord fails to substantially complete Landlord’s Restoration Work (it being understood that in no event shall Landlord’s Restoration Work be deemed substantially completed unless and until the Premises are no longer Untenantable and the common areas functional for all purposes hereunder) on or prior to the Outside Completion Date, then Tenant may terminate this Lease (or Tenant may reduce the total area of the Premises by removing the Building affected by such Casualty, if only one Building within the Premises is affected by such Casualty) and in the event of such termination (or Premises reduction), all Rent shall be prorated and adjusted as of the date of such termination (or Premises reduction), subject to the abatement provisions herein-above set forth) by delivering written notice to Landlord within thirty (30) days after the Outside Completion Date, but before Landlord’s Restoration Work shall have been substantially completed. If Tenant fails to deliver such notice within such thirty (30) day period, then Tenant shall have waived its right to terminate this Lease under this Section 13.2 for a period of two (2) months; after which 2-month period, such right shall again be available, on the same terms, if the Landlord’s Restoration Work is still not substantially completed. The provisions of the two immediately preceding sentences shall be implemented repeatedly until the Landlord’s Restoration Work is substantially completed or this Lease is terminated as therein provided. The term “**Outside Completion Date**” shall mean the later of (x) the date that is 180 days after the Casualty occurred and (y) the date of the Restoration Completion Estimate. Tenant shall be solely obligated to repair and restore Tenant Property at its sole cost and expense, unless damage thereto is caused by the gross negligence or willful misconduct of Landlord.

13.3 Landlord and Tenant agree that the foregoing provisions of this Section 13 are to govern their respective rights and obligations in the event of any damage or destruction and supersede and are in lieu of the provisions of any applicable law, statute, ordinance, rule, regulation, order or ruling now or hereafter in force which provide remedies for damage or destruction of Premises (including, without limitation, the provisions of California Civil Code Section 1932, Subsection 2, and Section 1933, Subsection 4 and any successor statute or laws of a similar nature).

14. CONDEMNATION

14.1 If all of the Premises is condemned by eminent domain, inversely condemned or sold in lieu of condemnation for any public or quasi-public use or purpose (a "**Condemnation**"), this Lease shall terminate as of the earlier of the date of title vesting in such proceeding or the date Tenant vacates the Premises, and Base Rent and Additional Rent hereunder shall be adjusted to the date the Lease is terminated.

14.2 If a Condemnation affects a portion of the Premises as would render the continuance of Tenant's business from the Premises impracticable (as reasonably determined by Tenant), then Tenant shall have the option of terminating this Lease upon the giving of notice to Landlord within thirty (30) days from the date of such condemnation or taking and this Lease shall terminate as of the earlier of the date of title vesting in such proceeding or the date Tenant vacates the Premises, and Base Rent and Additional Rent hereunder shall be adjusted to the date the Lease is terminated.

14.3 If any such Condemnation of a portion of the Premises occurs and this Lease is not terminated under Section 14.1 or Section 14.2, then within thirty (30) days following any Condemnation, Landlord shall cause to be prepared and delivered to Tenant a written estimate of the date by which restoration work to the remaining portions Premises (including the Buildings and the parking and other common areas and structures, but not including, in any event, any Tenant Property) can be completed so that such remaining portion of the Premises and the Buildings thereon each shall constitute a complete architectural unit, reasonably fit for Tenant's occupancy and business as reasonably determined by Tenant (which estimate shall be prepared by an independent reputable contractor, registered architect or licensed professional engineer designated by Landlord, and reasonably approved by Tenant) (such estimate being herein called the "**Condemnation Restoration Completion Estimate**"). If the Condemnation Restoration Completion Estimate is a date later than the date that is one hundred twenty (120) days after the date of the Condemnation, or the Condemnation occurs during the last one hundred twenty (120) days of the Term (as may be extended by the Extension Option), then, Landlord or Tenant each may elect to terminate this Lease by providing written notice to the other no later than thirty (30) days following the delivery of the Condemnation Restoration Completion Estimate to Tenant or, in the case of a Condemnation occurring in the last one hundred twenty (120) days of the Term (as may be extended by the Extension Option), within thirty (30) days after the occurrence of such Condemnation. If this Lease is not terminated under this Section 14.3, Landlord shall, within sixty (60) days after the date of such condemnation or

taking, commence such restoration work to the remaining portions of the Premises (including the Buildings and the parking and other common areas and structures, but not including, in any event, any Tenant Property) as shall be needed so that such remaining portion of the Premises and the Buildings thereon each shall constitute a complete architectural unit, reasonably fit for Tenant's occupancy and business as reasonably determined by Tenant. If Landlord fails to cause such restoration work to be substantially completed within the later of (x) 180 days after the Condemnation and (y) the Condemnation Restoration Completion Estimate, for any reason other than a delay caused by an act or omission of Tenant, and such failure materially interferes with Tenant's use and occupancy of the Premises (as reasonably determined by Tenant), then Tenant shall have the right to terminate this Lease by notifying Landlord in writing of such termination within thirty (30) days after such outside date for completion of such restoration.

14.4 If this Lease is terminated as provided in Section 14.1, Section 14.2 or Section 14.3, then this Lease shall cease and expire as to such Premises as of the date of transfer of possession of the Premises, the Property, or the applicable portion thereof, as if such date was the expiration date of this Lease.

14.5 If, upon any Condemnation of a portion of the Premises, this Lease is not terminated by either Landlord or Tenant, then Tenant shall pay all Basic Rent up to the date of transfer of possession of such portion of the Premises so taken or condemned and this Lease shall thereupon cease and terminate with respect to such portion of the Premises so taken or condemned as if the date of transfer of possession of the Premises was the expiration date of the Term relating to such portion of the Premises. Thereafter, the Basic Rent and Additional Rent shall be calculated based on the net rentable area of the Premises not so taken or condemned and Tenant shall remain responsible only for Basic Rent and Additional Rent applicable to the remaining portion of the Premises.

14.6 All compensation awarded for any taking (or the proceeds of private sale in lieu thereof) of the Property shall be the property of Landlord, and Tenant hereby assigns its interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for the taking of any Tenant Property or moving expenses if a separate award for such items is made to Tenant. If this Lease is terminated as a result of any such exercise of the power of eminent domain, Rent shall be payable up to the date that possession is taken by the condemning authority; Landlord shall refund to Tenant any prepaid unaccrued Rent, less any sum then owing by Tenant to Landlord; and Tenant shall have no claim against Landlord for the value of any unexpired portion of the Term.

14.7 If (i) any taking or condemnation for any public purpose is of a portion (but less than all) of the Premises or any portion thereof, and (ii) the same occurs for only a period of ninety (90) days or less, then such taking or condemnation shall be deemed a temporary taking and this Lease shall continue in full force and effect, except that, throughout the period of such temporary taking, Basic Rent, shall be calculated based on the net rentable area of the Premises not so taken.

14.8 Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

15. DEFAULT BY TENANT

15.1 If, at any time during the Term, any one or more of the following events (each of which being herein called an “**Event of Default**”) shall occur, to wit:

(a) Tenant fails to pay when due any sum required to be paid hereunder which is not received by Landlord when due and such failure shall continue for a period of five (5) business days after the date on which Landlord gives Tenant written notice of such failure (a “**Monetary Default**”); or

(b) Tenant fails to perform or observe any of Tenant’s obligations, covenants, or agreements (other than a Monetary Default) to be performed or observed by Tenant under this Lease and such failure shall continue for thirty (30) days after notice thereof from Landlord to Tenant, except that if such failure cannot, because of Unavoidable Delays or otherwise, be cured within such thirty (30) day period, and if Tenant shall have commenced to cure such failure within such thirty (30) day period or as soon as reasonably feasible following an Unavoidable Delay, and continues to prosecute such cure with reasonable diligence thereafter, then the time to cure such failure shall be extended for such period as may be necessary to complete such cure with reasonable diligence, subject to Unavoidable Delays; or

(c) Tenant admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any applicable Legal Requirement; or an assignment of Tenant’s property is made for the benefit of creditors; or a receiver or trustee is appointed for Tenant or a substantial portion of its property; or the interest of Tenant under this Lease is levied on under execution or other legal process; or any petition is filed by or against Tenant or Guarantor to declare Tenant bankrupt; or any petition is filed or other action taken to reorganize or modify Tenant’s or Guarantor’s capital structure if Tenant is a corporation or other entity. Any such levy, execution, legal process, or petition filed against Tenant or Guarantor shall not constitute a breach of this Lease provided Tenant or Guarantor shall contest the same by appropriate proceedings and shall remove or vacate the same within sixty (60) days from the date of its creation, service, or filing; or

(d) Tenant ceases to exist as a corporation.

15.2 In the event of any Event of Default by Tenant, Landlord, at its option, may pursue one or more of the following remedies without notice or demand in addition to all other rights and remedies provided for at law or in equity:

(a) Upon an Event of Default, Landlord may, at its option, terminate this Lease by written notice to Tenant and recover possession of the Premises. No act by Landlord (including, without limitation, acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord’s initiative to protect Landlord’s interest under the Lease) other than giving written notice to Tenant shall terminate this Lease. Following such termination, Landlord may recover from Tenant damages arising from the Event of Default and the termination of this Lease, including without limitation the following:

(i) The Worth at the Time of Award of the unpaid Rent which had been earned at the time of termination; plus

(ii) The Worth at the Time of Award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The Worth at the Time of Award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus

(iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which, in the ordinary course of things, would be likely to result therefrom.

As used in Sections 15.2(a)(i) and 15.2(a)(ii) above, the "Worth at the Time of Award" shall be computed by allowing interest at the Default Rate. As used in Section 15.2(a)(iii) above, the "Worth at the Time of Award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus five percent (5%).

(b) Landlord shall have the remedy, described in California Civil Code 1951.4 (Landlord may continue the lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations).

15.3 If Landlord shall exercise any one or more remedies hereunder granted or otherwise available, it shall not be deemed to be an acceptance or surrender of the Premises by Tenant whether by agreement or by operation of law; it is understood that such surrender can be effected only by the written agreement of Landlord and Tenant.

15.4 Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, including, but not limited to, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity, or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at or in equity or by statute or otherwise. All such rights and remedies shall be considered cumulative and non-exclusive. All costs incurred by Landlord in connection with collecting any Rent or other amounts and damages owing by Tenant pursuant to the provisions of this Lease, or to enforce any provision of this Lease, including reasonable attorneys' fees from the date such matter is turned over to an attorney, whether or not one or more actions are commenced by Landlord, shall also be recoverable by Landlord from Tenant. If any notice and grace period required under Section 15.1(a) or Section 15.1(b) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Tenant under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Section 15.1(a) or

Section 15.1(b). In such case, the applicable grace period under Section 15.1(a) or Section 15.1(b) and under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Tenant to cure the default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and an Event of Default entitling Landlord to the remedies provided for in this Lease and/or by said statute.

15.5 Notwithstanding anything contained in this Section 15 to the contrary, any proceeding or action involving bankruptcy, insolvency, reorganization, arrangement, assignment for the benefit of creditors, or appointment of a receiver or trustee, as set forth above, shall be considered to be an Event of Default only when such proceeding, action, or remedy shall be taken or brought by or against the then holder of the leasehold estate under this Lease.

15.6 No endorsement or statement on any check or letter of Tenant shall be deemed an accord and satisfaction or recognized for any purpose whatsoever. The acceptance of any such check or payment shall be without prejudice to Landlord's rights to recover any and all amounts owed by Tenant hereunder and shall not be deemed to cure any other default nor prejudice Landlord's rights to pursue any other available remedy, Landlord's acceptance of partial payment of rent does not constitute a waiver of any rights, including without limitation any right Landlord may have to recover possession of the Premises.

15.7 Landlord's failure to perform any of its obligations under this Lease shall constitute a default by Landlord under this Lease if the failure continues for thirty (30) days after written notice of the failure from Tenant to Landlord. If the required performance cannot be completed within thirty (30) days, Landlord's failure to perform shall constitute a default under the Lease unless Landlord undertakes to cure the failure within thirty (30) days and diligently and continuously attempts to complete this cure as soon as reasonably possible. All obligations of each party hereunder shall be construed as covenants, not conditions.

16. LANDLORD OR TENANT MAY PERFORM THE OTHER'S OBLIGATIONS

16.1 If Tenant shall at any time fail to keep or perform any of its obligations under this Lease in respect of (a) maintenance of insurance, (b) repairs and maintenance of the Premises, (c) compliance with insurance requirements, or (d) the making of any other payment or performance of any other obligation of Tenant hereunder, Landlord may, but shall not be obligated to, upon the continuance of such failure on Tenant's part for ten business (10) days after written notice (or, only in connection with a repair that must be made immediately in the case of a bona fide emergency, only with reasonable advance written notice, or if not feasible, oral notice) to Tenant (or after such additional period, if any, as Tenant may reasonably require to cure such failure if of a non-monetary nature which cannot be cured within said ten (10) business day period, and if, within said ten (10) business day period, Tenant begins appropriate action to cure such failure and thereafter prosecutes such action with due diligence and continuity) and without waiving or releasing Tenant from any obligation, make any such payment or perform any such obligation, and all reasonable sums so paid by Landlord and all necessary incidental costs and expenses incurred by Landlord in making such payments or performing such obligation, together with interest thereon at the Default Rate from the date of payment and shall be paid to Landlord on demand, or at Landlord's option may be added to any installment of Basic Rent thereafter falling due, and if not so paid by Tenant, Landlord shall have the same rights and remedies as in the case of a default by Tenant in the payment of Basic Rent.

16.2 If Landlord shall at any time fail to keep or perform any of its obligations under this Lease pursuant to Section 9.2, and Section 19.1 of this Lease, Tenant may, but shall not be obligated to, perform any such obligation, without waiving or releasing Landlord from such obligation, upon the continuance of such failure on Landlord's part for ten (10) business days after written notice (or without notice and/or within a shorter time period in the case of a bona fide emergency) to Landlord and Landlord's mortgagees of which Tenant has been provided notice (or after such additional period, if any, as Landlord may reasonably require to cure such failure if of a nature which cannot be cured within said ten (10) business day period, and if, within such ten (10) business day period, Landlord begins appropriate action to cure such failure and thereafter prosecutes such action with due diligence and continuity). Landlord shall reimburse Tenant for all reasonable sums incurred by Tenant in performing such obligation, together with interest thereon at the Default Rate from the date of payment thereof, such reimbursement to be paid within thirty (30) days of demand therefor. In the event that Landlord fails to reimburse Tenant as aforesaid for costs incurred by Tenant in exercising its self-help remedies, and provided that Tenant has obtained a judgment from a court of competent jurisdiction that Tenant is entitled to such reimbursement and Landlord fails to appeal in good faith or satisfy such judgment within thirty (30) days after being notified thereof by Tenant, then, in such event, Tenant shall be entitled to offset against Basic Rent and any additional charges thereafter due and payable, until paid in full, the sums due to Tenant pursuant to said judgment. In the event that the amounts due are not paid in full by the expiration or earlier termination of the Term of this Lease, such deficiency shall be immediately due and payable to Tenant.

16.3 The provisions of this Section 16 shall survive the expiration or earlier termination of the Term.

17. SURRENDER OF PREMISES; HOLDOVER

17.1 Upon the expiration or earlier termination of this Lease (for any reason whatsoever), Tenant shall surrender to Landlord the Premises in its "as is" condition on the Effective Date, but broom clean and clear of debris caused by Tenant, subject to the effects of ordinary wear and tear and depreciation arising from lapse of time and damage without fault or liability of Tenant, including without limitation damage by Casualty or loss by condemnation. Tenant shall not have any repair, restoration, maintenance or removal obligation, except as expressly provided in this Lease (including, without limitation, Section 11). Tenant may at any time during the Term or renewal thereof remove any trade fixture or any equipment which Tenant has installed in the Premises, providing said Tenant repairs any damages caused by said removal.

17.2 Subject to Sections 7 and 11 above, title to all Tenant Property shall remain in Tenant, and Tenant shall have the right to remove Tenant Property upon or prior to the expiration or earlier termination of this Lease; provided that, as provided in Section 11.1 of this Lease above, Landlord may require Tenant to remove some or all such Tenant Property. Any items of such Tenant Property which shall remain upon the Premises after the expiration or earlier termination by Tenant of the Term may, at the option of Landlord, be deemed to have

been abandoned, and in such case such items may be retained by Landlord as its property or disposed of by Landlord, without accountability, in such manner as Landlord shall determine. Tenant shall not have any right or obligation to remove cables, wiring or the like that are affixed or otherwise attached to (or embedded with any shafts, ducts or conduits within) any part of the Premises that is located within or behind the surface of walls and floors or within or above ceiling surfaces.

17.3 The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant timely to surrender possession of the Premises as aforesaid will be substantial, will exceed the amount of the rent theretofore payable hereunder, and will be impossible to accurately measure. Accordingly, if Tenant shall fail to surrender the Premises upon the expiration or earlier termination of this Lease, then, throughout the period commencing on such expiration or earlier termination and continuing until Tenant shall have surrendered the Premises (such period, the "**Holdover Period**"), Tenant shall be deemed a holdover tenant and shall be liable to Landlord for a charge for each day of the Holdover Period, in respect of use and occupancy and all damages incurred by Landlord, equal to 175% of the rate of Basic Rent for the first thirty (30) days during the Holdover Period, equal to 200% of the rate of Basic Rent for the second thirty (30) days during the Holdover Period and equal to 225% of the rate of Basic Rent during the remaining Holdover Period (computed on a per diem basis) payable under this Lease immediately prior to the commencement of the Holdover Period. The foregoing charge be in addition to any Additional Rent payable by Tenant for such holdover period and shall constitute liquidated damages on account of Tenant's holdover; and Landlord hereby waives any and all right it may have to any further damages on account of Tenant's holdover. Nothing herein shall be deemed to grant Tenant any right to holdover, and in no event shall the acceptance of any such charge preclude Landlord from commencing and prosecuting any holdover or eviction proceeding (but Landlord shall not claim, nor shall it be entitled to, any damages, as part of such proceeding, beyond the aforementioned per diem charge, the Additional Rent payable during such holdover period, and its costs of prosecuting such holdover or eviction proceeding, including, without limitation, reasonable attorney's fees and disbursements directly relating thereto).

18. ASSIGNMENT AND SUBLETTING

18.1 Tenant shall not, voluntarily or by operation of law, (a) assign, mortgage, pledge, encumber, sell or transfer this Lease, in whole or in part, or (b) make any sublease, or permit occupancy of the Premises or any part thereof by anyone other than Tenant, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. No consent to any assignment or sublease in a specific instance shall operate as a release of Tenant from liability under this Lease. No consent to any assignment or sublease in a specific instance shall operate as a waiver of the need for such consent in any subsequent instance. Landlord's consent to any proposed assignment or sublease may be subject to the consistency, in Landlord's reasonable judgment, of the proposed assignee's or subtenant's business with other uses and tenants in the Building. In the event that any assignee or subtenant pays to Tenant any amount in excess of the Basic Rent then payable hereunder, or pro rata portion thereof on a square footage basis for any portion of the Premises so assigned or subleased, after deducting therefrom an amount equal to the reasonable expenses incurred by

Tenant in connection with such sublease or assignment (including but not limited to brokerage fees, fit-up expenses, tenant improvements allowances, free rent periods, marketing costs, advertising fees and attorney's fees), which expenses shall be amortized on a straight line basis over the remaining Term of the Lease, then Tenant shall promptly pay fifty percent (50%) of said excess to Landlord as and when received by Tenant.

18.2 Any provision of this Lease to the contrary notwithstanding, Tenant shall have the right, at any time and from time to time and without notice (except as expressly provided in Section 18.3, below) or consent, (a) to sublet all or part of the Premises to any other Tenant Affiliate; or (b) assign this Lease to a Successor; or (c) permit occupancy of the Premises by the personnel of any entity that acquires a Tenant Affiliate or substantial portion of such Tenant Affiliate's assets for a reasonable transition period following such acquisition. Any assignment or sublease under this Section 18.2 shall not operate as a release of Tenant from liability under this Lease. For the purpose of this Section 18.2, "control" shall mean the ownership of twenty percent (20%) or more of the direct or indirect voting securities or beneficial interests of an applicable entity. Further, notwithstanding anything in this Lease to be contrary, Tenant shall also have the right to permit, at any time and from time to time and without notice or consent, Affiliates and Successors to occupy all or any portion of the Premises without any formal agreement between Tenant and such entities.

18.3 In the event of the subletting or an assignment of this Lease to a Tenant Affiliate or a Successor, Tenant shall notify Landlord, in writing, prior to such subletting or assignment, as the case may be, and shall deliver to Landlord copies of any sublease or assignment documentation executed by Tenant and Tenant Affiliate.

18.4 No consent to any subletting or assignment shall release Tenant from or otherwise affect Tenant's continuing primary liability (which, following any such assignment, shall be joint and several with the assignee).

19. INDEMNITY

19.1 Subject to Section 12.3, Tenant shall indemnify, defend and hold Landlord and all Landlord Parties harmless from and against any loss, cost, damage, claim, liability and expense (including, without limitation, reasonable attorneys' fees and disbursements) if, and to the extent, arising from any negligent acts or omissions or willful misconduct of Tenant or any Tenant Parties in, at or upon the Premises from and after the Commencement Date or any accident, injury or damage caused by Tenant or any Tenant Parties in, at or upon the Premises from and after the Commencement Date, or subject to Section 6.2 of this Lease above, otherwise incurred in connection with or arising from any cause in, on or about the Premises after the Commencement Date until Tenant vacates the Premises, except to the extent resulting from the material breach of this Lease by or the negligent acts or omissions or willful misconduct of Landlord or any Landlord Party. The provisions of this Section 19 shall survive the expiration or earlier termination of this Lease.

19.2 Without limiting the foregoing, Tenant hereby agrees to and does indemnify, defend, and hold harmless, Landlord and all Landlord Parties from and against any and all claims, demands, causes of action, fines, penalties, costs, expenses (including attorneys

fees and court costs), liens, or liabilities, if, and to the extent, caused by, or arising out of Tenant's failure to comply with its obligations under Section 20. The provisions of this Section 19 shall survive the expiration or earlier termination of this Lease.

20. ENVIRONMENTAL MATTERS. Subject to Section 6.2, Tenant shall not cause or permit any Hazardous Materials to be brought upon or used in the Premises by Tenant, its agents, employees, or contractors, or any other Tenant Parties, from and after the Commencement Date, unless: (x) such Hazardous Materials are necessary for the uses permitted under this Lease or are commonly used by tenants using space for the uses permitted by this Lease (e.g., office supplies, printer toner and limited quantities of cleaning supplies customarily used when cleaning office space and substances and materials used in connection with or contained within building systems, mechanical, electrical or other building system components, generators and the like), and (y) Tenant manages such Hazardous Materials strictly in accordance with all applicable Environmental Laws. Landlord shall be solely responsible for and shall undertake all removal, relocation, elimination, remediation or encapsulation of Hazardous Materials required by any Governmental Authority, or as necessary to comply with, and not violate, Legal Requirements, arising from Hazardous Materials that are present on the Effective Date or introduced to, on, in, about, under or from the Property by Landlord or any Landlord Party or any person or entity other than Tenant or a Tenant Party. Tenant shall be solely responsible for and shall undertake all removal, relocation, elimination, remediation or encapsulation of Hazardous Materials required by any Governmental Authority, or as necessary to comply with, and not violate, Legal Requirements, arising from Hazardous Materials that are introduced in, under or from the Property by Tenant or any of its agents, employees or contractors or any Tenant Parties from and after the Commencement Date.

21. SUBORDINATION.

21.1 This Lease, at Landlord's option, shall be subordinate to any present or future Mortgage and to any and all advances made under any present or future Mortgage and to all renewals, modifications, consolidations, replacements, and extensions of any or all of same; provided, however, that Tenant's quiet possession will not be disturbed so long as no Event of Default has occurred. Tenant agrees, with respect to any such Mortgage, that no documentation other than this Lease shall be required to evidence such subordination. If any Mortgagee shall elect for this Lease to be superior to the lien of its Mortgage and shall give written notice thereof to Tenant, then this Lease shall automatically be deemed prior to such Mortgage whether this Lease is dated earlier or later than the date of said Mortgage or the date of recording thereof. Tenant agrees to execute such documents as may be further required to evidence such subordination (provided that such document includes the Mortgagee's agreement not to disturb Tenant's quiet possession so long as an Event of Default has not occurred) or to make this Lease prior to the lien of any Mortgage, and by failing to do so within five (5) days after written demand, Tenant shall have committed an Event of Default under the Lease. Notwithstanding the provisions of this Section 21.1 above, it shall be a condition to the subordination of this Lease to any Mortgage that hereafter encumbers the Premises that Landlord shall have delivered to Tenant a Non-Disturbance Agreement, executed and acknowledged by the holder of such Mortgage, as lender.

21.2 If the holder of such Mortgage, as lender, requests modifications to the Non-Disturbance Agreement at the time of execution and delivery of this Lease, Tenant agrees that it shall not unreasonably withhold its consent to such requested modifications.

22. BROKER. Landlord and Tenant each represents and warrants to the other that they dealt with no broker in connection with the transaction contemplated by this Lease. Landlord and Tenant will indemnify and hold the other harmless from and against any and all claims, liabilities and expenses (including, without limitation, reasonable attorneys' fees and disbursements) for all brokerage commissions or finder's fees incurred by reason of the inaccuracy of the representation and warranty contained in this Section.

23. NOTICES

23.1 Any notice, demand or other communication (each, a "notice") that is given or rendered pursuant to this Lease by either Landlord or Tenant to the other party, shall be (i) given or rendered, in writing, (ii) addressed to the other party at its required address(es) for notices delivered to it as set forth in Section 23.2 below, and (iii) delivered via either (x) hand delivery, (y) nationally recognized courier service (e.g., DHL, Federal Express, Express Mail) or (z) certified U.S. mail postage prepaid with return receipt requested. Any such notice shall be deemed given or rendered, and effective for purposes of this Lease, as of the date actually delivered to the other party at such address(es) (whether or not the same is then received by other party due to a change of address of which no notice was given, or any rejection or refusal to accept delivery). Notices from either party (to the other) may be given or rendered by its counsel.

23.2 The required address of each party for notices delivered to it are as set forth below. Each party, however, may, from time to time, designate an additional or substitute required address(es) for notices delivered to it (provided, that such designation must be made by notice given in accordance with this Section 23).

If to Landlord: PR III Middlefield Road, LLC
c/o Prudential Real Estate Investors
8 Campus Drive, 4th Floor
Arbor Circle South
Parsippany, New Jersey 07054
Attn: PRISA III Asset Management
Phone: (973) 734-1300

With a copy to: PR III Middlefield Road, LLC
Prudential Real Estate Investors
Campus Drive, 4th Floor
Arbor Circle South
Parsippany, New Jersey 07054
Attn: Law Department

If to Tenant: VeriSign Inc.
487 E. Middlefield Road

Mountain View, CA 94043
Attn: James L. Morgensen
Vice President, Property Management Group

With a copy to: VeriSign, Inc.
487 East Middlefield Road
Mountain View, California 94043
Attn: Office of the General Counsel

With a copy to: DLA Piper US LLP 500 8th Street, NW
Washington, DC 20004
Attention: Jeffrey R. Keitelman, Esq.

24. QUIET ENJOYMENT. Landlord hereby covenants and agrees that, unless and until an Event of Default shall occur, Tenant shall, at all times during the Term, have peaceable and quiet enjoyment and possession of the Premises without any manner of hindrance from Landlord or any other person, firm or corporation.

25. ESTOPPEL CERTIFICATE. Within ten (10) days after a written notice from Landlord, Tenant shall execute and deliver to Landlord a statement certifying (a) that this Lease is in full force and effect, (b) that this Lease has not been amended, or if so amended, specifying the date of each amendment, (c) the date to which Basic Rent has been paid, (d) stating whether or not Tenant has delivered to Landlord any notice that indicates that Landlord is in default in performance of any of its obligations under this Lease, which notice remains outstanding (and, if so, specifying each such notice and default), and (e) stating whether or not Tenant has received from Landlord any notice that alleges that Tenant is in default in performance of any of its obligations under this Lease, which notice remains outstanding (and, if so, specifying each such notice and alleged default). At Landlord's request, the aforementioned certification shall be to Landlord's Mortgagee or other lender or Landlord's purchaser or investor, as well as Landlord. Tenant's failure to deliver such statement within ten (10) days after a second written notice requesting such statement, which second notice is given by Landlord after expiration of the ten (10) day period described above, shall conclusively be deemed to be an admission by Tenant of the matters set forth in the request for an estoppel certificate.

26. LIMITATION OF LIABILITY. Tenant acknowledges and agrees, for itself and its successors and assigns, that no trustee, director, officer, employee or agent of Landlord shall be personally liable for any of the terms, covenants or obligations of Landlord hereunder. Landlord acknowledges and agrees, for itself and its successors and assigns, that no trustee, director, officer, employee or agent of Tenant shall be personally liable for any of the terms, covenants or obligations of Tenant hereunder.

27. ACCESS OF LANDLORD TO PREMISES

27.1 Subject to the provisions of this Section 27.1, Landlord (through its authorized contractors, agents or representatives) may enter into and upon any part of the Premises during reasonable hours and upon reasonable notice (which shall mean (x) except cases

of emergency, at least 24 hours prior notice to Tenant, and (y) in cases of emergency, such prior notice, if any, or contemporaneous notice, as shall be reasonable under the circumstances), for the following purposes: (i) to make repairs to the Premises as Landlord is required, or expressly authorized, to make pursuant to this Lease, or is required to make during the Term pursuant to any applicable Legal Requirements or any Insurance Requirements; (ii) to otherwise perform Landlord's obligations under this Lease; (iii) for the purpose of showing the same to existing or prospective purchasers or lenders; and (iv) at any time during the last twelve (12) months of the Term (assuming no further Extension Option is then available to Tenant), to show the Leased Premises to prospective tenants.

27.2 With respect to any of the aforementioned authorized entries by Landlord into and upon any part of the Premises, Tenant shall be entitled to have its representative accompany Landlord.

27.3 Landlord shall not unreasonably interfere with the operation of Tenant's business during any of the aforementioned authorized entries. Without limiting the generality of the foregoing, Landlord shall use commercially reasonable efforts to make any routine repairs requiring access to the Premises after Tenant's normal business hours.

27.4 Notwithstanding any of the foregoing, unless otherwise expressly permitted by Tenant in writing, Landlord shall not enter areas designated by Tenant as high security areas, unless an emergency situation exists that requires such entry to prevent imminent threat to human health, safety or material damage to the Premises.

28. AUTHORITY

28.1 Landlord and Tenant each represents and warrants to the other party that it has full right, power and authority to enter into and perform all of its obligations under this Lease, without the consent or approval of any other entity or person, and that it is making these representations knowing that the other party will rely thereon.

28.2 Landlord and Tenant each further represents and warrants to the other that the signatory of this Lease on its behalf has full right, power and authority to act for and on behalf of it in entering into this Lease.

29. LANDLORD EXCULPATION. Tenant hereby acknowledges and agrees that, notwithstanding anything herein to the contrary or any Legal Requirements to the contrary, the liability of Landlord and the Landlord Parties hereunder and any recourse by Tenant against Landlord or the Landlord Parties shall be limited solely and exclusively to Landlord's interest in and to the Property, and neither Landlord nor any of the Landlord Parties shall have any personal liability thereof, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant.

30. TRANSFER OF LANDLORD'S INTEREST. Tenant hereby acknowledges and agrees that Landlord has the right to transfer all or any portion of its interest in the Property and in this Lease and that in the event of any such transfer, Landlord shall automatically be released from all liability under this Lease and Tenant agrees to look solely to such transferee for

the performance of Landlord's obligations hereunder after the date of such transfer. The liability of any transferee shall be limited to the interest of such transferee in the Property and such transferee shall be without personal liability under this Lease, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. Tenant further acknowledges and agrees that Landlord may assign its interest in the Lease to a Mortgagee as additional security, and Landlord agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

31. ERISA

31.1 Tenant hereby represents, warrants and covenants that (a) Tenant is not (and will not during the Term become) an employee pension benefit plan subject to the provisions of Title IV of ERISA or subject to the minimum funding standards under Part 3, Subtitle B, Title I of ERISA or Section 412 of the Internal Revenue Code or Section 302 of ERISA, and none of its assets constitutes or will constitute during the Term assets of any plan subject to Part 4, Subtitle B, Title I of ERISA and/or Section 4975 of the Internal Revenue Code, and (b) Tenant is not (and will not during the Term become) a "governmental plan" within the meaning of Section 3(32) of ERISA and the funds used by Tenant to pay rent and other amounts payable hereunder are not (and will not be) subject to State statutes regulating investments of and fiduciary obligations with respect to governmental plans.

31.2 Landlord hereby represents, warrants and covenants that (a) Landlord is not (and will not during the Term become) an employee pension benefit plan subject to the provisions of Title IV of ERISA or subject to the minimum funding standards under Part 3, Subtitle B, Title I of ERISA or Section 412 of the Internal Revenue Code or Section 302 of ERISA, and none of its assets constitutes or will constitute during the Term assets of any plan subject to Part 4, Subtitle B, Title I of ERISA and/or Section 4975 of the Internal Revenue Code, and (b) Landlord is not (and will not during the Term become) a "governmental plan" within the meaning of Section 3(32) of ERISA.

32. ANTI-TERRORISM REPRESENTATIONS. Tenant is not a person or entity with whom Landlord is restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H. R. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "Anti-Terrorism Laws"), including without limitation persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List (collectively, "Prohibited Persons").

33. WAIVER OF POST-JUDGMENT REMEDY, REDEMPTION, COUNTERCLAIM AND JURY TRIAL. FOLLOWING AN EVENT OF DEFAULT BY TENANT, TENANT, FOR ITSELF AND FOR ALL PERSONS CLAIMING THROUGH OR UNDER IT, HEREBY EXPRESSLY WAIVES ANY AND ALL RIGHTS WHICH ARE, OR IN THE FUTURE MAY BE, CONFERRED UPON TENANT BY ANY PRESENT OR FUTURE LAW TO REDEEM THE PREMISES, OR TO ANY NEW TRIAL IN ANY ACTION FOR EJECTION UNDER ANY PROVISIONS OF LAW, AFTER REENTRY THEREUPON,

OR UPON ANY PART THEREOF, BY LANDLORD, OR AFTER ANY WARRANT TO DISPOSSESS OR JUDGMENT IN EJECTION. IF LANDLORD SHALL ACQUIRE POSSESSION OF THE PREMISES BY SUMMARY PROCEEDINGS, OR IN ANY OTHER LAWFUL MANNER WITHOUT JUDICIAL PROCEEDINGS, IT SHALL BE DEEMED A REENTRY WITHIN THE MEANING OF THAT WORD AS USED IN THIS LEASE. IN THE EVENT THAT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF RENT OR OTHER CHARGES PROVIDED FOR IN THIS LEASE, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM (OTHER THAN A COMPULSORY COUNTERCLAIM) OF ANY NATURE OR DESCRIPTION IN ANY SUCH PROCEEDING OR ACTION. EACH PARTY HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION SEEKING SPECIFIC PERFORMANCE OF ANY PROVISION OF THIS LEASE, FOR DAMAGES FOR ANY BREACH UNDER THIS LEASE, OR OTHERWISE FOR ENFORCEMENT OF ANY RIGHT OR REMEDY HEREUNDER (EACH A “DISPUTE” AND COLLECTIVELY, THE “DISPUTES”).

34. PROPOSITION 65 WARNING. Chemicals known to the State of California to cause cancer and reproductive harm are present at the Property.

35. TERMINOLOGY. As used in this Lease, (i) the phrase “**and/or**” when applied to one or more matters or things shall be construed to apply to any one or more or all thereof as the circumstances warrant at the time in question, (ii) the terms “**herein**” “**hereof**” and “**hereunder**”, and words of similar import, shall be construed to refer to this Agreement as a whole, and not to any particular Section, unless expressly so stated, (iii) the term “**including**”, whenever used herein, shall mean “**including without limitation**”, except in those instances where it is expressly provided otherwise, (iv) the term “**person**” shall mean a natural person, a corporation, a limited liability company, and/or any other form of business or legal association or entity, and (v) the term “**business day**” shall mean any day other than a Saturday or Sunday or New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day immediately following Thanksgiving Day, and Christmas Day.

36. MISCELLANEOUS PROVISIONS

36.1 This Lease constitutes the entire agreement between the parties with respect to the subject matter hereof. Any modification, amendment or waiver of this Lease or any provision hereof must be in writing and executed by the party against whom enforcement of such modification, amendment or waiver is sought.

36.2 The parties acknowledge that each has had an opportunity to review and negotiate this Lease. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease or any part hereof to be drafted.

36.3 The table of contents and the captions of this Lease are for convenience and reference only, and in no way define, limit or describe the scope or intent of this Lease or the intent of any provision hereof, and same shall not in any way affect the provisions of this Lease.

36.4 If any provision of this Lease or the application thereof to any person or circumstance shall be to any extent invalid or unenforceable, the remainder of this Lease, or the

application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

36.5 Tenant and Landlord are concurrently herewith recording a memorandum of this Lease. Upon expiration or earlier termination of this Lease, Landlord and Tenant each hereby agrees to execute, acknowledge and record, at Landlord's sole cost and expense, any documentation reasonably required by Landlord to release the effect of such memorandum of this Lease.

36.6 This Lease shall be governed by, and construed and enforced in accordance with, the laws of the State in which the Property is located.

36.7 The failure of either party to seek redress for the violation of, or to insist upon the strict performance of any term, covenant or condition contained in this Lease, shall not prevent a similar subsequent act from constituting a default under this Lease.

36.8 All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require.

36.9 This Lease shall become binding and effective only upon the execution and delivery of this Lease by both Landlord and Tenant.

36.10 This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

36.11 Tenant covenants by and for itself, its heirs, executors, administrators, assigns, and all persons claiming under or through Tenant, and this Lease is made and accepted upon and subject to the following conditions: that there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, sex, religion, marital status, ancestry or national origin in the leasing, subleasing, transferring, use or enjoyment of the Premises, nor shall Tenant itself, or any person claiming under or through Tenant, establish or permit such practices of discrimination or segregation with reference to the selection, location, number, use or occupancy, of tenants, lessees, sublessees, subtenants or vendees in the Premises.

36.12 If either Landlord or Tenant should bring suit against the other with respect to this Lease, including for unlawful detainer or any other relief against the other hereunder, then all costs and expenses incurred by the prevailing party therein (including, without limitation, its actual appraisers', accountants', attorneys' and other professional fees and court costs), shall be paid by the other party. For purposes of this provision, the terms "attorneys' fees" or "attorneys' fees and costs," or "costs and expenses" shall mean the fees and expenses of external legal counsel of the parties hereto, which include printing, photocopying, duplicating, mail, overnight mail, messenger, court filing fees, costs of discovery, and fees billed for law clerks, paralegals, investigators and other persons not admitted to the bar for performing services under the supervision and direction of an attorney. In addition, the prevailing party shall be

entitled to recover reasonable attorneys' fees and costs incurred in enforcing any judgment arising from a suit or proceeding under this Lease, including without limitation post-judgment motions, contempt proceedings, garnishment, levy and debtor and third party examinations, discovery and bankruptcy litigation, without regard to schedule or rule of court purporting to restrict such award. This post-judgment award of attorneys' fees and costs provision shall be severable from any other provision of this Lease and shall survive any judgment/award on such suit or arbitration and is not to be deemed merged into the judgment/award or terminated with the Lease.

36.13 This Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

36.14 Nothing contained in this Lease shall be construed as creating any relationship between Landlord and Tenant other than that of landlord and tenant.

[Remainder of page intentionally blank. Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed as a sealed instrument of the date first above written.

LANDLORD:

PR III MIDDLEFIELD ROAD, LLC

By: /s/ Timothy Hennessy

Name: Timothy Hennessy

Title: Authorized Signatory

Federal Tax ID#: 26-0656580

TENANT:

VERISIGN, INC.

By: /s/ James L. Morgensen

Name: James L. Morgensen

Title: Authorized Signatory

Federal Tax ID#: 94-3221585

EXHIBIT A

DESCRIPTION OF THE LAND

LEGAL DESCRIPTION

Real property in the City of Mountain View, County of Santa Clara, State of California, described as follows:

PARCEL 1, AS SHOWN ON THAT PARCEL MAP FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA ON NOVEMBER 27, 1979, IN BOOK 455 OF MAPS, PAGE(S) 3 AND 4.

EXCEPTING THEREFROM ALL THAT PORTION OF LAND GRANTED TO THE STATE OF CALIFORNIA BY DEED FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA ON MARCH 28, 1997 UNDER RECORDER'S SERIES NO. 13654075, OFFICIAL RECORDS AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEING A PORTION OF PARCEL NO. 1, AS SAID PARCEL IS SHOWN ON THAT CERTAIN MAP RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SANTA CLARA COUNTY, ON NOVEMBER 27, 1979, IN BOOK 455 OF MAPS AT PAGES 3 AND 4, SITUATED IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF PARCEL 3A DESCRIBED IN THAT FINAL ORDER OF CONDEMNATION RECORDED JUNE 9, 1969 IN BOOK 8561, PAGE 506, OFFICIAL RECORDS OF SANTA CLARA COUNTY, ON THE SOUTHWESTERLY LINE OF MIDDLEFIELD ROAD (100.00 FEET WIDE MEASURED AT RIGHT ANGLES); THENCE ALONG SAID LINE, FROM A TANGENT WHICH BEARS S. 27° 27' 26" E., ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 180.00 FEET, THROUGH A CENTRAL ANGLE OF 10° 03' 03", AN ARC LENGTH OF 31.50 FEET TO A POINT OF COMPOUND CURVATURE, ALONG A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 35.00 FEET, THROUGH A CENTRAL ANGLE OF 38° 22' 34", AN ARC LENGTH OF 23.44 FEET; THENCE N. 31° 06' 28" W., 169.17 FEET; THENCE ALONG A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 790.00 FEET, THROUGH A CENTRAL ANGLE OF 6° 00' 08", AN ARC LENGTH OF 82.76 FEET TO A POINT ON SAID SOUTHWESTERLY LINE OF SAID MIDDLEFIELD ROAD; THENCE ALONG LAST SAID LINE, S. 37° 13' 39" E., 202.44 FEET TO THE POINT OF BEGINNING.

ALSO EXCEPTING THEREFROM ALL THAT PORTION OF LAND GRANTED TO THE SANTA CLARA COUNTY TRANSIT DISTRICT BY DEED FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA ON JUNE 5, 1997 UNDER RECORDER'S SERIES NO. 13728708, OFFICIAL RECORDS AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, AND BEING A PORTION OF PARCEL 1 AS SHOWN ON THAT CERTAIN MAP RECORDED IN BOOK 456 OF MAPS, AT PAGE 4, RECORDS OF SANTA CLARA COUNTY AND BEING DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID PARCEL I, SAID POINT ALSO BEING ON A NON-TANGENT CURVE TO THE RIGHT (CONCAVE TO THE SOUTHWEST) THE CENTER OF WHICH BEARS S. 48° 33' 00" W., 1,449.92 FEET;

THENCE ALONG THE NORTHEASTERLY LINE OF SAID PARCEL 1 AND ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 00° 04' 50", FOR AN ARC LENGTH OF 2.04 FEET TO A POINT ON A NON TANGENT CURVE TO THE RIGHT (CONCAVE TO THE NORTHWEST THE CENTER OF WHICH BEARS N. 63° 52' 10" W., 619.77 FEET;

EXHIBIT A

DESCRIPTION OF THE LAND

(continued)

THENCE DEPARTING SAID NORTHEASTERLY LINE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18° 04' 41", FOR AN ARC LENGTH OF 195.55 FEET TO A POINT ON THE NORTHWESTERLY LINE OF SAID PARCEL 1, SAID POINT ALSO BEING ON A NON-TANGENT CURVE TO THE LEFT (CONCAVE TO THE NORTHWEST) THE CENTER OF WHICH BEARS, N. 45° 47' 29" W., 598.11 FEET; THENCE ALONG SAID NORTHWESTERLY LINE AND ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18° 47' 08", FOR AN ARC LENGTH OF 196.10 FEET TO THE POINT OF BEGINNING.

APN: 160-60-013

EXHIBIT B

**SUBORDINATION, NON-DISTURBANCE
AND ATTORNMENT AGREEMENT**

THIS AGREEMENT is made as of June 19, 2008, between [INSERT NAME OF PURCHASER'S LENDER]. ("Lender"), having an office at [Insert Address of Purchaser's Lender], and VeriSign, Inc. ("Tenant"), having an address of 487 East Middlefield Road, Mountain View, California 94043.

WITNESSETH:

WHEREAS, PR III Middlefield Road, LLC ("Landlord") and Tenant have entered into that certain lease dated June 19, 2008 (as amended, extended and renewed from time to time, the "Lease") covering certain premises (the "Premises") including the buildings located at 675 and 685 East Middlefield Road, Mountain View, California (the "Building"); and

WHEREAS, Lender [has made] [intends to make] a loan ("Loan") to Landlord, which loan [is] [will be] secured by a mortgage or deed of trust (the "Mortgage") covering the Premises, the Building and the land on which the Building is situated, such land being more particularly described in Exhibit A attached hereto (the Premises, the Building and the land being collectively referred to as the "Property");

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Lease is, and shall be, subject and subordinate to the Mortgage and to all renewals, modifications, extensions and replacements thereof.
2. If the Mortgage is foreclosed, the mortgagee thereunder will not name or join Tenant as a party defendant or otherwise in any suit, action or proceeding, and will not terminate the Lease or any option to purchase the Property or any part thereof contained therein or disturb Tenant's occupancy of the Premises, so long as Tenant is not in default under any of the terms, covenants or conditions of the Lease beyond the expiration of any applicable grace period set forth therein.
3. Any action by Lender to enforce the Mortgage by reason of a default thereunder will not terminate the Lease or invalidate or constitute a breach of any of the terms thereof, and in the event Lender forecloses the Mortgage, or any party acquires the Property pursuant to a power of sale contained in the Mortgage, or a deed in lieu of foreclosure is delivered (any or all of the above being referred to as a "Foreclosure Sale"), Tenant will attorn to Lender or other purchaser at any foreclosure sale thereunder or to the grantee under a deed in lieu of foreclosure (the "Foreclosure Purchaser"), and will execute and deliver such instruments as may be reasonably necessary to evidence such attornment, provided Tenant receives from such purchaser or grantee an agreement recognizing the validity of the Lease.

4. In the event of a Foreclosure Sale, the Foreclosure Purchaser agrees to be bound to Tenant under all of the terms, covenants and conditions of the Lease from and after the date it acquires title to the Premises; provided, however, the Foreclosure Purchaser shall not be:

- (a) liable for any act or omission of any prior landlord (including Landlord), including any default on the part of the prior Landlord under the Lease, unless any such act or omission or such default arises out of a continuing or present responsibility of Landlord or constitutes a continuing default pursuant to the terms of the Lease (*e.g.*, an obligation on the part of Landlord to complete any repair or replacement pursuant to the Lease); or
- (b) subject to any offsets or defenses that Tenant has against any prior landlord (including Landlord); or
- (c) bound by the payment of any rent or additional rent that Tenant paid more than one month in advance of the due date thereof to any prior landlord (including Landlord) unless expressly provided for in the Lease; or
- (d) bound by any amendment or modification of the Lease made without Lender's consent, which consent Lender shall not unreasonably withhold or delay.

5. Tenant shall send a copy of any notice or statement alleging a Landlord default under the Lease to Lender at the same time Tenant sends such notice or statement to Landlord at the address set forth herein. The curing of any of Landlord's defaults by Lender shall be treated as performance by Landlord.

6. This Agreement shall be governed by and construed in accordance with the laws of the State in which the Property is located. Neither this Agreement nor any provision hereof shall be construed against the party causing this Agreement or such provision to be drafted.

7. This Agreement shall not be amended, modified or terminated nor may any of its provisions be waived, except by a writing signed by the party against whom such amendment, modification, termination or waiver is sought to be enforced.

8. This Agreement shall run with the land and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including a Foreclosure Purchaser.

9. This Agreement shall not be effective unless and until it has been executed and delivered by Tenant and Lender.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the date first above written.

LENDER:

[INSERT NAME OF PURCHASER'S LENDER]

By: _____

Name: _____

Its: _____

TENANT:

VERISIGN, INC.

By: _____

Name: _____

Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, 2008 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing is true and correct.

Witness my hand and official seal.

Signature of Notary Public (Seal)

STATE OF _____)
) ss.
COUNTY OF _____)

On _____, 2008 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing is true and correct.

Witness my hand and official seal.

Signature of Notary Public (Seal)

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the "Agreement") is by and between VeriSign, Inc., a Delaware corporation, for itself and for all of its owners, partners, affiliated and related organizations (including but not limited to VeriSign Japan, KK), employees, agents, representatives and assigns, and each of them (collectively "VeriSign" or the "Company") on the one hand, and William A. Roper, Jr., for himself, and his agents, representatives, heirs and assigns ("Roper"), on the other hand.

RECITALS

A. The purpose of this Agreement is to settle and compromise, fully and completely, all disputes, claims and controversies of any type or nature that Roper may have or may believe he has, against VeriSign, without limitation of any kind, and including all claims arising out of Roper's employment with, and separation of Roper's employment from VeriSign, without admission of liability, or of any act, claim or defense.

B. Roper acknowledges that he is entering into this Agreement after consulting with counsel. This settlement shall not be construed as an admission of liability by any party for any purpose.

C. This Agreement, once signed by Roper, is subject to approval by the Board of Directors of VeriSign, Inc.

NOW THEREFORE, in consideration of the covenants and promises contained in this Agreement and other good and valuable consideration, it is hereby agreed among the parties as follows:

AGREEMENT

1. **Denial of Liability.** Roper acknowledges that VeriSign denies any liability to him in connection with Roper's employment and separation from employment with VeriSign. Roper expressly recognizes that this Agreement shall not in any way be construed as an admission by VeriSign of any unlawful or wrongful acts whatsoever against Roper or any other person or entity. VeriSign expressly denies any violation of any policy or procedure, or of any state or federal law or regulation. VeriSign also specifically denies any liability to or wrongful acts against Roper, or any other person, on the part of itself, or any officers, members, employees or agents of VeriSign. This Agreement shall not be admissible in any proceeding as evidence of or any admission by VeriSign of any violation of any law or regulation or wrongful act. This Agreement may, however, be introduced in any proceeding to enforce this Agreement.

2. **Warranties.**

(a) Roper specifically represents that he has no pending complaints or charges against VeriSign with any state or federal court or any local, state or federal agency, division or department, based on any events occurring prior to the date of execution of this Agreement.

(b) Roper further represents that he will not in the future file, instigate, encourage or support the filing or prosecution of any lawsuit by any party in any state or federal court or any proceeding before any local, state or federal agency, department or division, claiming that VeriSign has engaged in any tortious conduct or violated any local, state or federal laws, statutes, ordinances or regulations, including but not limited to: fraud; breach of contract (including any contractual agreement for indemnification, rights upon change in control, or stock options); breach of the implied covenant of good faith and fair dealing; inducement of breach; wrongful or unlawful failure to hire, discharge or demotion; violation of public policy; invasion of privacy; intentional or negligent infliction of emotional distress; retaliation, intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, severance pay, or other compensation of any sort; defamation; unlawful effort to prevent employment; discrimination or harassment on the basis of race, color, sex, gender identity, sexual orientation, national origin, ancestry, religion, disability, handicap, medical condition, genetic characteristic, marital status, age or any other protected class; any claim under Title VII of the Civil Rights Act of 1964, ("Title VII), the Family Medical Leave Act ("FMLA"), the California Family Rights Act ("CFRA"), the Fair Employment & Housing Act ("FEHA"), the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Occupational Safety and Health Act ("OSHA" or "Cal-OSHA") or any other health and/or safety laws, statutes or regulations; violation of the Employment Retirement Income Security Act of 1974 ("ERISA"), the Internal Revenue Code (the "IRC"), California Business and Professions Code sections 17200, *et seq.*, or the California Labor Code or, any other wrongful conduct, based upon events occurring prior to the date of the execution of this Agreement.

3. **Settlement Proceeds.** In full and complete consideration for Roper's promises and undertakings set forth in this Agreement, and upon receipt by Richard H. Goshorn, Senior Vice President, General Counsel and Secretary to the Board of VeriSign, of Roper's fully and originally executed Settlement Agreement and General Release, Roper's originally executed resignation of employment, and Roper's originally executed resignation from the Boards of Directors, VeriSign will provide Roper with severance benefits ("Severance Benefits") as follows:

a. **Sign-On Stock Option.** In connection with the commencement of the Roper's employment, the Compensation Committee of VeriSign's Board of Directors (the "Board") granted to him a non-qualified stock option to acquire 158,227 shares of the Company's common stock (the "Sign-On Option"). The Sign-On Option was granted on August 7, 2007 at an exercise price of \$29.63 per share and vests in equal installments on each quarterly anniversary of the date of grant of the Sign-On Option over the three years from the date of grant; provided that Roper is continuously employed by VeriSign at all times during the relevant quarter. Notwithstanding the foregoing, the vesting and exercisability of the then-unvested shares of the Sign-On Option shall accelerate in full. Other than as specifically set forth in this Agreement, the Sign-On Option and the issuance of the underlying Company common stock will be subject to the terms and conditions of the VeriSign, Inc. 2006 Equity Incentive Plan (the "VeriSign 2006 Plan") and the Sign-On Option Agreement executed by Roper and VeriSign.

b. **Sign-On Restricted Stock Unit (RSU) Award.** In connection with the commencement of Roper's employment, the Compensation Committee of the Board granted to him restricted stock units to acquire 110,375 shares of the Company's common stock (the "Sign-On RSU Award"). The Sign-On RSU Award was granted on August 7, 2007 and vests in equal installments on each quarterly anniversary of the date of grant of the Sign-On RSU Award over the three years from the date of grant; provided that Roper is continuously employed by VeriSign at all times during the relevant quarter. Notwithstanding the foregoing, the vesting of the then-unvested shares of the Sign-On RSU Award shall accelerate in full. Other than as specifically set forth in this Agreement, the Sign-On RSU Award and the issuance of the underlying VeriSign common stock will be subject to the terms and conditions of the VeriSign 2006 Plan and the Sign-On RSU Award Agreement executed by Roper and VeriSign. VeriSign shall distribute the shares underlying the Sign-On RSU Award (less applicable deductions and withholdings) to Roper between one (1) and thirty (30) days following the date on which such Sign-On RSU Award vests.

c. **Other Equity Awards.** Any and all other equity awards granted to Roper by the Compensation Committee of the Board, other than those discussed in the stand alone agreement for waiver and release of Roper's right to bring claims for age discrimination under the Age Discrimination in Employment Act ("ADEA") or the Older Worker's Benefit Protection Act ("OWBPA"), will vest, be forfeited and expire in accordance with the terms and conditions of the VeriSign 2006 Plan (or other equity plan of VeriSign pursuant to which they were granted) and the applicable award agreements executed by Roper and VeriSign.

d. **Withholding Taxes; Section 409A.** All payments made under this Agreement shall be subject to reduction to reflect all federal, state, local and other taxes required to be withheld by applicable law. Notwithstanding any provision to the contrary, to the extent (i) any payments to which Roper becomes entitled under this Agreement, or any agreement or plan referenced herein, in connection with his termination of employment with VeriSign constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Roper is deemed at the time of such termination of employment to be a "specified" employee under Section 409A of the Code, then such payment shall not be made or commence until the earliest of: (i) the expiration of the six (6)-month period measured from the date of his "separation from service" (as such term is at the time defined in Treasury Regulations under Section 409A of the Code) with the Company; or (ii) the date of his death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Roper, including (without limitation) the additional twenty percent (20%) tax for which he would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Roper or his beneficiary in one lump sum.

4. Release of Known and Unknown Claims.

(a) It is understood and agreed by the parties to this Agreement that in consideration of the mutual promises and covenants contained in this Agreement, and after consultation with counsel, Roper irrevocably and unconditionally releases and forever discharges VeriSign from (i) any and all causes of action, claims, actions, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character, which Roper may have against VeriSign, by reason of or arising out of, touching upon or concerning Roper' employment or separation of his employment with VeriSign, (ii) any statutory claims, and (iii) any and all other matters of whatever kind, nature or description, whether known or unknown, occurring prior to the date of the execution of this Agreement. Roper acknowledges that this release of claims specifically includes, but is not limited to, any and all claims he may have, or may believe he has, for fraud; breach of contract; breach of the implied covenant of good faith and fair dealing; inducement of breach; interference with contractual rights; wrongful or unlawful discharge or demotion; retaliation, violation of public policy; invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, severance pay, attorneys' fees, or other compensation of any sort; defamation; unlawful effort to prevent employment; discrimination or harassment on the basis of age, race, color, sex, gender identity, sexual orientation, national origin, ancestry, religion, disability, handicap, medical condition, genetic characteristic or marital status; any claim under: Title VII, ADA, FMLA, CFRA, FEHA, COBRA, OSHA or Cal-OSHA, ERISA, IRC, Business & Professions Code sections 17200, *et seq.*, or the California Labor Code or any other wrongful conduct, based upon events occurring prior to the date that this Agreement is executed by Roper. Roper's release and waiver of the right to bring claims under the ADEA or OWBPA shall be covered by a separate and stand alone agreement.

(b) Roper represents and warrants that he has not assigned or subrogated any of his rights, claims or causes of action, including any rights, claims or causes of action referenced in this Agreement, or authorized any other person or entity to assert such claims on his behalf, and he agrees to indemnify and hold harmless VeriSign against any assignment of said rights, claims and/or causes of action.

5. Waiver of California Civil Code Section 1542.

(a) Roper does hereby expressly waive and relinquish all rights and benefits afforded by California Civil Code Section 1542 and does so understanding and acknowledging the significance and consequences of such specific waiver of California Civil Code Section 1542.

(b) Roper acknowledges and understands that he is being represented in this matter by counsel, and acknowledges that he is familiar with the provisions of California Civil Code Section 1542. California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Thus, notwithstanding the provisions of Section 1542, Roper expressly acknowledges and agrees that this Agreement is also intended to include in its effect, without limitation, all such claims which he does not know or suspect to exist at the time of the execution of this Agreement, and that this Agreement contemplates the extinguishment of those claims.

(c) Roper acknowledges and agrees that he may later discover facts different from or in addition to those he now knows or believes to be true in entering into this Agreement. Roper agrees to assume the risk of the possible discovery of additional or different facts, including facts which may have been concealed or hidden, and agrees that this Agreement shall remain effective regardless of such additional or different facts. Roper further acknowledges and agrees that VeriSign had no duty to disclose any fact to him prior to the execution of this Agreement.

6. **Advice of Counsel.** Roper acknowledges that he was given the opportunity to seek the advice of counsel and to consider the effects of this Agreement upon his legal rights. To the extent that he has signed this Agreement without the advice of counsel, he has done so knowingly and voluntarily and with a full understanding of his rights.

7. **Future Employment By Roper.** In consideration for the promises and covenants contained herein, Roper agrees that he will not apply for employment with VeriSign at any time in the future, and waives and releases any right to be considered for such employment. In the event that Roper does seek to obtain such employment in any capacity after the date of the execution of this Agreement, it is agreed and understood that this Agreement shall constitute good cause for VeriSign's refusal to offer any such employment to Roper and, if hired, for VeriSign to terminate Roper's employment. Additionally, Roper shall direct all inquiries by future employers to VeriSign's Human Resources Department. In response to such inquiries, VeriSign's Human Resources Representatives will comply with the company's standard policy and procedure by confirming the fact of Roper's employment with VeriSign, providing the starting and ending dates of Roper's employment with VeriSign, and identifying his ending job title. The parties agree that no further information shall be requested or given.

8. **Confidentiality.**

a. Roper consents and agrees that he will not, at any time, disclose the terms of his settlement and/or the alleged facts or circumstances giving rise thereto (the "Confidential Information"), to any person, firm, corporation, association, or entity or the press or media for any reason or purpose whatsoever. Roper may, however, disclose the Confidential Information to his attorney, his immediate family, and to his accountant or financial advisor for tax purposes, if and only if these individuals agree to keep the Confidential Information confidential as if they were parties to this Agreement. Roper agrees that VeriSign will be a third party beneficiary entitled to enforce any agreements between Roper, on the one hand, and his attorneys, his immediate family members, or his accountant or financial advisor, on the other hand, regarding the Confidential Information (the "Roper Confidentiality Agreements").

Roper

agrees to cooperate fully with VeriSign in connection with the enforcement of any Roper Confidentiality Agreement. If Roper is served with any subpoena, court order, or other legal process seeking disclosure of any Confidential Information, Roper shall promptly send to Richard H. Goshorn, Senior Vice President, General Counsel and Secretary to the Board, such subpoena, court order, or other legal process within forty-eight (48) hours or such shorter time frame as necessary so that VeriSign may exercise any applicable legal remedies. Roper agrees and acknowledges that a violation of this paragraph by Roper shall be a material breach of this Agreement. Roper agrees that he will not disclose Confidential Information to any representative of any print, radio, internet, electronic or television media, or to any current or prospective clients. Notwithstanding any other term of this Agreement, Roper and VeriSign may disclose Confidential Information as necessary to enforce this Agreement.

b. Roper acknowledges that he has executed an Assignment of Invention, Nondisclosure and Nonsolicitation Agreement with VeriSign and the terms of that Agreement survive the termination of his employment. The Assignment of Invention, Nondisclosure and Nonsolicitation Agreement is hereby incorporated into this Agreement by reference as if set out in full.

9. **No Public Statements.** Roper will not make any public statement about VeriSign or his separation from VeriSign, without the advance written approval of the Board. In connection with this Agreement, VeriSign will issue a press release, subject to review by Roper. VeriSign will also make all filings required under the federal securities laws.

10. **Cooperation in Legal Proceedings.** In connection with the defense or prosecution of any lawsuit, claim, threatened claim, arbitration or any other legal, administrative or investigative matter, domestic or foreign, whether such matters are now pending or arise hereafter, in which the Company is a party, or likely to be made a party, Roper agrees to make himself available upon reasonable notice from the Company to provide testimony through declarations, affidavits, depositions or at a hearing or trial, and to work with the Company in preparation for such event, and to cooperate with any other reasonable request by the Company for one year (1) after the end of Roper's employment with the Company. If the Company requests Roper's cooperation in connection with any such legal proceeding then the Company agrees to pay for any reasonable expenses, such as economy class airfare or lodging, that Roper incurs in connection with assisting the Company, provided Roper notifies the Company in advance of what his reasonable expenses are expected to be and receive prior written approval from the Company for such expenses.

11. **Delivery of Documents and Company Property.** Roper represents and warrants that he has not removed any documents, records or other information, including any such documents, records or information that are or were electronically stored, from the premises of VeriSign. Roper acknowledges that such documents, records and other information are the exclusive property of VeriSign. Roper and his counsel agree to return to Richard H. Goshorn, Senior Vice President, General Counsel and Secretary to the Board, the original and/or any copies of any such documents that may currently be in his possession within seven (7) business days of the date of this Agreement. Roper agrees to immediately return to the Company any and all other property of the Company, including but not limited to computers, Treo(s) or Blackberry(s), mobile phones, ID badges and any other property or equipment issued by the Company to Roper.

12. **Remedies for Breach of This Agreement.**

(a) **Injunctive Relief.** In the event of a breach of the provisions of Paragraphs 8 through 11, inclusive of this Agreement, Roper agrees that any remedy at law for any breach or threatened breach of the provisions of such paragraphs and the covenants set forth therein, will be inadequate and, accordingly, each party hereby stipulates that the other is entitled to obtain injunctive relief for any such breaches or threatened breaches. The injunctive relief provided for in this paragraph is in addition to, and is not in limitation of, any and all other remedies at law or in equity otherwise available to the applicable party.

(b) **Liquidated Damages.** Any violation of the provisions contained in Paragraphs 8 through 11, inclusive of this Agreement by Roper shall be considered a material breach of this Agreement. Roper agrees and acknowledges that, depending on the circumstances, it may be impractical or difficult to fix the actual damages sustained in the event Roper breaches the provisions of Paragraphs 8 through 11, inclusive and, accordingly, Roper agrees and acknowledges that at least Ten Thousand and No/100 Dollars (\$10,000) for each breach of Paragraphs 8 through 11, is a reasonable estimate of such damages. The liquidated damages provided for in this paragraph are in addition to, and are not in limitation of, any and all other remedies at law, for damages, or in equity otherwise available to the applicable party.

(c) **Remedies Cumulative.** The remedies in this paragraph are not exclusive, and the parties shall have the right to pursue any other legal or equitable remedies to enforce the terms of this Agreement.

13. **Counsel.** The parties hereby acknowledge that they have consulted with attorneys of their own choice concerning the terms and conditions of this Agreement, that they have read and understand this Agreement, that they are fully aware of the contents of this Agreement and that they enter into this agreement freely and knowingly and with a full understanding of its legal effect.

14. **Governing Law.** This Agreement shall be governed by the laws of the State of California, applicable to contracts executed in and to be performed entirely within that state.

15. **Entire Agreement.** Roper acknowledges and agrees that his signature on this Agreement terminates, invalidates and nullifies all other prior and previously executed employment and employment related agreements, oral or written (included but not limited to the Change In Control Agreement and the Indemnification Agreement), between Roper and VeriSign, except the Assignment of Invention, Nondisclosure and Nonsolicitation Agreement, which shall remain in full force and effect and which is incorporated herein by reference as if set out in full. This Agreement (and those incorporated by reference herein) is the entire agreement between Roper and VeriSign and the Agreement supersedes any previous negotiations, agreements and understandings. Roper acknowledges that he has not relied on any oral or written representations by VeriSign (or its counsel) to induce him to sign this Agreement, other than the terms of this Agreement. No modifications of this Agreement can be made except in writing signed by Roper and VeriSign.

16. **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under existing or future laws effective during the term of this Agreement, such provisions shall be fully severable, the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

17. **Ambiguities.** Attorneys for the parties have participated in the negotiation of this Agreement and, thus, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

18. **Waiver.** No waiver by any party of any breach of any term or provision of this Agreement shall be a waiver of any preceding, concurrent or succeeding breach of this Agreement or of any other term or provision of this Agreement. No waiver by one party shall be binding on the part of, or on behalf of, any other party entering into this Agreement.

19. **Notices.** For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or sent by mail or courier with appropriate evidence of mailing or delivery to the courier.

if to VeriSign: VeriSign, Inc.
 487 East Middlefield Road
 Mountain View, CA 94043
 Attn: General Counsel

if to Roper: William A. Roper, Jr.
 At his most recent address on file with the Company

Either party may provide the other with notices of change of address, which shall be effective upon receipt.

20. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

THE SIGNATORIES HAVE CAREFULLY READ THIS ENTIRE AGREEMENT. ITS CONTENTS HAVE BEEN FULLY EXPLAINED TO THEM BY THEIR ATTORNEYS. THE SIGNATORIES FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS AGREEMENT. THE ONLY PROMISES MADE TO ANY SIGNATORY ABOUT THIS AGREEMENT, AND TO SIGN THIS AGREEMENT, ARE CONTAINED IN THIS AGREEMENT. THE SIGNATORIES ARE SIGNING THIS AGREEMENT VOLUNTARILY.

**PLEASE READ CAREFULLY
THIS SETTLEMENT AGREEMENT AND GENERAL RELEASE
INCLUDES A RELEASE OF KNOWN AND UNKNOWN CLAIMS.**

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement and General Release on the dates set forth below.

DATE: June 30, 2008

By /s/ William A. Roper, Jr.
William A. Roper, Jr.

VERISIGN, INC.

DATE: June 30, 2008

By /s/ D. James Bidzos
D. James Bidzos
Chairman of the Board

RELEASE AND WAIVER OF AGE DISCRIMINATION CLAIMS

June 30, 2008

William A. Roper, Jr.
Personally Delivered

Dear Mr. Roper:

Various federal, state and local laws prohibit age discrimination. These laws are enforced through the U.S. Equal Employment Opportunity Commission and the California Department of Fair Employment and Housing. If you believe your treatment by the VeriSign, Inc. ("Company"), violated any of these laws, you have the right to consult with these agencies and to file a charge with them, and/or to file suit.

You may, instead, voluntarily execute this Release and Waiver of any age discrimination claims, which would release the claims and waive the right to recover any amounts to which you may have been entitled under such laws, including but not limited to, any claims you may have based on age or under the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers Benefit Protection Act (OWBPA) and the California Fair Employment and Housing Act (FEHA). You are hereby notified that you may take up to and including twenty one (21) days to review this Release and Waiver and to seek the advice of counsel concerning its affect on your legal rights (the "Consideration Period"). Should you sign this agreement before expiration of the Consideration Period, your signature shall mean that you have executed the agreement voluntarily and with a full understanding of your rights.

Following your execution of the this Release and Waiver of any age discrimination claims, you may revoke your signature for up to and including seven (7) days from the date thereof. To be effective, the revocation must be in writing and delivered to Rick Goshorn, Senior Vice President and General Counsel, and Secretary to VeriSign's Board of Directors, by close of business (5:00 p.m. PST) on the seventh (7th) day following your execution of this Release and Waiver. Your revocation of your signature on this Release and Waiver shall have no effect upon any Settlement and General Release Agreement that you may have already signed.

Provided that you sign Settlement and General Release Agreement, and this Release and Waiver (and tender both to Mr. Goshorn), and further provided that you do not revoke your signature on the Release and Waiver, VeriSign will provide consideration for your release as follows:

In connection with the commencement of Roper's employment, the Compensation Committee of VeriSign's Board of Directors granted to him a non-qualified stock option to acquire 210,970 shares of VeriSign stock (the "First-Year Option"). The First-Year Option was granted to him on August 7, 2007 at an exercise price of \$29.63 per share and vests in equal installments on each quarterly anniversary of the date of grant of the First-

Year Option; provided that Roper is continuously employed by VeriSign at all times during the relevant quarter. Notwithstanding the foregoing, the vesting and exercisability of the then-unvested shares of the First-Year Option that would otherwise have vested had Roper remained employed through August 8, 2008, shall accelerate in full. Other than as specifically set forth in this Release and Wavier, the First-Year Option and the issuance of the underlying VeriSign common stock will be subject to the terms and conditions of the VeriSign, Inc. 2006 Equity Incentive Plan (the "VeriSign 2006 Plan") and the First-Year Option Agreement executed by the Roper and VeriSign. The balance will be immediately and permanently forfeited.

In connection with the commencement of Roper's employment, the Compensation Committee of VeriSign's Board of Directors granted to him restricted stock units to acquire 88,300 shares of VeriSign's common stock (the "First-Year RSU Award "). The First-Year RSU Award was granted to him on August 7, 2007. Pursuant to the grant, the First-Year RSU Award were to have vested as follows: (i) if the performance criteria specified in the First-Year RSU Award was achieved, the First-Year RSU Awards would have vested in full on the third anniversary of the date of grant of the First-Year RSU Award or (ii) if the performance criteria specified in the First-Year RSU Award was not achieved, 50% of the First-Year RSU Award would have vested on the fourth anniversary of the date of grant of the First-Year RSU Award and 50% of the First-Year RSU Award would have been forfeited; provided, however, that in each case the vesting was also subject to Roper's remaining continuously employed by VeriSign on each vesting date. In consideration for Roper's execution of this ADEA Release and Waiver without revocation, VeriSign will accelerate the grant of one-third, or 29,433, shares of VeriSign's common stock under the First Year RSU Award. The performance criteria will be waived as a condition of vesting and/or exercise of that right. The balance of the grant, or the right to acquire 58,867 shares of VeriSign's common stock, shall be immediately and permanently forfeited.

Please read this Release and Waiver carefully. Your signature below will indicate that you are entering into it freely and with a full understanding of its terms.

Very truly yours,

/s/ James Bidzos

James Bidzos
Chairman of the Board
VeriSign, Inc.

I have been given 21 days to review this Waiver and Release with an attorney. To the extent that I have signed this agreement prior to expiration of the 21 day Consideration Period, I do so voluntarily and freely, and with a full understanding of my rights. I know that I can revoke my signature for up to 7 days after I sign this Waiver and Release. I hereby release my rights to bring a claim of age discrimination or age related claim under the ADEA, OWBPA or FEHA. I

further understand that a revocation of my signature on this Release and Waiver will have no effect upon any Settlement and General Release Agreement I may have signed. Nor is this Release and Waiver Agreement effective unless I have signed a Settlement and General Release Agreement in favor of VeriSign, Inc.

/s/ William A. Roper, Jr.

William A. Roper, Jr.

Date: June 30, 2008

Not Valid unless Dated

**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 quarterly report on Form 10-Q of VeriSign, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

By: _____ /s/ BRIAN G. ROBINS
Brian G. Robins
Acting Chief Financial Officer

**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, President and Chief Executive Officer, on an interim basis, 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 Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 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: August 8, 2008

/s/ D. JAMES BIDZOS

D. James Bidzos
Interim President and Chief Executive Officer
(Principal Executive Officer)

**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 Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 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: August 8, 2008

/s/ BRIAN G. ROBINS

Brian G. Robins
Acting Chief Financial Officer
(Principal Accounting Officer)