As filed with the Securities and Exchange Commission on January 19, 1999

Registration No. 333-70121

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 1

to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VERISIGN, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	7371	94-3221585
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1390 Shorebird Way
Mountain View, California 94043-1338
(650) 961-7500
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Dana L. Evan
Chief Financial Officer
VeriSign, Inc.
1390 Shorebird Way
Mountain View, California 94043-1338
(650) 961-7500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [_]

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and we are not soliciting offers to buy these +
+securities in any state where the offer or sale is not permitted. +

PROSPECTUS (Subject to Completion)

Issued January 19, 1999

2,400,000 Shares

[LOGO OF VERISIGN]

COMMON STOCK

VeriSign, Inc. is offering 835,000 shares and the selling stockholders are offering 1,565,000 shares.

VeriSign's common stock is listed on the Nasdaq National Market under the symbol "VRSN." On January 13, 1999, the reported last sale price of the common stock on the Nasdaq National Market was $66 1/4 per share.

Investing in the common stock involves risks.

See "Risk Factors" beginning on page 6.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Company	Proceeds to Selling Stockholders
Per Share....	$	$	$	$
Total(3)..	$	$	$	$

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

VeriSign has granted the underwriters the right to purchase up to an additional 360,000 shares of common stock to cover over-allotments. Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on , 1999.

MORGAN STANLEY DEAN WITTER
HAMBRECHT & QUIST
DAIN RAUSCHER WESSELS
a division of Dain Rauscher Incorporated
BANCBOSTON ROBERTSON STEPHENS

January , 1999

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common stock.

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Unless the context otherwise requires, the term "VeriSign" refers to VeriSign, Inc., a Delaware corporation, and its subsidiaries. On July 6, 1998, VeriSign acquired SecureIT, Inc. in a transaction accounted for as a pooling-of-interests. Accordingly, all financial information contained in this prospectus has been restated to include the operating results, financial position and cash flows of SecureIT as if it had always been a part of VeriSign. Except as otherwise noted herein, information in this prospectus assumes no exercise of the underwriters' over-allotment option.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Consolidated Financial Statements and notes thereto appearing elsewhere in this prospectus.

VERISIGN, INC.

VeriSign is the leading provider of Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over the Internet, intranets and extranets. We have established strategic relationships with industry leaders, including AT&T, British Telecommunications, or BT, Cisco, Microsoft, Netscape, Network Associates, RSA, Security Dynamics and VISA, to enable widespread utilization of our digital certificate services and to assure their interoperability with a wide variety of applications and network equipment. We have used our secure online infrastructure to issue over 100,000 of our website digital certificates and over 3.5 million of our digital certificates for individuals. We believe that we have issued more digital certificates than any other company in the world. Our Website Digital Certificate services are used by over 400 of the Fortune 500 companies. We also offer the VeriSign OnSite service, which allows an organization to leverage our trusted service infrastructure to develop and deploy customized digital certificate services for use by its employees, customers and business partners. Over 300 enterprises have subscribed to the OnSite service since its introduction in November 1997, including Bank of America, Hewlett-Packard, the Internal Revenue Service, Kodak, Sumitomo Bank, Texas Instruments and USWest. We market our Internet-based trust services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, value-added resellers, or VARs, systems integrators and our affiliates, and intend to expand these distribution channels.

VeriSign was incorporated in Delaware in April 1995. Our executive offices are located at 1390 Shorebird Way, Mountain View, California 94043-1338. Our telephone number at this location is (650) 961-7500. Our website is located at http://www.verisign.com. Information contained in our website is not part of this prospectus.

THE OFFERING

Common stock offered by VeriSign.....	835,000 shares
Common stock offered by the Selling Stockholders.....	1,565,000 shares
Common stock to be outstanding after the offering.....	23,910,359 shares(1)
Over-allotment option.....	360,000 shares
Use of proceeds.....	For working capital and other general corporate purposes. See "Use of Proceeds."
Dividend policy.....	We do not anticipate paying any cash dividends in the foreseeable future.
Nasdaq National Market symbol.....	VRSN

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(1) Based on the number of shares outstanding as of December 31, 1998. This number does not include 4,129,444 shares issuable upon the exercise of options then outstanding, with a weighted average exercise price of $19.55 per share, and 711,596 shares reserved for issuance under VeriSign's stock plans. It also does not include 17,500 shares subject to a warrant that would be issued in the event that VeriSign borrows funds under an equipment loan agreement and 15,000 shares that would be issued to a service provider if certain milestones are met. See "Capitalization," "Management--Director Compensation," "--Employee Benefit Plans" and Notes 6 and 8 of Notes to Consolidated Financial Statements.

SUMMARY CONSOLIDATED FINANCIAL DATA
(In thousands, except per share data)

	Period from April 12, 1995 (Inception) to December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1998
Consolidated Statement of Operations Data:					
Revenues	$ 382	$ 1,356	$ 13,356	$ 8,360	$ 25,719
Total costs and expenses	2,524	12,415	34,657	22,694	45,555
Operating loss	(2,142)	(11,059)	(21,301)	(14,334)	(19,836)
Net loss	(1,994)	(10,288)	(18,589)	(12,268)	(17,209)
Basic and diluted net loss per share(1)	$ (.43)	$ (2.07)	$ (2.61)	$ (1.54)	$ (.82)
Shares used in per share computation(1)	4,689	4,960	7,121	7,988	21,042

	September 30, 1998	
	Actual	As Adjusted(2)
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$42,468	$ 94,333
Total assets	63,643	115,508
Stockholders' equity	42,356	94,221

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Notes:
(1) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the determination of the number of shares used in the per share computation.

(2) As adjusted to reflect the sale of the common stock offered by VeriSign, at an assumed public offering price of $66.25 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by VeriSign. See "Use of Proceeds" and "Capitalization."

RECENT DEVELOPMENT

On January 19, 1999, VeriSign announced selected consolidated results of operations for the fourth quarter of 1998 and for the year ended December 31, 1998, as set forth in the following table.

	Three Months Ended December 31,		Year Ended December 31,	
	1997	1998	1997	1998
	(In thousands, except per share data)			
Revenues	$ 4,996	$ 13,211	$ 13,356	$ 38,930
Net loss	(6,321)	(2,534)	(18,589)	(19,743)
Basic and diluted net loss per share	$ (.82)	$ (.11)	$ (2.61)	$ (.95)
Shares used in per share computation	7,690	22,393	7,121	20,873

VeriSign is the leading provider of Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over the Internet, intranets and extranets, which we refer to as IP networks. A digital certificate functions as an electronic credential in the digital world. It identifies the certificate owner, authenticates the certificate owner's membership in a given organization or community or establishes the certificate owner's authority to engage in a given transaction. By performing these functions, it creates a framework for trusted interaction over IP networks. We have established strategic relationships with industry leaders, including AT&T, BT, Cisco, Microsoft, Netscape, Network Associates, RSA, Security Dynamics and VISA, to enable widespread utilization of our digital certificate services and to assure their interoperability with a wide variety of applications and network equipment. We have used our secure online infrastructure to issue over 100,000 of our website digital certificates and over 3.5 million of our digital certificates for individuals. We believe that we have issued more digital certificates than any other company in the world. Our Website Digital Certificate services are used by over 400 of the Fortune 500 companies. We also offer the VeriSign OnSite service, which allows an organization to leverage our trusted service infrastructure to develop and deploy customized digital certificate services for use by its employees, customers and business partners. Over 300 enterprises have subscribed to the OnSite service since its introduction in November 1997, including Bank of America, Hewlett-Packard, the Internal Revenue Service, Kodak, Sumitomo Bank, Texas Instruments and USWest.

Over the last three years, the Internet has become a widely-accepted platform for many consumer-oriented transactions such as retail purchases, auctions, online banking and brokerage for companies such as Amazon.com, Bank of America, Cisco, Dell, eBay, E*Trade and Charles Schwab. International Data Corporation (IDC) estimates that the number of Internet users will grow from 97 million in 1998 to 320 million by 2002 with commensurate growth in electronic commerce from $32 billion to $426 billion over that same period. In order for electronic commerce to continue this growth, the Internet needs a cost-effective solution that can give consumers the same sense of trust that they have in conducting commerce in the physical world. In a manner similar to use of physical credentials, this solution must irrefutably verify the identity of a business over the Internet and ensure that the information being transmitted between the consumer and the business is kept private. Digital certificates can provide these authentication and privacy capabilities for consumers and businesses conducting commerce over the Internet. Businesses have also begun to use IP networks for advanced interactions with their employees, business partners and customers. As a result, there is a need to use digital certificates as electronic credentials to verify the identity, authority and privileges of those individuals and entities before allowing them to access confidential information or transact new business. Digital certificates are issued and managed by entities known as Certification Authorities, or CAs. The level of trust that can be associated with a digital certificate is ultimately tied to the technology, infrastructure and practices used by the CA to prepare, issue and manage the digital certificate over its lifecycle. For organizations that need to support large quantities of digital certificates, doing so themselves can be extremely expensive, requiring substantial human resources and taking years and millions of dollars to implement. The ideal solution would be a complete CA service offering that could provide businesses with a scalable and reliable CA utility to support all of their digital certificate needs including website, intranet, extranet, virtual private network, or VPN, and electronic commerce authentication.

VeriSign has invested significant resources to develop a highly reliable and secure operations infrastructure, a modular software platform and a comprehensive set of security and trust practices to enable trusted and secure electronic commerce and communications over IP networks using digital certificates. Our modular WorldTrust software platform, which serves as the foundation for our Internet-based trust services, automates many aspects of digital certificate issuance and lifecycle management and provides the scalability necessary to deploy and manage millions of digital certificates for distinct communities ranging from individual corporations to the entire population of Internet users.

VeriSign's objective is to enable secure electronic commerce and communications through its online trust services infrastructure. Our strategy to achieve this objective includes leveraging our leadership position to drive market penetration, leveraging and expanding strategic relationships with industry leaders, maintaining leadership in technology, infrastructure and practices, continuing to build the VeriSign brand and expanding our global marketing and distribution. We market our Internet-based trust services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and our affiliates. We intend to continue to expand these distribution channels.

RISK FACTORS

You should carefully consider the risks and uncertainties described below before making an investment decision. These risks and uncertainties are not the only ones facing VeriSign. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, our business, financial condition or operating results could be materially harmed. In such case, the trading price of our common stock could decline and you may lose all or part of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including the risks faced by us described below and elsewhere in this prospectus.

We Have a Limited Operating History

VeriSign was incorporated in April 1995, and we began introducing our Internet-based trust services in June 1995. Accordingly, we have only a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development. These risks and uncertainties are often worse for companies in new and rapidly evolving markets. Our success will depend on many factors, including, but not limited to, the following:

- the rate and timing of the growth and use of IP networks, for electronic commerce and communications;
- the extent to which digital certificates are used for such communications and commerce;
- the continued evolution of electronic commerce as a viable means of conducting business;
- the demand for our Internet-based trust services;
- competition levels;
- the perceived security of electronic commerce and communications over IP networks;
- the perceived security of our services, technology, infrastructure and practices; and
- our continued ability to maintain our current, and enter into additional, strategic relationships.

To address these risks we must, among other things:

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

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

We Have a History of Losses and Anticipate Future Losses

We have experienced substantial net losses in each fiscal period since we were formed. As of September 30, 1998, we had an accumulated deficit of $48.3 million. VeriSign's limited operating history, the emerging nature

of its market and the factors described under "--Our Business Depends on the Adoption of IP Networks" and "--Our Quarterly Operating Results May Fluctuate; Our Future Revenues and Profitability Are Uncertain," among other factors, make prediction of our future operating results difficult. In addition, we intend to increase our expenditures in all areas in order to execute our business plan. As a result, we expect to incur substantial additional losses. Although our revenues have grown in recent periods, we may be unable to sustain such growth. Therefore, you should not consider our historical growth indicative of future revenue levels or operating results. We may never achieve profitability. Even if we do, we may not be able to sustain it. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy."

Our Business Depends on the Adoption of IP Networks

In order for VeriSign to be successful, IP networks must be widely adopted, in a timely manner, as a means of trusted and secure electronic commerce and communications. Because electronic commerce and communications over IP networks are new and evolving, it is difficult to predict the size of this market and its sustainable growth rate. To date, many businesses and consumers have been deterred from utilizing IP networks for a number of reasons, including, but not limited to:

- potentially inadequate development of network infrastructure;
- security concerns including the potential for merchant or user impersonation and fraud or theft of stored data and information communicated over IP networks;
- inconsistent quality of service;
- lack of availability of cost-effective, high-speed service;
- limited numbers of local access points for corporate users;
- inability to integrate business applications on IP networks;
- the need to operate with multiple and frequently incompatible products; and
- a lack of tools to simplify access to and use of IP networks.

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

The use of IP networks may not increase or may increase more slowly than we expect because the infrastructure required to support widespread use may not develop. The Internet may continue to experience significant growth both in the number of users and the level of use. However, the Internet infrastructure may not be able to continue to support the demands placed on it by continued growth. Continued growth may also affect the Internet's performance and reliability. In addition, the growth and reliability of IP networks could be harmed by delays in development or adoption of new standards and protocols to handle increased levels of activity or by increased governmental regulation. Changes in, or insufficient availability of, communications services to support IP networks could result in poor performance and also adversely affect their usage. Any of these factors could materially harm our business. See "--We Could Be Affected by Government Regulation" and "Business--Industry Background" and "--Customers and Markets."

Our Market is New and Evolving

We target our Internet-based trust services at the market for trusted and secure electronic commerce and communications over IP networks. This is a new and rapidly evolving market that may not continue to grow. Accordingly, the demand for our Internet-based trust services is very uncertain. Even if the market for electronic commerce and communications over IP networks grows, our Internet-based trust services may not be widely

accepted. The factors that may affect the level of market acceptance of digital certificates and, consequently, our Internet-based trust services, include the following:

- market acceptance of products and services based upon authentication technologies other than those we use;
- public perception of the security of digital certificates and IP networks;
- the ability of the Internet infrastructure to accommodate increased levels of usage; and
- government regulations affecting electronic commerce and communications over IP networks.

Even if digital certificates achieve market acceptance, our Internet-based trust services may fail to address the market's requirements adequately. If digital certificates do not achieve market acceptance in a timely manner and sustain such acceptance, or if our Internet-based trust services in particular do not achieve or sustain market acceptance, our business would be materially harmed. See "Business--Industry Background" and "--Customers and Markets."

Our Quarterly Operating Results May Fluctuate; Our Future Revenues and Profitability Are Uncertain

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

- continued market acceptance of our Internet-based trust services;
- the long sales and implementation cycles for, and potentially large order sizes of, certain of our Internet-based trust services;
- the timing and execution of individual contracts;
- customer renewal rates for our Internet-based trust services;
- the timing of releases of new versions of Internet browsers or other third-party software products and networking equipment which include our digital certificate service interface technology;
- the mix of our services sold during a quarter;
- our success in marketing other Internet-based trust services to our existing customers and to new customers;
- continued development of our direct and indirect distribution channels, both in the U.S. and abroad;
- market acceptance of our Internet-based trust services or our competitors' products and services;
- our ability to attract, integrate, train, retain and motivate a substantial number of sales and marketing, research and development and technical support personnel;
- our ability to expand our operations;
- our success in assimilating the operations and personnel of SecureIT and any other acquired businesses;
- the amount and timing of expenditures related to expansion of our operations;
- the impact of price changes in our Internet-based trust services or our competitors' products and services; and
- general economic conditions and economic conditions specific to IP network industries.

Our limited operating history and the emerging nature of our market make it difficult to predict future revenues. Our expenses are based, in part, on our expectations regarding future revenues, and are largely fixed in nature, particularly in the short term. We may be unable to predict our future revenues accurately or to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant

shortfall of revenues in relation to our expectations could cause significant declines in our quarterly operating results.

Due to all of the foregoing factors, our quarterly revenues and operating results are difficult to forecast. Therefore, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful, and you should not rely upon them as an indication of our future performance. Also, it is likely that our operating results will fall below our expectations and the expectations of securities analysts or investors in some future quarter. In such event, the market price of our common stock could be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

System Interruptions and Security Breaches Could Harm Our Business

We depend on the uninterrupted operation of our secure data centers and our other computer and communications systems. We must protect these systems from loss, damage or interruption caused by fire, earthquake, power loss, telecommunications failure or other events beyond our control. Most of our systems are located at, and most of our customer information is stored in, our facilities in Mountain View, California and Kawasaki, Japan, areas susceptible to earthquakes. Any damage or failure that causes interruptions in our secure data centers and our other computer and communications systems could materially harm our business. In addition, our ability to issue digital certificates depends on the efficient operation of the Internet connections from customers to our secure data centers. Such connections depend upon efficient operation of web browsers, Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past. Any of these problems or outages could adversely affect customer satisfaction.

Our success also depends upon the scalability of our systems. Our systems have not been tested at the volumes that may be required in the future. Thus, it is possible that a substantial increase in demand for our Internet-based trust services could cause interruptions in our systems. Any such interruptions could adversely affect our ability to deliver our Internet-based trust services and therefore could materially harm our business.

Although we periodically perform, and retain accredited third parties to perform, audits of our operational practices and procedures, we may not be able to remain in compliance with our internal standards or those set by third-party auditors. If we fail to maintain these standards, we may have to expend significant time and money to return to compliance and our business could be materially harmed.

We retain certain confidential customer information in our secure data centers. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. 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-ins or other security breaches or compromises of the information stored at our secure data centers may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability and customers could be reluctant to use our Internet-based trust services. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of electronic commerce and communications over IP networks as well as of the security or reliability of our services. See "Business--The VeriSign Solution," "--Strategy," "--Infrastructure," "--Security and Trust Practices" and "--Facilities."

We Face Significant Competition

We anticipate that the market for services that enable trusted and secure electronic commerce and communications over IP networks will remain intensely competitive. We compete with larger and smaller companies that provide products and services that are similar to certain aspects of our Internet-based trust services. We expect that competition will increase in the near term, and that our primary long-term competitors may not yet have entered the market. Increased competition could result in pricing pressures, reduced margins or

the failure of our Internet-based trust services to achieve or maintain market acceptance, any of which could materially harm our business. Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources. As a result, we may not be able to compete effectively. For a more detailed description of the competitive threats facing us, see "Business--Competition."

Technological Changes Will Affect Our Business

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

If new Internet, networking or telecommunication technologies or standards are widely adopted or if other technological changes occur, we may need to expend significant resources to adapt our Internet-based trust services. See "Business--Trust Services" and "--Research and Development."

We Must Manage Our Growth and Expansion

Our historical growth has placed, and any further growth is likely to continue to place, a significant strain on our resources. VeriSign has grown from 26 employees at December 31, 1995 to 322 employees at December 31, 1998. We have also opened additional sales offices and have significantly expanded our operations, both in the U.S. and abroad, during this time period. We expanded our operations by acquiring SecureIT during 1998. To be successful, we will need to implement additional management information systems, develop further our operating, administrative, financial and accounting systems and controls and maintain close coordination among our executive, engineering, accounting, finance, marketing, sales and operations organizations. Any failure to manage growth effectively could materially harm our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We Depend on Key Personnel

We depend on the performance of our senior management team and other key employees. Our success will depend on our ability to retain and motivate these individuals. Our success will also depend on our ability to attract, integrate, train, retain and motivate additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad. There is intense competition for these personnel. In addition, our stringent hiring practices for some of our key personnel, which consist of background checks into prospective employees' criminal and financial histories, further limit the number of qualified persons for such positions. See "Business--Security and Trust Practices." VeriSign has no employment agreements with any of its key executives that prevent them from leaving VeriSign at any time. In addition, we do not maintain key person life insurance for any of our officers or key employees other than our President and Chief Executive Officer. The loss of the services of any of our senior management team or other key employees or our failure to attract, integrate, train, retain and motivate additional key employees could materially harm our business. See "Business--Employees" and "Management."

We Must Establish and Maintain Strategic Relationships

One of our significant business strategies has been to enter into strategic or other similar collaborative relationships in order to reach a larger customer base than we could reach through our direct sales and marketing efforts. We may need to enter into additional relationships to execute our business plan. We may not be able to

enter into additional, or maintain our existing, strategic relationships on commercially reasonable terms. If we failed, we would have to devote substantially more resources to the distribution, sale and marketing of our Internet-based trust services than we would otherwise. Furthermore, as a result of our emphasis on these relationships, our success in such relationships will depend both on the ultimate success of the other parties to such relationships, particularly in the use and promotion of IP networks for trusted and secure electronic commerce and communications, and on the ability of certain of these parties to market our Internet-based trust services successfully. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our Internet-based trust services could materially harm our business.

Our existing strategic relationships do not, and any future strategic relationships may not, afford VeriSign any exclusive marketing or distribution rights. In addition, the other parties may not view their relationships with us as significant for their own businesses. Therefore, they could reduce their commitment to VeriSign at any time in the future. These parties could also pursue alternative technologies or develop alternative products and services either on their own or in collaboration with others, including our competitors. If we are unable to maintain our strategic relationships or to enter into additional strategic relationships, our business could be materially harmed. See "Business--Strategy," "--Strategic Relationships" and "--Marketing, Sales and Distribution."

Certain of Our Internet-based Trust Services Have Lengthy Sales and Implementation Cycles

We market many of our Internet-based trust services directly to large companies and government agencies. The sale and implementation of our services to these entities typically involves a lengthy education process and a significant technical evaluation and commitment of capital and other resources. This process is also subject to the risk of delays associated with customers' internal budgeting and other procedures for approving large capital expenditures, deploying new technologies within their networks and testing and accepting new technologies that affect key operations. As a result, the sales and implementation cycles associated with certain of our Internet-based trust services can be lengthy, potentially lasting from three to six months. Our quarterly and annual operating results could be materially harmed if orders forecasted for a specific customer for a particular quarter are not realized. See "--Our Quarterly Operating Results May Fluctuate; Our Future Revenues and Profitability Are Uncertain" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Internet-based Trust Services Could Have Unknown Defects

Services as complex as those we offer or develop frequently contain undetected defects or errors. Despite testing, defects or errors may occur in existing or new Internet-based trust 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, increased insurance costs or increased service and warranty costs, any of which could materially harm our business. Furthermore, we often provide implementation, customization, consulting and other technical services in connection with the implementation and ongoing maintenance of our Internet-based trust services and our digital certificate service agreements. The performance of these Internet-based trust services typically involves working with sophisticated software, computing and communications systems. Our failure or inability to meet customer expectations or project milestones 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.

Because customers rely on our Internet-based trust services for critical security applications, any significant defects or errors in our Internet-based trust services might discourage customers from subscribing to our services. Such defects or errors could also result in tort or warranty claims. Although we attempt to reduce the risk of losses resulting from such claims through warranty disclaimers and liability limitation clauses in our sales agreements, these contractual provisions may not be enforceable in every instance. Furthermore, although we maintain errors and omissions insurance, such insurance coverage may not adequately cover us for claims. If a court refused to enforce the liability-limiting provisions of our contracts for any reason, or if liabilities arose that were not contractually limited or adequately covered by insurance, our business could be materially harmed. See "Business--Trust Services" and "--Research and Development."

Public Key Cryptography Technology Is Subject to Certain Risks

Our Internet-based trust services depend on public key cryptography technology. With public key cryptography technology, a user is given a public key and a private key, both of which are required to encrypt and decode messages. The security afforded by this technology depends on the integrity of a user's private key and that it is not stolen or otherwise compromised. The integrity of private keys also depends in part on the application of certain mathematical principles known as "factoring." This integrity is predicated on the assumption that the factoring of large numbers into their prime number components is difficult. Should an easy factoring method be developed, then the security of encryption products utilizing public key cryptography technology would be reduced or eliminated. Furthermore, any significant advance in techniques for attacking cryptographic systems could also render some or all of our existing Internet-based trust services obsolete or unmarketable. Even if no breakthroughs in factoring or other methods of attacking cryptographic systems are made, factoring problems can theoretically be solved by computer systems significantly faster and more powerful than those presently available. Current or future governmental regulation regarding the use, scope and strength of public key cryptography could also limit our ability to develop and distribute digital certificates with encryption strong enough to maintain the integrity of a user's private key against factoring by more powerful computer systems. If such improved techniques for attacking cryptographic systems are ever developed, we would likely have to reissue digital certificates to some or all of our customers, which could damage our reputation and brand or otherwise harm our business. In the past there have been public announcements of the successful decoding of certain cryptographic messages and of the potential misappropriation of private keys. Such publicity could also adversely affect the public perception as to the safety of the public key cryptography technology included in our digital certificates. Such adverse public perception could harm our business. See "Business--Industry Background" and "--Trust Services."

Our International Operations Are Subject to Certain Risks

Revenues of VeriSign Japan K.K., or VeriSign Japan, and revenues from other international affiliates and customers accounted for approximately 9% of our revenues in 1997 and approximately 11% of our revenues for the nine months ended September 30, 1998. We intend to expand our international operations and international sales and marketing activities. Expansion into these markets has required and will continue to require significant management attention and resources. We may also need to tailor our Internet-based trust services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our Internet-based trust services and in developing international distribution or operating relationships. We may not succeed in expanding our Internet-based trust service offerings into international markets. Any such failure could harm our business.

In addition, there are certain risks inherent in doing business on an international basis, including, among others:

- regulatory requirements;
- legal uncertainty regarding liability;
- export and import restrictions on cryptographic technology and products incorporating that technology;
- tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- difficulty of authenticating customer information;
- political instability;
- seasonal reductions in business activity; and
- potentially adverse tax consequences.

We have licensed to certain international affiliates the VeriSign Processing Center platform, which is designed to replicate our own secure data centers and allows the affiliate to offer back-end processing of Internet-based trust services. The VeriSign Processing Center platform provides an affiliate with the knowledge and technology to offer Internet-based trust services similar to those offered by VeriSign. It is critical to our business strategy that the facilities and infrastructure used in issuing and marketing digital certificates remain secure and be perceived by the marketplace to be secure. Although we provide the affiliate with training in security and trust practices, network management and customer service and support, these practices are performed by the affiliate and are outside of our control. Any failure of an affiliate to maintain the privacy of confidential customer information could result in negative publicity and therefore adversely affect the market's perception of the security of our services as well as the security of electronic commerce and communication over IP networks generally. See "--System Interruptions and Security Breaches Could Harm Our Business" and "Business--Trust Services."

All of our international revenues from sources other than VeriSign Japan are denominated in U.S. dollars. If additional portions of our international revenues were to be denominated in foreign currencies, we could become subject to increased risks relating to foreign currency exchange rate fluctuations. See "--Industry Regulation," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy" and "--Marketing, Sales and Distribution."

We Depend on Authentication Information

We rely upon information provided by third-party sources to authenticate the identity of customers requesting certain of our digital certificates. This information is presently only available from a limited number of sources and we currently procure such information from single sources. Reliance on single sources involves certain risks and uncertainties, including the possibility of delayed or discontinued availability. Any such delay or unavailability, coupled with any inability to develop alternative sources quickly and cost-effectively, could impair our ability to deliver certain digital certificates on a timely basis and result in the cancellation of orders, increased costs and injury to our reputation. This could harm our business. Reliance on third-party information sources for authentication has also limited the distribution of certain of our digital certificates outside of the U.S., where access to such sources has been unavailable or limited.

Additionally, accurate authentication of the identity of the individuals and entities to which we issue digital certificates is necessary for such digital certificates to provide security and trust. Therefore, if any authentication information that we rely upon is inaccurate, it could adversely affect our reputation and result in tort or warranty claims from customers relying upon our digital certificates for trusted and secure electronic commerce and communications. This could materially harm our business. See "--Our Internet-based Trust Services Could Have Unknown Defects" and "Business--Products and Services."

We Could Be Affected By Government Regulation

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

Many companies conducting electronic commerce over IP networks do not collect sales or other similar taxes with respect to shipments of goods into other states or foreign countries or with respect to other transactions

conducted between parties in different states or countries. It is possible that the U.S. federal or state or non-U.S. governments may seek to impose sales taxes on companies that engage in electronic commerce over IP networks. In the event that government bodies succeed in imposing sales or other taxes on electronic commerce, the growth of the use of IP networks for electronic commerce could slow substantially, which could materially harm our business.

Due to the increasing popularity of IP networks, it is possible that laws and regulations may be enacted covering issues such as user privacy, pricing, content and quality of products and services. The increased attention focused upon these issues as a result of the adoption of other laws or regulations may reduce the rate of growth of IP networks, which in turn could result in decreased demand for our Internet-based trust services or could otherwise materially harm our business. See "Business--Industry Background."

Acquisitions Could Harm Our Business

During 1998, we acquired SecureIT. If we are unable to successfully complete the integration of SecureIT, our business could be materially harmed. We may acquire additional businesses, technologies, product lines or service offerings in the future. Acquisitions involve a number of risks including, among others:

- the difficulty of assimilating the operations and personnel of the acquired businesses;
- the potential disruption of our business;
- our inability to integrate, train, retain and motivate key personnel of the acquired business;
- the diversion of our management from our day-to-day operations;
- our inability to incorporate acquired technologies successfully into our Internet-based trust services;
- the additional expense associated with completing an acquisition and amortizing any acquired intangible assets;
- the potential impairment of relationships with our employees, customers and strategic partners; and
- the inability to maintain uniform standards, controls, procedures and policies.

If we are unable to successfully address any of these risks, our business could be materially harmed.

We Face Risks Related to Intellectual Property Rights

Our success depends on our internally developed technologies and other intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our intellectual property or trade secrets without authorization. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could be materially harmed.

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. Such litigation, regardless of its outcome, could result in substantial costs and diversion of management and technical resources.

We also license third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in our products, to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms or at all. Our business could be materially harmed if we lost the rights to use these technologies. A third party could claim that the licensed software infringes any 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 such 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-based trust services until equivalent technology, if available, is identified, licensed and integrated. This could harm our business.

From time to time, we have received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. Infringement or other claims could be made against us in the future. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require us to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on acceptable terms or at all. If a successful claim of product infringement were made against us and we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business could be harmed. See "Business--Intellectual Property."

Year 2000 Issues Could Affect Our Business

We are in the process of assessing and remediating any Year 2000 issues with the computer communications, software and security systems that we use to deliver and manage our Internet-based trust services and to manage our internal operations. Despite our testing and remediating, our systems may contain errors or faults with respect to the Year 2000. Our efforts to address this issue are described in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Issues." If our systems do not operate properly with regard to the Year 2000 and thereafter we could incur unanticipated expenses to remedy any problems, which could adversely affect our business.

Customer's purchasing plans could be affected by Year 2000 issues as they may need to expend significant resources to correct their existing systems. This situation may result in reduced funds available to implement the infrastructure needed to conduct trusted and secure electronic commerce and communications over IP networks or to purchase our Internet-based trust services. These factors could materially harm our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Industry Background."

We Have Implemented Certain Anti-Takeover Provisions

Certain provisions of our Amended and Restated Certificate of Incorporation and Bylaws, as well as provisions of Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. See "Description of Capital Stock."

Future Sales of Shares Could Affect Our Stock Price

If our stockholders sell substantial amounts of our common stock in the public market following this offering, the market price of our common stock could fall. Based on shares outstanding as of December 31, 1998, upon completion of this offering we will have outstanding 23,910,359 shares of common stock (assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options after December 31, 1998). Of these shares 17,913,229 are currently eligible for sale in the public market. After the lockup agreements with the underwriters of this offering expire 90 days from the date of this prospectus, an additional 4,745,944 shares will be eligible for sale in the public market. The remaining 1,251,186 shares will be eligible for public sale after July 6, 1999, subject to the volume limitations and other conditions of Rule 144.

In addition, the former shareholders of SecureIT have the right, after January 30, 1999, to require us to file a registration statement to register the resale of 418,093 shares.

These share numbers exclude 4,129,444 shares subject to outstanding stock options and 711,596 shares reserved for future issuance under our stock plans as of December 31, 1998. See "Management--Employee Benefit Plans," "Shares Eligible for Future Sale" and "Underwriters."

Our Stock Price May Be Volatile

The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. In addition, the market prices of securities of other technology companies, particularly Internet-related companies, have been highly volatile. Factors that may have a significant effect on the market price of our common stock include:

- fluctuations in our operating results;
- announcements of technological innovations or new Internet-based trust services by us or new products or services by our competitors;
- analysts' reports and projections;
- regulatory actions; and
- general market, economic or political conditions in the U.S. or abroad.

Investors may not be able to resell their shares of our common stock at or above the offering price. See "Price Range of Common Stock."

Existing Stockholders Will Maintain Significant Influence

The present executive officers, directors and their affiliates will beneficially own approximately 25.5% of our outstanding common stock upon the completion of this offering. As a result, these stockholders could significantly influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions such as a merger, consolidation or sale of substantially all of our assets. See "Principal and Selling Stockholders."

Use of Proceeds Is Unspecified

We plan to use the proceeds from this offering for general corporate purposes. Therefore, we will have discretion as to how we will spend the proceeds, which could be in ways with which the stockholders may not agree. We cannot predict that the proceeds will be invested to yield a favorable return. See "Use of Proceeds."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 835,000 shares we are selling in this offering will be approximately $51.9 million, based on an assumed public offering price of $66.25 per share, after deducting underwriting discounts and commissions and estimated offering expenses. If the Underwriters' over-allotment option is exercised in full, we estimate that our net proceeds from this offering will be $74.5 million. VeriSign will not receive any proceeds from the sale of the shares being sold by the Selling Stockholders.

We intend to use our net proceeds from this offering primarily for working capital and other general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, technologies, product lines or service offerings that are complementary to our business. We have no present plans or commitments and are not currently engaged in any negotiations with respect to such transactions. As a result, we will have significant discretion as to the use of the net proceeds. Pending such uses, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities. See "Risk Factors--Acquisitions Could Harm Our Business" and "--Use of Proceeds Is Unspecified."

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock or other securities and do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our equipment line of credit agreement prohibit the payment of dividends on our capital stock.

PRICE RANGE OF COMMON STOCK

Our common stock has been traded on the Nasdaq National Market under the symbol "VRSN" since January 29, 1998, the date of our initial public offering. Prior to such time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock as reported by the Nasdaq National Market.

	High	Low
Fiscal Year Ended December 31, 1998:		
First Quarter	$46 7/8	$20 1/2
Second Quarter	49	26
Third Quarter	44 7/8	21 7/8
Fourth Quarter	77 1/2	19 3/8
Fiscal Year Ending December 31, 1999:		
First Quarter (through January 13, 1999)	82	54

On January 13, 1999, the last reported sale price for our common stock on the Nasdaq National Market was $66.25 per share. As of December 31, 1998, there were approximately 235 holders of record of our common stock, although we estimate that there are in excess of 3,000 beneficial holders.

CAPITALIZATION

The following table sets forth VeriSign's capitalization as of September 30, 1998 and as adjusted to reflect the receipt by VeriSign of the estimated net proceeds from selling 835,000 shares in this offering, based on an assumed public offering price of $66.25 per share and after deducting underwriting discounts and commissions and estimated offering expenses.

	September 30, 1998	
	Actual	As Adjusted
	(In thousands)	
Stockholders' equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	$ --	$ --
Common stock, $.001 par value; 50,000,000 shares authorized; actual--22,732,876 shares issued and outstanding; As adjusted--23,567,876 shares issued and outstanding(1)	23	24
Additional paid-in capital	91,496	143,360
Notes receivable from stockholders	(582)	(582)
Deferred compensation	(302)	(302)
Accumulated deficit	(48,279)	(48,279)
Total stockholders' equity	42,356	94,221
Total capitalization	$ 42,356	$ 94,221

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Note: (1)The number of shares of common stock issued and outstanding does not include:

- 1,686,587 shares issuable upon the exercise of options outstanding as of September 30, 1998, under the 1995 Stock Option Plan, with a weighted average exercise price of $2.46 per share;
- 518,050 shares issuable upon the exercise of options outstanding as of September 30, 1998, under the 1997 Stock Option Plan, with a weighted average exercise price of $7.34 per share;
- 145,098 shares issuable upon the exercise of options outstanding as of September 30, 1998, under the SecureIT 1997 Stock Option Plan, which was assumed by VeriSign, with a weighted average exercise price of $7.64 per share;
- 1,116,910 shares issuable upon the exercise of options outstanding as of September 30, 1998, under our 1998 Equity Incentive Plan (the "Equity Incentive Plan"), with a weighted average exercise price of $29.09 per share, and 1,255,022 shares reserved for future issuance thereunder;
- 441,775 shares reserved for issuance under our 1998 Employee Stock Purchase Plan (the "Purchase Plan");
- 37,500 shares issuable upon the exercise of options outstanding as of September 30, 1998 under our 1998 Directors Stock Option Plan (the "Directors Plan"), with a weighted average exercise price of $39.25 per share, and 87,500 shares reserved for future issuance thereunder;
- 15,000 shares that would be issued to a service provider if certain milestones are met; and
- 17,500 shares subject to a warrant that would be issued in the event that VeriSign borrows funds under an equipment loan agreement.

See "Management--Director Compensation," "--Employee Benefit Plans," "Description of Capital Stock" and Notes 6 and 8 of Notes to Consolidated Financial Statements.

DILUTION

The net tangible book value of VeriSign's common stock as of September 30, 1998 was $42.4 million, or $1.86 per share. Net tangible book value per share is equal to our total tangible assets less our total liabilities, divided by the shares of common stock outstanding as of September 30, 1998. After giving effect to our issuance and sale of 835,000 shares of common stock in this offering, based on an assumed public offering price of $66.25 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by VeriSign, our net tangible book value as of September 30, 1998 would have been $94.2 million, or $4.00 per share. This amount represents an immediate increase in net tangible book value of $2.14 per share to existing stockholders and an immediate dilution of $62.25 per share to new public investors. The following table illustrates the per share dilution:

Assumed public offering price per share.....		$66.25
Net tangible book value per share at September 30, 1998.....	$1.86	
Increase in net tangible book value per share attributable to new public investors.....	2.14	
Net tangible book value per share after offering.....		4.00
Dilution per share to new public investors.....		$62.25

The table above assumes no exercise of any stock options outstanding as of September 30, 1998, no exercise of a warrant to purchase 17,500 shares of common stock that would be issued in the event that VeriSign borrows funds under an equipment loan agreement, and no issuance of 15,000 shares of common stock that would be issued to a service provider if certain milestones are met. As of September 30, 1998, there were options outstanding to purchase a total of 3,504,145 shares of common stock with a weighted average exercise price of $12.27 per share. To the extent that any of these options or the warrant are exercised, there will be further dilution to new public investors. See "Capitalization," "Management--Director Compensation," "--Employee Benefit Plans" and Notes 6 and 8 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with VeriSign's Consolidated Financial Statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The selected consolidated statement of operations data presented below for the period from April 12, 1995 (inception) to December 31, 1995 and for each of the years in the two-year period ended December 31, 1997, and the selected consolidated balance sheet data as of December 31, 1996 and 1997, are derived from consolidated financial statements that have been audited by KPMG LLP, independent auditors, and are included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 1995 are derived from consolidated financial statements that have been audited by KPMG LLP, independent auditors, but that are not included elsewhere in this prospectus. The selected consolidated statement of operations data for the nine months ended September 30, 1997 and 1998 and the selected consolidated balance sheet data as of September 30, 1998 are derived from consolidated financial statements that have not been audited. The unaudited consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation on the financial position of VeriSign at September 30, 1998 and the results of operations for the interim periods ended September 30, 1997 and 1998. The results of operations for any interim period are not necessarily indicative of the results of our operations for any future interim period or for a full fiscal year.

	Period from April 12, 1995 (Inception) to December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1998
	(In thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues	$ 382	$ 1,356	$ 13,356	$ 8,360	$ 25,719
Costs and expenses:					
Cost of revenues	412	2,791	9,689	6,172	13,467
Sales and marketing	790	4,885	11,826	7,732	16,449
Research and development	642	2,058	5,303	3,643	6,242
General and administrative	680	2,681	5,039	3,147	5,842
Special charges	--	--	2,800	2,000	3,555
Total costs and expenses	2,524	12,415	34,657	22,694	45,555
Operating loss	(2,142)	(11,059)	(21,301)	(14,334)	(19,836)
Other income (expense)	148	(67)	1,174	872	1,677
Loss before minority interest	(1,994)	(11,126)	(20,127)	(13,462)	(18,159)
Minority interest in net loss of subsidiary	--	838	1,538	1,194	950
Net loss	$(1,994)	$(10,288)	$(18,589)	$(12,268)	$(17,209)
Basic and diluted net loss per share(1)	$ (.43)	$ (2.07)	$ (2.61)	$ (1.54)	$ (.82)
Shares used in per share computation(1)	4,689	4,960	7,121	7,988	21,042

	December 31, 1995	December 31, 1996	December 31, 1997	September 30, 1998
	(In thousands)			
Consolidated Balance Sheet Data:				
Cash, cash equivalents and short-term investments	$ 2,687	$ 30,006	$ 12,893	$ 42,468
Working capital	2,284	24,788	6,160	33,299
Total assets	4,052	36,537	26,904	63,643
Stockholders' equity	3,376	28,520	13,541	42,356

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Note: (1) See Note 1 of Notes to Consolidated Financial Statements for an

explanation of the determination of the number of shares used in per share computation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Consolidated Financial Statements and notes thereto appearing elsewhere in this prospectus. Except for historical information, the following discussion 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. Such forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses, revenue mix and plans for addressing Year 2000 issues. Such 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 future results to differ materially from those discussed in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus.

Overview

VeriSign is the leading provider of Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over IP networks. We have established strategic relationships with industry leaders, including AT&T, BT, Cisco, Microsoft, Netscape, Network Associates, RSA, Security Dynamics and VISA, to enable widespread utilization of our digital certificate services and to assure their interoperability with a wide variety of applications and network equipment. We have used our secure online infrastructure to issue over 100,000 of our website digital certificates and over 3.5 million of our digital certificates for individuals. We believe that we have issued more digital certificates than any other company in the world. Our Website Digital Certificate services are used by over 400 of the Fortune 500 companies and all of the top 25 electronic commerce websites as listed by Jupiter Communications, an independent market research firm. We also offer the VeriSign OnSite service, which allows an organization to leverage our trusted service infrastructure to develop and deploy customized digital certificate services for use by its employees, customers and business partners. Over 300 enterprises have subscribed to the OnSite service since its introduction in November 1997, including Bank of America, Hewlett-Packard, the Internal Revenue Service, Kodak, Sumitomo Bank, Texas Instruments and USWest.

We have derived substantially all of our revenues to date from fees for services rendered in connection with deploying Internet-based trust services. Revenues from our Internet-based trust services consist of fees for the issuance of digital certificates, fees for digital certificate software modules and fees for consulting, training, support and maintenance services. We defer revenues from the sale or renewal of digital certificates and recognize this revenue ratably over the life of the digital certificate, generally 12 months. We recognize revenues from the sale of digital certificate software modules to distributors and affiliates upon delivery of the software and signing of an agreement, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant production, modification or customization of the software. We recognize revenues from consulting and training services using the percentage-of-completion method for fixed-fee development arrangements, or as the services are provided for time-and-materials arrangements. We recoginze revenue ratably over the term of the agreement for support and maintenance services.

We market our Internet-based trust services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and our affiliates. A significant portion of our revenues to date has been generated through sales from our website, but we intend to continue increasing our direct sales force, both in the U.S. and abroad, and to continue to expand our other distribution channels.

In connection with the formation of VeriSign Japan, we licensed certain technology and contributed other assets to VeriSign Japan. Subsequent to its formation, additional investors purchased minority interests in VeriSign Japan. As of September 30, 1998, we owned 50.5% of the outstanding capital stock of VeriSign Japan. Accordingly, our

consolidated financial statements include the accounts of VeriSign Japan and our consolidated statements of operations reflect the minority shareholders' share of the net losses of VeriSign Japan.

In July 1998, we acquired SecureIT, a provider of Internet and enterprise security solutions, including a range of products and services to help clients assess, design and implement security solutions. In addition, SecureIT provides training on related subjects. The acquisition added services and technology complementary to our Internet-based trust services. We have accounted for the acquisition as a pooling-of-interests. Accordingly, we have restated all prior period consolidated financial statements to include the results of operations, financial position and cash flows of SecureIT as though it had always been a part of VeriSign.

We have experienced substantial net losses in each fiscal period since our inception. As of September 30, 1998, we had an accumulated deficit of $48.3 million. These net losses and accumulated deficit resulted from our lack of substantial revenues and the significant costs incurred in the development and sale of our Internet-based trust services and in the establishment and deployment of our technology, infrastructure and practices. We intend to increase our expenditures in all areas in order to execute our business plan. As a result, we expect to incur substantial additional losses. Although our revenues have grown in recent periods, we may be unable to sustain such growth. Therefore, you should not consider our historical growth indicative of future revenue levels or operating results. We may never achieve profitability or, if we do, we may not be able to sustain it. A more complete description of these and other risks relating to our business is set forth under the caption "Risk Factors."

Recent Development

On January 19, 1999, VeriSign announced selected consolidated results of operations for the fourth quarter of 1998 and for the year ended December 31, 1998. Our revenues were $13.2 million for the fourth quarter of 1998, compared to revenues of $5.0 million for the fourth quarter of 1997. Net loss for the fourth quarter of 1998 was $2.5 million, or $0.11 per share, compared to a net loss of $6.3 million, or $0.82 per share, for the fourth quarter of 1997. For the full year of 1998, our revenues were $38.9 million, compared to revenues of $13.4 million for 1997. Net loss for 1998 was $19.7 million, or $0.95 per share, compared to a net loss in 1997 of $18.6 million, or $2.61 per share. Net loss for the full year of 1998 includes special charges of $3.6 million. Net loss for the fourth quarter of 1997 includes a special charge of $800,000, and net loss for the full year of 1997 includes special charges of $2.8 million. See "--Results of Operations for the Nine-Month Periods--Costs and Expenses--Special Charges" and "--Annual Results of Operations--Costs and Expenses--Special Charges."

Results of Operations for the Nine-Month Periods

Revenues

Revenues increased from $8.4 million in the first nine months of 1997 to $25.7 million in the first nine months of 1998. The growth in revenues resulted from increased sales of our Internet-based trust services, particularly our website digital certificates and VeriSign OnSite services, delivery of more training and services and higher sales of certain third-party products. In the third quarter of 1997, we increased our per-unit prices for digital certificate services by approximately 15%. During the first nine months of 1998, we also completed certain work required under various contracts and recognized the related portion of revenues.

We adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) No. 97-2, Software Revenue Recognition, for software transactions entered into beginning January 1, 1998. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on its relative fair value. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered. The adoption of SOP No. 97-2 did not have a material effect on our operating results.

No customer accounted for 10% or more of revenues during the first nine months of 1998. VISA International accounted for 12% of revenues for the first nine months of 1997. Revenues of VeriSign Japan together with revenues from other international customers accounted for 10% of revenues in the first nine months of 1997 and 11% of revenues in the first nine months of 1998.

Costs and Expenses

Cost of Revenues. Cost of revenues consists primarily of costs related to providing digital certificate enrollment and issuance services, customer support and training, consulting and development services and costs of facilities and computer and communications equipment used in such activities. Cost of revenues also includes fees paid to third parties to verify digital certificate applicants' identities, insurance premiums for our service warranty plans and errors and omissions insurance and the cost of software resold to customers.

Cost of revenues increased from $6.2 million in the first nine months of 1997 to $13.5 million in the first nine months of 1998. The increase was due to a number of factors. We hired more employees to support the additional volume of digital certificates issued and to support SecureIT's security consulting and training activities. The cost of our service warranty plan increased partly because of greater volume and partly because this plan was not in effect during a portion of the nine-month period of 1997. In addition, we incurred increased expenses for access to third-party databases, higher support charges for our external disaster recovery program and for the cost of certain third-party software products resold to customers as part of network security solution implementations.

Certain of our services require greater personnel involvement and therefore have higher costs than other services. As a result, we anticipate that cost of revenues will vary for the remainder of 1998 and in 1999 depending on the mix of services sold during each period.

Sales and Marketing. Sales and marketing expenses consist primarily of costs related to sales and marketing and practices and external affairs. These expenses include salaries, sales commissions and other personnel-related expenses, travel and related expenses, cost of computer and communications equipment and support services, facilities costs, consulting fees and costs of marketing programs.

Sales and marketing expenses increased from $7.7 million in the first nine months of 1997 to $16.4 million in the first nine months of 1998. The increase is a direct result of the continued growth of our direct sales force and the expansion of our efforts, particularly in lead and demand generation activities. The growth and expansion of the SecureIT sales and marketing organization also contributed to the increase in these expenses.

We anticipate that sales and marketing expenses will continue to increase in absolute dollars as we expand our direct sales force, hire additional marketing personnel and increase our marketing and promotional activities both in the U.S. and abroad.

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

Research and development expenses increased from $3.6 million in the first nine months of 1997 to $6.2 million in the first nine months of 1998 as a result of our investments in the design, testing and deployment of, and technical support for, our expanded Internet-based trust service offerings and technology. The increase reflects the expansion of our engineering staff and related costs required to support our continued emphasis on the development of new services, as well as enhancing existing services. During 1998, we continued to make significant investments in development of all of our services, including those targeted for the service provider market.

We believe that timely development of new and enhanced Internet-based trust services and technology are necessary to remain competitive in the marketplace. Accordingly, we intend to continue to recruit experienced research and development personnel and to make other investments in research and development. As a result, we expect that research and development expenses will continue to increase in absolute dollars. To date, we have expensed all research and development expenditures as incurred.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related expenses for our administrative, finance and human resources personnel, facilities and computer and communications equipment, support services and professional services fees.

General and administrative expenses increased from $3.1 million in the first nine months of 1997 to $5.8 million in the first nine months of 1998. The increase was primarily due to increased staffing levels required to support our expanded operations and to implement additional management information systems and related procedures. In addition, in 1998 we incurred additional costs related to being a public company, including investor relations programs and professional services fees.

We expect to continue to invest in a more comprehensive executive and administrative infrastructure and to add additional facilities as required. As a result, we anticipate that general and administrative expenses will continue to increase in absolute dollars.

Special Charges. In September 1996, VeriFone, Inc., which subsequently became a wholly-owned subsidiary of Hewlett-Packard, filed a lawsuit against VeriSign alleging, among other things, trademark infringement. In November 1997, VeriSign, Hewlett-Packard and VeriFone reached an agreement, under which, among other things, we issued 250,000 shares of our common stock, which were transferred to Hewlett-Packard, and VeriSign and VeriFone settled all claims. The settlement amount was recorded in the third quarter of 1997 as a $2.0 million charge to operations.

In connection with our acquisition of SecureIT, we recorded a special charge of $3.6 million to operating expenses in the third quarter of 1998. The expenses included $2.4 million for direct and other merger-related costs pertaining to the merger transaction. Merger transaction costs consisted primarily of fees for investment bankers, attorneys, accountants, filing fees and other related charges. The remaining $1.2 million related to stock-based compensation charges in connection with the acceleration of certain performance stock options held by SecureIT employees.

Other Income

Other income consists primarily of interest earned on our cash, cash equivalents and short-term investments, less interest expense on bank borrowings of VeriSign Japan and the effect of foreign currency transaction gains and losses.

Other income increased from $872,000 in the first nine months of 1997 to $1.7 million in the first nine months of 1998. This increase is primarily due to a higher cash and short-term investment base as a result of the proceeds from our initial public offering on January 29, 1998.

Provision for Income Taxes

We have not recorded any provision for federal and California income taxes for either of the nine-month periods because we have experienced net losses since inception. See "--Annual Results of Operations--Provision for Income Taxes."

Minority Interest in Net Loss of Subsidiary

Minority interest in the net losses of VeriSign Japan was $1.2 million in the first nine months of 1997 and $950,000 in the first nine months of 1998. The decrease was primarily due to increased revenues from VeriSign

Japan in the 1998 period as compared to the same period of the prior year. VeriSign Japan is still in the early stage of operations and, therefore, we expect that the minority interest in net loss of subsidiary will continue to fluctuate in future periods.

Annual Results of Operations

We began operations on April 12, 1995, which is also referred to as "inception." The discussion below compares the period from April 12, 1995 to December 31, 1995 (which is also referred to as "the inception period" or "1995"), 1996 and 1997.

Revenues

Revenues were $382,000 in 1995, $1.4 million in 1996 and $13.4 million in 1997. Revenues from inception through 1996 were primarily derived from sales of our Secure Server digital certificate services. The increase in revenues from 1995 to 1996 was due primarily to increased market acceptance of Secure Server digital certificate services and, to a lesser extent, SET digital certificate services. The increase in revenues from 1996 to 1997 was due to increased sales of Secure Server digital certificate services, increased services revenues, including revenues from digital certificate service agreements, and sales of certain third-party products. Revenues from Individual digital certificates were nominal because substantially all individual digital certificates were issued free of charge on a promotional basis.

VISA accounted for approximately 21% of our revenues in 1996 and 10% of revenues in 1997. No other customer accounted for 10% or more of our revenues during 1995, 1996 or 1997. Revenues of VeriSign Japan and from other international customers accounted for less than 10% of revenues in the inception period, 1996 and 1997.

Costs and Expenses

VeriSign's costs and expenses increased in 1996 compared to 1995 and again in 1997 compared to 1996, primarily due to our overall growth. The total number of our employees increased from 26 at December 31, 1995 to 210 at December 31, 1997. In addition, we opened several new offices, increased our sales and marketing and research and development efforts and expanded our headquarters and secure data centers during these time periods.

Cost of Revenues. Cost of revenues was $412,000 in 1995, $2.8 million in 1996 and $9.7 million in 1997. Cost of revenues was not material in 1995 because of our minimal revenues in that period. The increases in 1996 and 1997 were due to a number of factors. Facilities costs and related overhead costs increased as we built our operations infrastructure. We hired more full-time and temporary employees to support the additional volume of digital certificates issued and to support SecureIT's security consulting and training activities. We also incurred costs related to the introduction of new services as well as the costs related to certain third-party software products that were resold to our customers as part of network security solution implementations. Expenses related to our errors and omissions insurance and access to third-party databases also increased. In addition, during 1997, we implemented our service warranty program and our disaster recovery program.

Sales and Marketing. Sales and marketing expenses were $790,000 in 1995, $4.9 million in 1996 and $11.8 million in 1997. The increase in sales and marketing expenses from 1995 through 1996 and 1997 was primarily due to increased headcount and increased expenditures for marketing programs. The increase in 1997 also reflects the growth and expansion of the SecureIT sales and marketing organization.

Research and development. Research and development expenses were $642,000 in 1995, $2.1 million in 1996 and $5.3 million in 1997. Our continued investment in the design, testing and deployment of, and technical support for, our expanded services and technology caused research and development expenses to increase in each period from 1995 to 1996 and 1997. The increase reflects the expansion of our engineering staff and related costs required to support our continued emphasis on developing new, and enhancing existing, services and technology.

General and administrative. General and administrative expenses were $680,000 in 1995, $2.7 million in 1996 and $5.0 million in 1997. The increase in general and administrative expenses from 1995 through 1996 and 1997 was primarily a result of hiring additional staff to manage and support our expanding operations.

Special Charges. The settlement amount for the VeriFone litigation was recorded in 1997 as a $2.0 million charge to operations.

In November 1997 we entered into a preferred provider agreement with Microsoft whereby we agreed to jointly develop, promote and distribute a variety of client-based and server-based digital certificate solutions. Under this agreement, we have been designated as the premier provider of digital certificates for Microsoft customers. In connection with the agreement, we issued 100,000 shares of our common stock to Microsoft and recorded an $800,000 charge to operations.

Other Income (Expense)

We had other income of $148,000 in 1995, other expense of $67,000 in 1996 and other income of $1.2 million in 1997. The increase in other income in 1997 was due to interest earned on the cash proceeds of our November 1996 Series C preferred stock financing.

Provision for Income Taxes

We have not recorded any provision for federal and state income taxes because we have experienced net losses since inception. As of December 31, 1997, we had federal net operating loss carryforwards of approximately $26.9 million and state net operating loss carryforwards of approximately $27.1 million. If we are not able to use them, the federal net operating loss carryforwards will expire in 2010 through 2014 and the state net operating loss carryforwards will expire in 2003. The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of a corporation's ownership change, as defined in the Internal Revenue Code. Our ability to utilize net operating loss carryforwards may be limited as a result of such an ownership change. We do not anticipate that a material limitation on our ability to use our carryforwards and credits will result from this offering.

We have provided a full valuation allowance on our deferred tax asset because of the uncertainty regarding its realization. Our accounting for deferred taxes under Statement of Financial Accounting Standards No. 109 involves the evaluation of a number of factors concerning the realizability of our deferred tax assets. In concluding that a full valuation allowance was required, we considered such factors as our history of operating losses and expected future losses and the nature of our deferred tax assets. Although our operating plans assume taxable and operating income in future periods, our evaluation of all the available evidence in assessing the realizability of the deferred tax assets indicates that such plans were not considered sufficient to overcome the available negative evidence. See Note 9 of Notes to Consolidated Financial Statements.

Minority Interest in Net Loss of Subsidiary

Minority interest in the net losses of VeriSign Japan was $838,000 in 1996 and $1.5 million in 1997. The increase was due to the increased expenses incurred in establishing and expanding the operations of VeriSign Japan prior to the generation of significant revenues as well as to an increasing percentage of VeriSign Japan's capital stock being held by minority shareholders.

Selected Quarterly Operating Results

The following table sets forth certain consolidated statement of operations data for each quarter of 1997 and the first three quarters of 1998. This information has been derived from our unaudited consolidated financial statements, which, in management's opinion, have been prepared on the same basis as the annual consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarters presented. This information should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this prospectus. The operating results for any quarter are not necessarily indicative of the results for any future period.

	Three Months Ended						
	Mar. 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998
	(In thousands)						
Revenues	$ 1,590	$ 2,931	$ 3,839	$ 4,996	$ 6,662	$ 8,552	$10,505
Costs and expenses:							
Cost of revenues	1,517	2,081	2,574	3,517	4,020	4,257	5,190
Sales and marketing	2,344	2,805	2,583	4,094	4,720	5,612	6,117
Research and development	1,029	1,260	1,354	1,660	1,671	2,019	2,552
General and administrative	1,020	942	1,185	1,892	1,735	2,434	1,673
Special charges	--	--	2,000	800	--	--	3,555
Total costs and expenses	5,910	7,088	9,696	11,963	12,146	14,322	19,087
Operating loss	(4,320)	(4,157)	(5,857)	(6,967)	(5,484)	(5,770)	(8,582)
Other income	469	167	236	302	392	657	628
Loss before minority interest	(3,851)	(3,990)	(5,621)	(6,665)	(5,092)	(5,113)	(7,954)
Minority interest in net loss of subsidiary	305	482	407	344	389	324	237
Net loss	$(3,546)	$(3,508)	$(5,214)	$(6,321)	$(4,703)	$(4,789)	$(7,717)

Revenues

We have experienced quarter-to-quarter sequential growth in revenues since our inception. These quarterly increases were due to increases in all revenue areas, including our Internet-based trust services and certain third-party software products sold to our customers as part of network security solution implementations. The increase in revenues related to digital certificate services has been primarily due to the increased number of digital certificates sold. However, in the third quarter of 1997, we increased our per-unit prices for digital certificate services by approximately 15%. Revenues from contracts for our services have increased each quarter because the number of contracts has increased. Revenues related to our own and certain third-party software products have increased as the number and size of network security implementations has increased.

Costs and Expenses

Cost of Revenues. Cost of revenues has increased each quarter as revenues have increased. Certain of our services require greater personnel involvement and therefore have higher costs than other services. As a result, cost of revenues will fluctuate each quarter depending on the mix of services sold in each quarter. The primary reasons for the increased cost of revenues on a quarterly basis, other than increased revenues, are:

- hiring additional employees, particularly for customer support and information systems and to support SecureIT's security consulting and training activities;
- increased expenses for access to third-party databases to verify digital certificate applicants' identities; and
- costs related to certain third-party software products that were resold to our customers as part of network security solution implementations.

In addition, we implemented our service warranty program and began the implementation of our disaster recovery program in the second quarter of 1997.

Sales and Marketing. The quarterly increases in sales and marketing expenses resulted primarily from building our sales and marketing organization. The addition of sales and marketing personnel resulted in higher recruiting, benefits, travel and facilities costs. In addition, during the second quarter of 1997, additional expenses were incurred as we pursued strategic relationships in the U.S. and abroad, increased our public relations activities and channel development activities. The fourth quarter of 1997 reflects expenses related to the continued development and expansion of our direct sales force and increased spending for new marketing programs.

Research and Development. The quarterly increases in research and development expenses were due primarily to increased personnel and related costs to support the design, testing and deployment of, and technical support for, our expanded Internet-based trust service offerings and technology.

General and Administrative. In addition to building an administrative infrastructure in the fourth quarter of 1997, we increased our allowance for doubtful accounts commensurate with the growth in accounts receivable. The 1998 quarters reflect costs related to increased staffing levels required to support our expanded operations in the U.S. and abroad, costs to implement additional management information systems and related procedures and the costs of being a public company.

Special Charges. Charges in the third and fourth quarters of 1997 and the third quarter of 1998 are discussed above under "--Results of Operations--Costs and Expenses--Special Charges."

Our operating results have varied on a quarterly basis and may fluctuate significantly in the future as a result of many factors outside of our control. Period-to-period comparisons of our operating results should not be relied upon as an indication of future performance. A more complete description of factors affecting quarterly operating results is set forth in "Risk Factors--Our Quarterly Operating Results May Fluctuate; Our Future Revenue and Profitability Are Uncertain."

Year 2000 Issues

Background of Year 2000 Issues

Many currently-installed computer and communications systems and software products are unable to distinguish between twentieth century dates and twenty-first century dates. This situation could result in system failures or miscalculations causing disruptions in the operations of any business, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities. As a result, many companies' software and computer and communications systems may need to be upgraded or replaced to comply with such "Year 2000" requirements.

Our State of Readiness

Our business depends on the operation of numerous systems that could potentially be impacted by Year 2000 related problems. The systems include: computer and communications hardware and software systems used to deliver our Internet-based trust services (including our proprietary software systems as well as software supplied by third parties); communications networks such as the Internet and private intranets; the internal systems of our customers and suppliers; digital certificate services sold to customers; the computer and communications hardware and software systems we use internally in the management of our business; and non-information technology systems and services we use to manage our business, such as telephone, security and building management systems.

Based on an analysis of all systems potentially impacted by conducting business in the year 2000 and beyond, we are pursuing a phased approach to making such systems, and accordingly our operations, ready for the year 2000. Beyond awareness of the issues and scope of systems involved, the phases of activities in progress

include: an assessment of specific underlying computer and communications systems, programs and/or hardware; remediation or replacement of Year 2000 non-compliant technology; validation and testing of technologically-compliant Year 2000 solutions; and implementation of Year 2000 compliant systems. The table below provides the status and timing of such phased activities.

Impacted Systems	Status	Targeted Implementation
Internet-based trust services sold to customers	Digital certificates tested and available for customer trial, testing and implementation completed	Completed
Non-information technology systems and services	Systems upgraded or replaced as appropriate, testing and implementation completed	Completed
Hardware and software systems used to deliver services	Assessment completed, remediation underway, conducting validation and testing	Q1 1999
Communication networks used to provide services	Assessment completed, conducting validation and testing	Q1 1999
Operability with internal systems of customers and suppliers	Assessment completed, conducting validation and testing	Q1 1999
Hardware and software systems used to manage VeriSign's business	Assessment completed, remediation underway, conducting validation and testing	Q1 1999

As a trusted third-party CA providing, among other services, digital certificates and related lifecycle services, we depend on the hardware and software products from third parties used to deliver such Internet-based trust services. Inoperability of such services due to Year 2000 issues could harm our business. We have completed our assessment of the underlying systems and hardware. Certain components have been replaced and we are conducting validation and testing.

Costs to Address Year 2000 Issues

We expect that costs directly related to Year 2000 issues will not exceed approximately $500,000 for both costs incurred to date and future costs, including cases where non-compliant information technology systems have been or need to be replaced. We would have incurred the replacement cost of non-information technology systems regardless of the Year 2000 issue due to technology obsolescence and/or our growth. We have and will continue to expense all costs arising from Year 2000 issues, funding them from working capital.

We do not believe that future expenditures to upgrade internal systems and applications will materially harm our business. In addition, while we do not know the potential costs of redeployment of personnel and any delays in implementing other projects, we anticipate the costs to be immaterial and we expect minimal adverse impact to the business.

Risks of the Year 2000 Issues

We believe our digital certificates and Internet-based trust services are Year 2000 compliant; however, success of our Year 2000 compliance efforts may depend on the success of our customers in dealing with Year 2000 issues. We sell our Internet-based trust services to companies in a variety of industries each with different issues and Year 2000 compliance challenges. Customer difficulties with Year 2000 issues could interfere with the use of Year 2000 compliant digital certificates which might require us to devote additional resources to resolve underlying problems. If problems exists within our digital certificate technology as it relates to customers' management systems and applications, our business, financial condition and results of operations could be materially harmed. This risk is minimized by our current offering of Year 2000 compliant test digital certificates which can validate the Year 2000 operation of customer applications and systems. However, there is no method to determine which customers will validate their applications and systems for Year 2000 compliance with our technology.

Furthermore, the purchasing patterns of these customers or potential customers may be affected by Year 2000 issues as companies expend significant resources to become Year 2000 compliant. The costs of becoming Year 2000 compliant for current or potential customers may result in fewer funds being available to purchase and implement our Internet-based trust services.

Contingency Plans

With the assistance of an independent consulting firm, we developed a Year 2000 project plan template. Of the template's Year 2000 recommendations, beyond those already identified through our internal review, no additional work was required. We have not yet developed a contingency plan for handling Year 2000 problems that are not detected and corrected prior to their occurrence. However, we have a comprehensive business resumption plan in the event of a failure of our digital certificate services delivered from our secure data centers. Upon completion of testing and implementation activities, we will be able to assess additional areas requiring contingency planning and we expect to institute appropriate contingency planning at that time. Any failure to address any unforeseen Year 2000 issue could harm our business.

Liquidity and Capital Resources

Prior to our initial public offering, we financed our operations primarily through private sales of equity securities, raising approximately $46.1 million. Our initial public offering, which closed in February 1998, yielded net proceeds of approximately $43.7 million. At September 30, 1998, our principal source of liquidity was $42.5 million of cash, cash equivalents and short-term investments, consisting principally of commercial paper, medium term notes, foreign government bonds, corporate bonds and money market funds. We also have an equipment loan agreement under which we may borrow up to $3.0 million for purchases of equipment. This equipment loan agreement expires on March 31, 1999. Any amounts borrowed under this equipment loan agreement would bear interest at the rate of 7.5% per annum and would be secured by the equipment purchased with the loan proceeds. In the event that we borrow under this loan agreement, we would be obligated to issue to the lender a warrant to purchase 17,500 shares of our common stock. We have no current plans to borrow any amounts under this loan agreement.

We have had significant negative cash flows from operating activities in each period to date. Net cash used in operating activities was $1.5 million in 1995, $6.0 million in 1996, $12.8 million in 1997 and $11.6 million in the first nine months of 1998. Net cash used in operating activities in each of these periods was primarily the result of net losses and increases in accounts receivable. These amounts were partially offset in all periods by non-cash charges and increases in accounts payable, accrued liabilities and deferred revenue.

On July 6, 1998, we issued approximately 1,666,000 shares of our common stock in exchange for all of the outstanding common stock of SecureIT, a provider of Internet security products and services. The business combination was accounted for as a pooling-of-interests, and we incurred approximately $3.6 million for direct and other merger-related costs pertaining to the merger transaction and certain stock-based compensation charges.

Net cash used in investing activities was $1.0 million in 1995, $4.4 million in 1996, $15.3 million in 1997 and $20.0 million in the first nine months of 1998. Net cash used in investing activities in these periods was primarily the result of capital expenditures for computer and communications equipment, purchased software, office equipment, furniture, fixtures and leasehold improvements. In addition, cash used in investing activities included net purchases of short-term investments of $8.0 million in 1997 and $16.4 million in the first nine months of 1998. Capital expenditures for property and equipment totaled $1.0 million in 1995, $4.2 million in 1996, $6.8 million in 1997 and $3.5 million in the first nine months of 1998. Our planned capital expenditures for the final three months of 1998 are approximately $1.5 million and for 1999 are approximately $5 million to $7 million, primarily for computer and communications equipment and leasehold improvements. As of September 30, 1998, we also had commitments under noncancelable operating leases for our facilities for various terms through 2005. See Note 10 of Notes to Consolidated Financial Statements.

Net cash provided by financing activities was $5.3 million in 1995, $37.8 million in 1996, $3.1 million in 1997 and $44.8 million in the first nine months of 1998. In 1995 and 1996, cash was provided primarily from net proceeds from the sale of preferred stock. In addition, net cash provided by financing activities of VeriSign Japan was $4.2 million in 1996 and $2.5 million in 1997, resulting from the sale of capital stock to minority investors and from the proceeds of bank borrowings. In the first nine months of 1998, net cash provided by financing activities included $43.7 million from our initial public offering.

We believe that the net proceeds from this offering, together with existing cash, cash equivalents and short-term investments, will be sufficient to meet our working capital and capital expenditure requirements for the foreseeable future. However, at some time, we may need to raise additional funds through public or private financing, strategic relationships or other arrangements. Such additional funding, if needed, might not be available on terms attractive to us, or at all. If we have to enter into strategic relationships to raise additional funds we might be required to relinquish rights to certain of our technologies. Our failure to raise capital when needed could materially harm our business. If additional funds are raised through the issuance of equity securities, the percentage of our stock owned by our then-current stockholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of our common stock.

Recent Accounting Pronouncements

In March 1998, the AICPA issued SOP No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP No. 98-1 requires entities to capitalize certain costs related to internal-use software once certain criteria have been met. We expect that the adoption of SOP No. 98-1 will not have a material impact on our financial position, results of operations or cash flows. We will be required to implement SOP No. 98-1 for the year ending December 31, 1999.

In April 1998, the AICPA issued SOP No. 98-5, Reporting on the Costs of Start-Up Activities. SOP No. 98-5 requires that all start-up costs related to new operations must be expensed as incurred. In addition, all start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. We expect that the adoption of SOP No. 98-5 will not have a material impact on our financial position, results of operations or cash flows. We will be required to implement SOP No. 98-5 for the year ending December 31, 1999.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes methods for derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. Because we do not currently hold any derivative instruments and do not engage in hedging activities, we expect that the adoption of SFAS No. 133 will not have a material impact on our financial position, results of operations or cash flows. We will be required to implement SFAS No 133 for the year ending December 31, 2000.

VeriSign is the leading provider of Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over IP networks. We have established strategic relationships with industry leaders, including AT&T, BT, Cisco, Microsoft, Netscape, Network Associates, RSA, Security Dynamics and VISA, to enable widespread utilization of our digital certificate services and to assure their interoperability with a wide variety of applications and network equipment. We have used our secure online infrastructure to issue over 100,000 of our website digital certificates and over 3.5 million of our digital certificates for individuals. We believe that we have issued more digital certificates than any other company in the world. Our Website Digital Certificate services are used by over 400 of the Fortune 500 companies and all of the top 25 electronic commerce websites as listed by Jupiter Communications. We also offer the VeriSign OnSite service, which allows an organization to leverage our trusted service infrastructure to develop and deploy customized digital certificate services for use by its employees, customers and business partners. Over 300 enterprises have subscribed to the OnSite service since its introduction in November 1997, including Bank of America, Hewlett-Packard, the Internal Revenue Service, Kodak, Sumitomo Bank, Texas Instruments and USWest. We market our Internet-based trust services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and our affiliates.

Industry Background

Over the last three years, the Internet has become a widely-accepted platform for many consumer-oriented transactions such as retail purchases, auctions, online banking and brokerage. Companies such as Amazon.com, Bank of America, Cisco, Dell, eBay, E*Trade and Charles Schwab have enjoyed dramatic growth in their online customer bases and revenues as consumers have executed an increasing number of their transactions over the Internet. The Internet's ease of use, 24-hour availability, global reach and ability to simplify product and vendor comparisons is fueling this growth. A recent industry report from International Data Corporation (IDC) estimates that the number of Internet users will grow from 97 million in 1998 to 320 million by 2002 with commensurate growth in electronic commerce from $32 billion to $426 billion over that same period.

Consumer concerns about the trustworthiness and security of the Internet have been one of the main impediments to even faster growth of electronic commerce and communications. Many of these concerns are caused by the Internet's lack of physical signposts that have traditionally created trust in everyday commerce such as face-to-face interaction, the brick and mortar of commercial buildings and officially recognized credentials such as a business license or a credit card. Without these signposts, consumers have worried about the potential for merchant impersonation and fraud or the theft of personal data, such as credit card or bank account information, as it is transmitted over the Internet. In order for electronic commerce to overcome these concerns, the Internet needs a cost-effective solution that can give consumers the same sense of trust that they have when conducting commerce in the physical world. In a manner similar to the use of physical credentials, this solution must irrefutably verify the identity of a business over the Internet and ensure that the information being transmitted between the consumer and the business is kept private.

Digital certificates can provide these authentication and privacy capabilities for consumers and businesses conducting commerce over the Internet. Based on the principles of public key cryptography, digital certificates are specially prepared software files that act as electronic credentials and are unique to an individual or entity. When installed on a website's server, a digital certificate can work with the industry standard Secure Sockets Layer, or SSL, protocol now supported in virtually all web browser and server applications, to confirm the identity of the business that operates the website and to enable encryption of all information transmitted between the website and the consumer. Website digital certificates have already become the standard for establishing trust in retail transactions over the Internet with more than 100,000 issued to merchants, banks and other organizations over the last three years. There are now more than 3 million web addresses registered in Network Solutions' "dot-com" domain name system, with more than 1.3 million new addresses added in the first nine months of 1998. Therefore, we believe that the need for digital certificates for website authentication is vast.

Businesses have also begun to use IP networks for advanced interactions with their employees, business partners and customers. As a result, there is a need to use digital certificates as electronic credentials to verify the identity, authority and privileges of those individuals and entities before allowing them to access confidential information or transact new business. For example, enterprises can issue digital certificates to individuals in order to enable (1) employees to access privileged information on an intranet or a virtual private network, or VPN, (2) trading partners to access an extranet for business-to-business electronic commerce transactions or (3) customers to access confidential account information. In addition to authentication and privacy, many of these commercial applications also require a verifiable way to prove that a given transaction or communication occurred. Digital certificates are becoming the preferred solution for this need through their capability to support the creation and use of "digital signatures." These digital signatures are analogous to physical signatures and are viewed as a mechanism for supporting non-repudiation in electronic commerce and communications. This capability further strengthens the value of digital certificates in supporting electronic commerce and communications over IP networks.

Digital certificates provide the technological foundation of trust for electronic commerce and communications on the Internet. There are now hundreds of software applications and network management devices that support digital certificates for authentication, privacy and non-repudiation. Digital certificates are also enabled in e-mail applications, electronic payment applications, security products and hardware devices such as routers, switches and smart cards. Some of the industry leaders that have enabled digital certificates in their products include 3Com, CheckPoint, Cisco, GemPlus, IBM, Lotus, Microsoft, Netscape, Network Associates, Security Dynamics and VeriFone. Given the cost-effective, convenient and robust nature of digital certificates and the wide variety of software applications and network equipment that support digital certificates, many individuals and organizations may have multiple digital certificates issued to them. Each digital certificate would validate their identity and authority for each of the digital relationships they maintain (e.g. employee, customer, citizen, account holder, etc.). As a result, there could be a need over time for hundreds of millions of digital certificates to be issued and managed for individuals and business entities.

Digital certificates are issued and managed by CAs. The level of trust that can be associated with a digital certificate is ultimately tied to the technology, infrastructure and practices used by the CA to prepare, issue and manage the digital certificate over its lifecycle. CAs generally are divided into two categories--public and private. Public CAs are independent third parties that perform the appropriate due diligence to ensure that a digital certificate subscriber's identity is valid. For example, a public CA may issue digital certificates for website authentication after validating the authenticity of the business and the ownership of its Internet domain name. Private CAs generally issue digital certificates to closed communities of users. For example, an enterprise may issue, or have issued on its behalf, digital certificates which authenticate the authority and privilege of its employees, business partners or customers for use in intranet, extranet and electronic commerce applications.

In order to become a CA, an entity must have a combination of technology, infrastructure and digital certificate management practices. Technology requirements include knowledge and applied use of public key cryptography, digital signatures, relational database technology, electronic messaging and web-based programming techniques. In addition, a CA must provide full support for the lifecycle of digital certificate services, including subscriber enrollment, renewal, revocation and directory services. Infrastructure requirements include computer systems, networking equipment, telecommunications and Internet access services, 24 hour, 7 days per week availability, customer support and substantial physical and network security protections. Depending on the volume of digital certificates needed and the critical nature of their use, the CA infrastructure may also need to support high levels of scalability and redundancy, as well as disaster recovery. A CA's requirements for the policies and practices that it uses are highly dependent on the intended use of the digital certificates that it issues and may include personnel screening, published operating and security policies, periodic external and internal audits, data archiving and conformance to one or more industry-recognized operating standards.

For organizations that need to support large quantities of digital certificates, doing so themselves can be extremely expensive, requiring substantial human resources and taking years and millions of dollars to

implement. As a result, enterprises and other organizations need a better solution for digital certificate deployment. The ideal solution would be a complete CA service offering that could provide businesses with a scalable and reliable CA utility to support all of their digital certificate needs including website, intranet, extranet, VPN and electronic commerce authentication. Such a service would provide significant advantages over an enterprise developing and implementing its own CA service. These advantages include faster time-to-market for digital certificate-protected services, lower start-up and on-going costs of ownership of the CA solution, fewer internal personnel requirements and higher overall reliability of the CA service. In order to support the hundreds of millions of digital certificates that may be issued globally by the many enterprises it would need to support, the CA service provider would need to deploy and operate a robust infrastructure, with extremely high availability, scalability, security and performance. Given the mission critical nature of the technology and its complexity, the service provider would also need to offer comprehensive design and customization services, as well as training and ongoing support.

The VeriSign Solution

VeriSign is the leading provider of Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over IP networks. VeriSign provides both public and private CA services to organizations needing digital certificates for website authentication, intranet and extranet access control, electronic commerce services and VPN connections. These services are delivered over the Internet from secure data centers that are operated by VeriSign and its network of global affiliates, which includes as BT, CertPlus (a joint venture among France Telecom, Gemplus and Matra Hautes Technologies) and Acer HiTrust in Taiwan. We have used our secure online infrastructure to issue over 100,000 of our website digital certificates and over 3.5 million of our digital certificates for individuals. We believe that we have issued more digital certificates than any other company in the world. Our Website Digital Certificate services are used by over 400 of the Fortune 500 companies and all of the top 25 electronic commerce websites as listed by Jupiter Communications. We also offer the VeriSign OnSite service, which allows an organization to leverage our trusted service infrastructure to develop and deploy customized digital certificate services for use by its employees, customers and business partners. Over 300 enterprises have subscribed to the OnSite service since its introduction in November 1997, including Bank of America, Hewlett-Packard, the Internal Revenue Service, Kodak, Sumitomo Bank, Texas Instruments and US West.

As the leading provider of Internet-based trust services, we have established strategic relationships with industry leaders, including AT&T, BT, Cisco, Microsoft, Netscape, Network Associates, RSA, Security Dynamics and VISA, to enable the widespread utilization of our digital certificate services and to assure their interoperability with a wide variety of applications and network equipment. As a result, VeriSign services can be utilized with a wide variety of software applications and network devices including millions of deployed copies of Microsoft and Netscape browsers and tens of thousands of copies of popular web servers, as well as network management devices such as Cisco routers and 3Com switches. In addition, both Microsoft and Netscape have integrated enrollment for our digital certificates into the registration process for their web browsers and prominently feature VeriSign and our digital certificate services in certain of their products and online service offerings.

VeriSign has developed and deployed proprietary software, a scalable systems infrastructure and trusted operating practices that have enabled us to provide a CA service platform designed for the rapid deployment of large volumes of digital certificates and the ongoing management of such digital certificates throughout their lifecycles. These components include:

- Our Modular Software Platform. We have designed our proprietary WorldTrust platform to provide the scalability necessary to support the issuance and management of millions of digital certificates for distinct communities ranging from individual corporations to the entire population of Internet users. The WorldTrust platform automates many of the processes for digital certificate issuance and lifecycle

management, including subscriber enrollment, authentication and administration services. This software platform is also distributable over one or many computer systems to enhance scalability and redundancy while allowing certain functions of digital certificate issuance and lifecycle management to be deployed at customer or affiliate locations. In all configurations, the WorldTrust platform maintains a secure and reliable link to VeriSign's data centers for digital certificate processing.

- Our Highly Reliable and Secure Operations. Our secure data centers, which are located in Mountain View, California and Kawasaki, Japan, as well as our international affiliates located in the U.K., France, Taiwan and South Africa, operate on a 24 hour, 7 days per week basis and support all aspects of issuance and management of our digital certificate services. Through the use of state-of-the-art computer, telecommunications, networking and security equipment, our data centers are designed to provide the high levels of availability, security and scalability necessary to meet the needs of customers for high volume digital certificate issuance and lifecycle management.

- Our Comprehensive Security and Trust Practices. We have been instrumental in defining comprehensive, industry-endorsed practices and procedures for the legal and business frameworks in which digital certificate relationships are established, as well as the physical security and controls that are essential to operate secure, large-scale digital certificate management operations. We believe that these practices and procedures are a critical component to the creation of a digital certificate services infrastructure.

Strategy

As the leading provider of Internet-based trust services, VeriSign's objective is to enable secure electronic commerce and communications through a global trusted online services infrastructure. Our strategy to achieve this objective includes the following key elements:

- Leverage Our Leadership Position to Drive Market Penetration. We believe that VeriSign has become the leading provider of Internet-based trust services by being the first to market with a variety of digital certificate services for consumers, websites, enterprises and Internet-based service providers. We have built key strategic relationships with industry leaders, issued more digital certificates to a broader base of customers than any other company and enabled the interoperability of our digital certificates in a broad variety of Internet software applications and networking and security hardware. We have invested significant resources in developing our comprehensive trust infrastructure. We intend to leverage this leadership position to drive further adoption and deployment of our digital certificate services across industries such as telecommunications, financial services, healthcare, government and manufacturing. In addition, we intend to maintain our first-to-market position by applying our knowledge and experience to new services that will leverage our trusted infrastructure and which we believe will have significant market potential.

- Leverage and Expand Our Strategic Relationships with Industry Leaders. We have established strategic relationships with industry leaders. We believe that these relationships, as well as others that we intend to pursue, will enable the widespread deployment of our Internet-based trust services by allowing us to capitalize on the brand recognition and broad customer bases of such strategic partners. For example, most Microsoft and Netscape browsers and certain Cisco routers are enabled to operate with our digital certificate services and each company prominently features VeriSign and our digital certificate services in their sales and marketing efforts. We believe that these types of relationships significantly enhance market awareness of VeriSign and provide a powerful endorsement of our digital certificate services. Certain of our strategic relationships also involve joint marketing activities which enhance our ability to target large customers and expand overall brand awareness. We intend to pursue additional strategic relationships that we believe will enhance the marketing and distribution of our digital certificate services.

- Maintain Our Leadership in Technology, Infrastructure and Practices. We have developed technical, operational and procedural expertise for the widespread implementation of secure digital certificate solutions. We intend to continue to enhance our technology, infrastructure and distributed product architecture to provide digital certificate solutions for a variety of industries. This includes our recently

released solutions targeted at major electronic commerce and communication service providers with extremely high volume digital certificate issuance requirements. In order to ensure the alignment of our technology with emerging trends, we actively participate in industry consortia, standards-setting organizations and other trade groups. In addition, we are continually enhancing our internal "best practices" and controls to maintain the physical security of our facilities, ensure quality in the execution of our operations, verify the quality and consistency of our services and promote the global acceptance of our digital certificate solutions.

- Continue to Build the VeriSign Brand. We will continue to promote the VeriSign brand as synonymous with trusted and secure electronic commerce and communications over IP networks. In order to accelerate the acceptance and penetration of our Internet-based trust services, we have developed joint marketing relationships with brand leaders and intend to pursue additional relationships with entities whose brands are well known and widely respected. We also utilize a variety of marketing programs to promote market awareness of VeriSign and the VeriSign brand.

- Expand Our Global Marketing and Distribution. We will continue to expand our global marketing and distribution efforts to address the range of markets and applications for Internet-based trust services. We intend to add direct sales personnel and expand indirect channels, both in the U.S. and abroad. We have leveraged our technology infrastructure to establish digital certificate processing or service centers to date in France, Japan, South Africa, Taiwan and the U.K. We have recently entered into an agreement to establish an additional center in Germany. We are aggressively pursuing additional international opportunities throughout Europe, Asia and Latin America. We believe that this strategy affords the opportunity to create a global VeriSign Trust Network of digital certificate service providers operating under common technology, operations and legal practices to provide the standard for global interoperability.

Trust Services

VeriSign's Internet-based trust services are built upon its proprietary WorldTrust software platform, scalable operations infrastructure and comprehensive security and trust practices. Our secure data centers, designed to provide carrier-class reliability with advanced security procedures, allow the issuance and management of millions of digital certificates. Furthermore, because we have worked with industry leaders to embed our digital certificate interface technology into a wide range of software applications and network equipment, such as Netscape and Microsoft browsers and servers and Cisco routers, our services are interoperable with a wide range of IP-based applications. By providing a trusted platform for commerce and communications, we are able to offer services to customers with a wide range of needs. Our service offerings are targeted towards three primary areas: Website Digital Certificate services, Enterprise Digital Certificate services and VeriSign Affiliate Certificate services.

Website Digital Certificate Services

VeriSign's family of Website Digital Certificate services allows organizations to implement and operate secure websites that utilize the SSL protocol to establish their identity to customers and other websites during electronic commerce transactions and communications over the Internet. Prior to issuing a digital certificate for a website's server, we establish the authenticity of the website through a series of background checks, including corroborating an organization's authority to do business under a given name and their authority to operate a server with a specific domain name or URL. These practices protect organizations against another entity impersonating their identity and allow online visitors and customers to conduct private transactions and communications. Without a digital certificate installed on the website server the SSL protocol cannot be utilized.

Our Website Digital Certificate services are utilized by a broad range of merchant, financial and government websites as well as for intranet applications. We currently offer several distinct versions of our website digital certificate services, each differentiated by the target application of the server that hosts the digital certificate.

- Secure Server digital certificates constitute the core service offering and enable websites to implement basic SSL security features between their sites and individual end-user browsers.

- Global Server digital certificates allow U.S. corporations and certain global financial services enterprises to offer stronger 128-bit encrypted SSL sessions between their websites and specially configured end-user browsers from Netscape and Microsoft.

- Financial Server digital certificates are used by financial institutions for authentication of their websites and to enable the secure exchange of data between these organizations and home banking, brokerage or insurance customers.

- EDI Server digital certificates are designed for organizations or individuals who participate in large online trading networks, support a variety of Electronic Data Interchange (EDI) standards and potentially require each transaction to be digitally signed to ensure non-repudiation.

- Content Signing digital certificates enable content providers, publishers and vendors to digitally sign their content or Internet subscription "channels" in order to ensure authenticity and integrity of the content delivered to end-users.

Our Website Digital Certificate services are offered on an annual subscription basis for prices between $250 and $1,200 per server per year, depending on the version of digital certificate requested and the overall volume of website digital certificates used by the customer. Customers can subscribe to the Website Digital Certificate services through the VeriSign website, through selected international service providers or through VeriSign's Enterprise Digital Certificate services.

Enterprise Digital Certificate Services

VeriSign's Enterprise Digital Certificate services, sold predominantly under the VeriSign OnSite brand, are tailored to meet the specific needs of corporations, financial institutions, government agencies and other organizations that wish to issue digital certificates to employees, customers, citizens or trading partners. Our OnSite service is designed to support a wide range of digital certificate needs for both small and large user communities. OnSite can be used by customers to provide digital certificates for a variety of applications, including: controlling access to sensitive data and account information, enabling digitally-signed e-mail, creating an online electronic trading community, managing supply chain interaction or facilitating and protecting online credit card transactions. The OnSite service is designed to offer customers ease of use at a low initial investment combined with broad flexibility and scalability. OnSite services vary based on the nature and complexity of the application and the degree of control customers desire to maintain.

To expand and complement OnSite, VeriSign's professional services group employs experts in digital certificate architecture and application integration. Our professional services group provides a variety of design, development and implementation services. These services include integration with existing applications and databases, consulting on policies and procedures related to the management and deployment of digital certificates, training classes on the latest developments in security technology and the selection of enabled software and hardware to complement a digital certificate solution.

The OnSite service is offered as an annual subscription service with pricing dependent upon the number of users to be supported, the complexity of the applications and the number of additional services provided. Pricing typically ranges from $10,000 to $500,000 per year. Customers can subscribe to the OnSite service through the VeriSign website, the direct sales force, selected international service providers or system integrators.

VeriSign Affiliate Certificate Services

VeriSign Affiliate Certificate Services are targeted at a wide variety of organizations that provide large-scale electronic commerce and communications services over IP networks. Examples include telecommunications companies, Internet Service Providers, or ISPs, financial and other professional services firms and businesses

that operate Internet-based "communities of interest," such as a web portal. These companies typically desire to offer digital certificate services to their customers under either the VeriSign brand or a co-branding relationship. In many cases, these digital certificate services are integrated with other value-added services offered by the organization. For example, an ISP may offer website digital certificates in conjunction with its website hosting services for small and medium size businesses, while a community of interest operator may offer digital certificates to each member of the community in order to support user authentication and secure messaging services. VeriSign designates these types of organizations "VeriSign Affiliates" and provides them with a combination of technology, support and marketing services to facilitate their initial deployment and on-going delivery of digital certificate services.

VeriSign Affiliate Certificate Services are delivered through either the VeriSign Service Center or VeriSign Processing Center offerings. Both offerings are based on the WorldTrust software platform and enable a licensed VeriSign Affiliate to offer one or more types of digital certificate services.

VeriSign Service Center. The VeriSign Service Center provides a VeriSign Affiliate with all of the capabilities needed to perform subscriber enrollment and authentication, digital certificate issuance, directory hosting, customer support, billing integration and report generation from within their facilities while leveraging VeriSign's secure data centers for back-end processing.

VeriSign Processing Center. The VeriSign Processing Center provides a VeriSign Affiliate with all of the capabilities of the Service Center plus the WorldTrust modules required to perform all certificate processing functions from within their own secure data center.

VeriSign also provides each VeriSign Affiliate with the appropriate business readiness services to facilitate the efficient and timely roll-out of their digital certificate offerings. These readiness services may include Service or Processing Center installation and integration services, facility and network design consulting, technical and customer support documentation and training, sales and marketing support, operating practice templates and local market customization.

VeriSign Affiliates that agree to conform to certain standards are also offered membership in the global VeriSign Trust Network, an international network of digital certificate service providers that operate with common technology, infrastructure and practices to enable digital certificate interoperability on a worldwide basis. Current VeriSign Trust Network members include BT in the U.K., CertPlus in France, Acer HiTrust in Taiwan, VeriSign Japan in Japan, and the South African Certification Authority (SACA) in South Africa. VeriSign has also recently entered into a similar agreement with an organization in Germany.

VeriSign Affiliates typically enter into a technology licensing and revenue sharing agreement with VeriSign whereby VeriSign receives up-front licensing fees for the Service Center or Processing Center technology, as well as ongoing royalties for each digital certificate issued by the VeriSign Affiliate. Initial licensing fees typically range from $250,000 to $2 million, and royalties can range from 20% to 50% of the net revenue received by the VeriSign Affiliate for each digital certificate.

Customers and Markets

VeriSign has a broad customer base from a variety of industry groups that require trusted and secure electronic commerce and communications over IP networks. Following is a representative list of customers that have purchased VeriSign's services:

Financial Services	Telecommunications	Manufacturing/Transportation
American Skandia Insurance	AT&T	CSX
Barclay's Bank	BellSouth	Eastman Kodak
Bank of America	British Telecommunications	Ford Motor Company
Deutsche Bank	Japan Communication	Gillette
First Union Bank	MCI--Worldcom	Miller Brewing Company
First USA Paymentech	NTT Communications	United Parcel Service
Merrill Lynch	US West	
Morgan Stanley Dean Witter		
Royal Bank of Canada	Technology	Government
Sumitomo Bank	EDS	Department of Agriculture
TransUnion	Hewlett-Packard	Department of Justice
VISA	Intuit	Federal Bureau of Investigation
	Netscape	Internal Revenue Service
	NEC	National Security Agency
	NTT Data	Patent & Trademark Office
	Texas Instruments	Social Security Administration
		U.S. Army Veteran's Administration

VISA accounted for approximately 21% of our revenues in 1996 and 10% of our revenues in 1997. No other customer accounted for 10% or more of our revenues during 1995, 1996 or 1997. No customer accounted for 10% or more of our revenues during the first nine months of 1998. VISA accounted for 12% of our revenues for the first nine months of 1997.

The following examples illustrate how certain organizations use our Internet-based trust services to enable trusted and secure electronic commerce and communications. These customers have purchased VeriSign OnSite, integration modules and professional services from VeriSign and are able to issue digital certificates to their clients, customers or employees to communicate and conduct transactions over IP networks.

Banking. A large U.S.-based bank provides a variety of services for consumers, corporations and governments. The bank is utilizing IP networks and digital certificates to provide its services to existing customers as well as reaching new customers where physical branch locations do not exist. These services include cash management and treasury applications for its corporate clients, consumer-based home banking services for its customers and secure e-mail for its employees over the Internet. We believe that providing such services securely over IP networks will allow the bank to generate additional revenue, reduce operating costs and improve customer service.

Global Automobile Manufacturer. A global automobile manufacturer intends to use IP networks and digital certificates for a variety of applications including: automating its requisition systems to eliminate paperwork; providing single sign-on capabilities to employees for all its disparate computer systems; participation in the Automotive Network Exchange enabling electronic transactions with global automotive parts suppliers; and connecting its retail dealer network to a centralized information system providing order information and inventory status.

Global Semiconductor Manufacturer. A global semiconductor manufacturer intends to use IP networks and digital certificates for a variety of applications including: enabling customers to check order status; providing

customers and design consultants secure remote access to its proprietary design tools for the design of application specific integrated circuits; the integration of its logistics management software with a web-based interface enabling centralized monitoring of its global manufacturing operations; and the implementation of secure e-mail for all of that company's global employees.

Technology

VeriSign employs a modular set of software applications and toolkits, which collectively make up its proprietary WorldTrust platform, as the core platform for all of its Internet-based trust services. The modular design of the WorldTrust platform enables our trust services to be distributed over one or many co-located or dispersed computer systems, allowing certain functions of the certification process, such as registration, authentication, issuance, revocation, renewal or replacement, to be deployed at customer or affiliate locations while maintaining a secure and reliable link to one of our secure data centers for back-end processing. These modules can also be replicated in order to handle increased volumes of digital certificates. Digital certificate service modules incorporated in the WorldTrust platform include:

Subscriber Services Module. Our subscriber services module supports requests for digital certificate issuance, revocation, renewal and replacement. Software toolkits are provided to permit rapid customization and integration of digital certificate services with a customer's business-specific web-based solutions.

Authentication Services Module. Our authentication services module supports manual, automated and delegated authentication of subscribers by designated sources prior to digital certificate issuance. We provide software toolkits and programming interfaces to allow for integration with various process models and database systems.

Administration and Support Modules. Our administration and support modules provide lifecycle services such as digital certificate revocation, renewal and reissuance, as well as a customer support knowledge base to facilitate general reporting of CA activity, and web-based and e-mail-based support for customers and end users.

Directory Services Module. Our directory services module utilizes database applications typically hosted at one of our secure data centers to support the storage of and access to digital certificates and associated information for a particular customer. VeriSign OnSite customers and our affiliates can also download updated copies of their directory information to their systems.

Service Control Module. Our service control module is hosted at one of our secure data centers and acts as a gatekeeper, decoding and routing all digital certificate service requests based on customer type, application type, security protocol, authentication policies, certificate content and billing rules. This module utilizes a proprietary, data-driven programming model to define each service and dispatch the appropriate control and error commands to other modules.

Digital Certificate Processing Module. Our digital certificate processing module is hosted at one of our secure data centers and creates digital certificates with digital signatures on each certificate, delivers digital certificates to subscribers and stores a copy of each digital certificate for archive, audit and directory purposes.

Infrastructure

VeriSign believes that its highly reliable and scalable operations infrastructure represents a strategic advantage in providing Internet-based trust services. Our secure data centers are located in Mountain View, California and Kawasaki, Japan. Our international affiliates also operate secure data centers in their geographic areas. These centers operate on a 24 hour, 7 days per week basis and support all aspects of our Internet-based trust services. VeriSign guarantees that a customer's services are operational on a 24 hour, 7 days per week basis, except for scheduled downtime. By leveraging our WorldTrust platform, we can distribute certain functionality

of our secure data centers in optimum configurations based on customer requirements for availability and capacity. Key features of our infrastructure include:

Distributed Servers. We deploy a large number of high-speed servers to support capacity and availability demands. We can add additional servers to support increases in digital certificate volumes, new services introductions, new customers and higher levels of redundancy without service interruptions or response time degradation. The WorldTrust platform provides automatic fail-over, load balancing and threshold monitoring on critical servers.

Advanced Telecommunications. We deploy and maintain redundant telecommunications and routing hardware and maintain high-speed connections to multiple ISPs and throughout our internal network to ensure that our mission critical services are readily accessible to customers at all times.

Network Security. We incorporate advanced architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. We have also developed proprietary communications protocols within and between the WorldTrust platform modules that we believe can prevent most known forms of electronic attacks. In addition, we employ the latest network security technologies including firewalls and intrusion detection software, and contract with security consultants who perform periodic attacks and security risk assessments. We will continue to evaluate and deploy new technological defenses as they become available. See "Risk Factors--System Interruptions and Security Breaches Could Harm Our Business."

Call Center and Help Desk. We provide a wide range of customer support services through a phone-based call center, e-mail help desk and web-based self-help system. Our call center is staffed from 5 a.m. to 6 p.m. PST and employs an automated call director system. The web-based support services are available on a 24 hour, 7 days per week basis, utilizing customized auto response systems to provide self-help recommendations and a staff of trained customer support agents.

Disaster Recovery Plans. Although we believe our operations facilities are highly resistant to systems failure and sabotage, we have developed a disaster recovery and contingency operation plan. We also have an agreement with Comdisco Corporation to provide replication of customer data, facilities and systems at another site so that all of our services can be re-instated within 24 hours of a failure. In addition, all of our digital certificate services are linked to advanced storage systems that provide data protection through techniques such as mirroring and replication. See "Risk Factors--System Interruption and Security Breaches Could Harm Our Business."

International Affiliates. VeriSign's international affiliates are required to build, implement and maintain their infrastructure according to VeriSign's requirements. VeriSign currently has affiliates located in France (CertPlus), Japan (VeriSign Japan), South Africa (SACA), Taiwan (Acer HiTrust) and the United Kingdom (BT). We have also recently entered into an agreement with an affiliate in Germany.

Security and Trust Practices

VeriSign believes that its perceived level of trustworthiness will continue to be a significant determining factor in the acceptance of its Internet-based trust services. We believe that our reputation as a trusted party is based, to a large extent, on both the security of our physical infrastructure and the special practices used in our operations, which include our secure data centers incorporating state-of-the-art physical and network security. We believe we have established a leadership role in defining and adhering to industry-endorsed trust practices and policies, a role we believe enhances our perceived trustworthiness as a provider of Internet-based trust services. Over the past three years, we have invested, and continue to invest, capital and human resources in the following key areas:

Employees. We use stringent hiring and personnel management practices for all operations and certain engineering personnel as well as all executive management. We utilize a licensed private investigation firm to

conduct background checks into potential employees' criminal and financial histories and conduct periodic investigations of such personnel on an ongoing basis.

Security Monitoring Systems. We have sophisticated access control and monitoring systems that help prevent unauthorized access to secure areas and provide 24 hour, 7 days per week monitoring and logging of activities within our facilities. These systems include electronic key and biometric access control devices, video monitoring and recording devices, deployment and automatic arming of motion detectors, glass breakage detectors and remote alarm system monitoring.

Site Construction. Our secure data centers have been built using construction techniques modeled after U.S. Army specifications for facilities accredited to handle classified information and contain a robust set of physical and environmental defenses. These defenses include double layer, slab-to-slab wall design, self-closing and locking metal doors at all secure entrances, man traps, tamper proof enclosures for cryptographic materials and fire prevention systems.

Back-up Power Systems. We have invested in back-up power systems that automatically activate in the event of a failure in our primary power sources. These include uninterruptible power supply systems and a diesel generator and fuel supply. To ensure reliability, these systems are tested on a periodic basis.

Audits. Our Practices and External Affairs Department periodically performs, and retains accredited third parties to perform, audits of our operational procedures under both internally-developed procedures and externally-recognized standards.

Practices. Our Practices and External Affairs Department is responsible for the development of VeriSign's practices for issuing and managing digital certificates. These practices are set forth in our Certification Practice Statement, which we provide in order to assure potential customers and strategic partners as to the trustworthiness of our Internet-based trust services. The Practices and External Affairs Department is also responsible for our accountability and security controls and regularly monitors all aspects of our secure data centers.

Policy Making Activities. The Practices and External Affairs Department also takes a leading role in a variety of organizations that are defining standards for trusted and secure electronic commerce and communications over IP networks. For example, we actively participate in the United Nations Commission on International Trade Law, which created the United Nations Model Law on Electronic Commerce, the American Bar Association's Information Security Committee, Section of Science and Technology, which has drafted digital signature guidelines, the International Chamber of Commerce ETERM Working Party, which is chaired by VeriSign's Vice President of Practices and External Affairs, and the U.S. State Department Advisory Committee on Electronic Commerce.

Strategic Relationships

VeriSign has established strategic relationships with leading companies across a number of industry segments. We currently maintain strategic relationships with AT&T, BT, Cisco, Microsoft, Netscape, Network Associates, Security Dynamics and VISA.

AT&T. We have an agreement with AT&T in which AT&T offers our digital certificates in conjunction with AT&T's Internet services. AT&T acts as a CA and issues digital certificates on a co-branded basis.

British Telecommunications. BT is a member of our international affiliate program. BT issues digital certificates and provides a range of services for secure Internet access and electronic commerce on a co-branded basis. With our support, BT has established CA infrastructure in the U.K., including the creation of a secure data center that adheres to our site construction specifications. We have agreed to collaborate to develop legal practices and policies to maintain compliance with U.K. and European-based regulations and standards as they emerge.

Cisco. Our technology is incorporated in Cisco's Internetwork Operating System through the use of the jointly developed Certificate Request Syntax (CRS) protocol, which enables digital certificate functionality in a variety of Cisco's networking products. As a result, IP networks utilizing Cisco network devices such as routers and firewalls support applications that rely on VeriSign digital certificates for authentication and network management. We also engage in a variety of joint marketing efforts with Cisco. Cisco is one of our stockholders.

Microsoft. We work with Microsoft to develop, promote and distribute a variety of client-based and server-based digital certificate services and we have been designated as the preferred provider of digital certificates for Microsoft customers. Our technology has been embedded in Microsoft's Internet Explorer since version 2.0, allowing users to uniquely identify themselves to web servers and securely access information over the Internet. In addition, users can easily obtain their own digital certificate for use with Explorer by registering on our website for our digital certificates. We also provide Secure Server digital certificates for Microsoft's Internet Information Server product. VeriSign's services can be used in conjunction with Microsoft Outlook 98 to enable the delivery of secure email in extranet applications. In addition, in September 1998, VeriSign and Microsoft announced plans for enhanced integration of our digital certificate services with Microsoft Exchange Server 5.5. The new capability offers a secure email extranet "gateway" service which will allow Exchange Server customers to issue and manage digital certificates within the global VeriSign Trust Network. VeriSign and Microsoft also jointly promote a set of technologies and security policies for the secure authentication and distribution of software over the Internet and engage in other joint marketing activities. Microsoft is one of our stockholders.

Netscape. We work with Netscape on a variety of technology projects and joint marketing activities. Our technology has been embedded in Netscape's Navigator since version 1.1 and in Netscape's Communicator since version 4.0. We also have an agreement with Netscape that provides that Netscape feature us as a premier provider of digital certificates on the Netscape website and also provides for VeriSign to have a first right of participation for any new Netscape products incorporating digital certificate technology. Users of Netscape browsers can easily enroll for standard VeriSign digital certificates using Netscape products. Netscape's SuiteSpot product, including versions with 128-bit encryption capabilities, can also utilize our Secure Server and Global Server digital certificates. We also support Netscape's object-signing technology, enabling software developers to digitally sign Java and JavaScript objects in order to authenticate the developer's identity and assure end users that the downloaded objects have not been tampered with or modified.

Network Associates. We have a strategic relationship with Network Associates with the goal of enabling cross product support and promotion of each company's digital certificate-based enterprise security solutions. Network Associates' Net Tools Secure products will be able to communicate securely with each other using our Internet-based trust services and will be enabled to automatically administer the essential functions of running a digital certificate infrastructure. Our digital certificate services will be used with Network Associates' applications to allow customers to deploy and manage a security solution in which their firewalls, security vulnerability scanners, encryption applications and virtual private network products are integrated to more effectively prevent security breaches. Customers utilizing this joint product integration will be able to use our services to manage digital certificates for Network Associates' Net Tools Secure product suite, thereby allowing enterprise customers to establish themselves as a CA. We also engage in a variety of joint marketing efforts with Network Associates. We currently have no written agreement with Network Associates.

Security Dynamics. We have an agreement with Security Dynamics under which Security Dynamics will incorporate custom digital certificate technology developed by VeriSign into Security Dynamics' future products. Security Dynamics has also agreed to be a reseller of certain VeriSign OEM technology. We believe Security Dynamics is a market leader in enterprise security and that, by including our technology in Security Dynamics' products, we will have a broader potential market for our digital certificate services. Security Dynamics, through a controlled entity, holds more than 5% of our common stock. See "Certain Transactions" and "Principal and Selling Stockholders."

VISA. We have an agreement with VISA under which we provide SET digital certificate services to VISA on behalf of its member banks, enabling them to offer branded SET-compliant digital certificates to their cardholders and merchants. VISA is a stockholder of VeriSign.

Marketing, Sales and Distribution

Marketing

VeriSign utilizes a variety of marketing programs to increase brand awareness. In addition to joint marketing arrangements, we also engage in a variety of direct marketing programs focused on owners of web servers, home and business PC users and enterprise professionals in mid-sized and large organizations. We address these customers through outbound e-mail, telemarketing and printed mail campaigns to stimulate product trial, purchase and usage. We also use banner ads that link to our website and participate in industry-specific events, trade shows, executive seminars, industry association activities and various national and international standards bodies.

Sales and Distribution

VeriSign markets its Internet-based trust services worldwide through multiple distribution channels. These sales and service groups are based in our headquarters in Mountain View, California, and in several field offices in the United States. We also market our Internet-based trust services through other distribution channels, including telesales, VARs, systems integrators and our affiliates.

Outside the United States, VeriSign markets its Internet-based trust services directly over the Internet and through reseller and affiliate relationships--the global VeriSign Trust Network. Except for VeriSign Japan, the members of the global VeriSign Trust Network sell and support VeriSign Internet-based trust services both within their local countries and certain other foreign countries where we do not operate through a direct sales subsidiary. In Japan, we market our Internet-based trust services through VeriSign Japan, which maintains a secure data center in Kawasaki, Japan, and employed 30 persons as of September 30, 1998. Revenues from VeriSign Japan and other international customers were 4% in 1996, 9% in 1997 and 11% for the first nine months of 1998, respectively. See Note 12 of the Notes to the Consolidated Financial Statements of this prospectus for a summary of operations by geographic region.

Internet Sales. VeriSign distributes many of its Internet-based trust services through its website. We believe that Internet distribution is particularly well-suited for sales of certain of our website authentication products and Internet-based trust services. We also use our website to assist in disseminating services information and in generating services trials.

Direct Sales. VeriSign's direct sales force targets mid-sized and large corporations, financial institutions, commercial Web sites and federal and state government agencies. We believe that these organizations have a substantial installed base of PCs, web servers, IP networks and high-speed access to the Internet and are most likely to be able to benefit quickly from the use of digital certificates. The direct sales force also targets international organizations that we believe are the most suitable to act as VeriSign affiliates. As of September 30, 1998, we had 90 direct sales and sales support employees in the United States, while the international direct sales and sales support groups consisted of 14 employees.

Telesales. During 1998 we commenced our own internal telemarketing operation that is responsible for customer prospecting, lead generation and lead follow-up. This marketing activity qualifies leads for further follow up by the direct sales force or inside sales team or leads the prospect to our website so that the prospect can access information and enroll for our Internet-based trust services.

VARs and Systems Integrators. VeriSign works with VARs and systems integrators to package and sell its Internet-based trust services. We also have a VeriSign Business Partner Program that allows ISPs to offer Secure Server digital certificates as an integral part of their secure web hosting services.

Research and Development

We believe that our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and Internet-based trust services. To this end, we leverage the modular nature

of our WorldTrust platform to enable us to develop enhancements rapidly and to deliver complementary new Internet-based trust services. In the past, we have developed Internet-based trust services both independently and through efforts with leading application developers and major customers. We have also, in certain circumstances, acquired or licensed technology from third parties, including public key cryptography technology from RSA. Although we will continue to work closely with developers and major customers in our development efforts, we expect that most of our future enhancements to existing services and new Internet-based trust services will be developed internally.

As of September 30, 1998, VeriSign had 66 employees dedicated to research and development. We also employ independent contractors for documentation, usability, artistic design and editorial review. Research and development expenses were $642,000 in the period from our inception to December 31, 1995, $2.1 million in 1996, $5.3 million in 1997 and $6.2 million in the first nine months of 1998. To date, all development costs have been expensed as incurred. We believe that timely development of new and enhanced Internet-based trust services and technology are necessary to remain competitive in the marketplace. Accordingly, VeriSign intends to continue recruiting and hiring experienced research and development personnel and to make other investments in research and development.

The market for digital certificate products and related services is an emerging market characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging nature of this market and its rapid evolution will require that we continually improve the performance, features and reliability of our Internet-based trust services, particularly in response to competitive offerings and that we introduce new Internet-based trust services or enhancements to existing Internet-based trust services as quickly as possible and prior to our competitors. The success of new introductions is dependent on several factors, including proper new definition, timely completion and introduction of new services, differentiation of new services from those of our competitors and market acceptance of our new Internet-based trust services. There can be no assurance that we will be successful in developing and marketing new Internet-based trust services that respond to competitive and technological developments and changing customer needs.

Our failure to develop and introduce new Internet-based trust services successfully on a timely basis and to achieve market acceptance for such Internet-based trust services could have a material adverse effect on our business, operating results and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunication technologies or standards or other technological changes could require that we make substantial expenditures to modify or adapt our Internet-based trust services. To the extent that a specific method other than digital certificates is adopted to enable trusted and secure electronic commerce and communications over IP networks, sales of VeriSign's existing and planned Internet-based trust services would be adversely affected and our Internet-based trust services could be rendered unmarketable or obsolete, which would have a material adverse effect on our business, operating results and financial condition. We believe that there is a time-limited opportunity to achieve market share. We may not be successful in achieving widespread acceptance of our Internet-based trust services or in achieving market share before competitors offer products and services with features similar to our current offerings. Any such failure by us could materially harm our business. See "Risk Factors--Technological Changes Will Affect Our Business."

Customer Support

We believe that a high level of customer support for customers as well as end users of digital certificates is necessary to achieve acceptance of our Internet-based trust services. We provide a wide range of customer support services through a staff of customer service personnel, call center, e-mail help desk and a web-based self-help system. Since we first introduced our Internet-based trust services over three years ago, we have developed a substantial knowledge base of customer support information based on our customer interactions and we believe that this offers us a competitive advantage. Our call center is staffed from 5 a.m. to 6 p.m. PST and employs an automated call director system to provide self-help services and, if necessary, to route support calls to available support personnel. We also offer web-based support services that are available on a 24 hour, 7 days

per week basis and that are frequently updated to improve existing information and to support new services. Our e-mail customer support service utilizes customized auto response systems to provide self-help recommendations and also utilizes a staff of trained customer support agents who typically respond to customer inquiries within 24 hours. As of September 30, 1998, we had 79 employees in our customer support organization.

We also employ technical support personnel who work directly with our direct sales force, distributors and customers of our electronic commerce and enterprise solutions. Our annual maintenance agreements for our electronic commerce and enterprise solutions include technical support and upgrades. We also provide training programs for enterprise customers of our Internet-based trust services.

Competition

Our Internet-based trust services are targeted at the new and rapidly evolving market for trusted and secure electronic commerce and communications over IP networks. Although the competitive environment in this market has yet to develop fully, we anticipate that it will be intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

Our principal competitors generally fall within one of three categories: (1) companies such as 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 Zions Bancorporation) that primarily offer digital certificate and CA related services; and (3) companies focused on providing a bundled offering of products and services such as GTE CyberTrust and IBM (working jointly with Equifax). We also experience competition from a number of smaller companies, and we believe that our primary long-term competitors may not yet have entered the market. Netscape has introduced software products that enable the issuance and management of digital certificates, and we believe that other companies could introduce such products. Additional companies could offer digital certificate solutions that are competitive with ours.

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 our ability to distribute our products successfully and the utilization of our services would be substantially diminished. In addition, browser companies that embed our interface technologies or otherwise feature VeriSign as a provider of digital certificate solutions in their web browsers or on their websites could also promote our competitors or charge VeriSign substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may increase the competitive pressures on us. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our Internet-based trust services or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of 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.

In connection with our first round of financing, RSA contributed certain technology to us and entered into a noncompetition agreement with us pursuant to which RSA agreed that it would not compete with our CA business for a period of five years. This noncompetition agreement will expire in April 2000. We believe that, because RSA, which is now a wholly-owned subsidiary of Security Dynamics, has already developed expertise in the area of cryptography, its barriers to entry would be lower than those that would be encountered by our

other potential competitors should it choose to enter any of our markets. If RSA were to enter into the digital certificate market, our business could be materially harmed.

Intellectual Property

We rely primarily on a combination of copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods to protect our intellectual property and trade secrets. We also enter into confidentiality agreements with our employees and consultants, and generally control access to and distribution of our documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our intellectual property or trade secrets without authorization. In addition, there can be no assurance that others will not independently develop substantially equivalent intellectual property. There can be no assurance that the precautions we take will prevent misappropriation or infringement of our technology. We have also filed five applications for patents with respect to certain of our technology. However, the U.S. Patent and Trademark Office may not award any patents with respect to these applications. Even if patents are issued, they may not adequately protect this technology from infringement or prevent others from claiming our technology infringes that of third parties. Our failure to protect our intellectual property in a meaningful manner could materially harm our business. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management and technical resources, either of which could materially harm our business.

We also rely on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in our Internet-based trust services to perform key functions. In particular, RSA has granted VeriSign a perpetual, royalty free, nonexclusive, worldwide license to distribute Internet-based trust services we develop that contain or incorporate the RSA BSAFE and TIPEM products and that relate to digital certificate issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, software for customers to preview and forward digital certificate requests to us, or such other services that, in RSA's reasonable discretion, are reasonably necessary for the implementation of a digital certificate business. Our agreement with RSA also requires RSA to provide us maintenance and technical support for these services. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications. TIPEM is a secure e-mail development tool kit that allows for secure e-mail messages to be sent using one vendor's e-mail product and read by another vendor's e-mail product. These third-party technology licenses may not continue to be available to VeriSign on commercially reasonable terms or at all. The loss of any of these technologies could materially harm our business. Moreover, in our current license agreements, the licensor has agreed to defend, indemnify and hold VeriSign harmless with respect to any claim by a third party that the licensed software infringes any patent or other proprietary right. Although these licenses are fully paid, there can be no assurance that the outcome of any litigation between the licensor and a third party or between VeriSign and a third party will not lead to obligations for us to pay royalties for which we are not indemnified or for which such indemnification is insufficient, or that we will be able to obtain any additional license on commercially reasonable terms or at all. In the future, we may seek to license additional technology to incorporate in our Internet-based trust services. Third party technology licenses that we may need to obtain in the future may not be available to us on commercially reasonable terms or at all. The loss of or inability to obtain or maintain any of these technology licenses could result in delays in introduction of our Internet-based trust services until equivalent technology, if available, is identified, licensed and integrated. This could materially harm our business.

From time to time, we have received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. Infringement or other claims could be asserted or prosecuted against us in the future, and it is possible that past or future assertions or prosecutions could harm our business. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause delays in the release of new Internet-based trust services or require us to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if

required, may not be available on terms acceptable to us, or at all. In the event of a successful claim of infringement against VeriSign and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be materially harmed. See "Risk Factors--There are Risks Related to Intellectual Property Rights."

Employees

As of September 30, 1998, VeriSign had 302 full-time employees. Of the total, 104 were employed in sales and marketing, 66 in research and development, 79 in customer support, five in practices and external affairs, four in federal markets and 44 in finance and administration, including information services personnel. We have never had a work stoppage, and no employees are represented under collective bargaining agreements. We consider our relations with our employees to be good. Our ability to achieve our financial and operational objectives depends in large part upon our continued ability to attract, integrate, train, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel, none of whom is bound by an employment agreement. Competition for such qualified personnel in our industry and geographical location in the San Francisco Bay Area is intense, particularly in software development and product management personnel. See "Risk Factors--We Depend on Key Personnel."

Facilities

VeriSign's principal administrative, sales, marketing, research and development and operations facilities are located in two adjacent buildings in Mountain View, California, where we occupy approximately 44,000 square feet under leases expiring in 2001. We have leased through June 30, 2005, additional office space contiguous to our headquarters that will be available for occupancy in the first quarter of 1999. We believe that with this additional space of approximately 52,000 square feet, our office space will be adequate to meet our needs for the foreseeable future.

VeriSign also leases space for sales and support offices in Norcross, Georgia; Rosemont, Illinois; Linthicum, Maryland; Wakefield, Massachusetts; Novi, Michigan; Uniondale, New York; and Irving, Texas. In addition, we lease space in Kawasaki, Japan for our offices and secure data center and we lease space for sales and support in Upplands Vasby, Sweden. VeriSign's success is largely dependent on the uninterrupted operation of its secure data centers and computer and communication systems. See "Risk Factors--System Interruptions and Security Breaches Could Harm Our Business."

Executive Officers and Directors

The following table sets forth certain information regarding the executive officers and directors of VeriSign as of December 31, 1998.

Name	Age	Position
D. James Bidzos (1).....	43	Chairman of the Board
Stratton D. Sclavos.....	37	President, Chief Executive Officer and Director
Jagtar S. Chaudhry.....	40	Vice President and General Manager of Security Services
Dana L. Evan.....	39	Vice President of Finance and Administration and Chief Financial Officer
Quentin P. Gallivan.....	41	Vice President of Worldwide Sales
Arnold Schaeffer.....	35	Vice President of Engineering
Richard A. Yanowitch.....	42	Vice President of Marketing
Timothy Tomlinson (2).....	48	Secretary and Director
William Chenevich (1)(2).....	55	Director
Kevin R. Compton (2).....	40	Director
David J. Cowan (1).....	33	Director

Notes: (1) Member of the Compensation Committee
(2) Member of the Audit Committee

D. James Bidzos has served as Chairman of the Board of VeriSign since its founding in April 1995 and served as Chief Executive Officer of VeriSign from April 1995 to July 1995. He has also served as President and Chief Executive Officer of RSA since 1986. RSA was acquired by Security Dynamics in July 1996 and has been a wholly-owned subsidiary of Security Dynamics since that time. Mr. Bidzos has been an Executive Vice President and a director of Security Dynamics since its acquisition of RSA.

Stratton D. Sclavos has served as President and Chief Executive Officer and as a director of VeriSign since he joined VeriSign in July 1995. From October 1993 to June 1995, he was Vice President, Worldwide Marketing and Sales of Taligent, Inc., a software development company that was a joint venture among Apple Computer, Inc., IBM and Hewlett-Packard. From May 1992 to September 1993, Mr. Sclavos was Vice President of Worldwide Sales and Business Development of GO Corporation, a pen-based computer company. Prior to that time, he served in various sales and marketing capacities for MIPS Computer Systems, Inc. and Megatest Corporation. Mr. Sclavos is also a director and a member of the compensation committee of Network Solutions, Inc. Mr. Sclavos holds a B.S. degree in Electrical and Computer Engineering from the University of California at Davis.

Jagtar S. Chaudhry has served as Vice President and General Manager of Security Services of VeriSign since VeriSign acquired SecureIT in July 1998. Mr. Chaudhry founded SecureIT in January 1997 and served as its President and Chief Executive Officer until it was acquired by VeriSign. Prior to founding SecureIT, from January 1995, Mr. Chaudhry served as Vice President of Worldwide Marketing at IQ Software, a database reporting tools company. Mr. Chaudhry was the Vice President of Sales and Marketing--Software Products Group at Unisys from March 1993 to January 1995. Mr. Chaudhry holds a B.S. degree in Electrical Engineering from Institute of Technology, Varanasi, India and two M.S. degrees in Computer Engineering and Industrial Engineering, and an M.B.A. from the University of Cincinnati.

Dana L. Evan has served as Vice President of Finance and Administration and Chief Financial Officer of VeriSign since she joined VeriSign in June 1996. From 1988 to June 1996, she worked as a financial consultant in the capacity of chief financial officer, vice president of finance or corporate controller for various public and private companies and partnerships, including VeriSign from November 1995 to June 1996, Delphi Bioventures, a venture capital firm, from 1988 to June 1995, and Identix Incorporated, a manufacturer of biometric identity

verification and imaging products, from 1991 to August 1993. Prior to 1988, she was employed by KPMG LLP, most recently as a senior manager. Ms. Evan is a certified public accountant and holds a B.S. degree in Commerce with a concentration in Accounting and Finance from the University of Santa Clara.

Quentin P. Gallivan has served as Vice President of Worldwide Sales of VeriSign since he joined VeriSign in October 1997. From April 1996 to October 1997, he was Vice President for Asia Pacific and Latin America of Netscape, a software company. Prior to that time, Mr. Gallivan was with General Electric Information Services, an electronic commerce services company, most recently as Vice President, Sales and Services for the Americas.

Arnold Schaeffer has served as Vice President of Engineering of VeriSign since he joined VeriSign in January 1996. From March 1992 to December 1995, he was employed by Taligent, most recently as Vice President of Engineering, CommonPoint Products. Prior to working at Taligent, he served as a software engineer for Apple, Intellicorp and Hewlett-Packard. Mr. Schaeffer holds a B.S. degree in Information and Computer Science from the Georgia Institute of Technology and an M.B.A. degree from the University of California at Berkeley.

Richard A. Yanowitch has served as Vice President of Marketing of VeriSign since he joined VeriSign in May 1996. From July 1995 to May 1996, he was a management consultant to private software companies. From 1989 to June 1995, he held a series of marketing positions with Sybase, Inc., a software company, most recently as Vice President of Corporate Marketing. Prior to that time, he held various sales, marketing and operating positions with The Santa Cruz Operation, Inc., Digital Equipment Corporation, Lanier Harris Corporation and Brooks International Corporation. Mr. Yanowitch holds a B.A. degree in History from Swarthmore College and an M.B.A. degree in Entrepreneurial Management and Marketing from Harvard Business School.

Timothy Tomlinson has been Secretary and a director of VeriSign since its founding in April 1995. He has been a partner of Tomlinson Zisko Morosoli & Maser LLP, a law firm, since 1983. Mr. Tomlinson is also a director of Portola Packaging, Inc. and Oak Technology, Inc. Mr. Tomlinson holds a B.A. degree in Economics, an M.B.A. degree and a J.D. degree from Stanford University.

William Chenevich has been a director of VeriSign since its founding in April 1995. He has been the Group Executive Vice President, Data Processing Systems of VISA, a financial services company, since October 1993. From May 1992 to October 1993, he was Executive Vice President and Chief Information Officer of Ahmanson Corporation, a financial services company. Mr. Chenevich holds a B.B.A. degree in Business and an M.B.A. degree in Management from the City College of New York.

Kevin R. Compton has been a director of VeriSign since February 1996. He has been a general partner of Kleiner Perkins Caufield & Byers, a venture capital firm, since January 1990. Mr. Compton is also a director of Citrix Systems, Inc., Corsair Communications, Inc., Digital Generation Systems, Inc. and One World Systems, Inc. (formerly Global Village Communication, Inc.). Mr. Compton holds a B.S. degree in Business Management from the University of Missouri.

David J. Cowan has been a director of VeriSign since its founding in April 1995. He has been a general partner of Bessemer Venture Partners, a venture capital investment firm, since August 1996. Mr. Cowan has also been a manager of Deer IV & Co. LLC, a venture capital investment firm, since August 1996. Previously he was an associate with Bessemer Venture Partners from August 1992 to August 1996. Mr. Cowan also served as President and Chief Executive Officer of Visto Corporation, a computer software and service firm, from August 1996 to April 1997, and as Chief Financial Officer of VeriSign from April 1995 to June 1996. Mr. Cowan is also a director of Worldtalk Communications Corporation. Mr. Cowan holds an A.B. degree in Mathematics and Computer Science and an M.B.A. degree from Harvard University.

VeriSign's Amended and Restated Bylaws currently authorize no fewer than five and no more than seven directors. VeriSign's Board of Directors (the "Board") is currently comprised of six directors. One class of directors is elected by the stockholders at each annual meeting of stockholders to serve a three-year term or until

their successors are duly elected and qualified. The existing directors were elected pursuant to the provisions of the Stockholders' Agreement which has terminated. VeriSign's Amended and Restated Bylaws divide the Board into three classes, Class I, Class II and Class III, with members of each class serving staggered three-year terms. The Class I directors, Messrs. Sclavos and Tomlinson, will stand for reelection or election at the 1999 annual meeting of stockholders. The Class II directors, Messrs. Compton and Cowan will stand for reelection or election at the 2000 annual meeting of stockholders and the Class III directors, Messrs. Bidzos and Chenevich will stand for reelection or election at the 2001 annual meeting of stockholders. Executive officers are elected by, and serve at the discretion of, the Board.

Board Committees

The Board has established an Audit Committee to meet with and consider suggestions from members of management, as well as VeriSign's independent accountants, concerning the financial operations of VeriSign. The Audit Committee also has the responsibility to review audited financial statements of VeriSign and consider and recommend the employment of, and approve the fee arrangements with, independent accountants for both audit functions and for advisory and other consulting services. The Audit Committee is currently comprised of Messrs. Chenevich, Compton and Tomlinson. The Board has also established a Compensation Committee to review and approve the compensation and benefits for VeriSign's key executive officers, administer VeriSign's stock purchase, equity incentive and stock option plans and make recommendations to the Board regarding such matters. The Compensation Committee is currently comprised of Messrs. Bidzos, Chenevich and Cowan.

Director Compensation

Directors do not receive any cash fees for their service on the Board or any Board committee, but they are entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at Board and Board committee meetings. All Board members are eligible to receive stock options under VeriSign's stock option plans, and outside directors receive stock options pursuant to automatic grants of stock options under the 1998 Directors Stock Option Plan, or the Directors Plan.

In October 1997, the Board adopted, and in January 1998 the stockholders approved, the Directors Stock Option Plan and reserved a total of 125,000 shares of VeriSign's common stock for issuance thereunder. As of December 31, 1998, options to purchase 37,500 shares of common stock had been granted under the Directors' Plan and 87,500 shares remained available for future grant. Members of the Board who are not employees of VeriSign, or any parent, subsidiary or affiliate of VeriSign, are eligible to participate in the Directors Plan. The option grants under the Directors Plan are automatic and nondiscretionary, and the exercise price of the options is 100% of the fair market value of the common stock on the date of grant. Each new director who is eligible to participate will initially be granted an option to purchase 15,000 shares on the date such director first becomes a director. These grants are referred to as "Initial Grants." On each anniversary of a director's Initial Grant or most recent grant if such director did not receive an Initial Grant, each eligible director will automatically be granted an additional option to purchase 7,500 shares if such director has served continuously as a member of the Board since the date of such director's Initial Grant or most recent grant if such director did not receive an Initial Grant. The term of such options is ten years. They will terminate seven months following the date the director ceases to be a director or, if VeriSign so specifies in the grant, a consultant of VeriSign (twelve months if the termination is due to death or disability). All options granted under the Directors Plan will vest as to 6.25% of the shares each quarter after the date of grant, provided the optionee continues as a director or, if VeriSign so specifies in the grant, as a consultant of VeriSign. Additionally, immediately prior to the dissolution or liquidation of VeriSign or a "change in control" transaction, all options granted pursuant to the Directors Plan will accelerate and will be exercisable for a period of up to six months following the transaction, after which period any unexercised options will expire. In July 1998, VeriSign granted to each of Messrs. Bidzos, Chenevich, Compton, Cowan and Tomlinson an option to purchase 7,500 shares of its common stock under the Directors Plan with an exercise price of $39.25 per share.

Prior to the adoption of the Directors Plan, outside directors received stock options pursuant to automatic grants under the 1995 Stock Option Plan. In June 1997, VeriSign granted to each of Messrs. Bidzos, Compton, Cowan and Tomlinson an option to purchase 3,500 shares of common stock under VeriSign's 1995 Stock Option

Plan with an exercise price of $8.00 per share. In July 1996, VeriSign granted to each of Messrs. Bidzos, Chenevich, Compton, Cowan and Tomlinson an option to purchase 10,000 shares of common stock under VeriSign's 1995 Stock Option Plan with an exercise price of $8.00 per share.

Compensation Committee Interlocks and Insider Participation

Mr. Bidzos, a member of the Compensation Committee, is an Executive Vice President and a director of Security Dynamics, which, with its wholly-owned subsidiaries, beneficially owns approximately 19.5% of VeriSign's common stock, and also served as VeriSign's Chief Executive Officer from April to July 1995. See "Certain Transactions." No interlocking relationship exists between the Board or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

Executive Compensation

The following table sets forth certain summary information concerning the compensation awarded to, earned by, or paid for services rendered to VeriSign in all capacities during 1997 and 1998 by VeriSign's Chief Executive Officer and the four most highly compensated executive officers, other than the Chief Executive Officer, who were serving as executive officers at the end of 1998 (collectively, the "Named Executive Officers").

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options(#)
Stratton D. Sclavos..... President and Chief Executive Officer	1998	$250,000	$122,813(1)	--	400,000
	1997	200,000	183,022	--	100,000
Quentin P. Gallivan..... Vice President of Worldwide Sales	1998	150,000	150,000	--	45,000
	1997	40,866	--	--	115,000
Richard A. Yanowitch..... Vice President of Marketing	1998	166,667	67,070(1)	--	45,000
	1997	140,000	59,084	--	--
Dana L. Evan..... Vice President of Finance and Administration and Chief Financial Officer	1998	167,708	65,046(1)	--	60,000
	1997	145,000	46,349	--	45,000
Arnold Schaeffer..... Vice President of Engineering	1998	167,708	41,611(1)	--	90,000
	1997	145,000	30,226	--	58,000

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Note: (1) Reflects actual bonuses earned and paid for the first three quarters of 1998 and an estimate of the bonus earned for the fourth quarter of 1998.

Option Grants in Fiscal 1998

The following table sets forth certain information regarding stock options granted to each of the Named Executive Officers during the year ended December 31, 1998.

	Individual Grants(1)					
					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Terms(2)	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year(%)(3)	Exercise Price Per Share(4)	Expiration Date	5%	10%
Stratton D. Sclavos.....	100,000	4.1%	$30.69	10/30/05	$ 1,249,390	$ 2,911,376
	100,000	4.1	49.25	12/15/05	2,004,970	4,672,432
	200,000	8.2	51.13	12/18/05	5,363,008	9,701,582
Quentin P. Gallivan.....	45,000	1.8	30.69	10/30/05	562,180	1,310,119
Richard A. Yanowitch....	45,000	1.8	30.69	10/30/05	562,180	1,310,119
Dana L. Evan.....	60,000	2.5	30.69	10/30/05	749,574	1,746,825
Arnold Schaeffer.....	90,000	3.7	30.69	10/30/05	1,124,360	2,620,238

Notes: (1) Options granted in 1998 were granted under VeriSign's 1998 Equity Incentive Plan. These options become exercisable with respect to 25% of the shares covered by the option on the first anniversary of the date of grant and with respect to an additional 6.25% of these shares each quarter thereafter. These options have a term of seven years. Upon certain changes in control of VeriSign, this vesting schedule will accelerate as to 50% of any shares that are then unvested. See "--Employee Benefit Plans" and "--Compensation Arrangements" for a description of the material terms of these options.

(2) Potential realizable values are net of exercise price but before taxes, and are based on the assumption that the common stock of VeriSign appreciates at the annual rate shown (compounded annually) from the date of grant until the expiration of the seven-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect VeriSign's projection or estimate of future stock price growth.

(3) VeriSign granted options to purchase 2,433,756 shares of common stock to employees during 1998.

(4) Options were granted at an exercise price equal to the fair market value per share of VeriSign common stock, as quoted on the Nasdaq National Market System.

Aggregate Option Exercises in Fiscal 1998 and Fiscal Year-End Option Values

The following table sets forth for each of the Named Executive Officers the shares acquired and the value realized on each exercise of stock options during the year ended December 31, 1998 and the year-end number and value of exercisable and unexercisable options:

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at 12/31/98(1)		Value of Unexercised In-the-Money Options at 12/31/98(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Stratton D. Sclavos.....	--	$ --	25,000	475,000	$1,303,125	$9,340,625
Quentin P. Gallivan.....	28,744	745,184	6	131,250	319	5,861,719
Richard A. Yanowitch....	--	--	--	45,000	--	1,279,688
Dana L. Evan.....	--	--	11,250	93,750	597,656	3,499,219
Arnold Schaeffer.....	7,000	202,988	7,500	133,500	398,438	4,870,313

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Notes: (1) Options shown were granted under VeriSign's 1995 Stock Option Plan, 1997 Stock Option Plan and 1998 Equity Incentive Plan, and are subject to vesting as described in footnote (1) to the option grant table above. See "--Employee Benefit Plans" and "--Compensation Arrangements" for a description of the material terms of these options.

(2) Based on a value of $59.13, the closing price per share of VeriSign's common stock on The Nasdaq National Market on December 31, 1998, net of the option exercise price.

No compensation intended to serve as incentive for performance to occur over a period longer than one year was paid pursuant to a long-term incentive plan during 1998 to any Named Executive Officer. VeriSign does not have any defined benefit or actuarial plan under which benefits are determined primarily by final compensation and years of service with any of the Named Executive Officers.

Employee Benefit Plans

1995 Stock Option Plan. At December 31, 1998, options to purchase 1,421,684 shares of common stock were outstanding under the 1995 Stock Option Plan. The 1995 Stock Option Plan was terminated on January 29, 1998, the effective date of VeriSign's initial public offering, at which time the 1998 Equity Incentive Plan became effective. As a result, no options have been granted under the 1995 Stock Option Plan since VeriSign's initial public offering. However, termination did not affect any outstanding options, all of which will remain outstanding until exercised or until they terminate or expire in accordance with their terms. Options granted under the 1995 Stock Option Plan are subject to terms substantially similar to those described below with respect to options to be granted under the 1998 Equity Incentive Plan.

1997 Stock Option Plan. At December 31, 1998, options to purchase 467,751 shares of common stock were outstanding under the 1997 Stock Option Plan. The 1997 Stock Option Plan was terminated on January 29, 1998, the effective date of VeriSign's initial public offering, at which time VeriSign's 1998 Equity Incentive Plan became effective. As a result, no options have been granted under the 1997 Stock Option Plan since VeriSign's initial public offering. However, termination did not affect any outstanding options, all of which will remain outstanding until exercised or until they terminate or expire in accordance with their terms. Options granted under the 1997 Stock Option Plan are subject to terms substantially similar to those described below with respect to options granted under the Equity Incentive Plan.

1998 Equity Incentive Plan. In October 1997, the Board adopted, and in January 1998 the stockholders approved, the Equity Incentive Plan. In addition to the 2,000,000 shares reserved for issuance under the Equity Incentive Plan, all shares remaining available under the 1995 Stock Option Plan and the 1997 Stock Option Plan were transferred to the Equity Incentive Plan. As of December 31, 1998, options to purchase 2,187,456 shares of common stock had been granted under the 1998 Equity Incentive Plan and 269,831 shares remained available for future grant. The Equity Incentive Plan will terminate in October 2007, unless sooner terminated in

accordance with the terms of the Equity Incentive Plan. The Equity Incentive Plan authorizes the award of options, restricted stock awards and stock bonuses (each an "Award"). No person will be eligible to receive more than 400,000 shares in any calendar year pursuant to Awards under the Equity Incentive Plan other than a new employee of VeriSign who will be eligible to receive no more than 1,000,000 shares in the calendar year in which such employee commences employment. The Equity Incentive Plan is administered by the Compensation Committee. The Compensation Committee has the authority to construe and interpret the Equity Incentive Plan and any agreement made thereunder, grant Awards and make all other determinations necessary or advisable for the administration of the Equity Incentive Plan.

The Equity Incentive Plan provides for the grant of both incentive stock options ("ISOs") that qualify under Section 422 of the Internal Revenue Code, and nonqualified stock options ("NQSOs"). ISOs may be granted only to employees of VeriSign or of a parent or subsidiary of VeriSign. All Awards other than ISOs may be granted to employees, officers, directors and consultants. The exercise price of ISOs must be at least equal to the fair market value of the common stock on the date of grant. The exercise price of NQSOs must be at least equal to 85% of the fair market value of the common stock on the date of grant. The maximum term of options granted under the Equity Incentive Plan is ten years. Awards granted under the Equity Incentive Plan generally vest as to 25% of the shares on the first anniversary of the date of grant and as to 6.25% of the shares each of the next 12 quarters.

Options granted under the Equity Incentive Plan generally expire three months after the termination of the optionee's service, except in the case of death or disability, in which case the options generally may be exercised for up to 12 months following the date of death or termination of service due to disability. Options will generally terminate immediately upon termination for cause. In the event of the dissolution or liquidation of VeriSign or a "change in control" transaction, outstanding Awards may be assumed or substituted by the successor corporation (if any). If a successor corporation does not assume or substitute the Awards, they will expire upon the effectiveness of the transaction. The Committee, in its discretion, may provide that the vesting of any or all Awards will accelerate prior to the effectiveness of the transaction.

1998 Employee Stock Purchase Plan. In December 1997, the Board adopted, and in January 1998 the stockholders approved, the Purchase Plan and reserved 500,000 shares of common stock for issuance thereunder. As of December 31, 1998, 58,225 shares had been issued under the Purchase Plan and 441,775 shares remained available for future issuance under the Purchase Plan. The Purchase Plan is administered by the Compensation Committee of the Board. The Compensation Committee has the authority to construe and interpret the Purchase Plan. Employees generally will be eligible to participate in the Purchase Plan if they are customarily employed by VeriSign for more than 20 hours per week and more than five months in a calendar year and are not 5% stockholders of VeriSign. These employees may select a rate of payroll deduction between 2% and 10% of their compensation and are subject to certain maximum purchase limitations. Participation in the Purchase Plan will end automatically upon termination of employment for any reason. Except for the first offering, each offering under the Purchase Plan will be for a period of 24 months (the "Offering Period") and will consist of six-month purchase periods (each a "Purchase Period"). The first Offering Period began on January 29, 1998 and will last until January 31, 2000. Offering Periods thereafter will begin on February 1 and August 1. Each participant will be granted an option on the first day of the Offering Period and such option will be automatically exercised on the last day of each Purchase Period during the Offering Period. The purchase price for the common stock purchased under the Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first day of the applicable Offering Period and on the last day of the applicable Purchase Period. The Committee will have the power to change the duration of Offering Periods and Purchase Periods without stockholder approval, if such change is announced at least 15 days prior to the beginning of the Offering or Purchase Period to be affected.

The Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. Rights granted under the Purchase Plan are not transferable by a participant other than by will or the laws of descent and distribution. The Purchase Plan provides that, in the event of the proposed dissolution or liquidation of VeriSign, the Offering Period will terminate immediately prior to the consummation of such proposed action, provided that the Compensation Committee may fix a different date for termination of

the Purchase Plan and may give each participant the opportunity to purchase shares under the Purchase Plan prior to such termination. The Purchase Plan provides that, in the event of certain "change of control" transactions, the Purchase Plan will continue for all Offering Periods that began prior to the transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date.

The Purchase Plan will terminate in December 2007, unless earlier terminated pursuant to the terms of the Purchase Plan. The Board has the authority to amend, terminate or extend the term of the Purchase Plan, except that no such action may adversely affect any outstanding options previously granted under the Purchase Plan and stockholder approval is required to increase the number of shares that may be issued or change the terms of eligibility under the Purchase Plan.

401(k) Plan. The Board maintains the VeriSign, Inc. 401(k) Plan (the "401(k) Plan"), a defined contribution plan intended to qualify under Section 401 of the Internal Revenue Code. All eligible employees who are at least 18 years old and have been employed by VeriSign for one month may participate in the 401(k) Plan. An eligible employee of VeriSign may begin to participate in the 401(k) Plan on the first day of January, April, July or October of the plan year coinciding with or following the date on which such employee meets the eligibility requirements. In connection with the acquisition of SecureIT, VeriSign added an additional enrollment date in August 1998. A participating employee may make pre-tax contributions of a whole percentage (not more than 15%) of his or her eligible compensation and up to 100% of any cash bonus, subject to limitations under the federal tax laws ($10,000 in 1998). Employee contributions and the investment earnings thereon are fully vested at all times. The 401(k) Plan permits, but does not require, additional matching and profit-sharing contributions by VeriSign on behalf of the participants. VeriSign has not made matching or profit-sharing contributions. Contributions by employees or VeriSign to the 401(k) Plan, and income earned on plan contributions, are generally not taxable to employees until withdrawn, and contributions by VeriSign, if any, should be deductible by VeriSign when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in selected investment options.

Executive Loan Program of 1996. In November 1996, the Compensation Committee adopted VeriSign's Executive Loan Program of 1996 (the "Executive Loan Program"). Pursuant to the Executive Loan Program, VeriSign's Chief Executive Officer and each Vice President (each a "Qualified Borrower") are each entitled to borrow an aggregate of up to $250,000 from VeriSign. Each loan made under the Executive Loan Program is a full recourse loan and bears interest at the then-minimum interest rate to avoid imputation of income under federal, state and local tax laws. Interest on any loan made under the Executive Loan Program is due and payable on December 31 of each year in which such loan is outstanding. Principal and accrued interest are payable in full on any such loan upon the earlier of December 31, 2005 or 90 days after the termination of the Qualified Borrower's employment, unless extended by a separate written agreement approved by the Board. Each loan made under the Executive Loan Program must be secured by collateral represented by common stock or other marketable securities acceptable to the Board having a fair market value equaling or exceeding the principal amount of the loan.

Compensation Arrangements

Mr. Sclavos's employment offer letter of June 1995, as amended in October 1995, provided for an initial annual salary of $175,000 and an initial annual bonus of up to $50,000 per year. In addition, it provided for a loan to Mr. Sclavos of $48,000 which was to be forgiven after the first anniversary of Mr. Sclavos's employment with VeriSign. This loan was forgiven by the Board in October 1996. Mr. Sclavos was also granted an option to purchase 616,000 shares of common stock with an exercise price of $.12 per share. In October 1996, this option was amended such that it became immediately exercisable. Mr. Sclavos exercised this option in full in November 1996. In connection with this exercise, VeriSign loaned Mr. Sclavos $73,920 pursuant to the terms of the Executive Loan Program, representing the full exercise price of such option. As of December 31, 1998, 115,500 of the shares Mr. Sclavos received upon exercise of the option were subject to a right of repurchase on behalf of VeriSign. Mr. Sclavos has repaid in full his loan under the Executive Loan Program. This right lapses as to 38,500 shares per quarter. Mr. Sclavos's employment is "at will" and thus can be terminated at any time, with or without cause.

Dana L. Evan, Arnold Schaeffer and Richard A. Yanowitch were granted options to purchase 170,000, 200,000 and 290,000 shares, respectively, of common stock under the 1995 Stock Option Plan, at exercise prices ranging from $.12 to $6.00. Each of these options is subject to the standard four-year vesting schedule under the 1995 Stock Option Plan or, in certain circumstances, is immediately exercisable, subject to VeriSign's right to repurchase shares subject to such options, which repurchase right lapses on a schedule similar to the vesting schedule for options granted under the 1995 Stock Option Plan. However, upon the occurrence of certain change-in-control transactions, 50% of each such Named Executive Officer's then-unvested options will become vested or, if applicable, the right of repurchase will lapse as to 50% of the shares covered by such right of repurchase.

Indemnification of Directors and Executive Officers and Limitation of Liability

As permitted by the Delaware General Corporation Law (the "DGCL"), VeriSign's Certificate of Incorporation, includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to VeriSign or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under section 174 of the DGCL (regarding unlawful dividends and stock purchases); or
- for any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, VeriSign's Amended and Restated Bylaws provide that:

- VeriSign must indemnify its directors and officers to the fullest extent permitted by the DGCL, subject to certain very limited exceptions;
- VeriSign may indemnify its other employees and agents to the extent that it indemnifies its officers and directors, unless otherwise required by law, its Certificate of Incorporation, its Amended and Restated Bylaws, or agreement;
- VeriSign is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the DGCL, subject to certain very limited exceptions; and
- the rights conferred in the Amended and Restated Bylaws are not exclusive.

VeriSign has entered into Indemnification Agreements with each of its current directors and certain of its executive officers and intends to enter into such Indemnification Agreements with each of its other executive officers to give such directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Certificate of Incorporation and Amended and Restated Bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of VeriSign regarding which indemnification is sought, nor is VeriSign aware of any threatened litigation that may result in claims for indemnification.

CERTAIN TRANSACTIONS

In April 1995, VeriSign sold an aggregate of 4,688,333 shares of common stock at a purchase price of $.12 per share to certain individuals and entities. Among the purchasers was RSA, which acquired 4,000,000 shares. In consideration for these shares, RSA assigned and transferred to VeriSign equipment, assets and technology, which assets and technology included certain specified software developed or under development by RSA relating to digital certificate issuance and management, certain tangible personal property, consisting mostly of computer and communications equipment, and all of RSA's right, title and interest in certain specified agreements to provide digital certificate services.

In connection with the contribution of these assets to VeriSign, RSA entered into a BSAFE/TIPEM OEM Master License Agreement with VeriSign. VeriSign was granted a perpetual, royalty free, nonexclusive, worldwide license to other services that VeriSign develops that contain or incorporate the RSA BSAFE and TIPEM products and that relate to digital certificate issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, software for customers to preview and forward digital certificate requests to VeriSign, or such other products that, in RSA's reasonable discretion, are reasonably necessary for the implementation of a digital certificate business. RSA is also required to provide VeriSign with maintenance and technical support for these products. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications and TIPEM is a secure e-mail development tool kit that allows for secure e-mail messages to be sent using one vendor's e-mail product and read by another vendor's e-mail product. In December 1998, VeriSign and RSA amended the BSAFE/TIPEM OEM Master License Agreement to provide that VeriSign will subscribe to RSA's maintenance program and pay to RSA a yearly maintenance fee equal to 50% of RSA's standard published maintenance fees. In addition, RSA will have the right to include root keys other than VeriSign's in products manufactured by third parties that include RSA products which process digital certificates.

Also in connection with this contribution of assets, RSA entered into a Non-Compete and Non-Solicitation Agreement pursuant to which RSA agreed, for a five-year period, not to compete with VeriSign's CA business.

Since January 1, 1996, there has not been nor is there currently proposed, any transaction or series of similar transactions to which VeriSign or any of its subsidiaries was or is to be a party in which the amount involved exceeded or will exceed $60,000 and in which any director, executive officer, holder of more than 5% of the common stock of VeriSign or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than (1) compensation agreements and other arrangements, which are described where required in "Management," and (2) the transactions described below.

Transactions with Directors, Executive Officers and 5% Stockholders

Prior to its initial public offering, VeriSign financed operations through a series of private common stock and preferred stock financings. All shares of preferred stock converted into shares of common stock at a conversion rate of one share of common stock for each share of preferred stock upon the closing of VeriSign's initial public offering in February 1998.

Series B Preferred Stock. In February 1996, VeriSign sold an aggregate of 2,099,123 shares of Series B Preferred Stock at a cash purchase price of $2.45 per share to 12 entities. Among the purchasers were the following 5% stockholders and entities affiliated with directors of VeriSign, who purchased the number of shares set forth opposite their respective names: Kleiner Perkins Caufield & Byers VII--1,153,207 shares; Bessemer Venture Partners DCI--187,819 shares; KPCB VII Founders Fund--125,947 shares; Security Dynamics-- 72,026 shares; KPCB Information Science Zaibatsu Fund II--32,799 shares; and First TZMM Investment Partnership--17,554 shares. Mr. Compton, a director of VeriSign, is a general partner of the general partner of Kleiner Perkins Caufield & Byers VII, KPCB VII Founders Fund and KPCB Information Science Zaibatsu Fund II.

Co-Sale Agreement. In February 1996, VeriSign, each of the purchasers of Series B Preferred Stock and RSA entered into a Co-Sale Agreement, pursuant to which the holders of Series B Preferred Stock were granted rights to participate in certain sales of capital stock of VeriSign owned by RSA. Such co-sale rights terminated upon the closing of VeriSign's initial public offering.

Investors' Rights Agreement. In November 1996, VeriSign, all of the current holders of preferred stock and the purchasers of common stock in April 1995 entered into an Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") pursuant to which the holders of all such preferred or common stock (the "Investors") have certain registration rights with respect to their shares of common stock following this offering. See "Description of Capital Stock--Registration Rights." Pursuant to the terms of the Investors' Rights Agreement, each of the Investors and Stratton Sclavos, VeriSign's President and Chief Executive Officer and a director of VeriSign, were granted a right of first offer with respect to certain future sales of securities by VeriSign.

Officer Loans. In November 1996, in connection with the exercise of stock options granted under the 1995 Stock Option Plan, VeriSign permitted three executive officers, Richard A. Yanowitch, Dana L. Evan and Stratton D. Sclavos to purchase shares of common stock in exchange for promissory notes issued under its Executive Loan Program in the amounts of $217,500, $93,750 and $73,920, respectively. See "Management--Employee Benefit Plans--Executive Loan Program of 1996." Each note is a recourse note that is secured by the shares purchased with that note. The notes bear interest at the rate of 6.95% per annum, payable on December 31 of each year, and are due and payable on the earlier of December 31, 2005 or the date the borrowers' employment relationship with VeriSign is terminated, unless otherwise extended by a separate written agreement approved by the Board. During 1997 and 1998, VeriSign paid bonuses in the amount of the interest accrued under each such executive officer's promissory note. Mr. Yanowitch received bonuses of $23,603 in 1997 and $19,857 in 1998. Ms. Evan received bonuses of $10,174 in 1997 and $6,904 in 1998. Mr. Sclavos received bonuses of $8,022 in 1997 and $5,625 in 1998. Mr. Sclavos and Ms. Evan have repaid their loans in full.

Development Agreement. In September 1997, VeriSign and Security Dynamics, the parent company of RSA, entered into a Master Development and License Agreement (the "Development Agreement"). Mr. Bidzos, the Chairman of the Board of VeriSign, is also a director of Security Dynamics. Pursuant to the Development Agreement, VeriSign will develop a customized CA service based upon VeriSign's WorldTrust platform in order to enable Security Dynamics to offer a product with encryption and digital certificate functionality. VeriSign has retained the ownership rights to the technology developed under this agreement, except to the extent such technology constitutes derivatives of Security Dynamics's pre-existing technology or such technology is solely created by Security Dynamics. However, VeriSign granted Security Dynamics a non-exclusive, royalty-free, perpetual, worldwide license to VeriSign's intellectual property rights in VeriSign technology to the extent that the technology is incorporated in the customized product being developed for Security Dynamics, for the purpose of facilitating Security Dynamics' derivative works or distributing the customized product to end users.

In December 1998, VeriSign and Security Dynamics amended the Development Agreement to grant Security Dynamics an exclusive license to incorporate the developed technology into original equipment manufacturers', or OEMs, products in order to create products incorporating the technology and to sublicense the technology to licensees of the OEMs. In addition, VeriSign will use its best efforts to transfer customer support services to Security Dynamics and to assist in transferring its sales prospects to Security Dynamics.

The Development Agreement provides that Security Dynamics will pay VeriSign an aggregate of $2.7 million as an initial license fee, $900,000 of which was paid in October 1997 and $1.4 million of which was paid during 1998. The remaining $360,000 is scheduled to be paid upon completion of a milestone during early 1999. At the time of the execution of the amendment in December 1998, Security Dynamics paid VeriSign $500,000. Once Security Dynamics has received net revenues of $2.8 million from OEMs, it will pay VeriSign a royalty equal to 18% of net revenues from the sale to OEMs or, if it is greater, 18% of 60% of the current list price for the product. Security Dynamics will not be obligated to pay any royalties to VeriSign with respect to sales to VARs.

In order for Security Dynamics to maintain its exclusivity rights, it must make aggregate annual payments, which will be paid on a quarterly basis, of: (1) $1.1 million during the first year of the agreement; (2) $2.3 million during the second year of the agreement; (3) $3.0 million during the third year of the agreement; and (4) $4.0 million during each of the fourth and fifth years of the agreement.

Security Dynamics may also elect not to maintain the exclusivity so long as it gives 90 days notice prior to the end of a year and also pays to VeriSign an amount equal to the remaining pre-payments to be made during that year as well as an amount equal to the first two quarterly payments due for the subsequent year.

In addition VeriSign will be obligated to pay Security Dynamics an amount equal to 8% of net revenue recognized by VeriSign during a VeriSign OnSite customer's first year using VeriSign OnSite if the new VeriSign OnSite customer had previously purchased products from Security Dynamics which incorporate the developed technology.

Commencing in March 1998, Security Dynamics is also required to pay VeriSign a monthly product support fee for a three-year period, and thereafter for successive annual terms. Either of the parties may elect to terminate such product support within 60 days prior to the end of the term. Security Dynamics may terminate support services at any time on 60 days prior written notice to VeriSign. For a yearly fee, Security Dynamics can purchase product maintenance services. During 1998 Security Dynamics paid both support and maintenance fees, which were $105,000 in the aggregate. If Security Dynamics pays both support and maintenance fees in future periods, such fees would aggregate approximately $195,000 for a one-year period. For so long as Security Dynamics is paying such maintenance fees, VeriSign will be obligated, at no additional cost, to provide Security Dynamics with updates and enhancements that VeriSign develops to the customized product and with non-exclusive first-to-market access to new technologies developed by VeriSign that are relevant to the business of providing enterprise security solutions or solutions for secure business communications. VeriSign is also obligated, upon the request of Security Dynamics, to make VeriSign's other technology available to Security Dynamics and to offer maintenance after the term of the agreement on certain "most favored pricing" terms.

VeriSign believes that the terms of the Development Agreement, taken as a whole, were no less favorable to VeriSign than VeriSign could have obtained from unaffiliated third parties.

Sublease with Security Dynamics. Since September 1996, VeriSign has sublet approximately 12,700 square feet of space for its offices in Cambridge, Massachusetts. This space is subleased from Security Dynamics pursuant to a sublease that expired in March 1998. VeriSign made lease payments to Security Dynamics of $17,646 during 1996, $179,000 during 1997 and $4,825 during 1998. VeriSign also paid all electricity, heating, ventilation and air conditioning costs for the subleased premises.

Acquisition of SecureIT, Inc. In July 1998, VeriSign acquired SecureIT. In connection with this acquisition, VeriSign issued approximately 1,666,000 shares of its common stock in exchange for all of the issued and outstanding capital stock of SecureIT. Jagtar S. Chaudhry, the Vice President and General Manager of Security Services of VeriSign, received 210,951 shares of VeriSign's common stock in exchange for his shares of SecureIT stock. P. Jyoti Chaudhry, his wife, received 1,071,239 shares of VeriSign common stock in exchange for her shares of SecureIT stock. Three Chaudhry Family Trusts received 65,922 shares of VeriSign common stock in exchange for their SecureIT stock and a fourth Chaudhry Family Trust received 3,296 shares of VeriSign common stock in exchange for its shares of SecureIT stock. In addition, VeriSign granted the former shareholders of SecureIT certain registration rights with respect to the VeriSign common stock they received in the transaction. See "Description of Capital Stock--Registration Rights."

Of the 1,666,186 shares issued in the SecureIT acquisition, 176,619 shares are being held in escrow to secure the indemnification obligations under the Agreement and Plan of Reorganization relating to the acquisition of SecureIT. Of these shares, 10,000 are being held to secure an indemnification obligation with respect to income taxation, which we refer to as the "Tax Escrow." These escrow shares were withheld from the shares distributed to the former SecureIT shareholders on a pro-rata basis based on their ownership of SecureIT

shares. This escrow will terminate on May 1, 1999. However, the escrow will terminate with respect to the Tax Escrow when the applicable statute of limitations pertaining to any taxes due expires.

VeriSign also entered into an Employment and Non-Competition Agreement with Mr. Chaudhry. This employment agreement, which became effective on July 6, 1998, has a term of one-year and provides for a minimum annual base salary of $125,000. In addition, Mr. Chaudhry will be eligible to receive an annual bonus in an amount up to 30% of his base salary. Mr. Chaudhry was also granted an option to purchase 100,000 shares of common stock at an exercise price of $27.50 per share. In the event Mr. Chaudhry's employment is terminated without cause or upon a "constructive termination" of his employment, he will be entitled to receive the base salary remaining to be paid to him for the term of the employment agreement. Once the initial term of this employment agreement expires, Mr. Chaudhry's employment will be on an "at-will" basis.

Certain Business Relationships

Legal Fees. During 1996, 1997 and 1998, the law firm of Tomlinson Zisko Morosoli & Maser LLP, of which Mr. Tomlinson is a partner, provided legal services to VeriSign on a variety of matters. VeriSign paid to or accrued for Tomlinson Zisko Morosoli & Maser LLP an aggregate of $344,120 in 1996, $239,051 in 1997 and approximately $617,000 in 1998.

VeriSign believes that the terms of each of the transactions described above, taken as a whole, were no less favorable to VeriSign than VeriSign could have obtained from unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of VeriSign's common stock as of December 31, 1998 and as adjusted to reflect the sale of the shares of common stock offered hereby by: (i) each person who is known by VeriSign to own beneficially more than 5% of VeriSign's common stock, (ii) each director of VeriSign, (iii) each of the Named Executive Officers, (iv) all directors and executive officers of VeriSign as a group and (v) each Selling Stockholder.

	Shares Beneficially Owned Prior to Offering		Number of Shares	Shares Beneficially Owned After Offering	
Name of Beneficial Owner	Number	Percent(1)	Being Offered	Number	Percent(2)
Named Executive Officers, Directors and 5% Stockholders					
D. James Bidzos (3)	3,811,674	16.5%	20,000	2,791,674	11.7%
Security Dynamics Technologies, Inc. (3)	3,611,591	15.7	1,000,000	2,611,591	10.9
Jagtar Chaudhry (4)	1,483,252	6.4	269,436	1,113,816	4.7
William Chenevich (5)	604,115	2.6	--	604,115	2.5
Stratton D. Sclavos (6)	502,250	2.2	53,153	449,097	1.9
Kevin R. Compton (7)	462,360	2.0	--	462,360	1.9
David J. Cowan (8)	284,189	1.2	--	284,189	1.2
Richard A. Yanowitch (9)	229,997	1.0	23,153	206,844	*
Arnold Schaeffer (10)	115,625	*	23,153	92,472	*
Dana L. Evan (11)	107,963	*	23,153	84,810	*
Quentin P. Gallivan (12)	13,438	*	7,388	6,050	*
Timothy Tomlinson (13)	23,269	*	--	23,269	*
All officers and directors as a group (11 persons) (14)	7,638,132	32.9	1,419,436	6,118,696	25.5
Other Selling Stockholders					
P. Jyoti Chaudhry (4)	1,483,252	6.4	100,000	1,113,816	4.7
Jay W. Johnson	97,531	*	22,040	75,491	*
George and Lana Valente Foundation	82,403	*	20,524	61,879	*
Messiah Lutheran Church	3,000	*	3,000	--	*

* Less than 1% of VeriSign's outstanding common stock

Notes: (1) Percentage ownership is based on 23,075,359 outstanding as of December 31, 1998, and 23,910,359 shares outstanding after the offering. Shares of common stock subject to options currently exercisable or exercisable within 60 days of December 31, 1998, are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

(2) Assumes the underwriters' over-allotment option to purchase 375,000 shares of common stock is not exercised.

(3) Represents 3,611,591 shares held of record by Security Dynamics or by wholly-owned subsidiaries thereof, 93,000 shares held of record by D. James Bidzos, 83,750 shares held of record by Kairdos L.L.C. and 23,333 shares subject to options held of record by D. James Bidzos that are exercisable within 60 days of December 31, 1998. The number of shares being offered represents 10,000 shares offered for the account of Mr. Bidzos and 10,000 shares offered for the account of Kairdos L.L.C. Mr. Bidzos, the Chairman of the Board of VeriSign, is the President of RSA, an Executive Vice President and a director of Security Dynamics and the General Manager and a member of Kairdos L.L.C. Mr. Bidzos disclaims beneficial ownership of the shares held by Kairdos L.L.C. except for

his proportional interest therein, and disclaims beneficial ownership of the shares held by Security Dynamics or its wholly-owned subsidiaries. The address for Mr. Bidzos and Security Dynamics is 20 Crosby Drive, Bedford, Massachusetts 01730.

(4) Represents 60,951 shares held by Jagtar Chaudhry, 921,239 shares held by P. Jyoti Chaudhry, his wife, 300,000 shares held by Chaudhry Enterprises and 65,922, 65,922, 65,922 and 3,296 shares held by four Chaudhry Family Trusts for the benefit of Simran D. Chaudhry, Yash P. Chaudhry, Samir R. Chaudhry and Manpreet Bains, respectively. Jagtar Chaudhry is the Vice President of and General Manager of Security Services of VeriSign.

Includes an aggregate of 519,000 shares subject to the "zero-cost collar" arrangements described below. Mr. Chaudhry's wife and the trusts for the benefit of Simran Chaudhry, Yash P. Chaudhry and Samir R. Chaudhry entered into "zero-cost collar" arrangements pursuant to which such person wrote a call option and purchased a put option. These options become exercisable on January 5, 2000 and also expire on that date. Only one of the options can be "in the money" on the expiration date, at which time, the "in the money" option will be exercised and settled for cash and the other option will expire. If neither option is "in the money," both options will expire. Mr. Chaudhry's wife entered into such an arrangement with respect to 342,198 shares and each of the trusts entered into an arrangement with respect to 58,934 shares.

Also includes 143,238 shares held by Mr. and Mrs. Chaudhry, the Chaudhry Family Trusts and Chaudhry Enterprises which are subject to the escrow to secure the indemnification obligations contained in the Agreement and Plan of Reorganization relating to the acquisition of SecureIT. The escrow is described under "Certain Transactions." The address for P. Jyoti and Jagtar Chaudhry, Chaudhry Enterprises and the Chaudhry Family Trusts is c/o SecureIT, 5550 Triangle Parkway Suite 100, Norcross, Georgia 30092.

The number of shares being offered represents 100,000 shares offered for the account of Mrs. Chaudhry, 266,489 shares offered for the account of Chaudhry Enterprises and 2,947 shares offered for the account of the Chaudhry Family Trust for the benefit of Manpreet Bains.

(5) Represents 594,052 shares held by VISA International Service Association, 7,563 shares subject to options held of record by VISA International Service Association that are exercisable with 60 days of December 31, 1998, and 2,500 shares held of record by William Chenovich, director of VeriSign. Mr. Chenevich is the Group Executive Vice President, Data Processing Systems of VISA.

(6) Includes 5,000 shares held of record by Stratton or Jody Sclavos as Custodians under UTMA for Nicholas L. Sclavos, 5,000 shares held of record by Stratton or Jody Sclavos as Custodians under UTMA for Alexandra C. Sclavos and an aggregated 2,010 shares held in trust for the six nieces and nephews of Stratton Sclavos. Also includes 31,250 shares subject to options held of record by Stratton D. Sclavos that are exercisable within 60 days of December 31, 1998. Mr. Sclavos is President, Chief Executive Officer and a director of VeriSign. Of the shares shown in the table, as of December 31, 1998, 115,500 were subject to a repurchase right that lapses as to 38,500 of the shares each quarter.

The number of shares being offered represents 43,143 shares offered for the account of Mr. Sclavos, 4,000 shares offered for the account of Stratton or Jody Sclavos as Custodians under UTMA for Alexandra C. Sclavos, 4,000 shares offered for the account of Stratton or Jody Sclavos as Custodians under UTMA for Nicholas L. Sclavos and an additional 2,010 shares, representing 335 shares offered for the accounts of each of the six nieces and nephews of Mr. Sclavos.

(7) Represents 437,318 shares held of record by Kleiner Perkins Caufield & Byers VII L.P., 16,541 shares held of record by Kevin Compton, 6,250 shares subject to options held of record by Kevin Compton that are exercisable within 60 days of December 31, 1998, and 2,251 shares subject to options held of record by Kleiner Perkins Caufield & Byers VII L.P. that are exercisable within 60 days of December 31, 1998. Mr. Compton, a director of VeriSign, is a general partner of the general partner of each of these entities. Mr. Compton disclaims beneficial ownership of shares held by such

entities except for his proportional interest therein. The address for Mr. Compton and these entities is c/o Kleiner Perkins Caufield & Byers, 2750 Sand Hill Road, Menlo Park, California 94025.

(8) Represents 247,966 shares held of record by Bessemer Venture Partners DCI, 3,750 shares held by Deer III & Co. and 7,563 shares subject to options held of record by Deer III & Co. LLC that are exercisable within 60 days of December 31, 1998. Mr. Cowan, a director of VeriSign, is a general partner of the general partner of Bessemer Venture Partners DCI and is a manager of Deer III & Co. LLC. Mr. Cowan disclaims beneficial ownership of shares held by Bessemer Venture Partners DCI except for his proportional interest therein. The address for Mr. Cowan and Bessemer Venture Partners DCI is 535 Middlefield Road, Menlo Park, California 94025.

(9) Mr. Yanowitch is Vice President of Marketing of VeriSign. Of the shares shown in the table, as of December 31, 1998, 108,750 were subject to a repurchase right that lapses as to 18,125 of the shares each quarter.

(10) Includes 11,125 shares subject to options held of record by Arnold Schaeffer that are exercisable within 60 days of December 31, 1998. Mr. Schaeffer is Vice President of Engineering of VeriSign. Of the shares shown in the table, as of December 31, 1998, 45,000 were subject to a repurchase right that lapses as to 8,875 of the shares each quarter.

(11) Includes 5,000 shares held of record by Ms. Evan as Custodian under UTMA for Christopher Thomas Evan, 5,000 shares held of record by Ms. Evan as Custodian under UTMA for Ryan Joseph Evan and 14,063 shares subject to options held of record by Dana Evan that are exercisable within 60 days of December 31, 1998. Ms. Evan is Vice President of Finance and Administration and Chief Financial Officer of VeriSign. Of the shares shown in the table, as of December 31, 1998, 46,875 were subject to a repurchase right that lapses as to 7,812 of the shares each quarter.

(12) Includes 7,194 shares subject to options held of record by Quentin Gallivan that are exercisable within 60 days of December 31, 1998. Mr. Gallivan is Vice President of Worldwide Sales of VeriSign.

(13) Includes 500 shares held of record by the Joy E. Tomlinson 1996 Trust, 500 shares held of record by the Tucker Tomlinson 1996 Trust and 3,813 shares subject to options held of record by TZM Investment Fund that are exercisable within 60 days of December 31, 1998. Mr. Tomlinson is a general partner of TZM Investment Fund and a trustee of each trust.

(14) Includes the shares described in footnotes (3)-(13).

DESCRIPTION OF CAPITAL STOCK

As of December 31, 1998, there were outstanding 23,075,359 shares of common stock, each with a par value of $.001, held of record by approximately 235 stockholders, and outstanding options to purchase 4,129,444 shares of common stock.

The following summary of certain provisions of the common stock and preferred stock does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of VeriSign's Certificate of Incorporation, which is included as an exhibit to the registration statement, of which this prospectus forms a part, and by the provisions of applicable law.

Common Stock

VeriSign is authorized to issue 50,000,000 shares of common stock. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board from time to time may determine. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is authorized by the Certificate of Incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding-up of VeriSign, the assets legally available for distribution to stockholders are distributable ratably among the holders of the common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding preferred stock and payment of other claims of creditors. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon completion of this offering will be upon payment therefor, duly and validly issued, fully paid and nonassessable.

Preferred Stock

VeriSign is authorized to issue up to 5,000,000 shares of "blank check" preferred stock. The Board is authorized, subject to any limitations prescribed by Delaware law, to provide for the issuance of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding), without any further vote or action by the stockholders. The Board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of VeriSign and may adversely affect the market price of the common stock, and the voting and other rights of the holders of common stock. VeriSign has no current plan to issue any shares of preferred stock.

Registration Rights

The holders of approximately 5,132,218 shares of common stock (the "Holders") have certain rights to cause VeriSign to register those shares (the "Registrable Securities") under the Securities Act. The holders of at least a majority of the Registrable Securities may require that VeriSign use best efforts to effect up to two registrations. Holders not part of the initial registration demand are entitled to notice of such registration and are entitled to include shares of Registrable Securities therein. These registration rights are subject to certain conditions and limitations, including the right, under certain circumstances, of the underwriters of an offering to limit the number of shares included in such registration and the right of VeriSign to delay the filing of a registration statement for not more than 120 days after receiving the registration demand. VeriSign is obligated to pay all registration expenses incurred in connection with such registration, other than underwriters' discounts and commissions, and the reasonable fees and expenses of a single counsel to the selling Holders.

In addition, if VeriSign proposes to register any securities under the Securities Act in connection with the sale of such securities solely for cash, the Holders are entitled to notice of such registration and are entitled to include Registrable Securities therein. These rights do not apply to a registration relating to securities to be sold under one of VeriSign's stock plans or common stock issuable upon conversion of debt securities. These rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration under certain circumstances. VeriSign is obligated to pay all registration expenses incurred in connection with such registration other than underwriters' discounts and commissions.

The Holders may also require VeriSign, on no more than two occasions in any twelve-month period, to register all or a portion of their Registrable Securities on Form S-3 under the Securities Act when such form becomes available for use by VeriSign, if the securities to be so registered represent an aggregate selling price to the public of not less than $1.0 million. The Holders who are not part of the initial registration demand are entitled to notice of such registration and are entitled to include shares of Registrable Securities therein. These registration rights are subject to certain conditions and limitations, including the right of VeriSign to delay the filing of a registration statement on Form S-3 for a period of not more than 60 days after receiving the registration demand. VeriSign is obligated to pay all registration expenses incurred in connection with such registration, other than underwriters' discounts and commissions.

Each stockholder's registration rights will expire upon the earlier of February 4, 2003, or at such time as the stockholder can sell all of its securities under Rule 144(k).

The former shareholders of SecureIT have certain registration rights with respect to the approximately 1,666,000 shares of VeriSign common stock issued to them in connection with the acquisition of SecureIT. These stockholders have "piggy back registration rights" which require VeriSign to use its best efforts to include up to 416,547 shares in any registration statement filed prior to January 30, 1999. In addition, anytime after January 30, 1999, these stockholders may require VeriSign to file a registration statement on Form S-3 and keep such registration statement continuously effective until July 6, 1999. This registration statement could cover up to 833,094 shares of VeriSign common stock, less any shares for which these holders have exercised piggyback registration rights. Since these holders have elected to exercise their piggyback registration rights with respect to 415,000 shares in this offering, VeriSign would be required to include 418,094 shares, plus any shares included in the registration statement of which this prospectus is a part which remain unsold.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

VeriSign is subject to the provisions of Section 203 of the Delaware General Corporation Law (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations from engaging, under certain circumstances, in a "business combination," which includes a merger or sale of more than 10% of the corporation's assets with any "interested stockholder." An "interested stockholder" is a stockholder who owns 15% or more of the corporation's outstanding voting stock, as well as affiliates and associates of any such persons. This restriction applies for three years following the date that such stockholder became an "interested stockholder" unless:

- the transaction is approved by the Board of Directors prior to the date the "interested stockholder" attained such status;

- upon consummation of the transaction that resulted in the stockholder's becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding those shares owned by (1) persons who are directors and also officers and (2) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

- if on or subsequent to that date the "business combination" is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the "interested stockholder."

A Delaware corporation may "opt out" of the Anti-Takeover Law with the approval of a majority of the corporation's outstanding shares, however VeriSign has not done so. The statute could prohibit or delay mergers or other takeover or change-in-control attempts with respect to VeriSign and, accordingly, may discourage attempts to acquire VeriSign.

VeriSign's Certificate of Incorporation and Amended Restated Bylaws provide for the division of the Board into three classes as nearly equal in size as possible with staggered three-year terms. The classification of the Board could have the effect of making VeriSign more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of VeriSign. In addition, the Amended and Restated Bylaws provide that any action required or permitted to be taken by the stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. The Amended and Restated Bylaws provide that special meetings of the stockholders may only be called by the Chairman of the Board, the Chief Executive Officer or, if none, VeriSign's President or by the Board.

VeriSign's Certificate of Incorporation and Amended and Restated Bylaws provide that VeriSign will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to VeriSign, which may include services in connection with takeover defense measures. Such provisions may have the effect of preventing changes in the management of VeriSign.

Transfer Agent and Registrar

The Transfer Agent and Registrar for VeriSign's common stock is ChaseMellon Shareholder Services, L.L.C.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices from time to time.

Upon completion of this offering, VeriSign will have outstanding an aggregate of 23,910,359 shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options. Of these shares, 17,913,229 shares, including all of the shares sold in the offering, are freely tradeable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" of VeriSign as that term is defined in Rule 144 under the Securities Act (the "Affiliates"). As a result of certain contractual restrictions described below, 4,745,944 additional shares will be eligible for sale 90 days after the date of this prospectus, with all of such shares subject to the volume limitations and other conditions of Rule 144 described below; and the remaining 1,251,186 of the shares will become eligible for sale in July 1999, subject to the volume limitations and other conditions of Rule 144.

All executive officers and certain directors and stockholders of VeriSign have agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly (or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of), any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 90 days after the date of this prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated may in its sole discretion choose to release a certain number of these shares from such restrictions prior to the expiration of such 90 day period.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least one year including the holding period of any prior owner except an Affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) 1% of the number of shares of common stock then outstanding (which will equal approximately 238,253 shares immediately after this offering); or (ii) the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about VeriSign.

Upon completion of this offering, the holders of approximately 5,132,218 shares of common stock will be entitled to certain rights with respect to the registration of such shares under the Securities Act. Of these holders, the former shareholders of SecureIT have the right to require VeriSign to file a registration statement on Form S-3 to register for resale an aggregate of approximately 418,000 shares of common stock held by them. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration.

VeriSign filed registration statements under the Securities Act covering 5,461,389 shares of common stock subject to outstanding options or reserved for future issuance under its stock plans. See "Management--Employee Benefit Plans." VeriSign also filed a registration statement on Form S-8 with respect to the 208,809 shares of common stock subject to stock options assumed in connection with the acquisition of SecureIT. As of December 31, 1998, options to purchase a total of 4,129,444 shares were outstanding and 711,596 shares were reserved for future issuance under VeriSign's stock plans. Accordingly, shares registered under such registration statements will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market, beginning 90 days after the date of the prospectus, unless such shares are subject to vesting restrictions.

UNDERWRITERS

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the underwriters named below, for whom Morgan Stanley & Co. Incorporated, Hambrecht & Quist LLC, Dain Rauscher Wessels, a division of Dain Rauscher Incorporated ("Dain Rauscher Wessels") and BancBoston Robertson Stephens are acting as representatives, have severally agreed to purchase, and VeriSign and the Selling Stockholders have agreed to sell to them, severally, the respective number of shares of common stock set forth opposite the names of such underwriters below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Hambrecht & Quist LLC	
Dain Rauscher Wessels	
BancBoston Robertson Stephens	
Total	2,400,000

The Underwriting Agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered hereby (other than those covered by the underwriters' over-allotment option described below) if any such shares are taken.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

VeriSign has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 360,000 additional shares of common stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The underwriters may exercise such option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent such option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of common stock as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares of common stock set forth next to the names of all underwriters in the preceding table.

Each of VeriSign and the directors, executive officers and certain other stockholders of VeriSign has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, it will not during the period ending 90 days after the date of this prospectus (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer, lend or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, except under certain limited circumstances. The restrictions described in this paragraph to not apply to (a) the sale of shares to the underwriters, (b) the issuance

by VeriSign of shares of common stock upon exercise of an option or a warrant outstanding on the date of this prospectus and described as such in the prospectus, (c) the issuance by VeriSign of shares of common stock under the Equity Incentive Plan, the Directors Plan and the Purchase Plan or (d) transactions by any person other than VeriSign relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the common stock for their own account. In addition, to cover over-allotments or to stabilize the price of the common stock, the underwriters may bid for, and purchase, shares of common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the common stock above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

The underwriters and dealers may engage in passive market making transactions in the common stock in accordance with Rule 103 of Regulation M promulgated by the Securities and Exchange Commission. In general, a passive market maker may not bid for, or purchase, the common stock at a price that exceeds the highest independent bid. In addition, the net daily purchases made by any passive market maker generally may not exceed 30% of its average daily trading volume in the common stock during a specified two month period, or 200 shares, whichever is greater. A passive market maker must identify passive market making bids as such or maintain the market price of the common stock above independent market levels. Underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

VeriSign, the Selling Stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Fenwick & West LLP, Palo Alto, California, will pass upon the validity of the shares of common stock offered by VeriSign in this prospectus. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California will pass upon certain legal matters in connection with this offering for the underwriters.

EXPERTS

VeriSign has included the consolidated financial statements of VeriSign, Inc. and subsidiaries as of December 31, 1996 and 1997, and for the period from April 12, 1995 (inception) to December 31, 1995, and for each of the years in the two-year period ended December 31, 1997 in the prospectus and the Registration Statement in reliance upon the report of KPMG LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

VeriSign has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C. 20549, a Registration Statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits thereto. VeriSign has omitted certain items in accordance with the rules and regulations of the Commission. For further information with respect to VeriSign and the common stock offered by this prospectus, reference is made to the Registration Statement and the exhibits thereto. Statements contained in this prospectus regarding the contents of any contract or any other document to which the prospectus makes reference are not necessarily complete. In each instance, we advise you to refer to the copy of the contract or other document filed as an exhibit to the Registration Statement. Each such statement is qualified in all respects by such reference. You may inspect a copy of the Registration Statement, and the exhibits and schedule thereto, without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. You may obtain copies of all or any part of the Registration Statement from any of those offices by paying the fees prescribed by the Commission. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is http://www.sec.gov.

AVAILABLE INFORMATION

VeriSign is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information filed by VeriSign can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington D.C. 20549 and at the Commission's regional offices located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also makes electronic filings publicly available on the Internet within 24 hours of acceptance. The Commission's Internet address is http://www.sec.gov. The Commission website also contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

VERISIGN, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from April 12, 1995 (inception) to December 31, 1995, and for each of the years in the two-year period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriSign, Inc. and subsidiaries as of December 31, 1996 and 1997, and the results of their operations and their cash flows for the period from April 12, 1995 (inception) to December 31, 1995, and for each of the years in the two-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

KPMG LLP

Mountain View, California
December 18, 1998

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31,		September 30,
	1996	1997	1998
			(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 30,006	$ 4,942	$ 18,102
Short-term investments	--	7,951	24,366
Accounts receivable, net of allowance for doubtful accounts of $35, $286 and $455, respectively	762	3,390	8,470
Prepaid expenses and other current assets	786	994	2,351
Total current assets	31,554	17,277	53,289
Property and equipment, net	4,617	8,756	9,378
Other assets, net	366	871	976
	$ 36,537	$ 26,904	$ 63,643
Liabilities and Stockholders' Equity			
Current liabilities:			
Notes payable	$ 258	$ --	$ --
Accounts payable	2,468	3,504	5,505
Accrued liabilities	2,096	2,346	4,024
Deferred revenue	1,944	5,267	10,461
Total current liabilities	6,766	11,117	19,990
Minority interest in subsidiary	1,251	2,246	1,297
Commitments			
Stockholders' equity:			
Preferred stock, $.001 par value; 5,000,000 shares authorized in 1998; no shares issued	--	--	--
Convertible preferred stock, $.001 par value; 10,282,883 shares authorized in 1996 and 1997; 10,031,006 shares issued and outstanding in 1996 and 1997	10	10	--
Common stock, $.001 par value; 21,592,117 shares authorized in 1996 and 1997, 50,000,000 shares authorized in 1998; 7,859,962, 8,786,426 and 22,732,876 shares issued and outstanding, respectively	8	9	23
Additional paid-in capital	41,327	45,417	91,496
Notes receivable from stockholders	(543)	(644)	(582)
Deferred compensation	--	(380)	(302)
Accumulated deficit	(12,282)	(30,871)	(48,279)
Total stockholders' equity	28,520	13,541	42,356
	$ 36,537	$ 26,904	$ 63,643

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

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

	Period from April 12, 1995 (Inception) to December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1998
				(Unaudited)	
Revenues	$ 382	$ 1,356	$ 13,356	$ 8,360	$ 25,719
Costs and expenses:					
Cost of revenues	412	2,791	9,689	6,172	13,467
Sales and marketing	790	4,885	11,826	7,732	16,449
Research and development	642	2,058	5,303	3,643	6,242
General and administrative	680	2,681	5,039	3,147	5,842
Special charges	--	--	2,800	2,000	3,555
Total costs and expenses	2,524	12,415	34,657	22,694	45,555
Operating loss	(2,142)	(11,059)	(21,301)	(14,334)	(19,836)
Other income (expense)	148	(67)	1,174	872	1,677
Loss before minority interest	(1,994)	(11,126)	(20,127)	(13,462)	(18,159)
Minority interest in net loss of subsidiary	--	838	1,538	1,194	950
Net loss	$(1,994)	$(10,288)	$(18,589)	$(12,268)	$(17,209)
Basic and diluted net loss per share	$ (.43)	$ (2.07)	$ (2.61)	$ (1.54)	$ (.82)
Shares used in per share computation	4,689	4,960	7,121	7,988	21,042

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in	Notes Receivable from	Deferred Compen-	Accumu- lated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Stockholders	sation	Deficit	Equity
Issuance of common stock to founders	--	$ --	688,333	$ 1	$ 82	$ --	$ --	$ --	$ 83
Issuance of common stock to a founder in exchange for equipment, other assets and technology	--	--	4,000,000	4	115	--	--	--	119
Issuance of common stock	--	--	4,500	--	--	--	--	--	--
Issuance of Series A convertible preferred stock	4,306,883	4	--	--	5,164	--	--	--	5,168
Net loss	--	--	--	--	--	--	--	(1,994)	(1,994)
Balances as of December 31, 1995	4,306,883	4	4,692,833	5	5,361	--	--	(1,994)	3,376
Issuance of Series B convertible preferred stock	.2,099,123	2	--	--	5,141	--	--	--	5,143
Issuance of Series C convertible preferred stock	3,625,000	4	--	--	28,192	--	--	--	28,196
Exercise of common stock options	--	--	1,637,375	2	559	(543)	--	--	18
Issuance of common stock	--	--	1,529,754	1	11	--	--	--	12
Issuance of capital stock by subsidiary to minority interest	--	--	--	--	2,063	--	--	--	2,063
Net loss	--	--	--	--	--	--	--	(10,288)	(10,288)
Balances as of December 31, 1996	10,031,006	10	7,859,962	8	41,327	(543)	--	(12,282)	28,520
Deferred compensation related to common stock options, net of amortization of $34	--	--	--	--	414	--	(380)	--	34
Exercise of common stock options and advance to stockholder	--	--	532,781	1	244	(116)	--	--	129
Issuance of common stock	--	--	121,808	--	642	--	--	--	642
Issuance of common stock for litigation settlement	--	--	250,000	--	2,000	--	--	--	2,000
Issuance of common stock for preferred provider agreement	--	--	100,000	--	800	--	--	--	800
Repurchase of common stock	--	--	(78,125)	--	(10)	10	--	--	--
Payments on notes receivable from stockholders	--	--	--	--	--	5	--	--	5
Net loss	--	--	--	--	--	--	--	(18,589)	(18,589)
Balances as of December 31, 1997	10,031,006	10	8,786,426	9	45,417	(644)	(380)	(30,871)	13,541

(Continued)

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY--(Continued)
(In thousands, except share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Compen-sation	Accumu-lated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balances as of December 31, 1997.....	10,031,006	$10	8,786,426	$ 9	$45,417	$(644)	$(380)	$(30,871)	$13,541
Amortization of deferred compensation related to common stock options (unaudited).....	--	--	--	--	--	--	78	--	78
Compensation charge related to acceleration of performance-based stock options (unaudited).....	--	--	--	--	1,176	--		--	1,176
Exercise of common stock options (unaudited)....	--	--	385,569	--	392	--	--	--	392
Issuance of common stock (unaudited).....	--	--	21,650	--	79	--	--	--	79
Issuance of common stock for initial public offering, net of expenses of $4,561 (unaudited).....		--	3,450,000	4	43,739	--	--	--	43,743
Issuance of common stock under employee stock purchase plan (unaudited).....	--	--	58,225	--	693	--	--	--	693
Conversion of preferred stock to common stock (unaudited).....	(10,031,006)	(10)	10,031,006	10	--	--	--	--	--
Subchapter S distributions of SecureIT, Inc. (unaudited).....	--	--	--	--	--	--	--	(199)	(199)
Payments on notes receivable from stockholders (unaudited).....	--	--	--	--	--	62	--	--	62
Net loss (unaudited)....	--	--	--	--	--	--	--	(17,209)	(17,209)
Balances as of September 30, 1998 (unaudited).....	--	$--	22,732,876	$23	$91,496	$(582)	$(302)	$(48,279)	$42,356

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Period from April 12, 1995 (Inception) to December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1998
				(Unaudited)	
Cash flows from operating activities:					
Net loss	$(1,994)	$(10,288)	$(18,589)	$(12,268)	$(17,209)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Special charges	--	--	2,800	2,000	--
Depreciation and amortization	52	559	2,621	1,546	2,862
Minority interest in net loss of subsidiary	--	(838)	(1,538)	(1,194)	(950)
Stock-based compensation	--	--	34	13	1,254
Loss on disposal of property and equipment	--	--	63	156	40
Changes in operating assets and liabilities:					
Accounts receivable	(195)	(567)	(2,628)	(2,261)	(5,080)
Prepaid expenses and other current assets	(79)	(708)	(208)	59	(1,357)
Accounts payable	437	2,054	1,036	(810)	2,001
Accrued liabilities	216	1,880	250	83	1,678
Deferred revenue	42	1,898	3,323	1,386	5,194
Net cash used in operating activities	(1,521)	(6,010)	(12,836)	(11,290)	(11,567)
Cash flows from investing activities:					
Purchases of short-term investments	--	--	(11,209)	(11,208)	(48,500)
Maturities and sales of short-term investments	--	--	3,258	3,498	32,085
Purchases of property and equipment	(1,008)	(4,168)	(6,823)	(5,655)	(3,506)
Other assets	(35)	(281)	(505)	(480)	(122)
Net cash used for investing activities	(1,043)	(4,449)	(15,279)	(13,845)	(20,043)
Cash flows from financing activities:					
Proceeds from bank borrowings	--	258	2,420	1,167	--
Repayment of bank borrowings	--	--	(2,678)	--	--
Proceeds from issuance of convertible preferred stock	5,168	33,339	--	--	--
Proceeds from issuance of common stock, net of repurchases	83	30	771	636	44,907
Collections on notes receivable from stockholders	--	--	5	--	62
Subchapter S distributions by SecureIT, Inc.	--	--	--	--	(199)
Issuance of capital stock by subsidiary to minority interest	--	4,151	2,533	--	--

Net cash provided by financing activities...	5,251	37,778	3,051	1,803	44,770
Net increase (decrease) in cash and cash equivalents.....	2,687	27,319	(25,064)	(23,332)	13,160
Cash and cash equivalents at beginning of period....	--	2,687	30,006	30,006	4,942
Cash and cash equivalents at end of period.....	$ 2,687	$ 30,006	$ 4,942	$ 6,674	$ 18,102
Noncash investing and financing activities:					
Issuance of common stock to a founder for equipment, other assets and technology.....	$ 119	$ --	$ --	$ --	$ --
Conversion of convertible preferred stock to common stock	$ --	$ --	$ --	$ --	$ --
Issuance of notes receivable collateralized by common stock.....	$ --	$ 543	$ 116	$ 116	$ --

See accompanying Notes to Consolidated Financial Statements.

(1) Description of Business and Summary of Significant Accounting Policies

VeriSign, Inc. (the "Company") was incorporated in Delaware in April 1995 when RSA Data Security, Inc. ("RSA") contributed equipment, other assets, and technology for common stock. This transfer of nonmonetary assets was recorded at the founder's historical cost basis. The Company provides Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure electronic commerce and communications over the Internet, intranets and extranets ("IP Networks"). The Company provides both public and private certificate authority services to organizations needing digital certificates for website authentication, intranet and extranet access control, electronic commerce services and virtual private network connections.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of intercompany accounts and transactions. As of December 31, 1997 and September 30, 1998, the Company owned approximately 50.5% of the outstanding shares of capital stock of its subsidiary, VeriSign Japan. The Company accounts for changes in its proportionate share of the net assets of VeriSign Japan resulting from sales of capital stock by the subsidiary as equity transactions.

Interim Financial Information

The financial information as of September 30, 1998 and for the nine months ended September 30, 1997 and 1998 is unaudited but includes all adjustments, consisting only of normal recurring adjustments, that the Company considers necessary for the fair presentation of the Company's operating results and cash flows for such periods. Results for the nine months ended September 30, 1998 are not necessarily indicative of the results to be expected for the full fiscal year of 1998 or for any future period.

Foreign Currency Translation

The functional currency for the Company's international subsidiaries is the U.S. dollar; however, the subsidiaries' books of record are maintained in local currency. As a result, the subsidiaries' financial statements are remeasured into U.S. dollars using a combination of current and historical exchange rates and any remeasurement adjustments are included in net loss, along with all transaction gains and losses for the period.

Cash, Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents include money market funds, commercial paper and various deposit accounts.

Investments held by the Company are classified as "available-for-sale" and are carried at fair value based on quoted market prices. Such investments consist of commercial paper, medium term notes, foreign government bonds and corporate bonds with original maturities beyond 3 months and less than 12 months. Unrealized gains and losses as of December 31, 1996 and 1997 and September 30, 1998, and realized gains and losses for the periods presented were not material.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three to five years.

Revenue Recognition

Revenues from the sale or renewal of digital certificates are deferred and recognized ratably over the life of the digital certificate, generally 12 months. Revenues from the sale of digital certificate software modules to distributors and affiliates are recognized upon delivery of the software and signing of an agreement, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant production, modification or customization of the software. Revenues from consulting and training services are recognized using the percentage-of-completion method, based on the ratio of costs incurred to total estimated costs for fixed-fee development arrangements or as the services are provided for time-and-materials arrangements. Revenues are recognized ratably over the term of the agreement for support and maintenance services. To the extent costs incurred and anticipated costs to complete fixed-fee contracts in progress exceed anticipated billings, a loss is accrued for the excess. To date, the Company has not experienced such losses. Deferred revenue principally consists of payments for unexpired digital certificates.

For software transactions entered into after January 1, 1998, the Company adopted the American Institute of Certified Public Accountants' ("AICPA") Statement of Position ("SOP") No. 97-2, Software Revenue Recognition. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on its relative fair value. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered. The adoption of SOP No. 97-2 did not have a material effect on the Company's operating results.

Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred subsequent to establishing technological feasibility, in the form of a working model, are capitalized and amortized over their estimated useful lives. To date, software development costs incurred after technological feasibility has been established have not been material.

Income Taxes

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

Stock-Based Compensation

The Company accounts for its equity-based compensation plan using the intrinsic value method.

Net Loss Per Share

Basic and diluted net loss per share has been computed using the weighted-average number of common shares outstanding during the period. The Company has excluded all convertible preferred stock and outstanding stock options from the calculation of diluted net loss per share because such securities would have been anti-dilutive for all periods presented. For the year ended December 31, 1995, 4,306,883 shares of convertible preferred stock and for each of the years ended December 31, 1996 and 1997 and the nine months ended September 30, 1997, 10,031,006 shares of convertible preferred stock were excluded from the calculation of diluted net loss per share in each period. There were no shares of convertible preferred stock outstanding at September 30, 1998. For the years ended December 31, 1995, 1996 and 1997 and the nine months ended September 30, 1997 and 1998, 1,274,750 shares, 1,608,075 shares, 2,592,789 shares, 2,164,956 shares and 3,504,145 shares, respectively, related to outstanding stock options were excluded from the calculation of diluted net loss per share.

Other Comprehensive Income (Loss)

The Company has no material components of other comprehensive income (loss).

Concentration of Credit Risk, Related Party Transactions and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments, and accounts receivable. The Company maintains its cash, cash equivalents, and short-term investments with high quality financial institutions and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions. The Company also performs ongoing credit evaluations of its customers and, generally, requires no collateral from its customers. The Company maintains an allowance for potential credit losses, but to date has not experienced significant write-offs. For the years ended December 31, 1995, 1996 and 1997 the Company added approximately $30,000, $22,000 and $387,000, respectively, to its allowance for doubtful accounts through charges to bad debt expense. Write-offs of uncollectible amounts totaled zero, $17,000 and $136,000 in these periods, respectively.

The Company provided services to VISA International Services Association ("VISA"), a 4% stockholder of the Company, under an agreement that included development and ongoing operations of a digital certificate system for VISA's member banks. VISA accounted for approximately 21%, 10%, 12% and 4% of the Company's revenues for the years ended December 31, 1996 and 1997 and the nine months ended September 30, 1997 and 1998, respectively, and 13%, 7% and 8% of accounts receivable as of December 31, 1996 and 1997 and September 30, 1998, respectively.

The Company entered into a development agreement in September 1997 with Security Dynamics Technologies, Inc. ("Security Dynamics"), the parent company of RSA, a 19% stockholder of the Company, to develop a customized certificate authority product in order to enable Security Dynamics to offer a product with encryption and digital certificate authority functionality. The development agreement provided that Security Dynamics pay the Company an aggregate of $2.7 million as an initial license fee, $900,000 of which was paid in October 1997 and the remainder of which is payable upon the achievement of certain milestones. The Company records revenue related to the development agreement using the percentage-of-completion method. Revenue from the development agreement accounted for approximately 4%, 3% and 6% of the Company's revenues for the year ended December 31, 1997 and the nine months ended September 30, 1997 and 1998, respectively. Security Dynamics accounted for approximately 9% of accounts receivable at September 30, 1998.

At December 31, 1996, the Company had two customers, a South African systems integrator and a financial services provider, that accounted for approximately 28% and 13%, respectively, of accounts receivable. The Company had no other customers that accounted for more than 10% of accounts receivable or more than 10% of revenues for any of the dates or periods presented.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparison of its carrying amount to future net cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property and equipment exceeds its fair market value. To date, no adjustments to the carrying value of the Company's long-lived assets have been required.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP No. 98-1 requires that entities capitalize certain costs related to internal-use software once certain criteria have been met. The Company expects that the adoption of SOP No. 98-1 will have no material impact on its financial position, results of operations or cash flows. The Company will be required to implement SOP No. 98-1 for the year ending December 31, 1999.

In April 1998, the AICPA issued SOP No. 98-5, Reporting on the Costs of Start-Up Activities. SOP No. 98-5 requires that all start-up costs related to new operations must be expenses as incurred. In addition, all start-up costs that were capitalized in the past must be written off when SOP No. 98-5 is adopted. The Company expects that the adoption of SOP No. 98-5 will have no material impact on its financial position, results of operations or cash flows. The Company will be required to implement SOP No. 98-5 for the year ending December 31, 1999.

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 established methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Because the Company currently holds no derivative instruments and does not engage in hedging activities, the Company expects that the adoption of SFAS No. 133 will have no material impact on its financial position, results of operations or cash flows. The Company will be required to implement SFAS No. 133 for the year ending December 31, 2000.

(2) Business Combination

In July 1998, VeriSign completed a merger with SecureIT, Inc. ("SecureIT") (hereafter collectively referred to as the "Company"). SecureIT is a provider of Internet and enterprise security solutions comprising a full range of products and services to assist clients with assessing, designing and implementing security solutions. The merger was effected by exchanging approximately 1,666,000 shares of VeriSign common stock for all of the outstanding common stock of SecureIT. Each share of SecureIT was exchanged for 0.164806 of one share of VeriSign common stock. In addition, outstanding SecureIT employee stock options were converted at the same exchange ratio into options to purchase approximately 190,000 shares of VeriSign common stock.

The merger constituted a tax-free reorganization and has been accounted for as a pooling-of-interests under Accounting Principles Board Opinion No. 16, "Business Combinations." Accordingly, all prior period financial statements have been restated to include the combined results of operations, financial position and cash flows of SecureIT as if it had always been a part of VeriSign. There were no intercompany transactions between VeriSign and SecureIT prior to the combination that required elimination and there were no material adjustments required to conform SecureIT's accounting policies to those of VeriSign. The Company recognized special charges of approximately $3.6 million in connection with the acquisition (see Note 11).

The results of operations previously reported by the separate companies and the combined amounts presented in the consolidated financial statements are summarized below.

	Year Ended December 31,		Six Months Ended June 30,
	1996	1997	1998
			(Unaudited)
	(In thousands)		
Revenues:			
VeriSign, Inc.	$ 1,351	$ 9,382	$ 9,303
SecureIT, Inc.	5	3,974	5,911
Combined	$ 1,356	$ 13,356	$ 15,214
Net income (loss):			
VeriSign, Inc.	$(10,243)	$(19,195)	$(10,092)
SecureIT, Inc.	(45)	606	600
Combined	$(10,288)	$(18,589)	$ (9,492)

(3) Cash, Cash Equivalents and Short-Term Investments

Available-for-sale securities included in cash, cash equivalents and short-term investments are as follows:

	December 31,		September 30,
	1996	1997	1998
			(Unaudited)
	(In thousands)		
Corporate bonds	$ --	$3,244	$ 1,999
Money market funds	521	4,300	1,644
U.S. government and agency securities	84	1,000	--
Commercial paper	--	1,060	23,479
Foreign government bonds	--	--	4,028
Medium term notes	--	--	8,306
	$605	$9,604	$39,456
Included in cash and cash equivalents	$605	$1,653	$15,090
Included in short-term investments	$ --	$7,951	$24,366

(4) Property and Equipment

Property and equipment are summarized as follows:

	December 31,		September 30,
	1996	1997	1998
			(Unaudited)
	(In thousands)		
Computer equipment and purchased software	$3,501	$ 8,107	$10,565
Office equipment, furniture and fixtures	792	1,444	1,714
Leasehold improvements	934	2,425	3,128
	5,227	11,976	15,407
Less accumulated depreciation and amortization	610	3,220	6,029
	$4,617	$ 8,756	$ 9,378

(5) Accrued Liabilities

A summary of accrued liabilities follows:

	December 31,		September 30,
	1996	1997	1998
			(Unaudited)
	(In thousands)		
Employee compensation	$ 566	$1,443	$1,994
Professional fees	354	95	381
Financing charges	732	--	--
Other	444	808	1,649
	$2,096	$2,346	$4,024

(6) Notes Payable

The Company's Japanese subsidiary had an available credit facility of 250,000,000 yen with a bank, which bore interest at a rate of 1.625% per annum and expired in December 1997. Borrowings were secured by certain assets of the subsidiary. As of December 31, 1996, borrowings under this facility aggregated $258,000.

The Company's Japanese subsidiary had available a revolving line of credit with a bank that provided up to $500,000, bore interest at 1.625% per annum and expired in May 1998. The line of credit was secured by a letter of credit in the same amount from the Company. There were no borrowings under this arrangement as of December 31, 1997.

In January 1997, the Company entered into an agreement for a non-revolving equipment line of credit with a financing company that provides up to $3,000,000, bears interest at 7.50% per annum and expires in March 1999. The line of credit is secured by the Company's fixed assets. The Company is obligated to grant a warrant to purchase up to 17,500 shares of common stock at $8.00 per share in the event the Company borrows funds under the equipment line of credit. There were no borrowings under this arrangement as of December 31, 1997.

(7) Stockholders' Equity

Initial Public Offering

On January 30, 1998, the Company completed its initial public offering (the "IPO") issuing 3,450,000 shares of its common stock (including 450,000 shares issued upon the exercise of the underwriters' over-allotment option) at an initial public offering price of $14 per share. The net proceeds to the Company from the offering, after deducting underwriting discounts and commissions and offering expenses incurred by the Company, were approximately $43.7 million. Concurrently with the IPO, each outstanding share of the Company's convertible preferred stock was automatically converted into one share of common stock.

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock. As of September 30, 1998, no shares of preferred stock had been issued.

Convertible Preferred Stock

In April 1995, the Company issued 4,306,883 shares of Series A convertible preferred stock to previously unrelated third parties, except for 425,000 shares issued to Security Dynamics. In February 1996, the Company issued 2,099,123 shares of Series B convertible preferred stock. A majority of the shares were issued to a previously unrelated third party venture capitalist and the remainder were issued to existing investors, including Security Dynamics and VISA. In November and December 1996, the Company issued 3,625,000 shares of Series C convertible preferred stock to previously unrelated third parties.

As of December 31, 1997, convertible preferred stock consisted of the following:

Series	Shares Authorized	Shares Issued and Outstanding	Liquidation Preference
A	4,306,883	4,306,883	$ 5,168,260
B	2,101,000	2,099,123	$ 5,037,895
C	3,875,000	3,625,000	$29,000,000
	10,282,883	10,031,006	$39,206,155

The rights preferences and privileges of the holders of convertible preferred stock were as follows:

- The holders of Series A, B and C preferred stock were entitled to noncumulative dividends, if and when declared by the Board of Directors, of $.10, $.20 and $.64 per share, respectively.

- Shares of preferred stock were convertible to common stock at any time at the rate of one share of common stock for each share of convertible preferred stock. The convertible preferred stock automatically converted to common stock upon the closing of the IPO.

- The holders of convertible preferred stock were protected by certain antidilutive provisions.

- The shares of Series A, B and C convertible preferred stock had a liquidation preference of $1.20, $2.40 and $8.00 per share, respectively, plus any declared and unpaid dividends.

- The convertible preferred stock generally voted equally with shares of common stock on an "as if converted" basis.

No dividends have been declared or paid on the convertible preferred stock or common stock since inception of the Company. SecureIT paid a Subchapter S distribution of $199,000 to its stockholders for minimum tax obligations during the nine months ended September 30, 1998.

Notes Receivable From Stockholders

In November 1996, the Company loaned several officers an aggregate of $543,000, due December 31, 2005, bearing interest at a rate per annum of 6.95%, payable quarterly. In August 1997, the Company loaned an officer an aggregate of $116,000, due December 31, 2006, bearing interest at a rate per annum of 6.87%, payable quarterly. The loans are full recourse, are collateralized by pledges of shares of common stock of the Company that were purchased and may be prepaid in part or in full without notice or penalty.

(8) Stock Compensation Plans

Stock Option Plans

As of December 31, 1997, a total of 7,278,809 shares of common stock were reserved for issuance under the Company's equity incentive plans (the "Plans"), including 4,145,000 shares authorized under the 1995 Stock Option Plan, 800,000 shares authorized under the 1997 Stock Option Plan, an additional 2,000,000 shares authorized under the 1998 Equity Incentive Plan, 125,000 shares authorized under the 1998 Directors Plan and 208,809 shares authorized under SecureIT's 1997 Stock Option Plan.

Concurrent with the Company's IPO, the 1995 Stock Option Plan and the 1997 Stock Option Plan (the "1995 and 1997 Plans") were terminated. Options to purchase common stock granted under the 1995 and 1997 Plans remain outstanding and subject to the vesting and exercise terms of the original grant. All shares that remained available for future issuance under the 1995 and 1997 Plans at the time of their termination were transferred to the 1998 Equity Incentive Plan. No further options can be granted under the 1995 and 1997 Plans. Options granted under the 1995 and 1997 Plans are subject to terms substantially similar to those described below with respect to options granted under the 1998 Equity Incentive Plan.

In October 1997 the Board of Directors (the "Board") adopted, and in January 1998 the stockholders approved, the 1998 Equity Incentive Plan (the "1998 Plan"). The 1998 Plan authorizes the award of options, restricted stock awards and stock bonuses.

Options may be granted at an exercise price not less than 100% of the fair market value of the Company's common stock on the date of grant for incentive stock options and 85% of such fair market value for nonqualified stock options. All options are granted at the discretion of the Company's Board and have a term not greater than 7 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters.

In October 1997 the Board adopted, and in January 1998 the stockholders approved the 1998 Directors Stock Options Plan (the "Directors Plan"). Members of the Board who are not employees of the Company, or any parent, subsidiary of affiliate of the Company, are eligible to participate in the Directors Plan. The option grants under the Directors Plan are automatic and nondiscretionary, and the exercise price of the options is 100% of the fair market value of the common stock on the date of the grant. Each eligible director who becomes a director on or after January 28, 1998 will initially be granted an option to purchase 15,000 shares on the date such director first becomes a director (the "Initial Grant"). On each anniversary of a director's Initial Grant or most recent grant if such director was ineligible to receive an Initial Grant, each eligible director will automatically be granted an additional option to purchase 7,500 shares of common stock if the director has served continuously as a director since the date of his Initial Grant or most recent grant. The term of the options under the Directors Plan is ten years and options vest as to 6.25% of the shares each quarter after the date of the grant, provided the optionee remains a director of the Company.

In connection with the acquisition of SecureIT, the Company assumed SecureIT's 1997 Stock Option Plan (the "SecureIT Plan"). The SecureIT Plan provided for the grant of both fixed and performance-based stock options. Options granted under the SecureIT Plan generally have a term of 7 years and vest over a four-year period, 25% on each anniversary of the grant date. No further options can be granted under the SecureIT Plan.

A summary of stock option activity under the Plans follows:

	Period from April 12, 1995 (Inception) to December 31, 1995		Year Ended December 31, 1996		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	--	$ --	1,274,750	$.12	1,608,075	$ .80
Granted	1,398,750	.12	2,022,700	.83	1,601,652	4.23
Exercised	--	--	(1,637,375)	.34	(532,781)	.46
Canceled	(124,000)	.12	(52,000)	.13	(84,157)	.93
Outstanding at end of period	1,274,750	.12	1,608,075	.80	2,592,789	3.00
Exercisable at end of period	86,457	.12	152,167	.12	258,088	.80
Weighted average fair value of options granted during the period		.03		.17		1.03

The following table summarizes information about stock options outstanding as of December 31, 1997:

	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
$ .01--$ .25	389,500	5.2 years	$ .14	116,159	$ .13
$ .61--$ .75	612,258	5.7 years	.75	118,304	.75
$1.50--$2.75	678,925	6.3 years	2.13	14,250	1.50
$4.00--$6.00	530,800	6.8 years	5.62	--	--
$6.06--$8.00	381,306	6.7 years	7.34	9,375	8.00
$ .01--$8.00	2,592,789	6.1 years	3.00	258,088	.80

1998 Employee Stock Purchase Plan

In December 1997, the Board adopted, and in January 1998, the stockholders approved, the 1998 Employee Stock Purchase Plan ("Purchase Plan"), for which 500,000 shares of the Company's common stock have been reserved. Eligible employees may purchase the Company's common stock through payroll deductions by electing to have between 2% and 10% of their compensation withheld. Each participant is granted an option to purchase the Company's common stock on the first day of each 24 month offering period and such option is automatically exercised on the last day of each six month purchase period during the offering period. The purchase price for the Company's common stock under the Purchase Plan is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period and the last day of the applicable purchase period. The first offering period began on January 30, 1998. Offering periods thereafter will begin on February 1 and August 1 of each year.

Pro Forma Information

The Company applies the intrinsic value method in accounting for its equity-based compensation plan. Had compensation cost for the Company's equity-based compensation plans been determined consistent with the fair value approach set forth in SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net loss would have been as follows:

	Period from April 12, 1995 (inception) to December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997
	(In thousands, except per share data)		
Net loss as reported	$(1,994)	$ (10,288)	$ (18,589)
Pro forma net loss under SFAS No. 123	(1,999)	(10,332)	(18,904)
Basic and diluted net loss per share as reported	(.43)	(2.07)	(2.61)
Pro forma basic and diluted net loss per share under SFAS No. 123	(.43)	(2.08)	(2.65)

The fair value of options granted during the period from April 12, 1995 (inception) to December 31, 1995 and the years ended December 31, 1996 and 1997 was estimated on the date of grant using the minimum value method using the following weighted-average assumptions for options granted under all plans except the SecureIT Plan: no dividend yield; risk-free interest rates of 6.11%, 6.21% and 6.14%, respectively; and an expected life of 5 years. Options granted under the SecureIT Plan during the year ended December 31, 1997 were valued using the minimum value method and weighted-average assumptions of no dividend yield, risk-free interest rate of 6.34% and an expected life of 4 years.

(9) Income Taxes

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

	December 31, 1996	December 31, 1997
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards and deferred start-up costs	$ 4,016	$ 11,579
Tax credit carryforwards	177	839
Other	162	507
	4,335	12,925
Valuation allowance	(4,355)	(12,925)
Net deferred tax assets	$ --	$ --

As of December 31, 1997, the Company has available net operating loss carryforwards for federal and California income tax purposes of approximately $26,900,000 and $27,100,000, respectively. The federal net operating loss carryforwards will expire, if not utilized, in 2010 through 2014. The California net operating loss carryforwards will expire, if not utilized, in 2003.

As of December 31, 1997, the Company has available for carryover research and experimental tax credits for federal and California income tax purposes of approximately $411,000 and $248,000, respectively. The federal research and experimental tax credits will expire, if not utilized, in 2010 through 2014. California

research and experimental tax credits carry forward indefinitely until utilized. The Company also has federal foreign tax credits of approximately $180,000, which expire, if not utilized, in 2001 and 2002.

The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. Accordingly, the Company's ability to utilize net operating loss and credit carryforwards may be limited as a result of such an "ownership change" as defined in the Internal Revenue Code.

(10) Commitments

Leases

The Company leases its facilities under operating leases that extend through 2002. Future minimum lease payments under the Company's noncancelable operating leases as of December 31, 1997, are as follows:

	(In thousands)
1998	$1,645
1999	1,667
2000	1,679
2001	1,293
2002	9
Total minimum lease payments	$6,293

In April 1998, the Company entered into a five-year operating lease for facilities for its SecureIT subsidiary in Norcross, Georgia. The annual minimum commitment for this lease is $156,000. In September 1998, the Company entered into a 6 1/2-year operating lease agreement for additional space contiguous to its headquarters facility. The annual minimum commitment related to this lease, which begins in January 1999, is $1.8 million.

Net rental expense under operating leases for the period from April 12, 1995 (inception) to December 31, 1995 and the years ended December 31, 1996 and 1997 and the nine months ended September 30, 1998, was $141,000, $621,000 and $1,722,000, respectively.

(11) Special Charges

Merger-related expenses

In connection with the acquisition of SecureIT in July 1998 (see Note 2), the Company recorded a special charge of $3.6 million for direct and other merger-related costs pertaining to the merger transaction and certain stock-based compensation charges. Merger transaction costs totaled $2.4 million and consisted primarily of fees for investment bankers, attorneys and accountants, filing fees and other related charges. The stock-based compensation charges of $1.2 million related to certain performance stock options held by SecureIT employees whose vesting either automatically accelerated upon change of control or were accelerated by VeriSign's Board of Directors subsequent to the merger.

VeriFone

In September 1996, VeriFone, Inc., which subsequently became a wholly-owned subsidiary of Hewlett-Packard Company, filed a lawsuit against the Company alleging, among other things, trademark infringement. In

November 1997, both parties executed a definitive agreement under which, among other things, the Company issued an aggregate of 250,000 shares of common stock, which were transferred to Hewlett-Packard, and the Company and VeriFone settled such claims. The settlement amount was recorded during the year ended December 31, 1997 as a $2.0 million charge to operations.

Microsoft

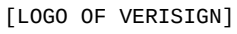
In November 1997, the Company entered into a preferred provider agreement with Microsoft Corporation ("Microsoft") whereby the companies will develop, promote and distribute a variety of client-based and server-based digital certificate solutions and the Company will be designated as the premier provider of digital certificates for Microsoft customers. In connection with the agreement, the Company issued 100,000 shares of common stock to Microsoft resulting in an $800,000 charge to operations.

(12) Geographic Information

Financial information by geographic area for the years ended December 31 was as follows:

	United States	Japan	Consolidated
	(In thousands)		
1996			
Revenues	$ 1,301	$ 55	$ 1,356
Operating loss	(9,326)	(1,733)	(11,059)
Total assets, excluding cash and cash equivalents	5,933	598	6,531
1997			
Revenues	12,983	373	13,356
Operating loss	(18,166)	(3,135)	(21,301)
Total assets, excluding cash and cash equivalents	18,202	3,760	21,962

Intergeographic transactions have not been significant to date. Other revenues derived from international customers aggregated $861,000 for the year ended December 31, 1997.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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. Other Expenses of Issuance and Distribution.

The expenses to be paid by the Registrant in connection with this offering are as follows. All amounts other than the SEC registration fee, NASD filing fee and Nasdaq National Market application fee are estimates.

SEC Registration Fee	$ 48,681.93
NASD Filing Fee	18,675.75
Nasdaq National Market Application Fee	17,500.00
Printing	100,000.00
Legal Fees and Expenses	150,000.00
Accounting Fees and Expenses	150,000.00
Blue Sky Fees and Expenses	10,000.00
Transfer Agent and Registrar Fees	20,000.00
Miscellaneous	35,142.32
Total	$550,000.00

ITEM 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act").

As permitted by the Delaware General Corporation Law, the Registrant's Third Amended and Restated Certificate of Incorporation includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases) or (iv) for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that (i) the Registrant is required to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions, (ii) the Registrant may indemnify its other employees and agents to the extent that it indemnifies its officers and directors, unless otherwise required by law, its Certificate of Incorporation, its Amended and Restated Bylaws, or agreement, (iii) the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions and (iv) the rights conferred in the Amended and Restated Bylaws are not exclusive.

The Registrant has entered into Indemnification Agreements with each of its current directors and certain of its executive officers and intends to enter into such Indemnification Agreements with each of its other executive officers to give such directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's Certificate of Incorporation and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of the Registrant regarding which indemnification is sought, nor is the Registrant aware of any threatened litigation that may result in claims for indemnification.

Reference is also made to Article VIII of the Underwriting Agreement, which provides for the indemnification of officers, directors and controlling persons of the Registrant against certain liabilities. The indemnification provisions in the Registrant's Certificate of Incorporation, Amended and Restated Bylaws and the Indemnification Agreements entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant has obtained directors' and officers' liability insurance with a per claim and annual aggregate coverage limit of $5 million.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

Document	Exhibit Number
Underwriting Agreement (draft dated January 4, 1999).....	1.01
Third Amended and Restated Certificate of Incorporation of Registrant.....	3.01
Amended and Restated Bylaws of Registrant.....	3.02
Form of Indemnification Agreement.....	10.05

ITEM 15. Recent Sales of Unregistered Securities.

The following table sets forth information regarding all securities sold by the Registrant since December 31, 1995.

Name or Class of Purchaser	Date of Sale	Title of Securities	Number of Shares	Aggregate Purchase Price	Form of Consideration
Kleiner Perkins Caufield & Byers VII.....	2/20/96	Series B Preferred Stock (1)	1,153,207	2,825,357	Cash
KPCB VII Founders Fund..	2/20/96	Series B Preferred Stock (1)	125,947	308,570	Cash
KPCB Information Sciences Zaibatsu Fund II.....	2/20/96	Series B Preferred Stock (1)	32,799	80,358	Cash
Bessemer Venture Partners DCI.....	2/20/96	Series B Preferred Stock (1)	187,819	460,157	Cash
Mitsubishi Corporation..	2/20/96	Series B Preferred Stock (1)	72,026	176,464	Cash
Security Dynamics Technologies, Inc.	2/20/96	Series B Preferred Stock (1)	72,026	176,464	Cash
Intel Corporation.....	2/20/96	Series B Preferred Stock (1)	144,052	352,927	Cash
Ameritech Development Corporation.....	2/20/96	Series B Preferred Stock (1)	72,026	176,464	Cash
GC&H Investments.....	2/20/96	Series B Preferred Stock (1)	5,589	13,693	Cash
Visa International Service Association....	2/20/96	Series B Preferred Stock (1)	144,052	352,927	Cash
Fischer Security Corporation L.L.C.	2/20/96	Series B Preferred Stock (1)	72,026	176,464	Cash
First TZMM Investment Partnership.....	2/20/96	Series B Preferred Stock (1)	17,554	43,007	Cash
Cisco Systems, Inc.	11/18/96	Series C Preferred Stock (1)	812,500	6,500,000	Cash
Microsoft Corporation...	11/18/96	Series C Preferred Stock (1)	812,500	6,500,000	Cash

Name or Class of Purchaser	Date of Sale	Title of Securities	Number of Shares	Aggregate Purchase Price	Form of Consideration
Venture Fund I, L.P. ...	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
COMCAST Investment Holdings, Inc.	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
First Data Corporation..	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
Intuit Inc.	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
Reuters New Media Inc.	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
SOFTBANK Ventures, Inc.	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
Merrill Lynch & Co., Incorporated.....	11/18/96	Series C Preferred Stock (1)	250,000	2,000,000	Cash
Amerindo Technology Growth Fund II.....	11/18/96	Series C Preferred Stock (1)	62,500	500,000	Cash
Attractor L.P.	11/18/96	Series C Preferred Stock (1)	62,500	500,000	Cash
Chancellor LGT Asset Management.....	11/18/96	Series C Preferred Stock (1)	62,500	500,000	Cash
Gemplus.....	12/17/96	Series C Preferred Stock (1)	62,500	500,000	Cash
26 consultants.....	3/28/96-1/29/98	Common Stock	90,405	172,150	Services
63 employee or director optionees.....	2/27/96-1/29/98	Common Stock (option exercises)	2,069,625(2)	796,543	Cash
Microsoft Corporation...	11/20/97	Common Stock	100,000	800,000	(3)
VeriFone, Inc./Hewlett-Packard Company.....	11/20/97	Common Stock	250,000	2,000,000	(4)
Stockholders of SecureIT, Inc.	7/6/98	Common Stock	1,666,186	70,084,966(5)	(6)

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(1) Each share of preferred stock automatically converted into one share of common stock upon the closing of VeriSign's initial public offering.

(2) Of these shares, 78,125 were repurchased by cancellation of a promissory note in the amount of $9,375, and 442,922 were subject to repurchase at December 31, 1998. The repurchase right lapses ratably over four years.

(3) The shares of common stock were issued in connection with a preferred provider agreement with VeriSign.

(4) The shares of common stock were issued in connection with the execution of certain agreements, including a settlement of claims, with VeriFone, Inc., which is owned by Hewlett-Packard Company.

(5) Based on the closing price of VeriSign's common stock on July 6, 1998 of $42.063 per share.

(6) All of the issued and outstanding capital stock of SecureIT, Inc.

All sales of common stock to employees made pursuant to the exercise of stock options granted under VeriSign's stock option plans or pursuant to restricted stock purchase agreements, and all sales to consultants for services, were made pursuant to the exemption from the registration requirements of the Securities Act afforded by Rule 701 promulgated under the Securities Act.

All other sales were made in reliance on Section 4(2) of the Securities Act and/or Regulation D promulgated under the Securities Act. These sales were made without general solicitation or advertising. Each purchaser was a sophisticated investor with access to all relevant information necessary to evaluate the investment who represented to the Registrant that the shares were being acquired for investment.

ITEM 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed herewith:

Exhibit Number	Exhibit Title
1.01	Underwriting Agreement (draft dated January 4, 1999).
2.01	Agreement and Plan of Reorganization dated as of July 6, 1998 by and between Registrant, VeriSign Merger Corp., SecurelT and the shareholders of SecureIT.(1)
3.01	Third Amended and Restated Certificate of Incorporation of the Registrant.(2)
3.02	Amended and Restated Bylaws of Registrant.(2)
4.01	Investors' Rights Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.(2)
4.02	First Amendment to Amended and Restated Investors' Rights Agreement dated as of July 7, 1998 by and between Registrant and certain stockholders of Registrant.(1)
4.03	Registration Rights Agreement dated as of July 6, 1998 by and between Registrant and the former shareholders of SecureIT.(3)
4.04	Form of Specimen Common Stock Certificate.(2)
5.01	Opinion of Fenwick & West LLP regarding legality of the securities being registered.*
10.05	Form of Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.(2)
10.06	Registrant's 1995 Stock Option Plan and related documents.(2)
10.07	Registrant's 1997 Stock Option Plan.(2)
10.08	Registrant's 1998 Directors' Stock Option Plan and related documents.(2)
10.09	Registrant's 1998 Equity Incentive Plan and related documents.(2)
10.10	Registrant's 1998 Employee Stock Purchase Plan and related documents.(2)
10.11	Registrant's Executive Loan Program of 1996.(2)
10.14	Form of Full Recourse Secured Promissory Note and Form of Pledge and Security Agreement entered into between the Registrant and certain executive officers.(2)
10.15	Assignment Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.(2)
10.16	BSAFE/TIPEM OEM Master License Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.(2)
10.17	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.(2)
10.18	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.(2)**
10.19	Master Development and License Agreement, dated September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.(2)**
10.20	License Agreement, dated December 16, 1996, between the Registrant and VeriSign Japan K.K.(2)
10.21	Loan Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.(2)
10.22	Security Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.(2)
10.23	VeriSign Private Label Agreement, dated April 2, 1996, between the Registrant and VISA International Service Association.(2)**
10.24	VeriSign Private Label Agreement, dated October 3, 1996, between the Registrant and VISA International Service Association.(2)**
10.25	Lease Agreement, dated August 15, 1996, between the Registrant and Shoreline Investments VII.(2)
10.26	Lease Agreement, dated September 18, 1996, between the Registrant and Shoreline Investments VII.(2)
10.27	Sublease Agreement, dated September 5, 1996, between the Registrant and Security Dynamics Technologies, Inc.(2)

Exhibit Number	Exhibit Title
10.28	Employment Offer Letter Agreement, between the Registrant and Stratton Sclavos, dated June 12, 1995, as amended October 4, 1995.(2)
10.29	Employment and Non-Competition Agreement between SecureIT and Jagtar Chaudhry.+
10.30	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.
10.31	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.
10.32	Sublease dated as of September 25, 1998 between the Registrant and Silicon Graphics, Inc.
21.01	Subsidiaries of the Registrant.+
23.01	Consent of Fenwick & West LLP (included in Exhibit 5.01).*
23.02	Consent of KPMG LLP.
24.01	Power of Attorney.+
27.01	Financial Data Schedule (available in EDGAR format only).+

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+ Previously filed.

(1) Previously filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 21, 1998 and incorporated herein by reference.

(2) Previously filed with the Commission as an exhibit to the Registrant's Registration Statement on Form S-1 (File Number 333-49789) and incorporated herein by reference.

(3) Previously filed with the Commission as an exhibit to the Registrant's Registration Statement on Form S-8 (File No. 333-58583).

* to be filed by amendment

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

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

ITEM 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 14th day of January, 1999.

VERISIGN, INC.

By: /s/ Stratton D. Sclavos

Stratton D. Sclavos
President and Chief Executive Officer

In accordance with the requirements of the Securities Act, this Amendment has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
Principal Executive Officer:		
/s/ Stratton D. Sclavos Stratton D. Sclavos	President, Chief Executive Officer and Director	January 14, 1999
Principal Financial and Principal Accounting Officer:		
/s/ Dana L. Evan Dana L. Evan	Vice President of Finance and Administration and Chief Financial Officer	January 14, 1999
Directors:		
/s/ D. James Bidzos* D. James Bidzos	Chairman of the Board	January 14, 1999
/s/ William Chenevich* William Chenevich	Director	January 14, 1999
/s/ Kevin R. Compton* Kevin R. Compton	Director	January 14, 1999
/s/ David J. Cowan* David J. Cowan	Director	January 14, 1999
/s/ Timothy Tomlinson* Timothy Tomlinson	Director and Secretary	January 14, 1999

*By: /s/ Dana L. Evan
Dana L. Evan
Attorney-in-Fact

EXHIBIT INDEX

Exhibit Number	Exhibit Title
1.01	Underwriting Agreement (draft dated January 4, 1999).
2.01	Agreement and Plan of Reorganization dated as of July 6, 1998 by and between Registrant, VeriSign Merger Corp., SecurelT and the shareholders of SecureIT.(1)
3.01	Third Amended and Restated Certificate of Incorporation of the Registrant.(2)
3.02	Amended and Restated Bylaws of Registrant.(2)
4.01	Investors' Rights Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.(2)
4.02	First Amendment to Amended and Restated Investors' Rights Agreement dated as of July 7, 1998 by and between Registrant and certain stockholders of Registrant.(1)
4.03	Registration Rights Agreement dated as of July 6, 1998 by and between Registrant and the former shareholders of SecureIT.(3)
4.04	Form of Specimen Common Stock Certificate.(2)
5.01	Opinion of Fenwick & West LLP regarding legality of the securities being registered.*
10.05	Form of Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.(2)
10.06	Registrant's 1995 Stock Option Plan and related documents.(2)
10.07	Registrant's 1997 Stock Option Plan.(2)
10.08	Registrant's 1998 Directors' Stock Option Plan and related documents.(2)
10.09	Registrant's 1998 Equity Incentive Plan and related documents.(2)
10.10	Registrant's 1998 Employee Stock Purchase Plan and related documents.(2)
10.11	Registrant's Executive Loan Program of 1996.(2)
10.14	Form of Full Recourse Secured Promissory Note and Form of Pledge and Security Agreement entered into between the Registrant and certain executive officers.(2)
10.15	Assignment Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.(2)
10.16	BSAFE/TIPEM OEM Master License Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.(2)
10.17	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.(2)
10.18	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.(2)**
10.19	Master Development and License Agreement, dated September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.(2)**
10.20	License Agreement, dated December 16, 1996, between the Registrant and VeriSign Japan K.K.(2)
10.21	Loan Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.(2)
10.22	Security Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.(2)
10.23	VeriSign Private Label Agreement, dated April 2, 1996, between the Registrant and VISA International Service Association.(2)**
10.24	VeriSign Private Label Agreement, dated October 3, 1996, between the Registrant and VISA International Service Association.(2)**
10.25	Lease Agreement, dated August 15, 1996, between the Registrant and Shoreline Investments VII.(2)
10.26	Lease Agreement, dated September 18, 1996, between the Registrant and Shoreline Investments VII.(2)
10.27	Sublease Agreement, dated September 5, 1996, between the Registrant and Security Dynamics Technologies, Inc.(2)

Exhibit Number	Exhibit Title
10.28	Employment Offer Letter Agreement, between the Registrant and Stratton Sclavos, dated June 12, 1995, as amended October 4, 1995.(2)
10.29	Employment and Non-Competition Agreement between SecureIT and Jagtar Chaudhry.+
10.30	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.
10.31	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.
10.32	Sublease dated as of September 25, 1998 between the Registrant and Silicon Graphics, Inc.
21.01	Subsidiaries of the Registrant.+
23.01	Consent of Fenwick & West LLP (included in Exhibit 5.01).*
23.02	Consent of KPMG LLP.
24.01	Power of Attorney.+
27.01	Financial Data Schedule (available in EDGAR format only).+

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+ Previously filed.

(1) Previously filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 21, 1998 and incorporated herein by reference.

(2) Previously filed with the Commission as an exhibit to the Registrant's Registration Statement on Form S-1 (File Number 333-49789) and incorporated herein by reference.

(3) Previously filed with the Commission as an exhibit to the Registrant's Registration Statement on Form S-8 (File No. 333-58583).

* to be filed by amendment

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

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

Exhibit 1.01

January __, 1999

Morgan Stanley & Co. Incorporated
Hambrecht & Quist LLC
Dain Rauscher Wessels
a division of Dain Rauscher Incorporated
BancBoston Robertson Stephens
c/o Morgan Stanley & Co., Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

VeriSign, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule II hereto (the "Underwriters"), and certain Stockholders of the Company named in Schedule I hereto (the "Selling Stockholders") severally propose to sell to the several Underwriters, an aggregate of 2,400,000 shares of the Company's common stock, $0.001 par value (the "Firm Shares"), of which _____ shares are to be issued and sold by the Company and _____ shares are to be sold by the Selling Stockholders, each Selling Stockholder selling the amount set forth opposite such Selling Stockholder's name in Schedule I hereto.

The Company also proposes to issue and sell to the several Underwriters not more than an additional 360,000 shares of its common stock, $0.001 par value (the "Additional Shares"), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares." The shares of common stock, $0.001 par value, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock." The Company and the Selling Stockholders are hereinafter sometimes collectively referred to as the "Sellers."

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "Securities Act"), is hereinafter referred to as the "Registration Statement"; the

prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "Prospectus." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

1. Representations and Warranties. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and corporate authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiary, taken as a whole.

(d) The Company has only three subsidiaries, VeriSign Japan K.K., a corporation incorporated under the laws of Japan ("VeriSign Japan"), VeriSign AB, a [corporation] organized under the laws of Sweden ("VeriSign AB") and

SecureIT, Inc., a Georgia corporation ("SecureIT") (collectively the "Subsidiaries"). Each of the Subsidiaries has been duly incorporated is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole. VeriSign Japan has 2,560 shares of capital stock issued and outstanding, of which the Company owns 1,292 shares. VeriSign AB has _____ shares of capital stock issued and outstanding, all of which the Company owns. SecureIT has _____ shares of capital stock issued and outstanding, all of which the Company owns. All of the issued shares of capital stock of the Subsidiaries have been duly and validly authorized and issued, and are fully paid and non-assessable, and those that are owned directly by the Company are owned free and clear of all liens, encumbrances, equities or claims. The Company does not own, directly or indirectly, an interest in any other corporation, partnership, business, trust or other entity required to be set forth in Exhibit 21.01 to the Registration Statement.

(e) The Company and each of the Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and the Subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries; and any real property and buildings held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and the Subsidiaries, in each case except as described in the Prospectus.

(f) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g) The shares of Common (including the Shares to be sold by the Selling Stockholders) Stock outstanding prior to the issuance of the Shares have been duly authorized, and are validly issued, fully paid and non-assessable. Except as set forth or contemplated in the Prospectus, neither the Company nor the Subsidiaries has outstanding any options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its

capital stock or any such options, rights, convertible securities or obligations. All outstanding shares of capital stock of the Company and options and other rights to acquire capital stock have been issued in compliance with the registration and qualification provisions of all applicable federal and state securities laws and were not issued in violation of any preemptive rights, rights of first refusal or other similar rights.

(h) The Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive rights, rights of first refusal or similar rights.

(i) This Agreement has been duly authorized, executed and delivered by the Company.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of the Subsidiaries that is material to the Company and the Subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any of the Subsidiaries, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares or by the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD").

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and the Subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

(l) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) the Company and the Subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term

debt of the Company and the Subsidiaries, except in each case as described in the Prospectus.

(m) There are no legal or governmental proceedings pending or threatened to which the Company or any of the Subsidiaries is a party or to which any of the properties of the Company or any of the Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(n) Each of the Company and the Subsidiaries has all necessary consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all federal, state, local, foreign and other governmental or regulatory authorities, all self-regulatory organizations and all courts and other tribunals, to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Prospectus, except to the extent that the failure to obtain or file would not have a material adverse effect on the Company and the Subsidiaries taken as a whole. Neither the Company nor any of the Subsidiaries has received any notice of proceedings related to the revocation or modification of any such consent, authorization, approval, order, certificate or permit which, singly or in the aggregate, if the subject of any unfavorable decision, ruling or finding, would have a material adverse effect on the Company and the Subsidiaries taken as a whole, except as described in the Prospectus.

(o) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, except for the omission of a price range and other information derived therefrom.

(p) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment Company" as such term is defined in the Investment Company Act of 1940, as amended.

(q) Except as described in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the

Company to include such securities with the Shares registered pursuant to the Registration Statement.

(r) The Company and each of the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of the Subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of the Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and the Subsidiaries taken as a whole, except as described in the Prospectus.

(s) The Company and the Subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(t) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(u) Except as disclosed in the Prospectus, (i) the Company and the Subsidiaries own or possess, or can acquire on reasonable terms, adequate licenses or other rights to use all material patents, copyrights, trademarks, service marks, trade names, technology and know-how currently employed by them to conduct their respective businesses in the manner described in the Prospectus, (ii) neither the Company nor any of the Subsidiaries has received any notice of infringement or conflict with (and neither the Company nor any of the Subsidiaries knows of any infringement or conflict with) asserted rights of others with respect to any patents, copyrights, trademarks, service marks, trade names,

trade secrets, technology or know-how (including, without limitation, trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) which could reasonably be expected to result in any material adverse effect upon the Company and the Subsidiaries, taken as a whole, and (iii) the discoveries, inventions, products or processes of the Company and the Subsidiaries referred to in the Prospectus do not, to the knowledge of the Company or any of the Subsidiaries, infringe or conflict with any right or patent of any third party, or any discovery, invention, product or process which is the subject of a published patent application filed by any third party, known to the Company or any of the Subsidiaries which could reasonably be expected to have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(v) The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(w) No material labor dispute with the employees of the Company or any of the Subsidiaries exists, except as described in or contemplated by the Prospectus, or, to the knowledge of the Company, is imminent; and, without conducting any independent investigation, the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could reasonably be expected to have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(x) The section of the Prospectus entitled "Shares Eligible for Future Sale" properly describes all agreements (collectively, the "Lock-up Agreements") that restrict the holders thereof from selling, making any short sale of, granting any option for the purchase of, or otherwise transferring or disposing of, any of such shares of Common Stock, or any such securities convertible into or exercisable or exchangeable for Common Stock, for the respective periods of time designated in such Lock-Up Agreements, without the prior written consent of the Company or Morgan Stanley & Co. Incorporated, and all of such Lock-up Agreements are valid and binding.

(y) The Nasdaq Stock Market, Inc. has approved the Shares to be issued by the Company for listing on the Nasdaq National Market upon official notice of issuance.

(z) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

2. Representations and Warranties of the Selling Stockholders. Each of the Selling Stockholders, including the Insiders (defined below), represents, warrants and covenants to and agrees with each of the Underwriters that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement, the Stockholder Irrevocable Election to Sell (the "Irrevocable Election"), the Selling Stockholder's Irrevocable Power of Attorney appointing certain individuals as such Selling Stockholder's attorneys-in-fact to the extent set forth therein (the "Power of Attorney"), and the Letter of Transmittal and Custody Agreement signed by such Selling Stockholder and ChaseMellon Shareholder Services, LLC, as Custodian, relating to the deposit of the Shares to be sold by such Selling Stockholder (the "Custody Agreement"), relating to the transactions contemplated hereby and by the Registration Statement will not contravene any provision of applicable law, or the articles of incorporation or by-laws of such Selling Stockholder (if such Selling Stockholder is a corporation), or any agreement or other instrument binding upon such Selling Stockholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Stockholder of its obligations under this Agreement, the Irrevocable Election, the Power of Attorney or the Custody Agreement of such Selling Stockholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) Such Selling Stockholder has, and on the Closing Date will have, valid title to the Shares to be sold by such Selling Stockholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Irrevocable Election, the Power of Attorney or the Custody Agreement and to sell, transfer and deliver the Shares to be sold by such Selling Stockholder.

(d) The Shares to be sold by such Selling Stockholder pursuant to this Agreement that are outstanding as of the date hereof have been duly authorized and are validly issued, fully paid and non-assessable, and the Shares to be sold by such Selling Stockholder that are issuable upon exercise of outstanding options, will be, upon receipt by the Company of the exercise price thereof, validly issued, fully paid and non-assessable.

(e) The Irrevocable Election, the Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Stockholder and each is a valid and binding agreement of such Selling Stockholder.

(f) Delivery of the Shares to be sold by such Selling Stockholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances.

(g) All information furnished in writing by or on behalf of such Selling Stockholder for use in the Registration Statement is, and on the Closing Date will be, true, correct, and complete, and does not, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading, and all information furnished in writing by or on behalf of such Selling Stockholder for use in the Prospectus is, and on the Closing Date will be, true, correct, and complete, and does not, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading in the light of the circumstances under which they were made.

(h) Such Selling Stockholder has reviewed the information contained in the Registration Statement and, based on such review and such Selling Stockholder's knowledge of the industry, the Company and its business (but without further investigation), such Selling Stockholder does not have knowledge that, and nothing has come to such Selling Stockholder's attention that would give such Selling Stockholder reason to believe that, at the time the Registration Statement became or becomes, as the case may be, effective and at all times subsequent thereto up to and on the Closing Date and on any Option Closing Date, (i) the Registration Statement and the Prospectus, and any amendments or supplements thereto, contained or will contain any untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, and any amendments or supplements thereto effective on or prior to the Closing Date or any Option Closing Date, contained or will contain any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the

statements therein, in the light of the circumstances under which they were made, not misleading.

3. Additional Representations and Warranties of the Insider Selling Stockholders. Each of the Selling Stockholders that is an Insider (defined below) represents and warrants to and agrees with each of the Underwriters that such Selling Stockholder has reviewed the Company's representations and warranties contained in Section 2 of this Agreement and, based on such review and such Selling Stockholder's knowledge of the industry, the Company and its business (but without further investigation), such Selling Stockholder does not have knowledge that, and nothing has come to such Selling Stockholder's attention that would give such Selling Stockholder reason to believe that any of such Company representations and warranties are not true and correct. "Insider" shall mean the Selling Stockholders that are officers and/or directors of the Company.

4. Agreements to Sell and Purchase. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at $_____ a share (the "Purchase Price") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to issue and sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to 360,000 Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the sale of any Shares to the Underwriters to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of stock options or warrants outstanding on the date hereof or described as outstanding or reserved for issuance under the option plans described in the Prospectus, or any other issuances of Common Stock or options to acquire Common Stock hereafter under the option or equity incentive plans described in the Prospectus, or (C) the issuance by the Company of Common Stock under the employee stock purchase plan described in the Prospectus. In addition, each Selling Stockholder agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 90 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

5. Terms of Public Offering. The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at $_____ a share (the "Public Offering Price") and to certain dealers selected by you at a price that represents a concession not in excess of $____ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $____ a share, to any Underwriter or to certain other dealers.

6. Payment and Delivery. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____ __, 1999[4 DAYS AFTER DATE OF AGREEMENT], or at such other time on the same or such other date, not later than _____ __, 1999[5 DAYS AFTER DATE OF AGREEMENT], as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date".

Payment for any Additional Shares shall be made to [the Company][each Seller] in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the notice described in Section 4 or at such other time on the same or on such other date, in any event not later than _____ __, 1999[10 DAYS AFTER OPTION EXPIR.], as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Option Closing Date".

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

7. Conditions to the Underwriters' Obligations. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:30 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and the Subsidiary, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and

that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 5(a) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by the Selling Stockholders (or by their attorney-in-fact on their behalf), to the effect that the representations and warranties of the Selling Stockholders (and, in the case of the Selling Stockholders that are Insiders, that the additional representations and warranties of the Selling Stockholders that are Insiders) contained in this Agreement are true and correct as of the Closing Date and that each Selling Stockholder has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

(d) The Underwriters shall have received on the Closing Date an opinion of Fenwick & West LLP, special securities counsel for the Company, dated the Closing Date, to the effect that:

(i) each of the Company, VeriSign AB and SecureIT has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and corporate authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole;

(ii) the authorized capital stock of the Company conforms in all material respects as to legal matters to the description thereof contained in the Prospectus;

(iii) the shares of Common Stock (including the Shares to be sold by the Selling Stockholders) outstanding prior to the issuance of the Shares have been duly authorized, are validly issued and non-assessable, and to such counsel's knowledge, are fully paid;

(iv) the Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive right or right of first refusal pursuant to the Company's certificate of incorporation or bylaws or, to such counsel's knowledge, similar rights;

(v) this Agreement has been duly authorized, executed and delivered by the Company;

(vi) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or, to such counsel's knowledge, any agreement or other instrument binding upon the Company or any of the Subsidiaries that is material to the Company and the Subsidiaries, taken as a whole, or, to such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any of the Subsidiaries that specifically refers to or is binding on the Company or any of the Subsidiaries, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares by the Underwriters or the rules and regulations of the NASD (as to which such counsel need not express any opinion);

(vii) the statements (A) in the Prospectus under the captions "Risk Factors--Future Sale of Shares Could Affect Our Stock Price," "Dividend Policy," "Certain Transactions," "Shares Eligible for Future Sale," "Description of Capital Stock," "Management" and "Underwriters" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(viii) such counsel does not know of any legal, regulatory or governmental proceedings pending or threatened to which the Company or any of the Subsidiaries is a party or to which any of the properties of the Company or any of the Subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(ix) the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(x) to such counsel's knowledge: (1) based solely on oral advice of the Staff of the Commission, the Registration Statement has become effective under the Securities Act; (2) no stop order proceedings with respect to the Registration Statement have been instituted or are pending or threatened under the Securities Act and nothing has come to such counsel's attention to lead it to believe that such proceedings are contemplated; and (3) any required filing of the Prospectus and any supplement thereto pursuant to Rule 424(b) under the Securities Act has been made in the manner and within the time period required by such Rule 424(b);

(xi) no shares of Common Stock are required to be registered under the Registration Statement and no person or entity has any right to cause any shares of Common Stock to be registered under the Registration Statement, pursuant to the Company's certificate of incorporation or by-laws or, to such counsel's knowledge, any agreement or other right, which rights have not been validly waived; and

(xii) based on a letter from the NASDAQ Stock Market, the shares to be sold under this Agreement to the Underwriters are duly authorized for quotation on the NASDAQ National Market; and

(xiii) in addition to the matters set forth above, counsel rendering the foregoing opinion shall also include a statement to the effect that nothing has come to the attention of such counsel that causes it to believe that (i) the Registration Statement (except as to the financial statements, the notes thereto and the other financial and statistical data contained therein, as to which such counsel need not express any opinion or belief) at the date the Registration Statement became effective contained any untrue

statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (2) the Prospectus (except as to the financial statements, the notes thereto and the other financial and statistical data contained therein, as to which such counsel need not express any opinion or belief) as of its date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (3) the Registration Statement or the Prospectus (except as to the financial statements, the notes thereto and the other financial and statistical data contained therein, as to which such counsel need not express any opinion or belief) did not comply as to form in all material respects with the Securities Act and the applicable rules and regulations thereunder.

(e) The Underwriters shall have received on the Closing Date an opinion of Fenwick & West LLP, counsel for the Selling Stockholders, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized, executed and delivered by or on behalf of each of the Selling Stockholders;

(ii) the execution and delivery by or on behalf of each Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement and the Irrevocable Election, the Power of Attorney and the Custody Agreement of such Selling Stockholder will not contravene any provision of applicable law, or the articles of incorporation or bylaws or trust documents, as applicable, of such Selling Stockholder or, to the best of such counsel's knowledge, any agreement or other instrument binding upon such Selling Stockholder or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder;

(iii) no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by each Selling Stockholder of its obligations under this Agreement and the Irrevocable Election, the Power of Attorney and the Custody Agreement of such Selling Stockholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(iv) each of the Selling Stockholders is the sole registered owner of the Shares to be sold by such Selling Stockholder, has valid title

to the Shares to be sold by such Selling Shareholder and has the legal right and power and all authorization and approval required by law to enter into this Agreement and the Irrevocable Election, the Power of Attorney and the Custody Agreement of such Selling Stockholder and to sell, transfer and deliver the Shares to be sold by such Selling Stockholder;

(v) the Irrevocable Election, the Power of Attorney and the Custody Agreement of each Selling Stockholder has been duly authorized, executed and delivered by such Selling Stockholder and are valid and binding agreements of such Selling Stockholder;

(vi) upon the delivery of and payment for the Shares as contemplated in the Underwriting Agreement, each of the Underwriters will receive valid marketable title to the Shares purchased by it from such Selling Stockholder, free of any adverse claim, assuming the Underwriters purchase such Shares for value, in good faith and without notice of any adverse claim, as such terms are defined in the Uniform Commercial Code in effect in the State of California.

(f) The Underwriters shall have received on the Closing Date an opinion of Wilson Sonsini Goodrich & Rosati, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 7(d)(iv), 7(d)(v), 7(d)(vii) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and 7(d)(xiii) above.

With respect to Section 7(d)(xiii) above, Fenwick & West and Wilson Sonsini Goodrich & Rosati may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified.

The opinion of Fenwick & West described in Section 7(d) and 7(e) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

With respect to Section 7(e) above, Fenwick & West LLP may rely upon an opinion or opinions of counsel for any Selling Shareholders and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of each Selling Shareholder contained herein and in the Irrevocable Election, the Custody Agreement and the Power of Attorney of such Selling Shareholder and in other documents and instruments; provided that (A) each such counsel for the Selling Shareholders is satisfactory to your counsel, (B) a copy of each opinion so relied upon is delivered to you and is in form and

substance satisfactory to your counsel, (C) copies of such Irrevocable Elections, Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to you and shall be in form and substance satisfactory to your counsel and Fenwick & West LLP shall state in their opinion that they are justified in relying on each such other opinion.

(g) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from KPMG Peat Marwick LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(h) The "Lock-up Agreements," each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(i) The Shares shall have received approval for listing, upon official notice of issuance, on the Nasdaq National Market.

(j) The Underwriters shall have received on the Closing Date an opinion of counsel to VeriSign Japan, dated the Closing Date, to the effect that:

(i) VeriSign Japan has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and corporate authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and the Subsidiaries, taken as a whole;

(ii) VeriSign Japan has 2,560 shares of capital stock issued and outstanding, of which the Company owns 1,292 shares; and all of the issued shares of capital stock of VeriSign Japan have been duly and validly authorized and issued, are fully paid and non-assessable and such

shares which are owned by the Company are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims; and

(iii) the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of the certificate of incorporation or by-laws of VeriSign Japan.

All the agreements, opinions, certificates and letters mentioned above or elsewhere in this Agreement shall be deemed in compliance with the provisions hereof only if Wilson Sonsini Goodrich & Rosati, counsel for the Underwriters, shall be reasonably satisfied that they comply in form and scope.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares and an opinion or opinions of Fenwick & West LLP in form and substance satisfactory to Wilson Sonsini Goodrich & Rosati, counsel for the Underwriters.

8. Covenants of the Company. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, five (5) signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 5:00 p.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or

dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the reasonable opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending March 31, 2000 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) During a period of three years from the effective date of the Registration Statement, the Company will furnish to you copies of (i) all reports to its stockholders and (ii) all reports, financial statements and proxy or information statements filed by the Company with the Commission or any national securities exchange.

(g) The Company will apply the proceeds from the sale of the Shares as set forth under "Use of Proceeds" in the Prospectus.

(h) The Company will use its best efforts to obtain and maintain in effect the quotation of the Shares on the Nasdaq National Market and will take all necessary steps to cause the Shares to be included on the Nasdaq National Market as promptly as practicable and to maintain such inclusion for a period of three years after the date hereof or until such earlier date as the Shares shall be listed for regular trading privileges on another national securities exchange approved by you.

(i) The Company will comply with all registration, filing and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which may from time to time be applicable to the Company.

(j) The Company will comply with all provisions of all undertakings contained in the Registration Statement.

(k) Prior to the Closing Date, the Company will not, directly or indirectly, issue any press release or other communication and will not hold any press conference with respect to the Company, or its financial condition, results of operations, business, properties, assets, or prospects or this offering, without your prior written consent.

(l) The Company agrees: (i) to enforce the terms of each Lock-up Agreement and (ii) issue stop-transfer instructions to the transfer agent for the Common Stock with respect to any transaction or contemplated transaction that would constitute a breach of or default under the applicable Lock-up Agreement. In addition, except with the prior written consent of Morgan Stanley, the Company agrees (i) not to amend or terminate, or waive any right under, any Lock-up Agreement, or take any other action that would directly or indirectly have the same effect as an amendment or termination, or waiver of any right under, any Lock-up Agreement, that would permit any holder of shares of Common Stock, or securities convertible into or exercisable or exchangeable for Common Stock, to sell, make any short sale of, grant any option for the purchase of, or otherwise transfer or dispose of, any of such shares of Common Stock or other securities prior to the expiration of 90 days after the date of the Prospectus, and (ii) not to consent to any sale, short sale, grant of an option for the purchase of, or other disposition or transfer of shares of Common Stock, or securities convertible into or exercisable or exchangeable for Common Stock, subject to a Lock-up Agreement.

(m) The Company will place a restrictive legend on any shares of Common Stock acquired by a person subject to a Lock-Up Agreement pursuant to the exercise, after the date hereof and prior to the expiration of the 90-day period after the date of the Prospectus, of any option granted under the option or equity incentive plans described in the Prospectus, which legend shall restrict the transfer of such shares prior to the expiration of such 90-day period.

(n) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities

hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 8(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and one half the cost of any aircraft chartered or limousines hired in connection with the road show, and (ix) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, travel, meals and lodging expenses of the representatives and officers of the Underwriters, the costs of conference rooms and meals for "road show" meetings, one half the cost of any aircraft chartered or limousines hired in connection with the "road show," stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

9. Indemnity and Contribution. (a) The Company and the Selling Stockholders that are Insiders, jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements

thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein; provided, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 8(a) hereof. The liability of each Selling Stockholder that is an Insider under the indemnity agreement contained in this paragraph 9(a) shall be limited to an amount equal to the net proceeds received by such Selling Stockholder from the offering of the Shares sold by such Selling Stockholder (and from the offering of any other Shares hereunder which are reflected in the Prospectus (under the caption "Principal and Selling Stockholders") as beneficially owned by such Selling Shareholder prior to the offering (notwithstanding any disclaimer of beneficial ownership that may be in the Prospectus)).

(b) Each Selling Stockholder (other than the Selling Stockholders that are Insiders) agrees, severally and not jointly, to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, or is under common control with, or is controlled by, any Underwriter, and the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only (i) with reference to information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto or (ii) to the extent that the Selling Stockholder had knowledge that or reason to believe that the Registration Statement, any

preliminary prospectus, the Prospectus or any amendments or supplements thereto contained such untrue statement or alleged untrue statement or omission or alleged omission, and except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein. The liability of each Selling Stockholder under the indemnity agreement contained in this paragraph shall be limited to an amount equal to the net proceeds received by such Selling Stockholder from the offering of the Shares sold by such Selling Stockholder (and from the offering of any other Shares hereunder which are reflected in the the Prospectus (under the caption "Principal and Selling Stockholders") as beneficially owned by such Selling Shareholder prior to the offering (notwithstanding any disclaimer of beneficial ownership that may be in the Prospectus)).

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Stockholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any selling Stockholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), 9(b) or 9(c), such person (the "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and

the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Stockholders and all persons, if any, who control any Selling Stockholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of any Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Stockholders and such control persons of any Selling Stockholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Stockholders under the Power of Attorney. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Indemnifying Party of the aforesaid request and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

(e) To the extent the indemnification provided for in Section 9(a), 9(b) or 9(c) is unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Party under such paragraph, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such

losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Party or parties on the one hand and the Indemnified Party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(e)(i) above but also the relative fault of the Indemnifying Party or parties on the one hand and of the Indemnified Party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(e). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Stockholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, any Selling Stockholder or any person controlling any Selling Stockholder or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. Termination. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the NASD, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses 8(a)(i) through 8(a)(iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than

one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Stockholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders. In any such case either you or the relevant Selling Stockholders shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

In witness whereof, the undersigned have signed this Agreement as of the date first above written:

Very truly yours,

VERISIGN, INC.

By:

Name:
Title:

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Hambrecht & Quist LLC
Dain Rauscher Wessels
a division of Dain Rauscher Incorporated
BancBoston Robertson Stephens

Acting severally on behalf
of themselves and the
several Underwriters named
in Schedule I hereto.

By: Morgan Stanley & Co. Incorporated

By:

Name:
Title:

The Selling Stockholders named in Schedule I
hereto that are not Insiders, acting severally

By:

Name:
Title: Attorney-in-fact

The Selling Stockholders named in Schedule I
hereto that are Insiders

By:

Name: Straton Sclavos

By:

Name: Timothy Tomlinson

By:

Name: Dana Evan

By:

Name: William Chenevich

By:

Name: D. James Bidzos

By:

Name: Kevin R. Compton

By:

Name: Jagtar S. Chaudhry

By:

Name: David J. Cowan

By:

Name: Quentin Gallivan

By:

Name: Arnold Schaeffer

By:

Name: Richard A. Yanowitch

SCHEDULE I

Selling Stockholder	Number of Firm Shares To Be Sold
	_____
	_____
	_____
	_____
Total.....	_____

SCHEDULE II

Underwriter	Number of Firm Shares To Be Sold
Morgan Stanley & Co. Incorporated	_____
Hambrecht & Quist LLC	_____
Dain Rauscher Wessels	_____
BancBoston Robertson Stephens	_____
Total.....	_____

Exhibit A

[FORM OF LOCK-UP LETTER]

December __, 1998

Morgan Stanley & Co. Incorporated
Hambrecht & Quist LLC
Wessels, Arnold & Henderson, L.L.C.
Dain Rauscher Wessels
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036

Dear Sirs and Mesdames:

The undersigned understands that Morgan Stanley & Co. Incorporated ("Morgan Stanley") proposes to enter into an Underwriting Agreement (the "Underwriting Agreement") with VeriSign, Inc., a Delaware corporation (the "Company"), providing for the public offering (the "Public Offering") by the several Underwriters, including Morgan Stanley (the "Underwriters"), of shares (the "Shares") of the Common Stock, one-tenth of one cent ($0.001) par value per share, of the Company (the "Common Stock").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus relating to the Public Offering (the "Prospectus"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the sale of any Shares to the Underwriters pursuant to the Underwriting Agreement or (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Public Offering. In addition, the undersigned agrees that, without the prior written consent of Morgan Stanley on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

EXHIBIT 10.30

AMENDMENT NUMBER ONE TO MASTER DEVELOPMENT AND LICENSE AGREEMENT

THIS AMENDMENT NUMBER ONE TO MASTER DEVELOPMENT AND LICENSE AGREEMENT (the "Amendment") by and between Security Dynamics Technologies, Inc., a Delaware corporation, together with its Affiliates (collectively, "SDTI") and VeriSign, Inc., a Delaware corporation ("VeriSign"), is made this __ day of December, 1998 (the "Effective Date") with respect to that certain Master Development and License Agreement dated September 30, 1997 between SDTI and VeriSign (the "Master Agreement").

RECITALS

WHEREAS, pursuant to the Master Agreement, SDTI engaged VeriSign to customize certain computer software owned by VeriSign which related to digital certificate authentication and local registration authority (the customized software was referred to in the Master Agreement and herein as the "Developed Technology");

WHEREAS, VeriSign granted to SDTI a nonexclusive license under VeriSign's Intellectual Property Rights in its Pre-Existing Technology (each as defined in the Master Agreement) to the extent it is incorporated in the Developed Technology to use, copy, modify and prepare derivative works of the Developed Technology, and to distribute the Developed Technology to End-Users; and

WHEREAS, SDTI and VeriSign desire to amend the Master Agreement to provide that: (a) for a period of up to five (5) years from the Effective Date, VeriSign will appoint SDTI its exclusive licensee for the Developed Technology, pursuant to SDTI's payment of certain amounts described in this Amendment; and (b) SDTI will embed in the Developed Technology certain software code owned by VeriSign in order to ensure that the Developed Technology remains Functionally Compatible (as defined below) with the VeriSign OnSite Platform (as defined below).

AGREEMENT

NOW THEREFORE, in reliance on the foregoing Recitals and in consideration of the mutual consideration recited therein and contained herein, the parties agree as follows:

1) Defined Terms. Any capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Master Agreement.

2) The following new defined terms are added to Section 1 of the Master Agreement (Definitions):

1.23 "Affiliate" means any entity controlled by, controlling, or under common control with, SDTI.

1.24 "Bundled Products" means a hardware or software product or service created by a third party which incorporates the Developed Technology or the Products.

1.25 "Contract Year" means, initially, the 364 consecutive days following the Effective Date, and thereafter, each consecutive twelve-month period.

1.26 "Functionally Compatible" means that the Developed Technology and the VeriSign OnSite Platform are designed to enable a user of either product to switch to the other product while maintaining much of that user's application investment in the original product. The parties anticipate that this objective will be accomplished primarily by providing for certificate lifecycle protocol compatibility for applications and toolkits interfacing with the products.

The term "Functionally Compatible" does not require: (A) that the administrative interfaces for the Developed Technology and the VeriSign OnSite Platform be identical, nor (B) that the management and/or operation of the Developed Technology and the VeriSign OnSite Platform be substantially similar.

1.27 "Net Revenue" means: (i) with respect to each sale or license of Developed Technology and Products to any OEM, revenue which is recognized by SDTI in accordance with generally accepted accounting principles, net of discounts and returns, and (ii) with respect to each sale or license of the VeriSign OnSite Service to any New OnSite Customer, revenue which is recognized by VeriSign in accordance with generally accepted accounting principles, net of discounts and returns.

1.28 "New OnSite Customer" means any third party who purchases or licenses the VeriSign OnSite Service subsequent to that party's purchase of Products and/or Developed Technology from SDTI.

1.29 "OEM" means any third party engaged in the business of creating and selling Bundled Products to End Users under OEM's own trademarks by virtue of the authority of SDTI.

1.30 "Updates" means, collectively, Upgrades, Enhancements, and Error Corrections.

1.31 "VAR" means any third party in the business of reselling or distributing the Developed Technology or Products not as part of any Bundled Product, whether under its own trademarks or trademarks specified by SDTI, by virtue of the authority of SDTI.

1.32 "VeriSign OnSite Platform" means the public key infrastructure platform created by VeriSign and required by End-Users to implement the VeriSign OnSite Service, and any successor or replacement platforms.

1.33 "VeriSign OnSite Service" means that digital certificate management and issuing service marketed by VeriSign and currently known as "OnSite", and any successor or replacement services.

3) Section 4.2 (Developed Technology) of the Master Agreement is hereby deleted
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in its entirety and replaced with the following new Section 4.2:

4.2 Developed Technology. On the terms and subject to the conditions set
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forth herein, VeriSign grants to SDTI an exclusive (subject to the provisions of Paragraph 5 of Exhibit E of the Master Agreement),
---

perpetual, worldwide license, under VeriSign's Intellectual Property Rights in its Pre-Existing Technology to the extent that it is incorporated in the Developed Technology to:

(a) use, copy, modify, and prepare derivative works of the Developed Technology in Source Code Form and Object Code Form;

(b) license, copy and distribute the Developed Technology and Products in Source Code Form and Object Code Form to OEMs, with rights to: (i) modify functions contained in the Developed Technology, (ii) prepare derivative works of the Developed Technology, (iii) incorporate the Developed Technology into OEM's products in order to create Bundled Products, and (iv) sublicense its rights with respect to the Developed Technology in Object Code Form as part of the Bundled Products to OEM's licensees for use only in their own products;

(c) license, copy and distribute the Developed Technology and Products in Object Code Form to VARs, with rights to further distribute or resell the Products; and

(d) copy and distribute the Developed Technology in Source Code Form (solely for deposit into escrow at the request of any End-User) and Object Code Form to End-Users.

Notwithstanding anything to the contrary contained herein, from time to time VeriSign may develop and sell software modules or other programs which: (1) are part of the Developed Technology, and (2) are required by VeriSign to be distributed in Source Code Form to users. In such event, the rights granted to SDTI herein shall permit SDTI to copy and distribute such software in Source Code Form to VARs and End-Users.

SDTI acknowledges that it shall retain its exclusive status for any Contract Year only if SDTI elects to prepay the royalties for such Contract Year in accordance with Section 5 of Exhibit E to the Master Agreement.

VeriSign acknowledges and agrees that so long as SDTI retains its exclusive status, VeriSign shall have no right to license, sell, market or distribute the Developed Technology to any third party. Notwithstanding the foregoing, SDTI acknowledges and agrees that during the term of this Agreement, VeriSign may license or distribute to Strategic Partners (as defined below) technology which performs functions substantially similar to the Developed Technology (but which utilizes a code base substantially different from the code base of the Developed Technology) for the purpose of permitting those Strategic Partners to create a certificate issuing and management service substantially similar to the VeriSign OnSite Service or VeriSign's public certificate services (each, a "Similar Service"). For purposes of this paragraph, the term "Strategic Partner" shall mean: (i) any third party located outside of the United States with whom VeriSign contracted to create a Similar Service, or (ii) any third party with whom VeriSign has contracted to create an industry-specific vertical market for a Similar Service, regardless of the geographic location of that entity.

During the term of this Agreement, SDTI may not: (i) license the Developed Technology to any third party or use the Developed Technology itself for the purposes of creating and marketing a service similar in purpose to the VeriSign OnSite Service, or (ii) except as expressly permitted herein, perform or permit any sublicensing or other distribution of the Developed Technology in Source Code Form. SDTI's rights in the Developed Technology licensed hereunder shall be limited to those expressly granted in this Agreement.

4) The following new paragraph is inserted at the end of Section 4.3 (Access to Technology) of the Master Agreement:

During the term of this Agreement, VeriSign shall provide to SDTI the technical support and design consulting services set forth on Exhibit H attached hereto. SDTI shall incorporate certain portions of the VeriSign OnSite Platform into the Developed Technology, as SDTI's product release schedule permits, in order to ensure that the Developed Technology is Functionally Compatible with the VeriSign OnSite Platform. In addition, VeriSign shall ensure that the VeriSign OnSite Platform remains Functionally Compatible with the Developed Technology.

5) Section 4.4 (Trademarks) of the Master Agreement is amended by adding the following new paragraph (d) following existing Section 4.4(c):

(d) Notwithstanding anything to the contrary contained herein, VeriSign acknowledges that: (i) SDTI shall have the right to market, distribute and sell the Developed Technology and Products under its own trademarks, and (ii) SDTI may permit OEMs and VARs to market, distribute and sell the Developed Technology and Products under such party's trademarks.

6) The following new Section 6.5 is inserted at the end of Section 6 (VeriSign's Obligations and Development Undertakings) of the Master Agreement:

6.5 Transfer of Existing OEMs and Prospect List to SDTI.

(a) Transfer of Existing OEMs to SDTI. VeriSign acknowledges that, as of the date hereof, it has licensed the Developed Technology to certain OEMs, including Cisco Systems. In order to assure that those OEMs receive consistent support and maintenance for the Developed Technology, VeriSign shall use its best efforts to transfer customer support obligations for those customers to SDTI. To that end, VeriSign shall deliver to SDTI at no charge, within 30 days following the Effective Date, all information currently in VeriSign's possession which SDTI could reasonably be expected to find useful in order to assume customer support for those OEMs, including but not limited to customer contracts, support records and bug tracking databases. Following the Effective Date, VeriSign and SDTI will work together to: (i) inform those OEMs of the transition, and (ii) effect the transition in an orderly fashion, including but not limited to implementation of a process pursuant to which any maintenance and support calls relating to the Developed Technology from those customers who elect to receive support from SDTI that are received by VeriSign are forwarded to SDTI.

(b) Transfer of VeriSign Prospect List to SDTI. In furtherance of the transactions contemplated by this Agreement, within 30 days following the Effective Date, VeriSign will transfer to SDTI its prospect list for potential purchasers of the Developed Technology. VeriSign will provide reasonable assistance to SDTI in connection with the transition of these prospects to SDTI's sales force, including but not limited to assistance with sales calls, and introductions to customer contacts. Thereafter, VeriSign shall direct any new leads for the Developed Technology to SDTI, and following the Effective Date, the parties will implement a process pursuant to which all such leads are so directed to SDTI's sales force.

7) Section 9 of the Master Agreement (License Fees; Royalty Payments) is amended by inserting the following new Section 9.6 after existing Section 9.5:

9.6 Prepaid Royalties. SDTI shall prepay royalties as described in Paragraph 4 of Exhibit E hereto in order to maintain its status as exclusive distributor of the Developed Technology.

8) Section 10 (Confidential Information) of the Master Agreement is amended by inserting the following new Section 10.5 after existing Section 10.4:

10.5 News Releases. Following execution of this Agreement, SDTI and VeriSign will jointly issue a news release regarding the transactions contemplated in this Agreement. Otherwise, no public statements inconsistent with previously authorized and released news releases shall be made or released to any medium except with the prior approval of the other party, or as required by law or governmental regulation.

9) Exhibit C to the Master Agreement (Statement of Work) is hereby amended by adding to the conclusion thereof the additional text contained in the attached Exhibit C.

10) The following new paragraphs 4 though 7 are added to Exhibit E to the Master Agreement (License and Royalty Payments):

4) License Expansion Fee. Upon execution of this Amendment, SDTI shall pay VeriSign a license expansion fee equal to Five Hundred Thousand Dollars ($500,000) in consideration of VeriSign's expansion of license rights granted to SDTI pursuant to the Master Agreement.

5) Royalties on Sales of Products.

(a) Sales to OEMs. During the term of this Agreement, in connection with the sale or license of Products to an OEM, SDTI shall pay VeriSign the following royalties as follows:

(i) Object Code Licenses. With respect to licenses of the Developed Technology in Object Code Form, SDTI will pay VeriSign a royalty equal to:

1. zero percent (0%) until such time as SDTI has received Net Revenue equal to Two Million Eight Hundred Thousand Dollars ($2,800,000) from OEMs who have licensed the Developed Technology in Object Code Form; and

2. the greater of (A) eighteen percent (18%) of Net Revenue, and (B) eighteen percent (18%) of sixty percent (60%) of RSA's current list price for such a license, after such time as SDTI has received Net Revenue in an amount greater than Two Million Eight Hundred Thousand Dollars ($2,800,000) from OEMs who have licensed the Developed Technology in Object Code Form; and

(ii) Source Code Licenses. With respect to licenses of the Developed Technology in Source Code Form, SDTI will pay VeriSign a royalty equal to Fifty Percent (50%) of Net Revenue derived from the sale or license of Developed Technology in Source Code Form to the OEM; provided however, that SDTI will also pay VeriSign the royalty specified in section 4(a)(i) above with respect to any sales or licenses of Developed Technology in Object Code Form to such OEM. Amounts due to VeriSign pursuant to each sale or license described in this paragraph 4(a)(ii) shall equal not less than Twenty-five Thousand Dollars ($25,000).

Notwithstanding the foregoing, in the event that any OEM desires to receive a copy of the Products in Source Code Form to place in escrow pursuant to an executed Source Code Escrow Agreement in effect between SDTI and that OEM, then SDTI shall not be obligated to pay VeriSign any royalties in connection with that copy of the Product placed in escrow; provided that in the event that such copy of the Product is released from escrow following the occurrence of any release condition specified in the escrow agreement, then SDTI shall pay VeriSign the royalties set forth in this paragraph 4(a)(ii).

(b) Sales to VARs. During the term of this Agreement, in connection with the sale or license of Products to a VAR, SDTI shall not be obligated to pay VeriSign any royalties.

SDTI shall be obligated to pay the royalties set forth in this Paragraph 4 only after SDTI has recouped in full all amounts prepaid by SDTI pursuant to paragraph 6 of this Exhibit E. In order to permit VeriSign to calculate royalties due to it pursuant to the terms of Paragraph 4(a)(i) above, SDTI shall deliver to VeriSign from time to time its current published price list for the Developed Technology.

6) Royalty Prepayments. SDTI will prepay royalties in the following amounts in order to maintain exclusive rights to distribute the Developed Technology during up to the first five Contract Years of the Agreement:

(a) In order to maintain its exclusive status in the First Contract Year, SDTI will pay VeriSign an amount equal to One Million One Hundred and Thirty Five Thousand Dollars ($1,135,000) (the "First Royalty Prepayment"), payable as follows:

(i) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-two percent (22%) of the First Royalty Prepayment within forty-five (45) days following the commencement of the first Contract Year;

(ii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-four percent (24%) of the First Royalty Prepayment within forty-five (45) days following the commencement of the second quarter of the first Contract Year;

(iii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-six percent (26%) of the First Royalty Prepayment within forty-five (45) days following the commencement of the third quarter of the first Contract Year; and

(iv) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign twenty-eight percent (28%) of the First Royalty Prepayment within forty-five (45) days following the commencement of the fourth quarter of the first Contract Year.

(b) In order to maintain its exclusive status in the second Contract Year, SDTI will pay VeriSign an amount equal to Two Million Two Hundred Fifty Thousand Dollars ($2,250,000) (the "Second Royalty Prepayment"), payable quarterly as follows:

(i) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-two percent (22%) of the Second Royalty Prepayment within forty-five (45) days following the commencement of the second Contract Year;

(ii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-four percent (24%) of the Second Royalty Prepayment within forty-five (45) days following the commencement of the second quarter of the second Contract Year;

(iii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-six percent (26%) of the Second Royalty Prepayment within forty-five (45) days following the commencement of the third quarter of the second Contract Year; and

(iv) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign twenty-eight percent (28%) of the Second Royalty Prepayment within forty-five (45) days following the commencement of the fourth quarter of the second Contract Year.

(c) In order to maintain its exclusive status in the third Contract Year, SDTI will pay VeriSign an amount equal to Three Million Dollars ($3,000,000) (the "Third Royalty Prepayment"), payable quarterly as follows:

(i) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-two percent (22%) of the Third Royalty Prepayment within forty-five (45) days following the commencement of the third Contract Year;

(ii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-four percent (24%) of the Third Royalty Prepayment within forty-five (45) days following the commencement of the second quarter of the third Contract Year;

(iii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-six percent (26%) of the Third Royalty Prepayment within forty-five (45) days following the commencement of the third quarter of the third Contract Year; and

(iv) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign twenty-eight percent (28%) of the Third Royalty

Prepayment within forty-five (45) days following the commencement of the fourth quarter of the third Contract Year.

(d) In order to maintain its exclusive status in the fourth Contract Year, SDTI will pay VeriSign an amount equal to Four Million Dollars ($4,000,000) (the "Fourth Royalty Prepayment"), payable quarterly as follows:

(i) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-two percent (22%) of the Fourth Royalty Prepayment within forty-five (45) days following the commencement of the fourth Contract Year;

(ii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-four percent (24%) of the Fourth Royalty Prepayment within forty-five (45) days following the commencement of the second quarter of the fourth Contract Year;

(iii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-six percent (26%) of the Fourth Royalty Prepayment within forty-five (45) days following the commencement of the third quarter of the fourth Contract Year; and

(iv) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign twenty-eight percent (28%) of the Fourth Royalty Prepayment within forty-five (45) days following the commencement of the fourth quarter of the fourth Contract Year.

(e) In order to maintain its exclusive status in the fifth Contract Year, SDTI will pay VeriSign an amount equal to Four Million Dollars ($4,000,000) (the "Fifth Royalty Prepayment"), payable quarterly as follows:

(i) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-two percent (22%) of the Fifth Royalty Prepayment within forty-five (45) days following the commencement of the fifth Contract Year;

(ii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-four percent (24%) of the Fifth Royalty Prepayment within forty-five (45) days following the commencement of the second quarter of the fifth Contract Year;

(iii) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign Twenty-six percent (26%) of the Fifth Royalty Prepayment within forty-five (45) days following the commencement of the third quarter of the fifth Contract Year; and

(iv) Subject to the terms of Section 6(f) below, SDTI will pay VeriSign twenty-eight percent (28%) of the Fifth Royalty Prepayment within forty-five (45) days following the commencement of the fourth quarter of the fifth Contract Year.

(f) All royalties (including prepaid royalties) due from SDTI shall be nonrefundable, and prepaid royalties shall be payable by SDTI net 30 days from the date of any invoice from VeriSign. In no event shall SDTI be in breach hereunder for failure to pay any royalties not invoiced by VeriSign. Royalties prepaid in each Contract Year are cumulative and do not expire; e.g. in the event that royalties which would be due to VeriSign in any Contract Year are less than royalties prepaid by SDTI to date, then SDTI shall receive credit for all unused royalties prepaid to date. For example, if at the start of the third Contract Year, SDTI has prepaid royalties to VeriSign in the amount of $3,350,000, but royalties otherwise due to VeriSign from SDTI's sale of Products during the first Contract Year and second Contract Year equal only $1,000,000, then SDTI is credited with an additional $2,350,000 of prepaid royalties in addition to royalties prepaid by SDTI for the third Contract Year.

(g) Notwithstanding the foregoing, SDTI may at its sole discretion, elect not to maintain its exclusivity at any time. In the event that SDTI elects not to maintain its exclusivity, SDTI will: (i) inform VeriSign in writing of its decision at least ninety (90) days prior to the end of any Contract Year; (ii) if SDTI so elects not to maintain exclusivity during the first three Contract Years, deliver to VeriSign, within thirty (30) days following delivery of such notice, an amount equal to the royalty prepayment which would otherwise be due for the first two quarters of the following Contract Year; (iii) if SDTI so elects not to maintain exclusivity during the fourth Contract Year, deliver to VeriSign, within thirty (30) days following delivery of such notice, an amount equal to the royalty prepayment which would otherwise be due for the first quarter of the fifth Contract Year; and (iv) have no further obligation to pay the remaining royalty prepayments described in this paragraph; provided however, that any
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payments remaining for the Contract Year in which the election not to maintain exclusivity is made must be paid on the schedule set forth in this Section 6. In the event SDTI elects not

to maintain its exclusivity during the fifth Contract Year, SDTI will not owe any additional royalty prepayments to VeriSign.

(h) Upon expiration of the fifth Contract Year, the license granted herein shall be nonexclusive, unless otherwise agreed in writing by the parties.

7. Sale of the VeriSign OnSite Service. During the term of this Agreement, VeriSign shall pay SDTI a bounty equal to Eight Percent (8%) of Net Revenue received by VeriSign by each New OnSite Customer during that customer's first year of using the VeriSign OnSite Service. VeriSign shall deliver to SDTI amounts due to SDTI hereunder within thirty days following the end of each calendar quarter, together with a report including sufficient information to enable SDTI to calculate amounts due to SDTI during such prior calendar quarter. Such report shall include the name of the New OnSite Customer, the first year revenue recognized by VeriSign from that New OnSite Customer, and shall be deemed to be Confidential Information.

Furthermore, VeriSign shall keep all proper records and books of account and proper entries therein relating to its sale of the VeriSign OnSite Service to New OnSite Customers. On no less than 30 days' prior written notice and no more than once annually, SDTI may request that an independent certified public accountant audit the applicable records during regular business hours at VeriSign's offices to verify statements rendered hereunder. SDTI shall bear the expenses of any such audit; provided that if such audit reveals that bounties paid by VeriSign for any period are less than 95% of what should have been paid by VeriSign, on SDTI's request, VeriSign shall pay the reasonable costs of such audit in addition to royalties then due and owing to SDTI.

11) Amount Due Under Statement of Work. Pursuant to the original statement of work set forth as Exhibit C to the Agreement, SDTI agreed to pay VeriSign an amount equal to Three Hundred Sixty Thousand Dollars ($360,000) (the "Final Milestone Payment") upon completion of the final milestone of work due from VeriSign. As a result of reprioritization of work that SDTI has requested that VeriSign complete, SDTI agrees to pay VeriSign the Final Milestone Payment upon occurrence of Release 1 as set forth in the revised Statement of Work attached hereto as Exhibit C. Release 1 is currently targeted to occur on January 28, 1999.

12) No Conflict with Noncompetition Agreement. Subject to the terms of Section 4.2 hereof, VeriSign acknowledges and agrees that the arrangements contemplated by this

Amendment, and SDTI's performance of its obligations hereunder, do not conflict with the noncompetition obligations of SDTI set forth in Paragraph 2.1 of the Non-Compete and Non-Solicitation Agreement dated April 1995 in effect between VeriSign and SDTI's subsidiary, RSA Data Security, Inc. ("RSA").

13) Execution of RSA Amendment. Simultaneously herewith, RSA and VeriSign are executing Amendment Number Two to BSAFE/TIPEM Master License Agreement dated April 18, 1995 (the "RSA Amendment"). The parties acknowledge and agree that execution of the RSA Amendment is a condition to the effectiveness of this Amendment, and if either party fails to execute the RSA Amendment, then this Amendment is void and of no force and effect.

14) Counterparts. This Amendment may be executed in counterparts, each of which shall be an original and together which shall constitute one and the same instrument.

15) Effect of Amendment. This Amendment amends the Master Agreement as of the Effective Date, and except as amended hereby, the Master Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment Number One as of the date first above written.

VERISIGN, INC.	SECURITY DYNAMICS TECHNOLOGIES, INC.
By: /s/ Stratton Sclavos	By: /s/ Albert E. Sisto
Title: President and CEO	Title: Chief Operating Officer

EXHIBIT "C"
STATEMENT OF WORK

SCOPE OF ENGINEERING SUPPORT FOR RSA LICENSE OF OEM PRODUCT

This document is the fifth draft of the proposed scope of VeriSign Engineering Support that will be provided as part of the RSA contract to license the VeriSign OEM product.

1. MAINTENANCE

VeriSign will provide fixes to bugs reported by RSA. Bug fixes will normally be distributed in the form of periodic maintenance releases, or in the case of severe bugs patches will be supplied.

2. TECHNICAL SUPPORT

Technical support will be provided to RSA to assist in problem diagnosis and resolution. This support will be provided to RSA Engineering, and will not be provided directly to RSA customers.

3. DESIGN CONSULTING

Design consulting services will be provided to RSA to assist RSA in developing enhancements and modifications to the OEM product. This is expected to be in the form of responding to questions about the internals of the OEM product, and providing advice about how to best implement a new feature or modification.

Two areas where VeriSign anticipates that design consulting will be required are in the areas of key management and support for hardware signers.

The design consulting support will be limited to 1 man month of effort.

4. FEATURE ENHANCEMENTS

RSA has identified a number of additional features that are required, and has requested that they are delivered in four releases. These features will be delivered on both the Solaris and NT platforms.

RELEASE 1

Release 1 will be an intermediate development release and will not have the same level of testing performed on it as other releases. Integration and QA time will be limited to 5 days in order to have minimal impact on the ship dates of the later releases.

4.1 CREATE A HOME PAGE AT THE SUBSCRIBER WEB SERVER THAT LINKS TO EACH JURISDICTION'S USER SERVICES PAGE.

A page will be created that contains a link to each jurisdiction's user services page.

4.2 DUAL KEY SUPPORT

A form of dual key support will be implemented according to the specification that SDI supplied to VeriSign. The implementation of this requirement will allow the user to select the type of certificate (signing, encryption or both signing and encryption) from the enrollment form. If two certificates are required, two separate enrollments will have to be done. In addition to providing the capability to request

and deliver certificates that have the key usage se in this way, modifications will be made to allow multiple certificates for the same DN but with different key usage.

4.3 FURTHER AUTOMATION OF INSTALLATION

Currently, the Master Encryption Key and the access control signers must be created by the system administrator after installation. Support will be provided to move these tasks to installation. Currently, the Web UI passes certain parameters to the CGI programs that perform the processing required. Instead of this, the installation process that RSA will write will capture the required input and pass it to the CGI programs. It is not expected that any change of functionality will be required of the OEM product to support this change, and it is assumed that the installation process will start the query manager before creating the access control signers. RSA will be performing this task.

RELEASE 2
- ---------

4.4 REMOVE THE REQUIREMENT TO RESTART THE SIGNING SERVER AFTER THE CREATION OF NEW SIGNERS

Currently after signer has been added using the signer wizard, the signing server must be restated manually so that the new signer can be loaded in to the signing server. The need to perform this manual step will be eliminated. Instead, the signer wizard will send a message to the signing server to that will cause it to load the new signer automatically.

4.5 USE ONE LINK FOR CERTIFICATE RETRIEVAL

Currently, there are separate links for certificate retrieval, one for each browser type. A change will be implemented such that there is one link that will work for both the Netscape and the IE browsers.

4.6 IMPORT SIGNER FUNCTION

Currently the PKCS10 Certificate Signing Request is generated as a file, and the user has to retrieve it from the file system. Instead of this, an option from the signer management function will be added that displays the PKCS10 as a BASE64 encoded string that can be easily copied from the page.

RELEASE 3
- ---------

4.7 INTERNATIONAL SUPPORT

Currently, text that is present in the Web pages of the user interface and the messages stored in the logging server can be localized, but entry fields do not support international character sets. Additional support will be implemented to allow international character sets to be used in the majority of entry fields.

This support will be the same as tat implemented in VeriSign's core software, briefly described as follows. Each Web page of the UI can have a new name value pair added that defines that encoding scheme to be 7 bit ASCII, 8 bit or multi-byte. Sophia uses this value to then translate the encoding scheme into UTF8 using the support that is in Solaris 2.6 (which is a pre-requisite). The UTF8 encoded data is then used by the backend, and data is stored in the database in the UTF8 format. Although the CA software does have the capability of putting the UTF8 representation of the international character set into a certificate, this is not a practice that VeriSign currently follows because many applications that use certificates to do yet have the support to deal with this.

VeriSign does not currently have an implementation on NT, and this will be created as part of this task in a manner as close to the above implementation as possible. Further, it is assumed that the Progress database is able to handle UTF8, and if work has to be done that is specific to the use of Progress that is not included

within the scope of work.

RELEASE 4
- ---------

4.8 ADD CF/LF AS LINE TERMINATORS TO ALL THE INSTALLED TEXT FILES NO NT.

CR/LF will be added as line terminators to the installed text files on NT.

4.9 EXPORT SIGNER FUNCTION

A new function will be added that is the inverse of the Import Signer function. It will provide the capability to sign a CSR of a signer that is resident in another OEM CA server. In this way, a hierarchy can be created with the other CA subordinate to the OEM CA that performs this new function. This function will allow the import of a CSR, will be able to sign the CSR and will be able to export the signed CA certificate.

4.10 PROVIDE SUPPORT FOR THE CRS PROTOCOL

Support will be implemented for the CRS protocol so that the OEM CA can provide services supported by this protocol. These services include enrollment, pickup, and revocation.

4.11 CERTIFICATE VALIDATION MODULE

This is a standalone module that plugs into a Netscape or IIS Web server and performs CRL retrieval and certificate validation. Currently, it works with the VeriSign Onsite 4.0 service. This module will be made to work with the OEM CA. That is, the certificate validation module will be able to download CRLs from the OEM CA in the same way that it does today from the VeriSign Onsite service.

4.12 API FOR AUTOMATED AUTHENTICATION

An API will be developed that will provide the capability to be able to interfere with a user written function that will provide automated approval of a certificate request. The capability that will be provided will be functionally similar to that which is provided by the Onsite auto admin toolkit. However, the implementation will be different because there is no need to distribute the functionality to a front end RA as is done in Onsite. Instead, the API that currently exists in the auto admin toolkit will be implemented in the CA server so that the user does not have to set up the auto admin toolkit which is designed for use in a service environment.

4.13 AUTOMATED CERTIFICATE RENEWAL FEATURES

In Onsite 4.0, a number of features for automated certificate have been added. These features will be added to the OEM CA product.

4.14 ADD DATABASE PURGE CAPABILITY.

A database purge capability will be created so that old entries can be purged from database tables. A UI will be provided that requests the system administrator to provide a date prior to which all entries will be purged.

RESOURCE ASSUMPTIONS

VeriSign will commit resources as follows:

1/1/99 to 4/22/99 - 4 Engineers

4/23/99 to 12/31/99 - 3 Engineers

It is assumed that the design consulting is evenly distributed throughout the year. If heavy consulting is needed in a particular period, this may impact the release schedule, and VeriSign will inform RSA at the time of the request for consulting.

SCHEDULE FOR RELEASES
- ---------------------

The target dates for the release are as follows:

Release 1 1/28/99
Release 2 3/4/99
Release 3 4/23/99
Release 4 9/28/99

5. OPEN ISSUES

RSA has expressed an interest in being able to have the Application Integration Toolkit included in the scope of this agreement. The licensing issues associated with this are currently being researched.

Exhibit H

VeriSign Support

During the term of this Agreement, VeriSign shall provide to SDTI person-power equivalent to up to three persons dedicated to maintenance, technical support, design consulting, compatibility, and enhancement of the Developed Technology.

In the first Contract Year, the specific named set of deliverables for the activities specified above are outlined in Exhibit C (Statement of Work), and any VeriSign support efforts will be directed toward fulfilling those deliverables. In subsequent years and at least annually, VeriSign and SDI will meet to determine the allocation of person-power to the categories specified above. The parties acknowledge and agree that the primary purpose of these ongoing activities is for maintenance and support of the Developed Technology and to ensure that the Developed Technology is Functionally Compatible with the VeriSign OnSite Platform.

In order to ensure that the products are Functionally Compatible, VeriSign shall deliver to SDTI updates for the VeriSign OnSite Platform as required by SDTI at no cost.

After completing necessary maintenance and technical support for SDTI, remaining person-power will be applied to design consulting and enhancement activity as determined at the meeting discussed above.

EXHIBIT 10.31

AMENDMENT NUMBER TWO TO
BSAFE/TIPEM OEM MASTER LICENSE AGREEMENT

THIS AMENDMENT NUMBER TWO TO BSAFE/TIPEM OEM MASTER LICENSE AGREEMENT (the "Amendment") by and between RSA Data Security, Inc., a Delaware corporation ("RSA") and VeriSign, Inc., a Delaware corporation ("VeriSign"), is made this __ day of December, 1998 (the "Effective Date") with respect to that certain BSAFE/TIPEM OEM Master License Agreement dated April 18, 1995 between RSA and VeriSign, as amended by Amendment Number One ("Amendment Number One") to BSAFE/TIPEM OEM Master License Agreement between RSA and VeriSign dated May 1996 (as amended from time to time, the "Master Agreement").

RECITALS

WHEREAS, pursuant to the Master Agreement, RSA licensed to VeriSign the cryptography toolkits known as BSAFE and TIPEM, and RSA agreed to incorporate the VeriSign Root Key (as defined in Amendment Number One) into products manufactured by third parties that include RSA products which process certificates ("Certificate Products");

WHEREAS, RSA and VeriSign desire to amend the Master Agreement to provide that: (a) VeriSign will subscribe to RSA's maintenance program , and (b) RSA will have the right to request that root keys other than VeriSign's be included in certain Certificate Products (as defined herein), all on the terms described herein; and

WHEREAS, each party acknowledges that execution of this Amendment is in the best interest of such party.

AGREEMENT

NOW THEREFORE, in reliance on the foregoing Recitals and in consideration of the mutual consideration recited therein and contained herein, the parties agree as follows:

1) Defined Terms. Any capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Master Agreement.

2) RSA Maintenance Plan; Delivery of Updates.

a) RSA Maintenance Plan. Not later than June 30, 1999, retroactive to the Effective Date of this Amendment, VeriSign will execute RSA's support and maintenance agreement attached hereto as Exhibit A (the "Support Agreement"). For so long as VeriSign desires to receive New Releases and New Versions of the Licensed Software, VeriSign will pay RSA yearly maintenance fees equal to fifty percent (50%) of RSA's standard published maintenance fees.

b) Amendment of Section 4 of Master Agreement. In connection with OEM's execution of the Support Agreement, Section 4 of the Master Agreement (Support and Maintenance) is deleted in its entirety and is replaced with the following sentence:

In order to receive maintenance and support for the Licensed Technology, VeriSign shall execute the Support Agreement attached hereto as Exhibit A on or before June 30, 1999.

c) Delivery of BSAFE Crypto-C v.4.0. The parties acknowledge and agree that, on December 7, 1998, RSA delivered to VeriSign a copy of BSAFE Crypto-C v.4.0 in Source Code Form in reliance on VeriSign's representation that it intended to execute this Amendment, the Support Agreement, and the SDTI OEM Amendment (as defined in Paragraph 5 below). VeriSign shall execute the Support Agreement on or before June 30, 1999, retroactive to the Effective Date of this Amendment.

3) VeriSign Root Key. Paragraph 6 of Amendment No. 1 is hereby amended by adding the following new subparagraph 6.9 after existing subparagraph 6.8:

6.9 Notwithstanding anything to the contrary set forth in this Amendment, VeriSign acknowledges and agrees that from time to time, RSA's customers may request that RSA include a root key in addition to the VeriSign Root Key (an "Alternative Root Key") in a Certificate Product. RSA may include only an Alternative Root Key in cases where it is not technically feasible to incorporate more than one root key in any Certificate Product. If any customer so requests the inclusion of an Alternative Root Key, RSA will deliver to VeriSign in writing a request for VeriSign's consent to such inclusion of the Alternative Root Key, and VeriSign shall not unreasonably withhold its consent. In the event that VeriSign does not unequivocally grant or deny such request within twenty-one (21) days following VeriSign's receipt of such request, then VeriSign's consent shall be deemed to be given on the twenty-second day following such request, and RSA shall have the right to include the Alternative Root Key in the Certificate Product specified in the notice.

4) Notices. Section 9.7 of the Master Agreement (Notices) is hereby deleted in its entirety, and the following new section 9.7 shall be substituted in its place:

9.7 Notices. Any notices required or permitted to be given pursuant to the Master Agreement shall be in writing, and may be personally delivered, telecopied (with confirmation by recognized overnight courier), or sent by recognized overnight courier to the following addresses, or to such other address as may be specified from time to time by notice in writing. Any such notice shall be deemed to have been given when received.

To VeriSign: VeriSign, Inc.
1390 Shorebird Avenue
Mountain View, CA 94043
Attention: Chief Financial Officer
Fax: (650) 961-8853

With a copy to: Fenwick & West
2 Palo Alto Square
Palo Alto, CA 94306
Attention: Robert Dellenbach, Esq.
Fax: (650) 494-1417

To RSA: RSA Data Security, Inc.
2955 Campus Drive, Suite 400
San Mateo, CA 94403
Attention: Vice President, Business Development
Fax: (650) 295-7704

With a copy to: Security Dynamics Technologies, Inc.
36 Crosby Drive
Bedford, MA 01730
Attention: Chief Operating Officer
Fax: (781) 301-5420

With a copy to: Security Dynamics Technologies, Inc.
36 Crosby Drive
Bedford, MA 01730
Attention: General Counsel
Fax: (781) 301-5420

5) Execution of SDTI OEM Amendment. Simultaneously herewith, RSA's parent, Security Dynamics Technologies, Inc. ("SDTI") and VeriSign are executing an amendment to the Master Development and License Agreement dated September 30,

1997 by and between SDTI and VeriSign (the "SDTI OEM Amendment"), pursuant to which VeriSign will appoint SDTI, together with its affiliates, VeriSign's exclusive OEM distributor of the Developed Technology (as that term is defined in the SDTI OEM Amendment). The parties acknowledge and agree that execution of the SDTI OEM Amendment is a condition to the effectiveness of this Amendment, and if either party fails to execute the SDTI OEM Amendment, then this Amendment is void and of no force and effect.

6) Counterparts. This Amendment may be executed in counterparts, each of which shall be an original and together which shall constitute one and the same instrument.

7) Effect of Amendment. This Amendment amends the Master Agreement as of the Effective Date, and except as amended hereby, the Master Agreement shall continue in full force and effect. Notwithstanding the foregoing, the parties acknowledge and agree that certain terms contained in the Master Agreement are unclear in certain respects, given the growth of the parties' respective businesses.. Both parties acknowledge their desire to resolve any contractual ambiguities promptly following the Effective Date. Therefore, without prejudice to any rights which either party may have, following the Effective Date, the parties shall work diligently to resolve these matters, and each party agrees to amend the Master Agreement if necessary to clarify each party's rights under the Master Agreement.

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

VERISIGN, INC.	RSA DATA SECURITY, INC.
By: /s/ Stratton Sclavos	By: /s/ Albert E. Sisto
Title: President and CEO	Title: Chief Operating Officer

EXHIBIT "A"

This SUPPORT AGREEMENT ("Support Agreement"), effective as of the later date of execution ("Effective Date"), is entered into by and between RSA Data Security, Inc., a Delaware corporation ("RSA"), having a principal address at 2955 Campus Drive, Suite 400, San Mateo, CA 94403-2507, and:

ENTERPRISE NAME ("YOU"):_____

JURISDICTION OF INCORPORATION:_____

STREET ADDRESS:_____

CITY:_____ STATE & ZIP CODE:_____

ENTERPRISE LEGAL CONTACT (NAME & TITLE):_____

MAINTENANCE AND SUPPORT PROGRAM ELECTED: STANDARD [ ] PREMIER [ ]

INITIAL ANNUAL SUPPORT FEE: $_____/year

1. DEFINITIONS

All capitalized terms used and not defined herein shall have the meanings set forth in the License Agreement or the following meanings:

1.1 "FIXES" means any error corrections, fixes, patches or other software provided to You as a result of RSA's support services.

1.2 "LICENSE AGREEMENT" means that certain License Agreement between RSA and You dated _____, _____.

1.3 "RSA SOFTWARE" means RSA proprietary software identified as RSA Software on page 1 of the License Agreement.

2. MAINTENANCE AND SUPPORT SERVICES

2.1 GENERAL. This Support Agreement sets forth the terms under which RSA will provide support to You for the RSA Software licensed to You for the Licensed Products, as set forth under the unamended License Agreement. The use of and license to any Fixes and Updates provided to You hereunder shall be governed by the terms of the License Agreement.

2.2 SUPPORT AND MAINTENANCE. RSA agrees to provide the maintenance and support specified in this Support Agreement and You agree to pay RSA's then-current annual support fee ("Support Fee").

2.3 SUPPORT PROVIDED BY RSA. For the annual period commencing on the Effective Date hereof, and for future annual periods for which You have paid the Support Fee, RSA will provide You with the following services in accordance with the program You have elected above:

2.3.1 SUPPORT UNDER STANDARD PROGRAM. In the event that You have elected the Standard program, RSA will provide telephone support to You from 6:00 a.m. to 5:00 p.m. (Pacific Time), Monday through Friday, excluding locally observed holidays. Upon the receipt of a request for support services, RSA shall respond within one (1) business day from the time of the request.

RSA shall provide the support specified in this Section to Your employees responsible for developing and maintaining the Licensed Products licensed under the License Agreement and providing support to End User Customers thereof. No more than two (2) of Your employees may obtain such support from RSA at any one time. Upon RSA's request, You will provide a list with the names of the employees designated to receive support from RSA. You may change the names on the list at any time by providing written notice to RSA. Upon Your request, RSA may provide on-site support reasonably determined to be necessary by RSA at Your location specified on page 1 hereof.

2.3.2 SUPPORT UNDER PREMIER PROGRAM. In the event that You have elected the Premier program, RSA will provide telephone support to You 24 hours a day, 7 days per week. Upon the receipt for a request for support services, RSA shall respond within two hours from the time of the request. RSA shall provide the support specified in this Section to Your employees responsible for developing and maintaining the Licensed Products licensed under the License Agreement and providing support to End User Customers thereof. No more than five (5) of Your employees may obtain such support from RSA at any one time. Upon RSA's request, You will provide a list with the names of the employees designated to receive support from RSA. You may change the names on the list at any time by providing written notice to RSA. Upon Your request, RSA may provide on-site support reasonably determined to be necessary by RSA to Your location specified on page 1 hereof.

2.4 ERROR CORRECTION. RSA will from time to time offer You, at no additional cost, Fixes under this Agreement, but has no obligations to offer such Fixes. All Fixes provided to You shall constitute RSA Software under the Licensed Agreement and shall be governed by the terms thereof. In the event You discover an error in the RSA Software which causes the RSA Software not to operate in material conformance to RSA's published specifications therefor, You shall submit to RSA a written report describing such error in sufficient detail to permit RSA to reproduce such error. Upon receipt of any such written report, RSA will use its reasonable efforts to correct such an error or to provide a software patch or bypass around such an error as early as practicable. However, under no circumstances does RSA warrant or represent all errors can or will be corrected. Furthermore, RSA shall not be responsible for correcting any error if You fail to incorporate in Your Licensed Product any Fixes or Update that RSA has provided to You.

2.5 UPDATES. RSA will from time to time offer You, at no additional cost, Updates of the RSA Software during the term of this Support Agreement. You understand, however, that RSA is not obligated to provide any Update. Absent any restriction to Your right to use the algorithms contained in RSA Software, as set forth in the applicable Licensed Agreement in force at the time of execution of this Support Agreement, Your license rights to any Updates shall also extend to any new algorithms contained in such Updates. Any Updates acquired by You shall be governed by all of the terms and provisions of the Licensed Agreement.

3. MAINTENANCE AND SUPPORT FEES

3.1 SUPPORT FEES. In consideration of RSA's providing the maintenance and support services described herein, You agree to pay RSA the initial Support Fee set forth on the first page hereof. Such amount shall be payable for the first year upon the execution of this Support Agreement, and for each subsequent year in advance of the commencement of such year. The Support Fee may be modified by RSA for each renewal term by written notice to You at least ninety (90) days prior to the end of the then-current term. If You elect not to renew this Support Agreement for successive terms (as provided in Section 6.1 below), You may re-enroll only upon payment of the annual Support Fee for the coming year and for all Support Fees that would have been paid had You not ceased maintenance and support.

3.2 ADDITIONAL CHARGES. In the event RSA is required to take actions to correct a difficulty or defect

which is traced to Your errors, modifications, enhancements, software or hardware, then You shall pay to RSA its time and materials charges at RSA's rates then in effect. In the event that you have requested RSA's personnel to travel to perform maintenance or on-site support, You shall reimburse RSA for any reasonable out-of-pocket expenses incurred, including travel to and from Your sites, lodging, meals and shipping, as may be necessary in connection with duties performed under this Section 2 by RSA.

3.3 TAXES. All taxes, duties, fees and other governmental charges of any kind (including sales and use taxes, but excluding taxes based on the gross revenues or net income of RSA) which are imposed by or under the authority of any government or any political subdivision thereof on the Support Fees or any aspect of this Support Agreement shall be borne by You and shall not be considered a part of, a deduction from or an offset against Support Fees.

3.4 TERMS OF PAYMENT. Support Fees due RSA hereunder shall be paid by You to the attention of the Software Licensing Department at RSA's address set forth above upon execution and, in the case of renewal terms, prior to each anniversary thereof. A late payment penalty on any Maintenance Fees not paid when due shall be assessed at the rate of one percent (1%) per thirty (30) days. In no event shall Support Fees paid be refundable.

3.5 U.S. CURRENCY. All payments hereunder shall be made in lawful United States currency.

4. CONFIDENTIALITY

The parties agree that all obligations and conditions respecting confidentiality, use of the Source Code (if licensed to You) and publicity in Section 6 of the License Agreement shall apply to the parties' performance of this Support Agreement.

5. USE LIMITATIONS; TITLE; INTELLECTUAL PROPERTY INDEMNITY; LIMITATION OF LIABILITY

Any and all Upgrades and Fixes provided to You pursuant to this Support Agreement shall constitute RSA Software under the License Agreement. As such, the parties' respective interests and obligations relating to the RSA Software, including but not limited to license and ownership rights thereto, use limitations (if any), intellectual property indemnity and limitation of liability, shall be governed by the terms of the License Agreement.

6. TERM AND TERMINATION

6.1 TERM. This Support Agreement shall commences on the Effective Date hereof and shall remain in full force and effect for an initial period of one (1) year, unless sooner terminated in accordance with this Support Agreement. Upon expiration of the initial period and each successive period, this Support Agreement shall automatically renew for an additional one (1) year period, unless either party has notified the other of its intent to terminate as set forth in Section 6.2.3 herein.

6.2 TERMINATION.

6.2.1 Either party shall be entitled to terminate this Support Agreement at any time on written notice to the other in the event of a material default by the other party of this Support Agreement and a failure to cure such default within a period of thirty (30) days following receipt of written notice specifying that a default has occurred.

6.2.2 This Support Agreement shall automatically terminate in the event that the License Agreement is terminated in accordance with its terms.

6.2.3 This Support Agreement may also be terminated by You for any or no reason by providing written notice of such intent at least ninety (90) days prior to the end of the then-current term. RSA may cease to offer support and maintenance for future maintenance terms by notice delivered to You ninety (90) days or more before the end of the then-current maintenance term.

6.2.4 Upon (i) the institution of any proceedings by or against either party seeking relief, reorganization or arrangement under any laws relating to insolvency, which proceedings are not dismissed within sixty (60) days; (ii) the assignment for the benefit of creditors, or upon the appointment of a receiver, liquidator or trustee, of any of either party's property or assets; or (iii) the liquidation, dissolution or winding up of either party's business, then and in any such events this Support Agreement may immediately be terminated by the other party upon written notice.

6.3 SURVIVAL OF CERTAIN TERMS. The following provisions shall survive any expiration or termination: Sections 3.1, 4, 5, 6 and 7.

7. MISCELLANEOUS PROVISIONS

This Support Agreement is not an amendment to the License Agreement, but instead is a separate binding agreement which incorporates certain terms of the License Agreement for the purpose of brevity and assured consistency. This Agreement incorporates by this reference Section 11 of the License Agreement in its entirety.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of the later signature below.

ENTERPRISE NAME:

_____	RSA DATA SECURITY, INC.
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

EXHIBIT 10.32

SUBLEASE AGREEMENT

EFFECTIVE DATE: September 17, 1998

ARTICLE 1: FUNDAMENTAL SUBLEASE PROVISIONS.

Article 1.1 PARTIES: Sublessor: SILICON GRAPHICS, INC., a Delaware corporation

Sublessee: VERISIGN, INC., a Delaware corporation

MASTER LEASE: (Article 3): Sublessor, as tenant, is leasing from Master Lessor (as described below), as landlord, approximately 51,834 square feet of space located at 1350 Charleston Road, Mountain View, California (the "Premises") upon the terms and conditions of that Lease executed on June 14, 1996 (the "Master Lease"). A copy of the Master Lease is attached hereto as Exhibit A.

Article 1.2 MASTER LESSOR: SHORELINE INVESTMENTS VI, a California general partnership

Article 1.3 SUBLEASE PREMISES: (Article 2): The Sublease Premises consists of the entirety of the Premises and contains approximately 51,834 square feet (the "Sublease Premises"). The Sublease Premises is further described on the drawing attached hereto as Exhibit B.

Article 1.4 SUBLEASE TERM: (Article 4): The Sublease Term shall commence on the Commencement Date and end on the Termination Date, unless terminated earlier pursuant to the terms of this Sublease.

Article 1.5 COMMENCEMENT DATE: (Article 4.1): January 1, 1999

Article 1.6 TERMINATION DATE:(Article 4.1): June 30, 2005

Article 1.7 RENTAL COMMENCEMENT DATE: January 1, 1999

Article 1.8 MINIMUM MONTHLY RENT: (Article 5.2):

01/01/99 - 12/31/99	$147,726.90 per month NNN
01/01/00 - 12/31/00	$152,158.70 per month NNN
01/01/01 - 12/31/01	$156,723.46 per month NNN
01/01/02 - 12/31/02	$161,425.17 per month NNN
01/01/03 - 12/31/03	$166,267.93 per month NNN
01/01/04 - 12/31/04	$171,255.97 per month NNN
01/01/05 - 6/30/05	$176,393.64 per month NNN

Article 1.9 PREPAID RENT: (Article 5.4): $147,726.90

Article 1.10 SECURITY DEPOSIT: (Article 6): $176,393.64

Article 1. 11 PERMITTED USE: (Article 7): General and administrative office, computer labs, research and development, storage and distribution, training, education and promotional uses, to the extent permitted under the Master Lease, only.

Article 1.12 ADDRESSES FOR NOTICES: (Article 11):

Master Lessor: SHORELINE INVESTMENTS VI
c/o RealProp Development Company
1710 Zanker Road, Suite 100
San Jose, CA 95112

Sublessor: SILICON GRAPHICS, INC.
2011 N. Shoreline Blvd.
Mountain View, CA 94043-1389
Attn: Manager, Corporate Real Estate
M/S 720

With a copy to

SILICON GRAPHICS, INC.
2011 N. Shoreline Blvd.
Mountain View, CA 94043 -1389
Attn: Legal Services
M/S 710

Sublessee: VERISIGN, INC.
1390 Shorebird Way
Mountain View, CA 94043
Attn: Dana Evan

Article 1.13 SUBLESSOR'S BROKER: (Article 19.4): Phil Mahoney, Cornish & Carey Commercial

Article 1.14 SUBLESSEE'S BROKER: (Article 19.4): Jeff Rodgers, Cornish & Carey Commercial

Article 1.15 EXHIBITS AND ADDENDA: The following exhibits and any addenda are annexed to this Sublease:

Exhibit A - Master Lease
Exhibit B - Description of Sublease Premises

Each reference in this Sublease Agreement ("Sublease") to any provision in Article 1 shall be construed to incorporate all of the terms of each such provision. In the event of any conflict between this Article 1 and the balance of the Sublease, the balance of the Sublease shall control.

ARTICLE 2: SUBLEASE PREMISES.

Article 2.1 SUBLEASE. Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor for the Sublease Term, at the Rent and upon the terms and conditions hereinafter set forth, the Sublease Premises. Sublessee acknowledges that the area of the Sublease Premises as specified in Article 1 is an estimate and that Sublessor does not warrant the exact area of the Sublease Premises. By taking possession of the Sublease Premises, Sublessee accepts the area of the Sublease Premises as that specified in Article 1.

Article 2.2 CONDITION OF THE SUBLEASE PREMISES. Sublessee shall accept possession of the Sublease Premises on the Commencement Date in its "as-is, where-is" condition. Sublessee acknowledges that except as expressly stated in this Sublease, (i) Sublessor makes no warranties or representations regarding the physical condition of the Sublease Premises; (ii) Sublessee has had an opportunity to inspect the Sublease Premises, including the roof and structural components of the building; the electrical, plumbing, HVAC, and other building systems serving the Sublease Premises; and the environmental condition of the Sublease Premises and related common areas; and to hire experts to conduct such inspections on its behalf, and (iii) Sublessee is leasing the Sublease Premises based on its own inspection of the Sublease Premises and those of its agents, and is not relying on any statements, representations or warranties of Sublessor or its employees, brokers, agents or other representatives regarding the physical condition of the Sublease Premises. Sublessee's taking of possession of the Sublease Premises shall constitute conclusive evidence that the Sublease Premises are in good, clean and tenantable condition. Notwithstanding the foregoing, Sublessee shall have the right, within two (2) weeks of the Commencement Date only, to inform Sublessor of any material adverse change in the condition of the Sublease Premises from the condition thereof as of the Effective Date. Sublessor shall promptly thereafter (a) remedy those conditions that are the tenant's responsibility under the Master Lease and (b) request that Master Lessor remedy those conditions that are the landlord's responsibility under the Master Lease.

ARTICLE 3: TERMS OF THE MASTER LEASE.

Article 3.1 SUBLEASE SUBORDINATE. This Sublease is subordinate and subject to all of the terms and conditions of the Master Lease. If the Master Lease terminates for any reason whatsoever, this Sublease shall terminate concurrently, and the parties hereto shall be relieved of any liability thereafter accruing under this Sublease; provided, however, that the foregoing shall not be deemed to relieve either party of liability for its failure to perform its obligations under this Sublease if the Master Lease terminates due to such a failure.

Article 3.2 ASSUMPTION OF OBLIGATIONS. To the extent applicable to the Sublease Premises and Sublessee's use of the Sublease Premises and common areas, Sublessee hereby expressly agrees to comply with, and assumes and agrees to perform and discharge, as and when required by the Master Lease, all duties and obligations to be paid, performed or discharged by Sublessor under the terms, covenants and conditions of the Master Lease from and after the Commencement Date, except as specifically set forth in this Sublease. Sublessee shall not commit or suffer at any time any act or omission that would violate any provision of the Master

Lease. So long as Sublessee complies with the terms and conditions, and performs all of its obligations under this Sublease, Sublessor shall not commit any act or omission during the Sublease Term which would lead to the termination of the Master Lease by Master Lessor. Notwithstanding the foregoing, if Sublessee fails to comply with any of its obligations under this Sublease, and does not cure such failure within the applicable cure period, then Sublessor shall have no obligation to Sublessee to maintain the Master Lease for Sublessee's benefit.

Article 3.3 MASTER LESSOR'S OBLIGATIONS. Sublessor shall not be responsible to Sublessee for furnishing any service, maintenance or repairs to the Sublease Premises which are the obligation of the Master Lessor under the Master Lease, it being understood that Sublessee shall look solely to Master Lessor for performance of any such service, maintenance or repairs. However, if Master Lessor shall fall to perform its obligations under the Master Lease, Sublessor, upon receipt of written notice from Sublessee, shall use commercially reasonable efforts to attempt to enforce the obligations of Master Lessor under the Master Lease; provided, however, that Sublessor shall not be required to incur any costs or expenses in connection therewith unless Sublessee agrees to reimburse Sublessor for any such costs and expenses as Additional Rent hereunder.

Article 3.4 SUBLESSOR'S RIGHTS AND REMEDIES. In addition to all the rights and remedies provided to Sublessor at law or in equity, (a) if Sublessee fails, within any applicable grace periods provided herein, to perform any act on its part to be performed pursuant to the requirements of the Master Lease or as otherwise required by this Sublease, then Sublessor may, but shall not be obligated to, enter the Sublease Premises to perform such act, and all costs and expenses incurred by Sublessor in doing so shall be deemed Additional Rent payable by Sublessee to Sublessor upon demand; and (b) in the event of any breach by Sublessee of any of 'Its obligations under this Sublease, Sublessor shall have all of the rights with respect to such default which are available to Master Lessor under the Master Lease. Unless otherwise provided in this Sublease, Sublessee shall be in material default of its obligations under this Sublease if (i) Sublessee fails to pay Rent as and when due and such failure is not cured within the time period set forth in the Master Lease less two (2) business days, or (ii) Sublessee fails to perform any term, covenant or condition of this Sublease as and when due (except those requiring payment of Rent) and such failure is not cured within the time period set forth in the Master Lease less ten (10) days.

Article 3.5 SUBLESSOR'S REPRESENTATIONS. Sublessor represents that it has not received from or given to Master Lessor any notices of default under the Master Lease that have not been cured.

ARTICLE 4: SUBLEASE TERM.

Article 4.1 COMMENCEMENT AND TERMINATION DATES. The term of this Sublease ("Sublease Term") shall be for the period of time commencing on the commencement date described in Article 1 (the "Commencement Date") and ending on the termination date described in Article 1 or on such earlier date of termination as provided herein (the "Termination Date"). Sublessee shall have no option to extend or renew the Sublease Term.

Article 4.2 DELAY IN COMMENCEMENT. If for any reason possession of the Sublease Premises has not been delivered to Sublessee by the scheduled Commencement Date or any other date, Sublessor shall not be liable to Sublessee or any other person or entity for any loss or damage resulting therefrom. In the event of such delay, the Commencement Date shall be delayed until possession of the Sublease Premises is delivered to Sublessee, but the Termination Date shall not be extended. If Sublessor is unable to deliver possession of the Sublease Premises to Sublessee within thirty (30) days after the Commencement Date, then Sublessee may terminate this Sublease by giving written notice to Sublessor at any time after that date, and the parties shall have no further liability thereafter accruing under this Sublease; provided, however, that if Sublessor tenders possession to Sublessee within five (5) days after receipt of Sublessee's notice of termination, such notice shall be void. In the event that this Sublease is terminated pursuant to the terms of this Section 4.2, Sublessor shall return to Sublessee any Prepaid Rent and/or Security Deposit delivered to Sublessor pursuant to the terms hereof.

Article 4.3 EARLY OCCUPANCY. If Sublessor and Sublessee agree that Sublessee may occupy the Sublease Premises prior to the Rental Commencement Date, such occupancy shall be subject to all of the provisions of this Sublease, including the payment of Rent. Early occupancy of the Sublease Premises shall not advance the Termination Date. Sublessee shall, prior to entering the Sublease Premises, deliver to Sublessor certificates of insurance evidencing the policies required of Sublessee under this Sublease.

ARTICLE 5: RENT AND ADDITIONAL EXPENSES.

Article 5.1 PAYMENT OF RENT. All monies payable by Sublessee under this Sublease shall constitute "Rent." All Rent shall be paid in lawful money of the United States, without any deduction or offset, to Sublessor at the address of Sublessor specified in Article 1 or such other place as Sublessor may designate in writing. No payment by Sublessee of a lesser amount than the Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of Rent be deemed an accord and satisfaction, and Sublessor may accept such check or payment without prejudice to its right to recover the balance of such Rent or to pursue any other remedy. Rent for any partial calendar months at the beginning or end of the Sublease Term shall be prorated based on a thirty (30) day month.

Article 5.2 MINIMUM MONTHLY RENT. Sublessee shall pay to Sublessor the sums set forth in Article 1 hereof as Minimum Monthly Rent, in advance, on the first day of each calendar month throughout the Sublease Term, commencing on the Rental Commencement Date.

Article 5.3 ADDITIONAL RENT. In addition to Minimum Monthly Rent, Sublessee shall pay to Sublessor from time to time upon demand, the amount of any real property taxes, maintenance, insurance, utilities and other charges attributable to the Sublease Premises and common and outside areas payable by Sublessor under the Master Lease. It is the parties' intent that this Sublease shall be an absolute net sublease, and Sublessee agrees that any and all charges, fees, impositions and payments of any kind whatsoever due or owing by Sublessor under the Master Lease shall be passed through to Sublessee as Additional Rent hereunder, except to the extent

any such amounts are due and owing by Sublessor as a result of Sublessor's failure to pay rent under the Master Lease (where Sublessee has timely made such payments to Sublessor) or carry the insurance required under the Master Lease.

Article 5.4 PREPAID RENT. Sublessee shall pay to Sublessor the sum specified in Article 1 as prepaid Rent, which shall be applied to the installments of Minimum Monthly Rent first coming due under this Sublease, as follows: (i) $73,861.45 upon execution of this Sublease and (ii) $73,863.45 on November 1, 1998.

Article 5.5 LATE CHARGE. If Sublessee fails to pay any Rent due hereunder within five (5) days after Sublessor notifies Sublessee that such amount is past due, then Sublessee shall pay Sublessor a late charge equal to six percent (6%) of such delinquent amount as liquidated damages for Sublessee's failure to make timely payment. Any notice given by Sublessor pursuant to Sections 1161 and 1162 of the California Code of Civil Procedure shall be deemed to be concurrent with. and not in addition to, the notice required herein. This provision for a late charge shall not be deemed to grant Sublessee a grace period or extension of time for performance. If any Rent remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Sublessee shall pay to Sublessor interest on the delinquent amount from the end of such thirty (30) day period until paid, at the rate of ten percent (10%) per annum or the maximum rate permitted by law.

ARTICLE 6: SECURITY DEPOSIT. Sublessee shall deposit with Sublessor in cash the sum specified in Article 1 hereof as a "Security Deposit" as follows: (i) $88,196.82 upon execution of this Sublease and (ii) $88,196.82 on November 1, 1998. The Security Deposit shall be held by Sublessor as security for Sublessee's faithful performance under this Sublease. If Sublessee fails to pay any Rent as and when due under this Sublease or otherwise fails to perform its obligations hereunder, then Sublessor may, at its option and without prejudice to any other remedy which Sublessor may have, apply, use or retain all or any portion of the Security Deposit toward the payment of delinquent Rent or for any loss or damage sustained by Sublessor due to such failure by Sublessee. Sublessee shall upon demand restore the Security Deposit to the original sum deposited. The Security Deposit shall not bear interest nor shall Sublessor be required to keep such sum separate from its general funds. Sublessee shall have the right to provide the Security Deposit in the form of a letter of credit in the full amount of the Security Deposit (the "Letter of Credit"). The Letter of Credit shall be in a form and issued by a financial institution that is reasonably acceptable to Sublessor. Sublessee shall cause the Letter of Credit to remain in effect during the entire Sublease Term and for an additional sixty (60) days following the expiration or earlier termination of this Sublease. If Sublessee fails to maintain, renew or replace the Letter of Credit at least thirty (30) days before its stated expiration date, Sublessor may, without prejudice to any other right or remedy, draw upon the entire amount of the Letter of Credit. Any amount drawn by Sublessor on the Letter of Credit but not applied by Sublessor to satisfy Sublessee's obligations hereunder shall be held by Sublessor in accordance with the other provisions of this section. If Sublessor draws on any portion of the Letter of Credit and applies such amount to cure Sublessee's default, Sublessee shall, within three (3) days of demand by Sublessor, restore the Letter of Credit to the full amount or deposit immediately available funds with Sublessor in the amount drawn under the Letter of Credit. To the extent not otherwise applied by Sublessor as

provided herein, the Security Deposit shall be returned to Sublessee within thirty (30) days after the Termination Date. In the event of bankruptcy or other debtor-creditor proceedings filed by or against Sublessee, such Security Deposit shall be deemed to be applied first to the payment of Rent due Sublessor for the period immediately prior to the filing of such proceedings.

ARTICLE 7: USE.

Article 7.1 USE OF THE SUBLEASE PREMISES. Sublessee shall use the Sublease Premises solely for the purposes specified in Article 1 and otherwise in strict conformance with the requirements of the Master Lease, and for no other purpose whatsoever.

Article 7.2 SUITABILITY. Sublessee acknowledges that neither Sublessor nor any agent of Sublessor has made any representation or warranty with respect to the Sublease Premises, the permitted uses that can be made of the Sublease Premises under existing laws, or the suitability of the Sublease Premises for the conduct of Sublessee's business, nor has Sublessor agreed to undertake any modification, alteration or improvement to the Sublease Premises.

Article 7.3 ALTERATIONS. Sublessee shall make no alterations, improvements or additions to, in, on or about the Sublease Premises without the prior written consent of both Sublessor and Master Lessor (which consent shall not be unreasonably withheld by Sublessor) and otherwise in strict conformance with the requirements of the Master Lease.

Article 7.4 HAZARDOUS MATERIALS.

Article 7.4.1 DEFINITIONS. As used herein, the term "Hazardous Material" shall have the meaning set forth in Section 39 of the Master Lease. As used herein, the term "Hazardous Material Law" shall mean any statute, law, ordinance, or regulation of any governmental body or agency which regulates the use, storage, generation, discharge, treatment, transportation, release, or disposal of any Hazardous Material.

Article 7.4.2 USE RESTRICTION. Sublessee shall not cause or permit any Hazardous Material to be used, stored, generated, discharged, treated, transported to or from, released or disposed of in, on, over, through, or about the Sublease Premises, or any other land or improvements in the vicinity of the Sublease Premises, except to the extent permitted under Section 39(H) of the Master Lease, without the prior written consent of Master Lessor and Sublessor, which consent may be withheld in the sole and absolute discretion of Master Lessor and/or Sublessor. Without limiting the generality of the foregoing, (a) any use, storage, generation, discharge, treatment, transportation, release, or disposal of Hazardous Material by Sublessee shall strictly comply with all applicable Hazardous Material Laws, and (b) if the presence of Hazardous Material on the Sublease Premises caused or permitted by Sublessee or its agents, employees, invitees or contractors results in contamination of the Sublease Premises or any soil, air, ground or surface waters under, through, over, on, in or about the Sublease Premises, Sublessee, at its expense, shall promptly take all actions necessary to return the Sublease Premises to the condition existing prior to the existence of such Hazardous Material.

Article 7.4.3 INDEMNITY. Sublessee shall defend, protect, hold harmless and indemnify Sublessor and its agents, employees, contractors, stockholders, officers, directors, successors and assigns with respect to all judgments, claims, damages, actions, losses, penalties, fines, liabilities and other expenses (including, but not limited to, reasonable attorneys', consultants', and expert witnesses' fees) which result from or arise out of the storage, use, generation, discharge, treatment, transportation. release or disposal of Hazardous Material by Sublessee or its agents, employees, contractors, or invitees in, on, over, through, from or about the Sublease Premises. The foregoing obligations shall survive the expiration or earlier termination of this Sublease.

ARTICLE 8: SURRENDER.

Article 8.1 CONDITION OF THE SUBLEASE PREMISES. Upon the expiration or earlier termination of this Sublease, Sublessee shall surrender the Sublease Premises in good condition and repair, excepting only ordinary wear and tear and damage by fire, earthquake, act of God or the elements. Sublessee agrees to repair any damage to the Sublease Premises, or the building of which the Sublease Premises are a part, caused by or related to the removal of Sublessee's personal property, fixtures, furniture, equipment or signage, or any improvements, alterations or additions installed by Sublessee which Sublessor and/or Master Lessor allow or require Sublessee to remove upon expiration or earlier termination of this Sublease, including, without limitation, repairing the floor and patching and/or painting the walls to the reasonable satisfaction of Sublessor and/or Master Lessor, all at Sublessee's sole cost and expense. Upon the expiration of this Sublease, Sublessor will not require the removal of any such improvements, alterations or additions if such removal is not required by Master Lessor. Sublessee shall indemnify Sublessor against any loss or liability resulting from delay by Sublessee in so surrendering the Sublease Premises, including, without limitation, any claims made by the Master Lessor founded on such delay. Such indemnity obligation shall survive the expiration or earlier termination of this Sublease.

Article 8.2 SUBLESSOR'S RIGHT TO ACCESS. In the thirty (30) days prior to the expiration of this Sublease, or such longer time as is reasonably necessary, Sublessor shall have the right, upon at least twenty-four (24) hours prior notice, to enter the Sublease Premises to remove personal property, business or trade fixtures, machinery, equipment cabinetwork, signs, furniture, movable partitions or permanent improvements or additions which Sublessor is required to remove (not including those items to be removed by Sublessee pursuant to Article 8.1 of this Sublease) prior to surrender pursuant to the terms of the Master Lease. Any work performed by Sublessor pursuant to the terms of the preceding sentence shall be done in a reasonable manner to minimize the amount of inconvenience and interference to Sublessee's use and occupancy of the Sublease Premises; provided, however, Sublessor shall not be liable to Sublessee for any such inconvenience or interference caused by Sublessor's exercise of its rights pursuant to this provision.

ARTICLE 9: CONSENT. Whenever the consent or approval of Master Lessor is required pursuant to the terms of the Master Lease, for the purposes of this Sublease, Sublessee, in each such instance, shall be required to obtain the written consent or approval of both Master Lessor and Sublessor, which consent shall not be unreasonably withheld or delayed by Sublessor if

Master Lessor so consents. If Master Lessor refuses to grant its consent or approval, Sublessor may withhold its consent or approval and Sublessee agrees that such action by Sublessor shall be deemed reasonable.

ARTICLE 10: INSURANCE. All insurance policies required to be carried by Sublessor under the Master Lease shall be maintained by Sublessee pursuant to the terms of the Master Lease, and shall name Sublessor and Master Lessor (and such other lenders, persons, firms, or corporations as are designated by Master Lessor) as additional insureds (by endorsement, if required under the applicable policy). All policies shall be written as primary policies with respect to the interests of Master Lessor and Sublessor and such other additional insureds and shall provide that any insurance carried by Master Lessor or Sublessor or such other additional insureds is excess and not contributing insurance with respect to the insurance required hereunder. All policies shall also contain "cross liability" or "severability of interest" provisions, and shall insure the performance of the indemnity set forth in Article 14 of this Sublease. Sublessee shall provide Master Lessor and Sublessor with copies or certificates of all policies, including in each instance evidence (by endorsement if required under the applicable policy) that such insurance shall not be canceled or reduced except after thirty (30) days prior written notice to Master Lessor and Sublessor. All deductibles, if any, under any such insurance policies shall be subject to the prior reasonable approval of Sublessor, and all certificates delivered to Master Lessor and Sublessor shall specify the limits of the policy and all deductibles thereunder.

ARTICLE 11: NOTICES.

Article 11.1 NOTICE REQUIREMENTS. All notices, demands, consents, and approvals which may or are required to be given by either party to the other under this Sublease shall be in writing and may be personally delivered or given or made by overnight courier such as Federal Express, by facsimile transmission or made by United States registered or certified mail addressed as shown in Article 1. Any notice or demand so given shall be deemed to be delivered or made on the date personal service is effected or, on the next business day if sent by overnight courier, or the same day as given if sent by facsimile transmission and received by 5:00 p.m. Pacific time or on the second business day after the same is deposited in the United States Mail as registered or certified and addressed as above provided with postage thereon fully prepaid. Either party hereto may change its address at any time by giving written notice of such change to the other party in the manner provided herein at least ten (10) calendar days prior to the date such change is desired to be effective.

Article 11.2 NOTICES FROM MASTER LESSOR. Each party shall provide to the other party a copy of any notice or demand received from or delivered to Master Lessor within twenty four (24) hours of receiving or delivering such notice or demand.

ARTICLE 12: DAMAGE, DESTRUCTION, CONDEMNATION. To the extent that the Master Lease gives Sublessor any rights following the occurrence of any damage, destruction or condemnation to terminate the Master Lease, to repair or restore the Sublease Premises, to contribute toward such repair or restoration costs to avoid termination, to obtain and utilize insurance or condemnation proceeds to repair or restore the Sublease Premises, or any similar

rights, such rights shall be reserved to and exercisable solely by Sublessor, in its sole and absolute discretion. and not by Sublessee. The exercise of any such right by Sublessor shall under no circumstances constitute a default or breach under this Sublease or subject Sublessor to any liability therefor. In the event, however, that Sublessor elects, in its sole and absolute discretion, to prevent Master Lessor from terminating the Master Lease by paying Master Lessor the amount required to restore the Sublease Premises in excess of the amount required to be paid by Master Lessor (as set forth in Section 16 of the Master Lease), Sublessee shall not be required to reimburse Sublessor for such amount unless Sublessee has agreed, within five (5) days after notice from Sublessor, to reimburse Sublessor for such amount. In the event that Sublessee fails to agree to reimburse Sublessor for such amount within such time period, however, Sublessor shall have the right to terminate this Sublease upon delivery of ten (10) days' notice to Sublessee. Notwithstanding the preceding to the contrary, if, pursuant to Article 16 of the Master Lease, the Sublease Premises is damaged or destroyed from any insured peril to the extent of less than fifty percent (50%) of the then replacement cost of the Sublease Premises and Master Lessor's written notice to Sublessor sets forth a repair period greater than one hundred eighty (180) days (a copy of which notice shall be promptly delivered to Sublessee by Sublessor), then Sublessee shall have the right to terminate this Sublease by delivering written notice of termination to Sublessor within twenty (20) days following receipt of Master Lessor's written notice. In the event that Sublessor's rent under the Master Lease is abated as a result of a casualty, the Minimum Monthly Rent due hereunder shall be abated on a pro rata basis such that the Minimum Monthly Rent shall be reduced by the same percentage as the " Monthly Installments" are reduced under the Master Lease.

ARTICLE 13: INSPECTION OF THE SUBLEASE PREMISES. Sublessee shall permit Sublessor and its agents to enter the Sublease Premises at any reasonable time for the purpose of inspecting the same or posting a notice of non-responsibility for alterations, additions or repairs, provided that Sublessor (i) provides at least twenty-four (24) hours prior notice (except in the case of emergency), (ii) shall be accompanied by an employee of Sublessee at all times while in the Sublease Premises, (iii) shall comply with Sublessee's security procedures, and (iv) shall not unreasonably interfere with Sublessee's use of the Sublease Premises or the conduct of its business therein.

ARTICLE 14: INDEMNITY; EXEMPTION OF SUBLESSOR FROM LIABILITY.

Article 14.1 SUBLESSEE INDEMNITY. Sublessee shall indemnify, defend (with counsel reasonably satisfactory to Sublessor), protect and hold Sublessor harmless from and against any and all claims, demands, actions, suits, proceedings, liabilities, obligations, losses, damages, judgments, costs, expenses (including, but not limited to, reasonable attorneys', consultants' and expert witness fees) arising out of or related (i) Sublessee's use of the Sublease Premises, the conduct of Sublessee's business therein, or any activity, work or thing done, permitted or suffered by Sublessee in or about the Sublease Premises, (ii) a breach by Sublessee in the performance in a timely manner of any obligation of Sublessee to be performed under this Sublease, (iii) a failure by Sublessee to comply with any term, covenant, condition or restriction under the Master Lease required to be performed by or applicable to Sublessee, or (iv) the negligence or

intentional acts of Sublessee or Sublessee's agents, contractors, employees, subtenants, licensees, or invitees related to the Sublease Premises or this Sublease. The foregoing obligations shall survive the expiration or earlier termination of this Sublease.

Article 14.2 SUBLESSEE WAIVER. Sublessee, as a material part of the consideration to Sublessor, hereby waives all claims against Sublessor for damage to property or injury to persons in, upon or about the Sublease Premises arising from any cause, except to the extent such damage or injury is caused by the gross negligence or willful misconduct of Sublessor. This waiver shall survive the expiration or earlier termination of this Sublease.

Article 14.3 MUTUAL WAIVER OF SUBROGATION. The parties hereby waive any rights of recovery each may have against the other in connection with any loss or damage occasioned to either party's respective property, the Sublease Premises, or its contents, arising from any risk generally covered by fire and extended coverage insurance, irrespective of the cause of such fire or casualty. In addition, the parties each, on behalf of their respective insurance companies, waive any right of subrogation that such insurance company may have against the other party for any such loss or damage, provided that such waiver does not invalidate any such policy. In the event that such waiver would invalidate such policy, the insured party shall promptly notify the other in writing.

ARTICLE 15: ASSIGNMENT AND SUBLETTING. Sublessee shall not voluntarily or by operation of law assign this Sublease or enter into license or concession agreement, sublet all or any part of the Sublease Premises, or otherwise transfer, mortgage, pledge, hypothecate or encumber all or any part of Sublessee's interest in this Sublease or in the Sublease Premises or any part thereof (each, a "Transfer"), without the prior written consent of Master Lessor (pursuant to the terms of the Master Lease) and Sublessor, which consent shall not be unreasonably withheld by Sublessor. Sublessee shall have no right to Transfer less than the entire area of the Sublease Premises, and Sublessee agrees that it shall be reasonable for Sublessor or Master Lessor to withhold its consent to any Transfer of a portion of the Sublease Premises. Any attempt to effect a Transfer without such consent being first had and obtained shall be wholly void and shall constitute a default by Sublessee under this Sublease. Sublessee hereby irrevocably assigns to Sublessor all rent and other sums or consideration in any form, from any such subletting or assignment, and agrees that Sublessor, as assignee and as attorney-in-fact for Sublessee, or a receiver for Sublessee appointed upon Sublessor's application, may collect such rent and other sums and apply the same against amounts owing to Sublessor in the event of Sublessee's default; provided, however, that until the occurrence of any act of default by Sublessee or Sublessee's assignee or subtenant, Sublessee shall have the right to collect such sums, provided that two-thirds (2/3) of all rent and other charges payable by any such assignee, subtenant or other transferee in excess of the Rent payable under this Sublease shall belong solely and exclusively to Sublessor and paid to Sublessor within thirty (30) days following Sublessee's receipt thereof. It is the intention of the parties that Sublessor pay to Master Lessor one-half (1/2) of such amounts paid by Sublessee as may be required under Section 25(B)(1) of the Master Lease.

ARTICLE 16: DELIVFRY OF DOCUMIENTS. Sublessee shall execute and deliver any document or other instrument reasonably required by Master Lessor or Sublessor pursuant to the Master Lease within five (5) days following receipt of a written request from Master Lessor or Sublessor. Failure to comply with this provision shall constitute a default by Sublessee under this Sublease.

ARTICLE 17: HOLDING OVER. Any holding over by Sublessee after the Termination Date, without the prior written consent of Master Lessor and Sublessor, shall not constitute a renewal or extension of this Sublease or give Sublessee any rights in or to the Sublease Premises. Any holding over by Sublessee after the Termination Date, with the prior written consent of Master Lessor and Sublessor, shall be construed as a month-to-month tenancy on the same terms and conditions as specified in this Sublease, except that Sublessee shall pay to Sublessor as Minimum Monthly Rent during such tenancy an amount equal to One Hundred Fifty Percent (150%) of the most recent Minimum Monthly Rent. Any holding over by Sublessee after the Termination Date, without the prior written consent of both Master Lessor and Sublessor, shall be construed as a tenancy at sufferance (terminable upon notice by Sublessor) on the same terms and conditions as specified in this Sublease, except that Sublessee shall pay to Sublessor as Minimum Monthly Rent during such tenancy an amount equal to Two Hundred Percent (200%) of the most recent Minimum Monthly Rent.

ARTICLE 18: OPTIONS. Any right of Sublessor to extend or renew the term of the Master Lease or to expand the Premises (if any) shall be reserved to and exercisable solely by Sublessor, in its sole discretion, and not by Sublessee. Sublessor agrees to exercise such options to extend or renew the Master Lease only to the extent necessary to fulfill its obligation to sublease the Sublease Premises to Sublessee for the Sublease Tenn.

ARTICLE 19: GENERAL PROVISIONS.

Article 19.1 SEVERABILITY. If any term or provision of this Sublease shall, to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Sublease shall not be affected thereby, and each term and provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

Article 19.2 ATTORNEYS' FEES; COSTS OF SUIT. If Sublessee or Sublessor shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Sublease, including any suit by Sublessor for the recovery of Rent or possession of the Sublease Premises, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs of suit.

Article 19.3 WAIVER. No covenant, term or condition or the breach thereof shall be deemed waived, except by written consent of the party against whom the waiver is claimed, and any waiver of the breach of any covenant, term or condition shall not be deemed to be a waiver of any other covenant, term or condition. Acceptance by Sublessor of any performance by Sublessee after the time the same shall have become due shall not constitute a waiver by Sublessor of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by Sublessor in writing.

Article 19.4 BROKERAGE COMMISSIONS. The parties represent and warrant to each other that they have dealt with no brokers, finders, agents or other person in connection with the transaction contemplated hereby to whom a brokerage or other commission or fee may be payable, except for the brokers named in Article 1. Each party shall indemnify, defend and hold the other harmless from any claims arising from any breach by the indemnifying party of the representation and warranty in this Section 19.4.

Article 19.5 BINDING EFFECT. Preparation of this Sublease by Sublessor or Sublessor's agent and submission of the same to Sublessee shall not be deemed an offer to lease. This Sublease shall become binding upon Sublessor and Sublessee only when fully executed by Sublessor and Sublessee and approved in writing by Master Lessor.

Article 19.6 ENTIRE AGREEMENT. This instrument, along with any exhibits and addenda hereto, constitutes the entire agreement between Sublessor and Sublessee relative to the Sublease Premises. This Sublease may be altered, amended or revoked only by an instrument in writing signed by both Sublessor and Sublessee. There are no oral agreements or representations between the parties affecting this Sublease, and this Sublease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, representations and understandings, if any, between the parties hereto.

Article 19.7 EXECUTION. This Sublease may be executed in one or more counterparts, each of which shall be considered an original counterpart, and all of which together shall constitute one and the same instrument. Each person executing this Sublease represents that the execution of this Sublease has been duly authorized by the party on whose behalf the person is executing this Sublease.

Article 19.8 MASTER LESSOR CONSENT. The obligations of the parties under this Sublease are conditioned upon receipt by Sublessor of Master Lessor's written consent to this Sublease in substantially the same form as Exhibit C attached hereto.

Article 19.9 ACCESS TO FIBER STATION. Sublessor reserves the right to access during the Sublease Term the underground data fiber station located within the parking area of the Premises and shown on Exhibit D ("Fiber Station"). Sublessor agrees to provide Sublessee with at least twenty-four (24) hours notice of any such entry, except that no such notice shall be required in the event of an emergency (including, without limitation, emergency service of the fiber and related installations). Sublessee agrees that it shall have no right to access or use the Fiber Station unless and until Sublessee enters into a separate access agreement in a form reasonably acceptable to Sublessor.

IN WITNESS WHEREOF, the parties hereto have entered into this Sublease as of the Effective Date set forth hereinabove.

SUBLESSOR	SUBLESSEE:
SILICON GRAPHICS, INC., a Delaware corporation	VERISIGN, INC., a Delaware corporation
By /s/ Raymond E. Johnson ---	By /s/ Dana Evan ---
Its Vice Pres. Real Estate & Facilities ---	Its CFO ---

LEASE AGREEMENT

1. Parties. This lease is made by and between SHORELINE INVESTMENTS VI, a California general partnership ("Landlord"), and SILICON GRAPHICS, INC., a Delaware corporation (Tenant").

2. Demise of Premises. Landlord hereby leases to Tenant and Tenant hereby leases tram Landlord, upon the terms and conditions hereinafter set forth, those certain premises (the "Premises") situated in the City of Mountain View, County of Santa Clara, State of California, described as follows: that certain building containing approximately fifty-one thousand eight hundred thirty-four (51,834) square feet of floor space commonly known as 1350 Charleston Road, shown cross-hatched on the site plan (the "Site Plan") attached hereto as Exhibit "A" together with all improvements now or hereafter located therein or thereon. The Building is located on the parcel (the "Parcel") described in Exhibit "B" attached hereto. Tenant currently occupies the Premises pursuant to a prior lease and is thoroughly familiar with the physical condition of the Premises. Landlord shall not be required to make any alterations, additions or improvements to the Premises and the Premises shall be leased to Tenant in its "as-is" condition.

3. Term The term of this Lease ("Lease Term"') shall be for five (5) years, commencing on July 1, 1997 (the "Commencement Date") and ending on June 30, 2002 unless sooner terminated pursuant to any provision hereof. Notwithstanding said scheduled Commencement Date, if for any reason Landlord cannot deliver possession of the Premises to Tenant on said date, Landlord shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Tenant hereunder, but in such case Tenant shall not be obligated to pay rent until possession of the Premises is tendered to Tenant and the commencement and termination dates of this Lease shall be revised to conform to the date of Landlord's delivery of possession.

4. Rent.

A. Time of Payment. Tenant shall pay to Landlord as rent for the Premises the sum specified in Subparagraph 4.B below (the "Monthly Installment") each month in advance on the first day of each calendar month, without deduction or offset, prior notice or demand, commencing on the Commencement Date and continuing through the term of this Lease, together with such additional rents as are payable by Tenant to Landlord under the terms of this Lease. The Monthly Installment for any period during the Lease Term which period is less than one (1) full month shall be a pro rate portion of the Monthly Installment based upon a thirty (30) day month.

B. Monthly Installment. The Monthly Installment of rent payable each month during the period from July 1, 1997 through and including December 31, 1998, shall be the sum of Sixty-Four Thousand Seven Hundred Ninety Dollars ($64,790.00) per month. The Monthly installment of rent payable each month during the period from January 1, 1999 through and including June 30, 2002, shall be the sum of Sixty-Nine Thousand Nine Hundred Seventy-Six Dollars ($69,976.00) per month.

C. Late Charge. Tenant acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will he extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any mortgage or deed of trust covering the premises. Accordingly, if any installment of rent or any other sum due from Tenant shall not be -received by Landlord within ten (10) days after Tenant's receipt of written notice from Landlord of the unpaid amount, Tenant shall pay to Landlord, as additional rent, a late charge equal to six percent (6%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of its other rights and -remedies granted hereunder.

D. Additional Rent. All taxes, insurance premiums, Outside Area Charges, late charges, costs and expenses which Tenant is required to pay hereunder, together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay such amounts, and all reasonable damages, costs, and attorneys' fees and expenses which Landlord may incur by reason of any default of Tenant or failure on Tenant's part to comply with the terms of this Lease, shall be deemed to be additional rent ("Additional Rent") and shall be paid in addition to the Monthly Installment of rent, and, in the event of nonpayment by Tenant, Landlord shall have all of the rights and remedies with respect thereto as Landlord has for the nonpayment of the monthly installment of rent.

E. Place of Payment. Rent Shall be pay-able in lawful money of the United States of America to Landlord at 1710 Zanker Road, Suite 100, San Jose, California 95112 or to such other person(s) or at such other place(s) as Landlord may designate in writing.

F. Advance Payment. Concurrently with the execution of this Lease, Tenant shall pay to Landlord the sum of none Dollars ($0.00) to the applied to the Monthly installment of rent first accruing under this Lease.

5. Security Deposit. Tenant shall deposit the sum of none Dollars ($0.00) (the "Security Deposit") upon execution of this Lease, to secure the faithful performance by Tenant of each term, covenant and condition of this Lease. If Tenant shall at any time fail to make any payment or fail to keep or perform any term, covenant or condition on its part to be made or performed or kept under this Lease, Landlord may, but shall not be obligated to and without waiving or releasing Tenant from any obligation under this Lease, use, apply or retain the whole or any part of the Security Deposit (A) to the extent of any sum due to Landlord; (B) to make any required payment on Tenant's behalf; or (C) to compensate Landlord for any loss, damages, attorneys' fees or expense sustained by Landlord due to Tenant's default. In such event, Tenant shall, within five (5) days of written demand by Landlord, remit to Landlord sufficient funds to restore the security Deposit to its original sum. No interest shall accrue on the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its general funds. Should Tenant comply with all the terms, covenants, and conditions of this Lease

and at the end of the term of this Lease leave the Premises in the condition required by this Lease, then said Security Deposit, less any sums owing to Landlord or which Landlord is otherwise entitled to retain, shall be returned to Tenant within thirty (30) days after the termination of this Lease and vacancy of the Premises by Tenant.

6. Use of Premises. Tenant shall use the Premises only in conformance with applicable governmental laws, regulations, rules and ordinances for the purpose of research and development, office, administration, light manufacturing, assembly, warehousing and distribution of electronics products, training, education, promotional and other related legal uses and for no other purpose. Tenant shall indemnify, protect, defend, and hold Landlord harmless against any loss, expense, damage, attorneys' fees or liability arising out of the failure of Tenant to comply with any applicable law applicable to Tenant's use of the Premises. Tenant shall not commit or suffer to be committed, any waste upon the Premises, or any nuisance, or other acts or things which may disturb the quiet enjoyment of any other tenant in the buildings adjacent to the Premises, or allow any sale by auction upon the Premises, or allow the Premises to be used for any unlawful purpose, or place any loads upon the floor, walls or ceiling which endanger the structure, or place any harmful liquids in the drainage system of the Building. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises outside of the Building, except in trash containers placed inside exterior enclosures designated for that purpose by Landlord. No materials, supplies, equipment, finished products or semifinished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the Building. Tenant shall strictly comply with the provisions of Paragraph 39 below.

7. Taxes and Assessments.

A. Tenant's Property. Tenant shall pay before delinquency any and all taxes and assessments, license fees and public charges levied, assessed or imposed upon or against Tenant's fixtures, equipment, furnishings, furniture, appliances and personal property installed or located on or within the Premises. Tenant shall cause said fixtures, equipment, furnishings, furniture, appliances and personal property to be assessed and billed separately from the real property of Landlord. If any of Tenant's said personal property shall be assessed with Landlord's real property, Tenant shall pay Landlord the taxes attributable to Tenant's personal property within ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

B. Property Taxes. Tenant shall pay, as additional rent, all Property Taxes levied or assessed with respect to the Premises and the land comprising the Parcel and with respect to all buildings and improvements located on the Parcel which become due or accrue during the term of this Lease. Tenant shall pay such Property Taxes to Landlord on or before twenty (20) days after receipt of billing. If Tenant fails to do so, Tenant shall reimburse Landlord, on demand, for all interest, late fees and penalties that the taxing authority charges Landlord. In the event Landlord's mortgagee requires an impound for Property Taxes, then on the first day of each month during the Lease Term, Tenant shall pay Landlord one twelfth (1/12)

of its annual share of such Property Taxes. Tenant's liability hereunder shall be prorated to reflect the Commencement and termination dates of this Lease.

For the purpose of this Lease, "Property Taxes" means and includes all taxes, assessments (including, but not limited to, assessments for public improvements or benefits), taxes based on vehicles utilizing parking areas, taxes based or measured by the rent paid, payable or received under this Lease, taxes on the value, use, or occupancy of the Premises, the Building and/or the Parcel, Environmental Surcharges, and all other governmental impositions and charges of every kind and nature whatsoever, whether or not customary or within the contemplation of the parties hereto and regardless of whether the same shall be extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing which, at any time during the Lease Term, shall be applicable to the Premises, the Building and/or, the Parcel or assessed, levied or imposed upon the Premises, the Building and/or the Parcel, or become due and payable and a lien or charge upon the Premises, the Building and/or the Parcel, or any part thereof, under or by virtue of any present or future laws, statutes, ordinances, regulations or other requirements of any governmental authority whatsoever. The term "Environmental Surcharges" shall mean and include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, the Federal Environmental Protection Agency, the Federal Clean Air Act, or any regulations promulgated thereunder or any other local, state or federal governmental agency or entity now or hereafter vested with the power to impose taxes, assessments, or other types of surcharges as a means of controlling or abating environmental pollution or the use of energy. The term "Property Taxes" shall not include any federal, state or local net income, estate, or inheritance tax imposed on Landlord. Notwithstanding the foregoing, the term "Property Taxes" shall not include any Environmental Surcharge arising out of any Hazardous Material (a) existing in, on, under, over or about the Premises and/or Parcel prior to the Commencement Date or (b) not otherwise used, stored, generated, discharged, transported to or from, or disposed of in, on, under, over or about the Premises and/or Parcel by Tenant or its agents, employees or contractors. Notwithstanding anything in this Paragraph 7.B to the contrary, during the initial three (3) year term of this Lease only, the term "Property Taxes" shall not include any increases in real property taxes that result from a voluntary sale or ocher transfer of the Premises and/or Parcel by Landlord or controlling interest of Landlord or the acquisition by Landlord of the reversionary interest in the Parcel; provided, however, "Property Taxes" shall include any increases in real property taxes that result from a foreclosure sale, deed lieu of foreclosure or other involuntary transfer of ownership of the Premises and/or the Parcel. Notwithstanding the foregoing, if the initial term of this Lease is extended by the exercise of any option to extend granted in this Lease or otherwise, the term "Property Taxes" shall include all real property taxes due or accruing during such extended lease term, including any increases in property taxes attributable to any sale or other transfer of ownership occurring at any time following the Commencement Date of this Lease.

C. Other Taxes: Tenant shall, as additional rent, pay or reimburse
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Landlord for any tax based upon, allocable to, or measured by the area of the Premises or the Building or the Parcel; or by the rent paid, payable or received under this Lease; any tax upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Premises or any portion thereof; any privilege tax, excise tax, business and

occupation tax, gross receipts tax, sales and/or use tax, water tax, sewer tax, employee tax, occupational license tax imposed upon Landlord or Tenant with respect to the Premises; any tax upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

8. Insurance.

A. Indemnity. Tenant agrees to indemnify, protect and defend Landlord against and hold Landlord harmless from any and all claims, causes of action, judgments, obligations or liabilities, ,and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorneys fees), on account of, or arising out of, the operation, maintenance, use or occupancy of the Premises and the Parcel and all areas appurtenant thereto; provided, however, that in no event shall Tenant have any obligation to indemnify, protect, defend, release or hold Landlord harmless from any such claims, causes of action, judgments, obligations, liabilities, costs and expenses arising from (i) the negligent acts or omissions or willful misconduct of Landlord or its agents, employees, invitees or contractors; or (ii) any breach of Landlord's obligations under this Lease. Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, causes of action, judgments, obligations or liabilities and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorneys' fees) on account of, or arising out of, third party claims for personal injury or property damage caused by the negligent acts or omissions of Landlord or its employees, agents, invitees or contractors, or any breach of Landlord's obligations under this Lease. This Lease is made on the express understanding that Landlord shall not be liable for, nor suffer loss by reason of, injury to person or property, from whatever cause (except for the negligence or willful misconduct of Landlord or its agents, employees, contractors or invitees), which in any way may be connected with the operation use or occupancy of the Premises specifically including, without limitation, any liability for injury to the person or property of Tenant, its agents, officers, employees, licensees and invitees.

B. Liability Insurance. Tenant shall, at Tenant's expense, obtain an keep in force during the term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against claims and liabilities arising out of the operation, use, or occupancy of the Premises and the Parcel and all areas appurtenant thereto, including parking areas. Such insurance shall be in an amount of not less than Three Million Dollars ($3,000,000.00) for bodily injury or death as a result of any one occurrence and Five Hundred Thousand Dollars ($500,000.00) for damage to property as a result of any one occurrence. The insurance shall be with companies having a rating of at least A/10 in Best's Insurance Guide. Tenant shall deliver to Landlord, prior to possession, and at least thirty (30) days prior to the expiration thereof, a certificate of insurance evidencing the existence of the policy required hereunder and such certificate shall certify that the policy (1) names Landlord as an additional insured, (2) shall not be canceled or altered without thirty (30) days prior written notice to Landlord, (3) insures performance of the indemnity set forth in Subparagraph 8.A above, (4) the coverage is primary and any coverage by Landlord is in excess thereto and (5) contains a cross-liability endorsement. Landlord may maintain a policy or policies of comprehensive general liability insurance insuring Landlord (and such others as are designated by Landlord), against liability for personal injury,

bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or the Outside Area, with such limits of coverage as Landlord may from time to time determine are reasonably necessary for its protection. The cost of any such liability insurance maintained by Landlord shall be a Outside Area Charge and Tenant shall pay, as additional rent, the full cost of such insurance to Landlord as provided in Paragraph 12 below.

C. Property Insurance. Landlord shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Premises and the Building, in the amount of the full replacement value thereof, providing protection against those perils included within the classification of "all risk" insurance, plus a policy of rental income insurance in the amount of one hundred percent (100%) of twelve (12) months rent (including, without limitation, sums payable as Additional Rent), plus any other coverages (including earthquake and flood insurance) to the extent recruited from time to time by Landlord's mortgagee; provided, however, that in no event shall Tenant be required to pay for the cost of pollution liability insurance. Tenant shall have no interest in nor any right to the proceeds of any insurance procured by Landlord on the Premises. Tenant shall, within thirty (30) days after receipt of billing, pay to Landlord as additional rent, the full cost such insurance procured and maintained by Landlord. Tenant acknowledges that such insurance procured by Landlord shall contain a deductible which reduces Tenant's cost for such insurance and, in the event of loss or damage, Tenant shall be required to pay to Landlord the amount of such deductible, not to exceed Ten Thousand Dollars ($10,000.00).

Notwithstanding the foregoing, Tenant shall not be liable for any portion of any earthquake insurance premium applicable to the Premises which exceeds three cents ($0.03) per square foot of leasable space within the Premises per month; except the three cent ($0.03) limit shall be increased on each anniversary of the Commencement Date by the same percentage increase as the percentage increase in the Consumer Price Index from the Commencement Date to such anniversary. As used herein, the term "Consumer Price Index" means that Consumer Price Index for All Urban Consumers (all items) as published by the United States Department of Labor, Bureau of Labor Statistics, for the San Francisco/Oakland/San Jose Metropolitan Area (1982-1984 = 100 base).

D. Tenant's Insurance, Release of Landlord. Tenant acknowledges that the insurance to be maintained by Landlord on the Premises pursuant to Subparagraph 8.C above will not insure any of Tenant's property. Accordingly, Tenant, at Tenant's own expense, shall maintain in full force and effect on all of its fixtures, equipment, leasehold improvements and personal property in the Premises, a policy of "All Risk" coverage insurance to the extent of at least ninety percent (90%) of their insurable value.

E. Mutual Waiver of Subrogation. Tenant and Landlord hereby mutually waive their respective rights for recovery against each other for any loss of or damage to the property of either party, to the extent such loss or damage is insured by any insurance policy required to be maintained by this Lease or otherwise in force at the time of such loss or damage. Each party shall obtain any special endorsements, if required by the insurer, whereby the insurer waives its right of subrogation against the other party hereto. The provisions of this

Subparagraph E shall not apply in those instances in which waiver of subrogation would cause either party's insurance coverage to be voided or otherwise made uncollectible.

9. Utilities. Tenant shall pay for all water, gas, light, heat, power, electricity, telephone, trash pick-up, sewer charges, and all other services supplied to or consumed on the Premises, and all taxes and surcharges thereon. In addition, the cost of any utility services supplied to the Outside Area or not separately metered to the Premises shall be an Outside Area Charge and Tenant shall pay one hundred percent (100%) of such costs to Landlord as provided in Paragraph 12 below.

10. Repairs and Maintenance.

A. Landlord's Repairs. Subject to the provisions of Paragraph 16, Landlord shall keep and maintain the exterior roof, structural elements and exterior walls of the Building in good order and repair. Landlord shall not, however, be required to maintain, repair or replace the interior surface of exterior walls, nor shall Landlord be required to maintain, repair or replace windows, doors, skylights or plate glass. Landlord shall have no obligation to make repairs under this Subparagraph until a reasonable time after receipt of written notice from Tenant of the need for such repairs. Tenant shall reimburse Landlord, as additional rent, within thirty (30) days after receipt of billing, for the cost of such repairs and maintenance which are the obligation of Landlord hereunder, provided however, that Tenant shall not be required to reimburse Landlord for the cost of maintenance and repairs of the structural elements of the Building unless such maintenance or repair is required because of the negligence or willful misconduct of Tenant or its employees, agents, or invitees. As used herein, the term "structural elements of the Building" shall mean and be limited to the foundation, footings, floor slab (but not flooring), structural walls, and roof structure (but not roofing or roof membrane). Notwithstanding anything in the foregoing to the contrary, if during the term of this Lease or any extension thereof, the roofing or roof membrane requires replacement, Landlord shall perform such replacement and Tenant shall pay to Landlord, as Additional Rent, a fraction of the cost of such replacement, which fraction shall have its numerator the number of calendar months remaining in the Lease Term at the time of such replacement and shall have as its denominator one hundred eighty (180) months. If Tenant exercises any option to extend the term of this Lease, then at the commencement of any such option term, Tenant shall pay to Landlord an additional fraction of the cost of such replacement, which fraction shall have as its numerator the number of years in the option term in question, and shall have as its denominator one hundred eighty (180) months. All payments required of Tenant under this Subparagraph 10.A shall be made within thirty (30) days after receipt of billing.

B. Tenant's Repairs. Except as expressly provided in Subparagraph 10.A above, Tenant shall, at its sole cost, keep and maintain the entire Premises and every part thereof, including without limitation, the windows, window frames, plate glass, glazing, skylights, truck doors, doors and all door hardware, the walls and partitions, and the electrical, plumbing, lighting, heating, ventilating and air conditioning systems and equipment in good order, condition and repair. The term "repair", shall include replacements, restorations and/or renewals when necessary as well as painting. Tenant's obligation shall extend to all alterations, additions

and improvements to the Premises, and all fixtures and appurtenances therein and thereto. Tenant shall, at all times during the Lease Term, have in effect a service contract for the maintenance of the heating, ventilating and air conditioning ("HVAC") equipment with an HVAC repair and maintenance contractor approved by Landlord. The HVAC service contract shall provide for periodic inspection and servicing at least once every three (3) months during the term hereof, and Tenant shall provide Landlord with a copy of such contract and all periodic service reports.

Should Tenant fail to commence any repairs required of Tenant hereunder forthwith upon five (5) days written notice from Landlord or should Tenant fail thereafter to diligently complete the repairs, Landlord, in addition to all other remedies available hereunder or by law and without waiving any alternative remedies, may make the same, and in that event, Tenant shall reimburse Landlord as additional rent for the cost of such maintenance or repairs within five (5) days of written demand by Landlord.

Landlord shall have no maintenance or repair obligations whatsoever with respect to the Premises except as expressly provided in Subparagraph 10.A and Paragraphs 11 and 16. Tenant hereby expressly waives the provisions of Subsection 1 of Section 1932 and Sections 1941 and 1942 of the Civil Code of California and all rights to make repairs at the expense of Landlord as provided in Section 1942 of said Civil Code.

Notwithstanding any provision of this Lease to the contrary, Tenant shall not be responsible for performing or paying for the cost of, and Landlord shall perform at its sale cost and expense, any and all maintenance, repairs, replacements, alterations, additions or modifications to the Premises, Building and/or Outside Areas (i) necessitated by the negligent acts or omissions or willful misconduct of Landlord or its agents, employees, invitees or contractors, (ii) necessitated by the occurrence of any insured casualty for which and to the extent Landlord has received insurance proceeds, (iii) arising from a failure by Landlord to construct the Premises, Building (including, without limitation, all HVAC, electrical, plumbing, lighting and other building systems) and/or Outside Areas in a good and workmanlike manner and in accordance with applicable laws, rules, codes and regulations existing at the time of their construction or installation (provided, however, the failure described in this clause (iii) shall not include or apply to any construction or installation of any alterations, additions, improvements or replacements by any previous tenant or subtenant of the Premises); or (iv) for which Landlord has received reimbursement from others. Landlord shall use its best efforts to collect such insurance proceeds and other reimbursements. If, during the Lease Term, the HVAC condenser unit requires replacement, Landlord shall replace the same and Tenant shall pay to Landlord, as additional rent, a fraction of the cost of such replacement, which fraction shall have as its numerator the number of calendar months remaining in the Lease Term at the time of such replacement and as its denominator one hundred twenty (120) months. If Tenant exercises any option to extend the term of this Lease, Tenant shall pay to Landlord an additional fraction of the cost of such replacement, which fraction shall have as its numerator the number of calendar months in the option term in question and shall have as its denominator one hundred twenty (120) months.

11. Outside Area. Subject to the terms and conditions of this Lease, Tenant and Tenant's employees, invitees and customers shall, in common with others entitled to the use thereof, have the non-exclusive right to use the access roads, parking areas and facilities provided and designated by Landlord for the general use and convenience of the occupants of the Parcel, which areas and facilities are referred to herein as "Outside Area." This right shall terminate upon the termination of this Lease. Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the outside Area, provided that the same do not (a) interfere with access to or use of the Premises, Building and/or Outside Areas by Tenant and its agents, employees, invitees and contractors or (b) reduce the number of parking spaces located within the Outside Areas and otherwise available for use by Tenant and its agents, employees, invitees and contractors, unless such reduction is required by law. Tenant shall have the exclusive use of all parking spaces and shipping and loading areas in the Outside Area. Tenant shall not abandon any inoperative vehicles or equipment on any portion of the Outside Area. Tenant shall make no alterations, improvements or additions to the Outside Area.

Landlord shall operate, manage, insure, maintain and repair the Outside Area in good order, condition and repair. The manner in which the outside Area shall be maintained and the expenditures for such maintenance shall be at the discretion of Landlord. The cost of such repair, maintenance, operation, insurance and management, including without limitation, maintenance and repair of landscaping, irrigation systems, paving, sidewalks, fences, and lighting, shall be a Outside Area Charge and Tenant shall pay to Landlord its share of such costs as provided in Paragraph 12 below.

12. Outside Area Charges. Tenant shall pay to Landlord, as additional rent, upon demand but not more often than once each calendar month, an amount equal to one hundred percent (100%) of the Outside Area Charges as defined in Subparagraph. 8.B and Paragraphs 9, 11, 13 and 36 of this Lease. Tenant acknowledges and agrees that the Outside Area Charges shall include an additional five percent (5%) of the actual expenditures in order to compensate Landlord for accounting, management and processing services. Notwithstanding the preceding to the contrary, in no event shall any "Outside Area Charge" include (i) costs incurred by Landlord in performing its obligations under Paragraph 10.A above, (ii) depreciation, amortization or other expense reserves, (iii) payments, interest, fees or other charges on debt or rent, fees or other charges under ground leases, (iv) costs to investigate, remove or otherwise remediate any Hazardous Material from all or any portion of the Premises, Building, Outside Area and/or Parcel or the soils and groundwater thereunder, including, without limitation, any judgments, penalties, clean-up costs, remediation costs, consulting fees or attorneys' fees. The preceding sentence shall not reduce or modify Tenant's obligations under Paragraph 10.A above and Paragraph 39 below.

Notwithstanding the foregoing, if during the Lease Term or any extension thereof, the paving of the parking lot or any other improvement in the Outside Area requires replacement, and if the replacement will cost more than Five Thousand Two Hundred Dollars ($5,200.00) and will have a useful life extending beyond the then remaining Lease Term, then Landlord shall make such replacement and a fraction of the cost of such replacement shall be included as an Outside Area Charge for the year of such replacement, which fraction shall have as its numerator

the number of months then remaining in the Lease Term and shall have as its denominator one hundred twenty (120) months. If Tenant exercises any option to extend the term of this Lease, Tenant shall pay to Landlord, at the commencement of the Option Term in question, an additional fraction of the cost of such replacement, which additional fraction shall have as its numerator the number of months in the Option Term in question and shall have as its denominator one hundred twenty (120) months. As used herein, the "replacement" shall not include patching or sealing. The cost of patching and sealing shall be an Outside Area Charge. In no event shall any capital expenditures chargeable to Tenant hereunder include the five percent (5%) administrative charge.

13. Alterations. Tenant shall not make, or suffer to be made, any alterations, improvements or additions in, on, about or to the Premises or any part thereof, without the prior written consent of Landlord (which shall not be unreasonably withheld or delayed) and without a valid building permit issued by the appropriate governmental authority. As a condition to giving such consent, Landlord may require that Tenant agree to remove any such alterations, improvements or additions at the termination of this Lease, and to restore the Premises to their prior condition. Unless Landlord requires that Tenant remove any such alteration, improvement or addition, any alteration, addition or improvement to the Premises, except movable furniture and trade fixtures not affixed to the Premises, shall become the property of Landlord upon termination of the Lease and shall remain upon and be surrendered with the Premises at the termination of this Lease. Without limiting the generality of the foregoing, all heating, lighting, electrical (including all wiring, conduit, outlets, drops, buss ducts, main and subpanels), air conditioning, permanent partitioning, drapery, and carpet installations made by Tenant regardless of how affixed to the Premises, together with all other additions, alterations and improvements that have become an integral part of the Building, shall be and become the property of the Landlord upon termination of the Lease, and shall remain upon and be surrendered with the Premises at the termination of this Lease.

Notwithstanding the preceding to the contrary, (i) Tenant shall have the right to make alterations and additions to the interior or the Premises that do not affect the structural elements of the Building and have a cost of Five Thousand Dollars ($5,000.00) or less per project without the prior written approval of Landlord, and (ii) Tenant shall be required to remove only those alterations and additions which Landlord has, at the time of its approval, requested Tenant to remove upon expiration of the Lease Term, or which Tenant has otherwise constructed or installed without the prior approval of Landlord.

If, during the Lease Term (or any extensions thereof), any alteration, addition or change of any sort to all or any portion of the Premises is. required by law, regulation, ordinance or order of any public agency (including, without limitation, any alterations required by the Americans with Disabilities Act) by reason of (1) Tenant's use of the Premises, (2) Tenant's obtaining a new permit or governmental approval (except as provided in Paragraph 10.B), or (3) Tenant's construction or installation of any leasehold improvements or trade fixtures (except as provided in Paragraph 10.B), Tenant shall promptly make the same at its sole cost and expense. If during the Lease Term (or any extensions thereof), any alteration, addition, or change to the Outside Area, or to the Premises for any reason other than for the reasons described in the preceding

sentence, is required by law, regulation, ordinance or order of any public agency, Landlord shall make the same and Tenant shall pay an amount equal to one and one-half percent (1-1/2%) of the cost of such alteration, addition or change per month during the remainder of the Lease Term as an Outside Area Charge. Notwithstanding the preceding sentence to the contrary, any such alteration, addition or change to a structural element of the Building that is required by law, regulation, ordinance or order of any public agency shall be made by Landlord at its sole cost and expense and shall not constitute an Outside Area Charge.

14. Acceptance of the Premises. By entry and taking possession of the Premises pursuant to this Lease, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the Premises in their condition existing as of the date of such entry, and Tenant further accepts the tenant improvements to be constructed by Landlord, if any, as being completed in accordance with the plans and specifications for such improvements. Tenant acknowledges that neither Landlord nor Landlord's agents has made any representation or warranty as to the suitability of the Premises to the conduct of Tenant's business. Any agreements, warranties or representations not expressly contained herein shall in no way bind either Landlord or Tenant, and Landlord and Tenant expressly waive all claims for damages by reason of any statement, representation, warranty, promise or agreement, if any, not contained in this Lease. This Lease constitutes the entire understanding between the parties hereto and no addition to, or modification of, any term or provision of this Lease shall be effective until set. forth in a writing signed by both Landlord and Tenant.

15. Tenant's Default.

A. Events of Default. A breach of this Lease by Tenant shall exist if any of the following events (hereinafter referred to as "Event of Default") shall occur:

(1) Default in the payment when due of any installment of rent or other payment required to be made by Tenant hereunder, where such default shall not have been cured within ten (10) days after written notice of such default is given to Tenant;

(2) Tenant's failure to perform any other term, covenant or condition contained in this Lease where such failure shall have continued for thirty (30) days after written notice of such failure is given to Tenant or, if such failure cannot be reasonably cured within said thirty (30) day period, Tenant's failure to commence such cure within said thirty (30) day period and, thereafter, to diligently pursue the same to completion;

(3) Tenant's vacating or abandonment of the Premises for a period exceeding forty-five (45) days;

(4) Tenant's assignment of its assets for the benefit of its creditors;

(5) The sequestration of, attachment of, or execution on, any substantial part of the property of Tenant or on any property essential to the conduct of Tenant's business, shall have occurred and Tenant shall have failed to obtain a return or release of such property within

sixty (60) days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier;

(6) Tenant or any guartantor of Tenant's obligations hereunder shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seek appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property and such action or proceeding is not dismissed within sixty (60) days thereafter;

(7) Tenant or any such guarantor shall take any corporate action to authorize any of the actions set forth in Clause 6 above; or

(8) Any case, proceeding or other action against Tenant or any guarantor of Tenant's obligations hereunder shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven (7) business days after the entry thereof or (ii) remains undismissed for a period of sixty (60) days.

B. Remedies. Upon any Event of Default, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cummulatively, or in the alternative:

(1) Recover of Rent. Landlord shall he entitled to keep this Lease in full force and effect (whether or not Tenant shall have abandoned the Premises) and to enforce all of its rights and remedies under this Lease, including the right to recover rent and other sums as they become due, plus interest at the Permitted Rate (as defined in Paragraph 33 below) from the due date of each installment of rent or other sum until paid.

(2) Termination. Landlord may terminate this Lease by giving Tenant written notice of termination. On the giving of the notice all of Tenant's rights in the Premises and the Building and Parcel shall terminate. Upon the giving of the notice of termination, Tenant shall surrender and vacate the Premises in the condition required by Paragraph 34, and Landlord may re-enter and take possession of the Premises and all the remaining improvements and eject Tenant or any of Tenant's subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. This Lease may also be terminated by a judgment specifically providing for termination. Any termination under this paragraph shall not release Tenant from the payment of any sum then due Landlord or from any claim for damages or rent previously accrued or then accruing against Tenant. In no event shall any one or more of the following actions by Landlord constitute a termination of this Lease:

(a) maintenance and preservation of the Premises;

(b) efforts to relet the Premises;

(c) appointment of a receiver in order to protect Landlord's interest hereunder;

(d) consent to any subletting of the Premises or assignment of this Lease by Tenant, whether pursuant to provisions hereof concerning subletting and assignment or otherwise; or

(e) any other action by Landlord or Landlord's agents intended to mitigate the adverse effects from any breach of this Lease by Tenant.

(3) Damages. In the event this Lease is terminated pursuant to Subparagraph 15.B.2 above, or otherwise, Landlord shall be entitled to damages in the following sums:

(a) the worth at the time of award of the unpaid rent which has been earned at the time of termination; plus

(b) 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

(c) 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; and

(d) 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, including, without limitation the following: (i) expenses for cleaning, repairing or restoring the Premises; (ii) expenses for altering, remodeling or otherwise improving the Premises for the purpose of reletting, including installation of leasehold improvements (whether such installation be funded by a reduction of rent, direct payment or allowance to the succeeding lessee, or otherwise); (iii) real estate broker's fees, advertising costs and other expenses of reletting the Premises; (iv) costs of carrying the Premises such as taxes and insurance premiums thereon, utilities and security precautions; (v) expenses in retaking possession of the Premises; (vi) attorneys' fees and court costs; and (vii) any unamortized real estate brokerage commission paid in connection with this Lease.

(e) The "worth at the time of award" of the amounts referred to in Subparagraphs (a) and (b) of this Paragraph 15.B(3) is computed by allowing-interest at the Permitted Rate. The "worth at the time of award" of the amounts referred to in Subparagraph (c) of this Paragraph 15.B(3) is computed by discounting such amount at the discount rate of the

Federal Reserve Board of San Francisco at the time of award plus one percent (3.%). The term "rent" as used in this Paragraph 1.5 shall include all sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease.

16. Destruction. In the event that any portion of the Premises are destroyed or damaged by any peril not covered by the insurance required to be carried by Landlord pursuant to the terms Of this Lease, then Landlord shall, at its sole cost and expense, promptly restore the Premise, and this Lease shall continue in full force and effect unless Tenant otherwise terminates this Lease as provided hereinbelow; provided, however, that Landlord shall have the right to terminate this Lease if the cost of the restoration or repair exceeds ten percent (10%) of the replacement cost of -the Building, unless Tenant otherwise agrees to contribute the balance of the Cost of restoration or repair in excess of said ten percent (10k) amount.

In the event the Premises are damaged or destroyed from any insured peril to the extent of fifty percent (50-t) or more of the then replacement cost of the Premises, Landlord may, upon written notice to Tenant, given within thirty (30) days after the occurrence of such damage or destruction, elect to terminate this Lease. If Landlord does not give such notice in writing within such period, Landlord shall be deemed to have elected to rebuild or restore the Premises, i-n which event Landlord shall, at its expense, promptly rebuild or restore the Premises to their condition prior to the damage or destruction and Tenant shall pay to Landlord upon commencement of -reconstruction the amount of any deductible from the insurance policy, not to exceed Ten Thousand Dollars ($10,000.00).

In the event the Premises are damaged or destroyed from any insured peril to the extent of less than fifty percent (50%) of the then replacement cost of the Premises, Landlord shall, at Landlord, s expense, promptly rebuild or restore the Premises to their condition prior to the damage or destruction and Tenant :shall pay to Landlord upon commencement of reconstruction the amount of any deductible from the insurance policy, not to exceed Ten Thousand Dollars ($10,000.00).

In the event that, pursuant to the foregoing provisions, Landlord is to rebuild or restore the Premises, Landlord shall, within thirty (30) days after the occurrence of such damage or destruction, provide Tenant with written notice of the time required for such repair or restoration. If such period is longer than one hundred eighty (180) days from the date of casualty, Tenant may, within thirty (30) days after receipt of Landlord's notice, elect to terminate the Lease by giving written notice to Land-lord of such election, whereupon the Lease shall immediately terminate. Landlord, s obligation to repair or restore the Premises shall not include restoration of Tenant's trade fixtures, equipment, merchandise, or any improvements, alterations or additions made by Tenant to the Premises.

Landlord and Tenant shall each have the right to terminate the Lease if (i) such damage to the Premises occurs during the last year of the term of the Lease and (ii) it is estimated that necessary repairs will take more than sixty (60) days from the date of casualty, unless Tenant exercises its option to extend this Lease within thirty (30) days of the date of casualty.

Unless this Lease is terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect; provided, however,'-that from and after the date of casualty until the repairs or restoration are completed by Landlord, rent and all other amounts to be paid by Tenant on account of the Premises and this Lease shall be abated in proportion to the area of the Premises rendered not reasonably suitable for the conduct of Tenant's business thereon. Tenant hereby expressly waives the provisions of Section 1932, Subdivision 2 and Section 1933, Subdivision 4 of the California Civil Code.

17. Condemnation.

A. Definition of Terms. For the purposes of this Lease, the term (1) "Taking" means a taking of the Premises or damage to the Premises related to the exercise of the power of eminent domain and includes a voluntary conveyance, in lieu of court proceedings, to any agency, authority, public utility, person or corporate entity empowered to condemn property; (2) "Total Taking" means the taking of the entire Premises or so much of the Premises as to prevent or substantially impair the use thereof by Tenant for the uses herein specified; provided, however, in no event shall a Taking of less than ten percent (10%) of the Premises he deemed a Total Taking; (3) "Partial Taking" means the taking of only a portion of the Premises which does not constitute a Total Taking; (4) "Date of Taking" means the date upon which the title to the Premises, or a portion thereof, passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor; and (5) "Award" means the amount of any award made, consideration paid, or damages ordered as a result of a Taking.

B. Rights. The parties agree that in the event of a Taking all rights between them or in and to an Award shall be as set forth herein and Tenant shall have no right to any Award except as set forth herein.

C. Total Taking. In the event of a Total Taking during the term hereof (1) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the Date of Taking; (2) Landlord shall refund to Tenant any prepaid rent; (3) Tenant shall pay Landlord any rent or charges due Landlord under the Lease, each prorated as of the Date of Taking; (4) Tenant shall receive from Landlord those portions of the Award attributable to trade fixtures of Tenant and for moving expenses of Tenant; and (5) the remainder of the Award shall be paid to and be the property of Landlord.

D. Partial Taking. In the event of a Partial Taking during the term hereof (1) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the portion of the Premises taken shall cease and terminate as of the Date of Taking; (2) from and after the Date of Taking the Monthly Installment of rent shall be an amount equal to the product obtained by multiplying the Monthly installment of rent immediately prior to the Taking by a fraction, the numerator of which is the member of square feet contained in the Premises after the Taking and the denominator of which is the number of square feet contained in the Premises prior to the Taking; (3) Tenant shall receive from the Award the portions of the Award attributable to trade fixtures of Tenant; and (4) the remainder of the Award shall be paid to and be the property of

Landlord. In the event of a Partial Taking of more than ten percent (10%) of the Premises, Tenant may, within thirty (30) days of notice of such Partial Taking, terminate this Lease if Tenant, in its sole discretion, determines that such Partial Taking causes an unacceptable restriction of its use of the Premises.

18. Mechanics' Lien. Tenant shall (A) pay for all labor and services performed for, materials used by or furnished to, Tenant or any contractor employed by Tenant with respect to the Premises; (B) indemnify, defend, protect and hold Landlord and the Premises harmless and free from any liens, claims, liabilities, demands, encumbrances, or judgments created or suffered by reason of any labor or services performed for, materials used by or furnished to, Tenant or any contractor employed by Tenant with respect to the Premises; (C) if the cost of such work is in excess of Five Thousand Dollars ($5,000.00) give notice to Landlord in writing five (5) days prior to employing any laborer or contractor to perform services related to, or receiving materials for use upon the Premises; and (D) permit Landlord to post a notice of nonresponsibility in accordance with the statutory requirements of California Civil Code Section 3094 or any amendment thereof. In the event Tenant is required to post an improvement bond with a public agency in connection with the above, Tenant agrees to include Landlord as an additional obligee.

19. Inspection of the Premises. Tenant shall permit Landlord and its agents to enter the Premises at any reasonable time for the purpose of inspecting the same, performing Landlord's maintenance and repair responsibilities, posting a notice of non-responsibility for alterations, additions or repairs and at any time within one hundred eighty (180) days prior to expiration of this Lease, to place upon the Premises, ordinary "For Lease" or "For Sale" signs; provided that Landlord, except in the case of emergency, (i) shall not enter the Premises without first giving one (1) days notice to Tenant, (ii) shall be accompanied by an employee of Tenant at all times while in the Premises, (iii) shall comply with Tenant's security procedures, and (iv) shall not unreasonably interfere with Tenant's use of the Premises or the conduct of its business therein.

20. Compliance with Laws. Subject to Paragraphs 10.A, 11, 12 and 13 above, Tenant shall, at its own cost, comply with all of the requirements of all municipal, county, state and federal authorities now in force, or which may hereafter be in force, pertaining to the use and occupancy of the Premises, and shall faithfully observe all municipal, county, state and federal law, statutes or ordinances now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinance or statute in the use and occupancy of the Premises shall he conclusive of the fact that such violation by Tenant has occurred.

21. Subordination. The following provisions shall govern the relationship of this Lease to any underlying lease, mortgage or deed of trust which now or hereafter affects the Premises, the Building and/or the Parcel, or Landlord's interest or estate therein (the "Project") and any renewal, modification, consolidation, replacement, or extension thereof (a "Security Instrument").

A. Priority. This Lease is subject and subordinate to all Security Instruments existing as of the Commencement Date. However, if any Lender so requires, this Lease shall become prior and superior to any such Security Instrument.

B. Subsequent Security Instruments. At Landlord's election, this Lease shall become subject and subordinate to any is Security instrument created after the Commencement Date, provided that such Lender executes and delivers to Tenant a recognition and non-disturbance agreement reasonably acceptable to Tenant providing that Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant is not in default and performs all of its obligations under this Lease, unless this Lease is otherwise terminated pursuant to its terms.

C. Documents. Subject to the provisions of this Paragraph 21, Tenant shall execute any document or instrument required by Landlord or any Lender to make this Lease either prior or subordinate to a Security Instrument, which may include such other matters as the Lender customarily requires in connection with such agreements, including provisions that the Lender not be liable for (1) the return of the Security Deposit unless the Lender receives it from Landlord, and (2) any defaults on the part of Landlord occurring prior to the time that the Lender takes possession of the Project in connection with the enforcement of its Security instrument. Tenant's failure to execute any such document or instrument within ten (10) days after written demand therefor shall constitute a default by Tenant or, at Landlord's option, Landlord may execute such documents an behalf of Tenant as Tenant's attorney-in-fact. Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact to execute such documents in accordance with this Paragraph.

D. Tenant's Attornment. Tenant shall attorn (1) to any purchaser of the Premises at any foreclosure sale or private sale conducted pursuant to any security instrument encumbering the Project; (2) to any grantee or transferee designated in any deed given in lieu of foreclosure; or (3) to the lessor under any underlying ground lease should such ground lease be terminated, provided that, in any such event, the party acquiring Landlord's interest in this Lease assumes in writing all of the obligations of Landlord hereunder to be performed after such acquisition.

E. Lender. The term "Lender" shall mean (1) any beneficiary, mortgagee, secured party, or other holder of any need of trust, mortgage, or other written security device or agreement affecting the Project; and (2) any lessor under any underlying lease under which Landlord holds its interest in the Project.

22. Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after expiration shall not constitute a renewal or extension or give Tenant any rights in or to the Premises except as expressly provided in this Lease. Any holding over after the expiration with the consent of Landlord shall be construed to be a tenancy from month to month, at one hundred twenty-five percent (25%) of the monthly rent for the last month of the Lease Term, and shall otherwise be on the terms and conditions herein specified insofar as applicable.

23. Notices. Any notice required or desired to be given under this Lease shall be in writing with copies directed as indicated below and shall be Personally served or given by mail. Any notice given by mail shall be deemed to have been given when forty-eight (48) hours have elapsed from the time such notice was deposited in the United States mails, certified and postage prepaid, addressed to the party to be served with a copy as indicated herein at the last address given by that party to the other party under the provisions of this Paragraph 23. At the date of execution of this Lease, the address of Landlord is:

1710 Zanker Road, Suite 100
San Jose, CA 95112

and the address of Tenant is:

Silicon Graphics, Inc.
2011 N. Shoreline Blvd.
Mountain View, CA 94039-7311
Attn: Legal Services

24. Attorneys' Fees. In the event either party shall bring any action or legal proceeding for damages for any alleged breach of any provision of this Lease, to recover rent or possession of the Premises, to terminate this Lease, or to enforce, protect or establish any term or covenant of this Lease or right or remedy of either party, the prevailing party shall he entitled to recover as a part of such action or proceeding, reasonable attorneys' fees and court costs, including attorneys, fees and costs for appeal, as may be fixed by the court or jury. The term "prevailing party" shall mean the party who received substantially the relief requested, whether by settlement, dismissal, summary judgment, judgment, or otherwise.

25. Nonssignment.

A. Landlord's Consent Required. Tenant's interest in this Lease is not assignable, by operation of law or otherwise, nor shall Tenant have the right to sublet the Premises, transfer any interest of Tenant therein or permit any use of the Premises by another party, without the prior written consent of Landlord to such assignment, subletting, transfer or use, which consent Landlord agrees not to withhold unreasonably subject to the provisions of Subparagraph 25.2 below; provided, however, that the prior written consent of Landlord shall not be required with respect to any assignment of this Lease and/or subletting of the Premises (a) to a parent, subsidiary or other affiliate of Tenant, (b) in connection with the sale of all or substantially all of Tenant's assets, or (c) in connection with a merger, consolidation, or non-bankruptcy reorganization of Tenant. A consent to one assignment, subletting, occupancy or use by another party shall not be deemed to be a consent to any subsequent assignment, subletting, occupancy or use by another party. Any assignment or subletting without such consent shall be void and shall, at the option of Landlord, terminate this Lease.

Landlord's waiver or consent to any assignment or subletting hereunder shall not relieve Tenant from any obligation under this Lease unless the consent shall so provide.

B. Transferee Information Required. If Tenant desires to assign its interest in this Lease or sublet the Premises, or transfer any interest of Tenant therein, or permit the use of the Premises by another party (hereinafter collectively referred to as a "Transfer"), Tenant shall give Landlord at least ten (10) business days prior written notice of the proposed Transfer and of the terms of such proposed Transfer, including, but not limited to, the name and legal composition of the proposed transferee, a financial statement of the proposed transferee, the nature of the proposed transferee's business to be carried on in the Premises, the payment to be made or other consideration to be given to Tenant on account of the Transfer, and such other pertinent information as may be requested by Landlord, all in sufficient detail to enable Landlord to evaluate the proposed Transfer and the prospective transferee. It is the intent of the parties hereto that this Lease shall confer upon Tenant only the right to use and occupy the Premises, and to exercise such other rights as are conferred upon Tenant by this Lease. The parties agree that this Lease is not intended to have a bonus value nor to serve as a vehicle whereby Tenant may profit by a future Transfer of this Lease or the right to use or occupy the Premises as a result of any favorable terms contained herein, or future changes in the market for leased space. It is the intent of the parties that any such bonus value that may attach to this Lease shall be and remain the exclusive property of Landlord. Accordingly, in the event Tenant seeks to Transfer its interest in this Lease or the Premises, Landlord shall have the following options, which may be exercised at its sole choice without limiting Landlord in the exercise of any other right or remedy which Landlord may have by reason of such proposed Transfer:

(1) Landlord may consent to the proposed Transfer on the condition that Tenant agrees to pay to Landlord, as additional rent, fifty percent (50%) of any and all rents or other consideration (including key money) received by Tenant from the transferee by reason of such Transfer in excess of the rent payable by Tenant to Landlord under this Lease (less any brokerage commissions or advertising expenses incurred by Tenant in connection with the Transfer). Tenant expressly agrees that the foregoing is a reasonable condition for obtaining Landlord's consent any Transfer; or

(2) Landlord may reasonably withhold its consent to the proposed Transfer.

26. Successors. The covenants and agreements contained in this Lease shall be binding on the parties hereto and on their respective heirs, successors and assigns (to the extent the Lease is assignable).

27. Mortgage Protection. In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage encumbering the Premises, whose address shall have been furnished to Tenant, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

28. Landlord Loan or Sale. Tenant agrees within ten (10) days following request by Landlord to execute and deliver to Landlord any documents, including estoppel certificates

presented to Tenant by Landlord, (1) certifying that this Lease is unmodified and in full force and effect and the date to which the rent and other charges are paid in advance, if any, and (2) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and (3) evidencing the status of the Lease as may be required either by a lender making a loan to Landlord to be secured by a deed of trust or mortgage covering the Premises or a purchaser of the Premises from Landlord. Tenant's failure to deliver an estoppel certificate within ten (10) days following such request shall be an Event of Default under this Lease. Within ten (10) days following request by Tenant, Landlord shall execute and deliver to Tenant any documents, including estoppel certificates presented to Landlord, (i) certifying that the Lease is unmodified and in full force and effect and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Landlord's knowledge, any uncured defaults on the part of Tenant under the Lease.

29. Surrender of Lease Not Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or operate as an assignment to Landlord of any or all such subleases or subtenants.

30. Waiver. The waiver by Landlord or Tenant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained.

31. General.

A. Captions. The captions and paragraph headings used in this Lease are for the purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Lease, or be used to interpret specific sections. The word(s) enclosed in quotation marks shall be construed as defined for purposes of this Lease. As used in this Lease, the masculine, feminine and neuter and the singular or plural number shall each be deemed to include the other whenever the context so requires.

B. Definition of Landlord. The term LANDLORD as used in this Lease, so far as the covenants or obligations on part of Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title of the Premises, and in the event of any transfer or transfers of the title of such fee, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall after the date of such transfer or conveyance be automatically freed and relieved of all liability with respect to performance of any covenants or obligations on the part of Landlord contained in this Lease, thereafter accruing or to be performed by Landlord; provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be turned over to the grantee and provided, further, that landlord's successor-in-interest assumes in writing all of Landlord's obligations under this Lease to be performed or accruing after the transfer. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall,

subject as aforesaid, be binding upon each Landlord, its heirs, personal representatives, successors and assigns only during its respective period of ownership.

C. Time of Essence. Time is of the essence for the performance of each term, covenant and condition of this Lease.

D. Severability. In case any one or more of the provisions contained herein, except for the payment of rent, shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein. This Lease shall be construed and enforced in accordance with the laws of the State of California.

E. Joint and Several Liability. If Tenant is more than one person or entity, each such person or entity shall be jointly and severally and liable for the obligations of Tenant hereunder.

F. Law. The term "law" or "laws" shall mean any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any government agency or authority having jurisdiction over the parties to this Lease or the Premises or both, in effect at the Commencement Date of this Lease or any time during the Lease Term, including, without limitation, any regulation, order, or policy of any quasi-official entity or body (e.g., board of fire examiners, public utility or special district).

32. Sign. Tenant shall not place or permit to be placed any sign or decoration on the Parcel or the exterior of the Building without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed. Tenant, upon written notice by Landlord, shall immediately remove any sign or decoration that Tenant has placed or permitted to be placed on the parcel or the exterior of the Building without the prior written consent of Landlord, and if Tenant fails to so remove such sign or decoration within five (5) days after Landlord's written notice, Landlord may enter upon the Premises and remove said sign or decoration and Tenant agrees to pay Landlord, as additional rent upon demand, the cost of such removal. At the termination of this Lease, Tenant shall remove any sign which it has placed on the Parcel or Building and shall repair any damage caused by the installation or removal of such sign.

33. Interest on Past Due Obligations. Any Monthly Installment of rent or any other sum due from Tenant under this Lease which is received by Landlord more than thirty (30) days after the date the same is due shall bear interest from said date until paid, at an annual rate equal to the greater of (the "Permitted Rate"): (1) ten percent (10%); or (2) five percent (5%) plus the rate established by the Federal Reserve Bank of San Francisco, as of the twenty-fifth (25th) day of the month immediately preceding the due date, on advances to member banks under Sections 13 and 13(a) of the Federal Reserve Act, as now in effect or hereafter from time to time amended. Payment of such interest shall not excuse or cure any default by Tenant. In addition, Tenant shall pay all costs and attorneys' fees incurred by Landlord in collection of such amounts.

34. Surrender of the Premises. On the last day of the Term hereof, or on the sooner termination of this Lease, Tenant shall surrender the Premises to Landlord in their condition existing as of the Commencement Date of this Lease, ordinary wear and tear and casualty and condemnation excepted, with all originally painted interior walls washed, and other interior walls cleaned, and repaired or replaced, all carpets shampooed and cleaned, the air conditioning and heating equipment serviced and repaired by a reputable and licensed service firm, all floors cleaned and waxed, all to the reasonable satisfaction of Landlord. Tenant shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed shall be deemed abandoned by Tenant. Tenant, at its sole cost, shall repair any damage to the Premises caused by the removal of Tenant's personal property, machinery and equipment, which repair shall include, without limitation, the patching and filling of holes and repair of structural damage. If the Premises are not so surrendered at the termination of this Lease, Tenant shall indemnify, defend, protect and hold Landlord harmless from and against loss or liability resulting from delay by Tenant in so surrendering the Premises including without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants.

35. Authority. The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of Landlord and Tenant, respectively.

36. C. C. & R.'s. This Lease is made subject to all matters of public record affecting title to the property of which the Premises are a part. Tenant shall abide by and comply with all private conditions, covenants and restrictions of public record now or hereafter affecting the Premises and any amendment thereof, including, but not limited to, the following:

A. Those covenants, conditions and restrictions for the Shoreline Business Park Regarding Drainage Facilities executed by New England Mutual Life Insurance Company and recorded June 1, 1979, in Book E535 at page 186, Santa Clara county Records.

B. Those covenants, conditions and restrictions for the Shoreline Business Park Regarding Architectural Control, Development and Use executed by New England Mutual Life Insurance Company and recorded on June 1, 1989, in Book E535 at page 233, Santa Clara County Records.

All assessments and charges which are imposed, levied or assessed against the Parcel and Building pursuant to the above-described covenants, conditions and restrictions shall be a Outside Area Charge and Tenant shall pay its share of such assessments and charges to Landlord as provided in Paragraph 12 above, provided, however, that if such assessment or charge relates to a capital improvement, Tenant shall only be responsible for paying a fraction of the cost of such reassessment or charge, which fraction shall have as its numerator the number of calendar months remaining in the Lease Term at the time of such assessment or charge and shall have as its denominator one hundred twenty (120) months.

37. Brokers. Each party hereto represents and warrants to Landlord that it has not dealt with any broker respecting this transaction other than Cornish & Carey Commercial and

hereby agrees to indemnify and hold such other party harmless from and against any brokerage commission or fee, obligation, claim or damage (including attorneys' fees) paid or incurred respecting any broker (other than Cornish & Carey Commercial) claiming through such indemnifying party or with which/whom it has dealt.

38. Limitation on Landlord's Liability. Tenant, for itself and its successors and assigns (to the extent this Lease is assignable), hereby agrees that in the event of any actual, or alleged, breach or default by Landlord under this Lease that:

A. Tenant's sole and exclusive remedy against Landlord shall be as against Landlord's interest in the Building;

B. No partner of Landlord shall be sued or named in a party in a suit or action (except as may be necessary to secure jurisdiction of the partnership);

C. No service of process shall be made against any partner of Landlord (except as may be necessary to secure jurisdiction of the partnership);

D. No partner of Landlord shall be required to answer or otherwise plead to any service of process;

E. No judgment will be taken against any partner of Landlord;

F. Any judgment taken against any partner of Landlord may be vacated and set aside at any time nunc pro tunc;

G. No writ of execution will ever be levied against the assets of any partner of Landlord;

H. The covenants and agreements of Tenant set forth in this Paragraph 38 shall be enforceable by Landlord and any partner of Landlord.

39. Hazardous Material.

A. Definitions. As used herein, the term "Hazardous Material" shall mean any substance (a) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law; (b) which is or becomes defined as a "hazardous waste," "hazardous substance," pollutant or contaminant under any federal, state or local statute, regulation, rule or ordinance or amendment thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) and/or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); (c) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of California or any political subdivision thereof; (d) the presence of which on the Premises and/or the Parcel causes or threatens to cause a nuisance upon the

Premises and/or the Parcel or to adjacent properties or poses or threatens to pose a hazard to the health or safety of persons on or about the Premises and/or the Parcel; (e) the presence of which on adjacent properties could constitute a trespass; (f) without limitation which contains gasoline, diesel fuel or other petroleum hydrocarbons; (g) without limitation which contains polychlorinated biphenyls (PCBs), asbestos or urea formaldehyde foam insulation; or (h) without limitation radon gas.

B. Use Restriction. Subject to the terms and conditions set forth herein, Tenant shall be permitted to use and store in the Premises those materials described in Paragraph H below, in the quantities set forth in said Paragraph and such other Hazardous Materials and quantities of Hazardous Materials that Landlord may approve in writing from time to time, which approval Landlord may withhold on grant in its sole discretion. Except as specifically allowed in this Lease, Tenant shall not cause or permit any Hazardous Material to be used, stored, generated, discharged, transported to or from, or disposed of in or about the Premises, the Building, the Parcel and/or the outside Area. The presence of any Hazardous Material caused by Tenant or its agents, employees, invitees or contractors that is not permitted by this Lease in or about the Premises shall be deemed an event of default under Paragraph 15 above. Without limiting the generality of the foregoing, Tenant, at its sole cost, shall comply with all laws relating to the storage, use, generation, transport, discharge and disposal by Tenant or its agents, employees, invitees or contractors of any Hazardous Material. If the presence of any Hazardous Material on the Premises caused by Tenant or its agents, employees, invitees or contractors results in contamination of the Premises, the Building, the Parcel and/or the Outside Area or any soil, air, ground or surface waters under, through, over, on, in or about the Premises, the Building, the Parcel and/or Outside Area, Tenant, at its expense, shall promptly take all actions necessary to return the Premises, the Building, the Parcel and/or the Outside Area to the condition existing prior to the appearance of such to reduce the presence of such Hazardous Hazardous Material (action Level') at which any federal, Material to below the regulation, ordinance, rule, order, state or local statute, law, action or policy requires investigation, testing, monitoring, containment, clean-up , remuneration, response or other action. if the Action Level is reduced at any time prior to the date three years following the termination of this Lease, Tenant shall be obligated (even after the termination of this Lease) to take all actions required to reduce the presence of such Hazardous Material to below such new Action Level.

Tenant shall defend, protect, hold harmless and indemnify Landlord and its agents and employees with respect to all actions, claims, losses, fines, penalties, fees, costs, damages and liabilities (including, but not limited to, attorneys' and consultants' fees) arising out of or in connection with any Hazardous Material used, generated, discharged, transported to or from, stored, or disposed of by Tenant or its agents, employees, invitees or contractors in, on, under, over, through or about the Premises and/or the Parcel. Tenant shall not suffer any lien to be recorded against the Premises as a consequence of any Hazardous Material, including any so called state, federal or local "super fund" lien related to the "clean up" of any Hazardous Material in, over, on, under, through, or about the Premises.

Notwithstanding any provision of this Paragraph 39 to the contrary, in no event shall Tenant be responsible to Landlord for the presence of any Hazardous Material in, on, under,

over, through or about the Premises and/or Parcel not caused by Tenant or its agents, employees, invitees or contractors.

C. Compliance. Ten . ant shall immediately notify Landlord of any inquiry, test, investigation, enforcement proceeding by or against Tenant or the Premises concerning any Hazardous Material. Any remediation plan prepared by or on behalf of Tenant must be submitted to Landlord prior to conducting any work pursuant to such plan and prior to submittal to any applicable government authority and shall be subject to Landlord's consent, which approval shall not be unreasonably withheld or delayed.

D. Assignment and Subletting. It shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or subletting if (i) the proposed assignee's or subtenant's anticipated use of the Premises involves the storage, generation, discharge, transport, use or disposal of any Hazardous Material not described in Subparagraph H below or not approved in writing by Landlord pursuant to Subparagraph B above; (ii) if the proposed assignee or subtenant has been required by any prior landlord, lender or governmental authority to "clean up" or remediate any Hazardous Material (with associated costs in excess of $50,000.00) and such proposed assignee or subtenant is not a Fortune 500 Company; (iii) if the proposed assignee or subtenant is subject to investigation or enforcement order or proceeding by any governmental authority in connection with the use, generation, discharge, transport, disposal or storage of any Hazardous Material (with associated costs in excess of $50,000.00) and such proposed assignee or subtenant is not a Fortune 500 Company.

E. Surrender. Upon the expiration or earlier termination of the Lease, Tenant, at its sole cost, shall remove all Hazardous Materials from the Premises and the Parcel which Tenant introduced to the Premises and/or Parcel. If Tenant fails to so surrender the Premises and Parcel, Tenant shall indemnify, protect, defend and hold Landlord harmless from and against all damages resulting from Tenant's failure to surrender the Premises as required by this Paragraph, including, without limitation, any actions, claims, losses, liabilities, fees (including, but not limited to, attorneys' and consultants' fees), fines, costs, penalties, or damages in connection with the condition of the Premises including, without limitation, damages occasioned by the inability to relet the Premises or a reduction in the fair market and/or rental value of the Premises by reason of the existence of any Hazardous Material in, on, over, under, through or around the Premises.

F. Right to Appoint Consultant. Landlord shall have the right to appoint a consultant to conduct an investigation to determine whether any Hazardous Material is being used, generated, discharged, transported to or from, stored or disposed of in, on, over, through, or about the Premises, in accordance with this Section 39. Any entry onto the Premises by such consultant shall be subject to the provisions of Paragraph 19 above. If the consultant determines that Tenant is not in compliance with applicable laws, rules and regulations regarding the use, storage, generation, disposal or transportation of Hazardous Materials of, to or from the Premises and/or Parcel, then Tenant shall reimburse Landlord for the cost of such consultant. Tenant, at its expense, shall comply with all reasonable recommendations of the consultant.

G. Holding Over. If any action of any kind is required or requested to be taken by any governmental authority to clean-up, remove, remediate or monitor any Hazardous Material from the Premises and/or Parcel caused by Tenant or its agents, employees, invitees or contractors and such action is not completed prior to the expiration or earlier termination of the Lease, Tenant shall be deemed to have impermissibly held over until such time as such required action is completed, and Landlord shall be entitled to all damages directly or indirectly incurred in connection with such holding over, including without limitation, damages occasioned by the inability to re-let the Premises or a reduction of the fair market and/or rental value of the Premises.

H. Permitted Materials. Limited quantities of substances typically used in connection with general office uses, such as ordinary office supplies and janitorial products.

I. Landlord's Indemnity. Landlord shall defend, protect, hold harmless and indemnify Tenant from and against all claims, fines, penalties, damages, government orders, losses, liabilities, costs and expenses (including attorneys' fees) arising out of (i) any Hazardous Material used, generated, discharged, transported to or from, stored disposed of in, on or under the Premises and/or Parcel by Landlord or its agents, employees or contractors or (ii) any Hazardous Material which was present in, on, under, over, through or about the Premises and/or Parcel (including the soils and groundwater thereunder) as of the Commencement Date of this Lease except to the extent introduced to the Premises and/or Parcel by any act or omission.

J. Provisions Survive Termination. The provisions of this Paragraph 39 shall survive the expiration or termination of this Lease.

K. Controlling Provisions. The provisions of this Paragraph 39 are intended to govern the rights and liabilities of the Landlord and Tenant hereunder respecting Hazardous Materials to the exclusion of any other provisions in this Lease that might otherwise be deemed applicable. The provisions of this Paragraph 39 shall be controlling with respect to any provisions in this Lease that are inconsistent with this Paragraph 39.

40. Option to Extend.

(a) Provided that Tenant is not in default under this Lease at the time of exercise of the hereinafter described option or at the time of termination of the then existing term of this Lease, as the case may be, Tenant shall have one option to extend the term of this Lease for a period of three (3) years (the "Option Term"). Said option shall be exercised only by written notice delivered to Landlord not later than one hundred eighty (180) days prior to the expiration date of the then existing term of this Lease. In all respects, the terms, covenants and conditions of this Lease shall remain unchanged during the Option Term, except that the Monthly Installment of rent payable during the Option Term shall be as specified in Subparagraph (b) below, and except that there shall be no further option to extend the term of this Lease at the end of the Option Term.

(b) The Monthly Installment of rent payable during the Option Term shall be the sum of Eighty Thousand Three Hundred Forty-Three Dollars ($80,343.00) per month.

41. Landlord's Default. If Landlord fails to perform its obligations under this Lease within thirty (30) days following written notice from Tenant, Tenant may perform Landlord's obligations at Landlord's expense, and Landlord shall reimburse Tenant for the cost of such performance within thirty (30) days after receipt of billing; provided, however, if the nature of Landlord's failure reasonably requires more than thirty (30) days to cure, the Landlord shall not be in default so long as it commences to cure the default within said thirty (30) day period and thereafter diligently continues to Cure the default.

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

TENANT:

SILICON GRAPHICS, INC.,

a Delaware corporation

Dated:_____ By:_____
Name:_____
Title: Senior V.P., Administration

LANDLORD:

SHORELINE INVESTMENTS VI.,

a California general partnership

Dated:_____ By:_____
Name:_____
Title: General Partner

Dated:_____ By:_____
Name:
Title: General Partner

EXHIBIT A

[INSERT GRAPHIC]

SHORELINE BUSINESS PARK
SITE MASTER PLAN
MOUNTAIN VIEW, CA

EXHIBIT B

SITE PLAN

INSERT GRAPHIC

EXHIBIT C

CONSENT TO SUBLEASE

This Consent to Sublease is made to be effective as of September __, 1998 by, between and among SHORELINE INVESTMENTS VI, a California general partnership ("Master Lessor"), SILICON GRAPHICS, INC., a Delaware corporation ("Sublessor"), and VERISIGN, INC., a Delaware corporation ("Sublessee") with reference to the following facts, understandings and intentions:

A. Sublessor is leasing from Master Lessor those certain premises consisting of approximately 51,834 square feet of space commonly known as 1350 Charleston Road, Mountain View, California (the "Premises"), on the terms and subject to the conditions of that certain Lease Agreement executed on June 14, 1996 (the "Master Lease").

B. Sublessor desires to sublease the Premises to Sublessee, and Sublessee desires to sublease the Premises from Sublessor, on the terms and conditions set forth in the Sublease Agreement of even date herewith (the "Sublease"). A copy of the Sublease is attached hereto as Attachment 1 and incorporated herein by reference.

C. Sublessor and Sublessee now desire to obtain the consent of Master Lessor to the Sublease as required by the Master Lease.

NOW, THEREFORE, the Master Lessor, Sublessor and Sublessee agree as follows:

1. Master Lessor hereby consents to the execution and delivery of the Sublease by and between Sublessor and Sublessee and to the subletting of the Premises by Sublessor to Sublessee. Master Lessor's consent to the Sublease does not constitute approval by Master Lessor of any of the provisions of the Sublease, and neither the Sublease nor Master Lessor's consent thereto shall be deemed to alter, amend or otherwise modify any of the terms or provisions of the Master Lease.

2. The Sublease is and shall be at all times subject and subordinate to the Master Lease and all of the provisions, covenants and conditions thereof.

3. Neither the Sublease nor Master Lessor's consent thereto shall release or discharge Sublessor from any liability under the Master Lease and Sublessor shall remain primarily liable

and responsible for the full performance and observance of all the provisions, covenants and conditions set forth in the Master Lease on the part of Sublessor to be performed and observed.

4. This Consent by Master Lessor shall not be construed as a consent by Master Lessor to any further subletting either by Sublessor or Sublessee. The Sublease may not be assigned nor shall the Premises be further sublet without the prior written consent of Master Lessor in each instance in accordance with the terms of the Master Lease.

5. So long as the Master Lease is not in default, Master Lessor agrees to furnish all services, maintenance and repairs to the Premises which are the obligations of the Master Lessor under the Master Lease, and to comply with all obligations and covenants under the Master Lease with respect to Sublessee as if Sublessee were the tenant thereunder.

6. In addition to the notice requirements under the Master Lease, Master Lessor agrees to provide Sublessee with written notice of any default by Sublessor of any obligations under the Master Lease and agrees to accept any cure thereof tendered by Sublessee. Such notice or demand shall be given or served in writing in accordance with the terms of the Master Lease at the address of Sublessee set forth in the Sublease. Sublessee may change such address by delivering written notice thereof to Master Lessor by certified or registered mail.

7. Pursuant to Paragraph 25 of the Master Lease, Sublessor has agreed to pay to Master Lessor, as Additional Rent under the Master Lease, fifty percent (50%) of any and all rents or other consideration (including key money) received by Sublessor from the Sublessee by reason of the Sublease in excess of the rent payable by Sublessor to Master Lessor under the Master Lease (less any brokerage incurred by Sublessor in connection with the Sublease). Accordingly, provided that the Sublease remains unmodified, in full force and effect and that the rent thereunder is paid in full and not abated, Sublessor shall pay to Master Lessor, within five (5) days following receipt of the monthly rent from Sublessee, the following respective sums during the following respective time periods as Additional Rent pursuant to this paragraph:

TIME PERIOD	AMOUNT OF ADDITIONAL RENT
01/01/99 - 03/31/99	$ 0
04/01/99 - 04/30/99	12,959
05/01/99 - 12/31/99	38,876
01/01/00 - 12/31/00	41,091
01/01/01 - 12/31/01	43,374
01/01/02 - 06/30/02	45,725
07/01/02 - 12/31/02	40,541
01/01/03 - 12/31/03	42,963
01/01/04 - 12/31/04	45,457
01/01/05 - 06/30/05	48,025

8. Sublessor and Sublessee represent and warrant to Master Lessor that there are no additional payments of rent or consideration of any type payable by Sublessee to Sublessor with regard to the Premises other than as disclosed in the Sublease, a true and complete copy of which is attached hereto as Attachment 1 and incorporated herein by this reference.

9. Master Lessor represents and warrants that as of the date hereof, to Master Lessor's actual knowledge, Sublessor is not in breach or default under the Master Lease and no event has occurred which, with notice, or time, or both, would constitute such a breach or default.

10. Master Lessor's right under Section 25(B)(1) of the Master Lease to condition its consent to a Transfer of the Premises on Sublessor's agreement to pay Master Lessor fifty percent (50%) of the "bonus rent" received by Sublessor, shall mean, in the event of a Transfer of the Sublease by Sublessee, fifty percent (50%) of the amounts received by Sublessor from Sublessee under Section 15 of the Sublease.

11. This Consent may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement.

12. This Consent shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Consent to Sublease as of the respective dates set forth below.

SUBLESSEE:	VERISIGN, INC., a Delaware corporation
	By: _____
	Name: _____
	Title: _____
	Date: _____
SUBLESSOR:	SILICON GRAPHICS, INC., a Delaware corporation
	By: _____
	Name: _____
	Title: _____
	Date: _____
MASTER LESSOR:	SHORELINE INVESTMENTS VI, a California general partnership
	By: _____
	Name: _____
	Title: _____
	Date: _____

EXHIBIT D

[MAP DISPLAYING LOCATION OF PREMISES]

EXHIBIT 23.02

CONSENT OF KPMG LLP

The Board of Directors
VeriSign, Inc.:

We consent to the use of our reports included herein and to the reference to our firm under the headings "Selected Consolidated Financial Data" and "Experts" in the prospectus.

KPMG LLP

Mountain View, California

January 14, 1999