

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 4  
TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

VERISIGN, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

7371  
(PRIMARY STANDARD INDUSTRIAL  
CLASSIFICATION CODE NUMBER)

94-3221585  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

1390 SHOREBIRD WAY  
MOUNTAIN VIEW, CALIFORNIA 94043  
(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  
(650) 961-7500  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE)

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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. [ ]

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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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+++++  
+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
+ANY SUCH STATE. +  
+++++

PROSPECTUS (Subject to Completion)  
Issued January 29, 1998

3,000,000 Shares

[LOGO OF VERISIGN]

COMMON STOCK

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ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE COMPANY. PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN \$11 AND \$13 PER SHARE. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. THE SHARES OF COMMON STOCK OFFERED HEREBY HAVE BEEN APPROVED FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "VRSN" SUBJECT TO OFFICIAL NOTICE OF ISSUANCE.

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THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 5 HEREOF.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY

REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

-----  
PRICE \$ A SHARE  
-----

	PRICE TO PUBLIC -----	UNDERWRITING DISCOUNTS AND COMMISSIONS (1) -----	PROCEEDS TO COMPANY (2) -----
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

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- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriters."
  - (2) Before deducting expenses payable by the Company estimated at \$1,000,000.
  - (3) The Company has granted the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of 450,000 additional Shares at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to Company will be \$ , \$ and \$ , respectively. See "Underwriters."

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The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters named herein and subject to approval of certain legal matters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1998, at the office of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

HAMBRECHT & QUIST

WESSELS, ARNOLD & HENDERSON

, 1998

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES OR AN OFFER TO, OR A SOLICITATION OF, ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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UNTIL , 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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TABLE OF CONTENTS

	PAGE		PAGE
	----		----
Prospectus Summary.....	3	Business.....	30
The Company.....	4	Management.....	50
Risk Factors.....	5	Certain Transactions.....	60
Use of Proceeds.....	18	Principal Stockholders.....	64
Dividend Policy.....	18	Description of Capital Stock.....	66
Capitalization.....	19	Shares Eligible for Future Sale..	69
Dilution.....	20	Underwriters.....	71
Selected Consolidated Financial		Legal Matters.....	72
Data.....	21	Experts.....	72
Management's Discussion and Analysis		Additional Information.....	73
of Financial Condition and Results		Index to Consolidated Financial	
of Operations.....	22	Statements.....	F-1

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The Company intends to furnish its stockholders with annual reports containing consolidated financial statements audited by an independent public accounting firm and quarterly reports containing unaudited consolidated financial data for the first three quarters of each year.

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VeriSign(TM) is a trademark exclusively licensed to the Company and Channel Signing Digital IDSM, Digital IDSM, Digital ID CenterSM, EDI Server IDSM, Financial Server IDSM, Global Server IDSM, NetSureSM, Secure Server IDSM, Software Developer Digital IDSM, Universal Digital IDSM, VeriSign OnSiteSM, VeriSign SETSM, VeriSign V-CommerceSM and WorldTrustSM are service marks of the Company. This Prospectus also includes trademarks of companies other than the Company.

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Unless the context otherwise requires, the terms "VeriSign" and the "Company" refer to VeriSign, Inc., a Delaware corporation, and its majority-owned subsidiary, VeriSign Japan K.K. ("VeriSign Japan"). Except as otherwise noted herein, information in this Prospectus (i) assumes no exercise of the Underwriters' over-allotment option, (ii) gives effect to the conversion of all outstanding shares of Preferred Stock of the Company into shares of Common Stock of the Company, which will occur upon the closing of this offering, (iii) gives effect to the increase in the authorized shares of Common Stock to 50,000,000 shares to be effected in January 1998 and (iv) gives effect to the filing, upon the closing of this offering, of a Restated Certificate of Incorporation, authorizing 5,000,000 shares of undesignated Preferred Stock.

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CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

[ARTWORK]

DESCRIPTION OF ARTWORK

[VeriSign Logo]

HEADER: The leader in digital certificate solutions and infrastructure for enabling trusted and secure electronic commerce and communications.

LEFT DIAGRAM: Schematic drawing of the Internet; contains cloud with the word "Internet" inside, with drawings of various buildings and computer screen prints. Contains the following text:

- --VeriSign issues and manages millions of digital certificates for a wide variety of market and customer segments through its Digital ID Centers.
- --Digital certificates function as electronic credentials in the digital world--verifying identity, authority, or privileges of the owner during electronic communications and commerce transactions.
- --Employees access corporate information securely.
- --Global trading partners will be able to exchange data securely.
- --Software developers distribute applications
- --Companies exchange secure e-mail
- --Individuals shop at virtual store fronts.
- --Individuals conduct home banking transactions.
- --Web sites provide secure communication channels to customers
- --Individuals exchange secure e-mails
- --Government agencies communicate securely.

Bottom of left side contains box with the following bullet points:

- --Universal Digital IDs for Web site access and secure e-mail
- --Server Digital IDs for Web site authentication
- --Software Developer Digital IDs for application distribution
- --Channel Signal Digital IDs for "push" channel authentication
- --VeriSign OnSite for turnkey intranet and extranet solutions
- --VeriSign V-Commerce for integrated E-Commerce solutions
- --VeriSign SET services for card associations, banks and processors
- --Value-added transactional services and consulting

RIGHT DIAGRAM: Cut-away picture of large building representing the VeriSign Digital ID Center, showing various computer and networking equipment within the building.

Heading: The VeriSign Digital ID Center.

Contains the following text:

- --Distributed WorldTrust software architecture
- --Highly reliable and scaleable operations infrastructure
- --Comprehensive call center and Web-based support services
- --Redundant high-speed servers and high-bandwidth Internet connectivity
- --24 hour network monitoring and security
- --Stringent hiring and management practices for all "trusted" employees
- --Highly specialized construction, power and disaster recovery provisioning

The following text appears beneath the diagram:

- --VeriSign's Digital ID Centers are designed to provide the highest levels of availability, security and scaleability to meet the needs of customers for high volume digital certificate issuance and management.

#### 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.

THE COMPANY

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over the Internet and over intranets and extranets using the Internet Protocol (collectively, "IP networks"). The Company has established strategic relationships with industry leaders, including AT&T, British Telecommunications plc, Cisco, Microsoft, Netscape, Network Associates (formerly McAfee Associates), RSA, Security Dynamics, VeriFone and VISA, to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company's digital certificates, called Digital IDs, are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company provides turn-key and custom solutions needed by organizations, such as Dow Jones, NationsBank, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs, and intends to continue to expand these distribution channels.

THE OFFERING

Common Stock offered..... 3,000,000 shares  
 Common Stock to be outstanding after the offering..... 20,151,244 shares(1)  
 Use of proceeds..... For general corporate purposes, including capital expenditures and working capital. See "Use of Proceeds."  
 Nasdaq National Market symbol..... VRSN

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	1997
	-----	-----	-----
CONSOLIDATED STATEMENT OF OPERATIONS DATA:			
Revenues.....	\$ 382	\$ 1,351	\$ 9,382
Total costs and expenses.....	2,524	12,365	31,264
Operating loss.....	(2,142)	(11,014)	(21,882)
Net loss.....	(1,994)	(10,243)	(19,195)
Pro forma basic and diluted net loss per share(2).....		\$ (.74)	\$ (1.13)
Shares used in per share computations(2)....		13,836	17,018

DECEMBER 31, 1997  
 -----  
 ACTUAL AS ADJUSTED(3)  
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CONSOLIDATED BALANCE SHEET DATA:

Cash, cash equivalents and short-term investments.....	\$11,894	\$44,374
Total assets.....	24,406	56,886
Stockholders' equity.....	12,469	44,949

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- (1) Based on the number of shares outstanding as of December 31, 1997. Excludes (i) 2,516,818 shares of Common Stock issuable upon the exercise of options then outstanding, with a weighted average exercise price of \$2.95 per share, and (ii) a maximum of 3,061,682 shares reserved for issuance under the Company's stock plans. Also excludes 17,500 shares of Common Stock subject to a warrant that would be issued in the event that the Company borrows funds under an equipment loan agreement and 15,000 shares of Common Stock that would be issued to a service provider if certain milestones are met. See "Capitalization," "Management--Director Compensation," "--Employee Benefit Plans" and Note 6 of Notes to Consolidated Financial Statements.
- (2) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the determination of the number of shares used in per share computations.
- (3) As adjusted to reflect the sale of the 3,000,000 shares of Common Stock offered hereby at an assumed initial public offering price of \$12.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. See "Use of Proceeds" and "Capitalization."

#### THE COMPANY

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. A digital certificate functions as an electronic credential in the digital world, identifying the certificate owner, authenticating the certificate owner's membership in a given organization or community or establishing the certificate owner's authority to engage in a given transaction, thereby creating a framework for trusted interaction over IP networks. The Company has established strategic relationships with industry leaders, including AT&T, British Telecommunications plc ("BT"), Cisco, Microsoft, Netscape, Network Associates (formerly McAfee Associates, Inc.) ("McAfee Associates"), RSA Data Security Inc. ("RSA"), Security Dynamics Technologies, Inc. ("Security Dynamics"), VeriFone, Inc. ("VeriFone") and Visa International Service Association ("VISA"), to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company's digital certificates, called Digital IDs, are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company also provides turn-key and custom solutions needed by organizations, such as Dow Jones, NationsBank, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks.

IP networks are revolutionizing communications and commerce because of their global reach, accessibility, use of open standards and ability to enable real-time interaction. The use of IP networks is beginning to extend beyond informal messaging, general information browsing and the exchange of non-sensitive data to a number of more valuable and sensitive activities including business-to-business transactions and electronic data interchange ("EDI"), online retail purchases and payments, Web-based access to account and benefits information and secure messaging for both personal and business use. International Data Corporation ("IDC") estimates that global Internet commerce revenues will grow from approximately \$10.6 billion in 1997 to approximately \$223.1 billion in 2001. However, despite the convenience and the compelling economic incentives for the use of IP networks, they cannot reach their full potential as a platform for global communications and commerce until the current lack of trust and security associated with the use of these networks is resolved. Digital certificates are emerging as the leading technology for establishing a framework for trusted and secure communications and commerce over IP networks, with many Internet security protocols dictating the use of digital certificates. Just as an individual may have many forms of credit cards and IDs, he or she may require multiple digital certificates, each

corresponding to a unique digital relationship between the individual and an organization. Thus, there is the potential need over time for hundreds of millions of digital certificates to be issued and managed.

The Company has invested significant resources to develop a highly reliable and secure operations infrastructure, a modular software architecture and a comprehensive set of security and trust practices to enable trusted and secure communications and commerce over IP networks using digital certificates. The Company's Digital ID Centers in Mountain View, California and Kawasaki, Japan are designed to provide the high levels of availability, security and scaleability required to meet the needs of customers for high volume digital certificate issuance and management. The Company's modular WorldTrust software architecture, which serves as the foundation for the Company's products and services, automates many aspects of digital certificate issuance and lifecycle management and provides the scaleability necessary to deploy millions of digital certificates for distinct communities ranging from individual corporations to the entire population of Internet users. The Company also has been instrumental in defining comprehensive trust practices and procedures, which the Company believes has been important in establishing its reputation as the leading provider of digital certificate solutions.

The Company's objective is to enhance its position as the leading provider of digital certificate solutions and infrastructure needed to conduct trusted and secure communications and commerce over IP networks. The Company's strategy to achieve this objective includes leveraging its leadership position to drive market penetration, leveraging and expanding strategic relationships with industry leaders, maintaining leadership in technology, infrastructure and practices and continuing to build the VeriSign brand. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, value-added resellers ("VARs"), systems integrators and original equipment manufacturers ("OEMs"), and intends to continue to expand these distribution channels.

The Company was incorporated in Delaware in April 1995. The Company's executive offices are located at 1390 Shorebird Way, Mountain View, California 94043, its telephone number at this location is (650) 961-7500 and its Web site is located at <http://www.verisign.com>. Information contained in the Company's Web site is not part of this Prospectus.

4

#### RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the shares of Common Stock offered hereby. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed below, in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this Prospectus.

Limited Operating History; History of Losses and Anticipation of Future Losses. The Company was incorporated in April 1995 and began introducing its products and services in June 1995. Accordingly, the Company has only a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets. The Company's 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 communications and commerce and the extent to which digital certificates are used for such communications and commerce; the demand for the Company's products and services; the levels of competition; the perceived security of communications and commerce over IP networks, and of the Company's infrastructure, products and services in particular; and the Company's continued ability to maintain its current, and enter into additional, strategic relationships. To address these risks the Company must, among other things: attract and retain qualified personnel; respond to competitive developments; successfully introduce new products and services; successfully introduce enhancements to its existing products and services to address new technologies and standards; and successfully market its digital certificates and its enterprise and electronic commerce solutions. There can be no



assurance that the Company will succeed in addressing any or all of these risks, and the failure to do so would have a material adverse effect on the Company's business, operating results and financial condition. In addition, the Company has experienced substantial net losses in each fiscal period since its inception and, as of December 31, 1997, had an accumulated deficit of \$31.4 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations infrastructure and practices. The Company's limited operating history, the emerging nature of its market and the factors described under "--Adoption of IP Networks" and "--Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues," among other factors, make prediction of the Company's future operating results difficult. In addition, the Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur substantial additional losses for the foreseeable future. Furthermore, to the extent the Company's majority-owned subsidiary, VeriSign Japan, is unable to continue to fund its operations with investments from minority shareholders, the Company may be required to fund the operations of VeriSign Japan, which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can also be no assurance that the Company will ever achieve significant revenues or profitability or, if significant revenues and profitability are achieved, that they could be sustained. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy."

Adoption of IP Networks. In order for the Company to be successful, IP networks must be adopted as a means of trusted and secure communications and commerce to a sufficient extent and within an adequate time frame. Because trusted and secure communications and commerce over IP networks is new and evolving, it is difficult to predict with any assurance the size of this market and its growth rate, if any. 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, 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 interoperate with multiple

5

and frequently incompatible products, inadequate protection of the confidentiality of stored data and information moving across IP networks and a lack of tools to simplify access to and use of IP networks. The adoption of IP networks for trusted and secure communications and commerce, particularly by individuals and entities that historically have relied upon traditional means of communications and commerce, 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 a new strategy that may limit or compete with their existing efforts. Furthermore, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to alter those patterns.

The use of IP networks for trusted and secure communications and commerce may not increase or may increase more slowly than expected because the infrastructure required to support widespread trusted and secure communications and commerce on such networks may not develop. For example, the Internet has experienced, and may continue to experience, significant growth in its number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to support the demands placed on it by this continued growth or that the performance or reliability of the Internet will not be adversely affected by this continued growth. In addition, IP networks could lose their viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to increased governmental regulation. Changes in, or insufficient availability of, communications services to support IP networks could result in slower response times and also adversely affect usage of IP networks. If the market for trusted and secure communications and commerce over IP networks fails to develop or develops more slowly than expected, or if the Internet infrastructure does not adequately support any continued growth, the Company's

business, operating results and financial condition would be materially adversely affected. See "--Industry Regulation" and "Business--Industry Background" and "--Customers and Markets."

No Assurance of Market Acceptance for Digital Certificates and the Company's Products and Services. The Company's products and services are targeted at the market for trusted and secure communications and commerce over IP networks, a market that is at an early stage of development and is rapidly evolving. Accordingly, demand for and market acceptance of digital certificate solutions are subject to a high level of uncertainty. There can be no assurance that digital certificates will gain market acceptance as a necessary element of trusted and secure communications and commerce over IP networks. In addition, there can be no assurance that the market for the Company's products and services will develop in a timely manner, or at all, or that demand for the Company's products and services will emerge or be sustainable. The factors that may affect the level of market acceptance of digital certificates and, consequently, the Company's products and services, include the following: market acceptance of products and services based upon authentication technologies other than those used by the Company; public perception of the security of digital certificates and of the inherent security levels of IP networks; the ability of the Internet infrastructure to accommodate increased levels of usage; and the enactment of government regulations affecting communications and commerce over IP networks. Even if digital certificates achieve market acceptance, there can be no assurance that the Company's products and services will adequately address the market's requirements. If digital certificates do not achieve market acceptance in a timely manner and sustain such acceptance, or if the Company's products and services in particular do not achieve or sustain market acceptance, the Company's business, operating results and financial condition would be materially adversely affected. See "Business--Industry Background" and "--Customers and Markets."

Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues. The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include the following: market acceptance of digital certificates; market acceptance of its products and services, particularly VeriSign OnSite, VeriSign V-Commerce and VeriSign SET; the long sales and implementation cycles for and potentially large order sizes of certain of the Company's products and services; the timing and execution of individual contracts; the timing of releases of new versions of Internet browsers or other third-party software products in which the Company's public root keys are embedded; customer renewal rates for the Company's products and services; the Company's

6

success in marketing other products and services to its existing customer base and to new customers; development of the Company's direct and indirect distribution channels; market acceptance of the Company's or competitors' new products and services; the amount and timing of expenditures relating to expansion of the Company's operations; price competition or pricing changes; general economic conditions and economic conditions specific to the Internet, intranet and extranet industries. Any one of these factors could cause the Company's revenues and operating results to vary significantly in the future. In addition, the Company will need to expand its operations and attract, integrate, retain and motivate a substantial number of sales and marketing and research and development personnel. The timing of such expansion and the rate at which new personnel become productive could cause material fluctuations in the Company's quarterly results of operations. See "Business--Industry Background" and "--Strategy."

The Company's limited operating history and the emerging nature of its market make prediction of future revenues difficult. The Company's expense levels are based, in part, on its expectations regarding future revenues, and to a large extent such expenses are fixed, particularly in the short term. There can be no assurance that the Company will be able to predict its future revenues accurately and the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall of revenues in relation to the Company's expectations could cause significant declines in the Company's quarterly operating results.

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

System Interruption and Security Breaches. The Company's success is largely dependent on the uninterrupted operation of its Digital ID Centers and its other computer and communications systems, which is dependent on the Company's ability to protect such systems from loss, damage or interruption caused by fire, earthquake, power loss, telecommunications failure or other events beyond the Company's control. Most of the Company's systems are located at, and most of its customer information is stored in, its facilities in Mountain View, California and Kawasaki, Japan, areas susceptible to earthquakes. Although the Company believes that its existing and planned precautions are adequate to prevent any significant loss of information or system outage, there can be no assurance that unanticipated problems will not cause such loss or failure. Any damage or failure that causes interruptions in the Company's Digital ID Centers and its other computer and communications systems could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the ability of the Company to issue digital certificates is also dependent on the efficient operation of the Internet connections from customers to its Digital ID Centers. Such connections, in turn, are dependent upon efficient operation of Web browsers, Internet Service Providers ("ISPs") and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past. Any such problems or outages could adversely affect customer satisfaction with the Company's products and services, which could have a material adverse effect on the Company's business, operating results and financial condition. The Company's success also depends in large part upon the scalability of its systems, which have not been tested at high volumes. As such, it is possible that a substantial increase in demand for the Company's products and services could cause interruptions in the Company's systems that could adversely affect the Company's ability to deliver its products and services. Any such interruptions could have a material adverse effect on the Company's business, operating results and financial condition.

The Company retains confidential customer information in its Digital ID Centers. It is critical to the Company's business strategy that the Company's facilities and infrastructure remain secure and that such facilities and infrastructure are perceived by the marketplace to be secure. Despite the implementation of security measures, the Company's infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by

7

hackers or similar disruptive problems, and it is possible that in the future the Company may have to expend additional financial and other resources to further address such problems. Any physical or electronic break-ins or other security breaches or compromises of the private root keys stored at the Company's Digital ID Centers may jeopardize the security of information stored on the Company's premises or stored in and transmitted through the computer systems and networks of the businesses and individuals utilizing the Company's products or services, which could result in significant liability to the Company and could deter existing and potential customers from using the Company's products and services. Such an occurrence could result in adverse publicity and therefore adversely affect the market's perception of the security of communications and commerce over IP networks as well as of the security or reliability of the Company's products and services, which would have a material adverse effect on the Company's business, operating results and financial condition. See "Business--The VeriSign Solution," "--Strategy," "--Infrastructure," "--Security and Trust Practices" and "--Facilities."

Competition. The Company's digital certificate solutions are targeted at the new and rapidly evolving market for trusted and secure communications and commerce over IP networks. Although the competitive environment in this market has yet to develop fully, the Company anticipates 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.

The Company's primary competitors are Entrust Technologies, Inc. ("Entrust"), GTE CyberTrust Solutions Incorporated ("GTE/CyberTrust") and International Business Machines Corporation ("IBM"). The Company also experiences competition from a number of smaller companies that provide digital certificate solutions. The Company expects that competition from established and emerging companies in the financial and telecommunications industries will increase in the near term, and that the Company's 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 the Company believes that other companies could introduce such products. There can be no assurance that additional companies will not offer digital certificate solutions that are competitive with those of the Company. Increased competition could result in pricing pressures, reduced margins or the failure of the Company's products and services to achieve or maintain market acceptance, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Several of the Company's current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than the Company and therefore may be able to respond more quickly than the Company 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 with their products competing products or services for their customers, the demand for the Company's products and services might be substantially reduced and the ability of the Company to distribute its products successfully and the utilization of its services would be substantially diminished. In addition, browser companies that embed the Company's root keys or otherwise feature the Company as a provider of digital certificate solutions in their Web browsers or on their Web sites could also promote competitors of the Company or charge the Company substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may increase the competitive pressures on the Company. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect the Company's competitive position or render its products or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving competitors of the Company. The existence or announcement of such relationships could adversely affect the Company's ability to attract and retain customers. As a result of the foregoing and other factors, there can be no assurance that the Company will compete effectively with current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results and financial condition.

In connection with the Company's first round of financing, RSA contributed certain technology to the Company and entered into a noncompetition agreement with the Company pursuant to which RSA agreed that it

8

would not compete with the Company's certificate authority business for a period of five years. This noncompetition agreement will expire in April 2000. The Company believes 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 other potential competitors of the Company should it choose to enter any of the Company's markets. If RSA were to enter into the digital certificate market, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Competition."

Rapid Technological Change; New Product and Services Introductions. Substantially all of the Company's limited revenues to date have been derived from the sale of digital certificate products and related services. These products and services are expected to account for substantially all of the Company's revenues for the foreseeable future. The emerging market for digital certificate products and related services is 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 the Company continually

improve the performance, features and reliability of its products and services, particularly in response to competitive offerings, and that it introduce new products and services or enhancements to existing products and services as quickly as possible and prior to its competitors. The success of new product introductions is dependent on several factors, including proper new product definition, timely completion and introduction of new products, differentiation of new products from those of the Company's competitors and market acceptance of the Company's new products and services. There can be no assurance that the Company will be successful in developing and marketing new products and services that respond to competitive and technological developments and changing customer needs. The failure of the Company to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for such products and services could have a material adverse effect on the Company's 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 substantial expenditures by the Company to modify or adapt its products and services. To the extent that a method other than digital certificates is adopted to enable trusted and secure communications and commerce over IP networks, sales of the Company's existing and planned products and services will be adversely affected and the Company's products and services could be rendered unmarketable or obsolete, which would have a material adverse effect on the Company's business, operating results and financial condition. The Company believes there is a time-limited opportunity to achieve market share, and there can be no assurance that the Company will be successful in achieving widespread acceptance of its products and services or in achieving market share before competitors offer products and services with features similar to the Company's current offerings. Any such failure by the Company could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Products and Services" and "--Research and Development."

Management of Growth and Expansion. The Company is currently experiencing a period of significant expansion. The Company's historical growth has placed, and such growth and any further growth is likely to continue to place, a significant strain on the Company's managerial, operational, financial and other resources. The Company has grown from 26 employees at December 31, 1995 to 185 employees at December 31, 1997. In addition, the Company has opened additional sales offices and has significantly expanded its operations during this time period. The Company's future success will depend, in part, upon the ability of its senior management to manage growth effectively, which will require the Company to implement additional management information systems, to develop further its operating, administrative, financial and accounting systems and controls and to maintain close coordination among its engineering, accounting, finance, marketing, sales and operations organizations. Any failure to implement or improve systems or controls or to manage any future growth and expansion effectively could have a material adverse effect on the Company's business, operating results and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence on Key Personnel. The Company's future success will be highly dependent on the performance of its senior management team and other key employees, many of whom have worked together for only a short

period of time. For example, the Company has only recently hired its Vice President of Worldwide Sales. The Company's success will also depend on its ability to attract, integrate, motivate and retain additional highly skilled technical and sales and marketing personnel. There is intense competition for senior management and technical and sales and marketing personnel in the areas of the Company's activities. In addition, the Company's stringent hiring practices for all operations personnel and executive management and for certain engineering 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." The Company has no employment agreements with any of its key executives. In addition, the Company does not maintain key person life insurance for any of its officers or key employees other than Stratton D. Sclavos, its President and Chief Executive Officer. The loss of the services of any of the Company's senior management team or other key employees or the failure of the Company to attract, integrate, motivate and retain additional key employees could have a material adverse effect on the Company's business,

operating results and financial condition. See "Business--Employees" and "Management."

Need to Establish and Maintain Strategic Relationships. A significant business strategy of the Company is to enter into strategic or other similar collaborative relationships in order to offer products and services to a larger customer base than could be reached through direct sales and marketing efforts. The Company will need to enter into additional strategic relationships to execute its business plan. There can be no assurance that the Company will be able to enter into additional, or maintain its existing, strategic relationships on commercially reasonable terms, if at all. If the Company were unable to enter into additional strategic relationships or maintain its existing strategic relationships, it would be required to devote substantially more resources to the distribution, sale and marketing of its products and services than it would otherwise plan to do. Furthermore, as a result of the Company's emphasis on these relationships, the Company's success 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 communications and commerce, and on the ability of these parties to market the Company's products and services successfully. Failure of one or more of the Company's strategic relationships to result in the development and maintenance of a market for the Company's products and services could have a material adverse effect on the Company's business, operating results and financial condition.

In addition, the Company's existing strategic relationships do not, and any future strategic relationships may not, afford the Company any exclusive marketing or distribution rights. There can be no assurance that the other parties to such relationships view their relationships with the Company as significant for their own businesses or that they will not reduce their commitment to the Company at any time in the future. In addition, there can be no assurance that such parties will not pursue alternative technologies or develop alternative products and services in addition to or in lieu of the Company's products and services either on their own or in collaboration with others, including the Company's competitors. Any future inability of the Company to maintain its strategic relationships or to enter into additional strategic relationships could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Strategy," "--Strategic Relationships" and "--Marketing, Sales and Distribution."

Risk of Defects. Products as complex as those offered or developed by the Company frequently contain undetected defects or failures that may be detected at any point in the product's life. There can be no assurance that, despite testing by the Company and potential customers, defects or errors will not occur in existing or new products, 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 the Company's reputation, increased insurance costs or increased service and warranty costs, any of which could have a material adverse effect on the Company's business, operating results and financial condition. Furthermore, the Company often renders implementation, customization, consulting and other technical services in connection with the implementation of the Company's enterprise and electronic commerce solutions and its digital certificate service and product development agreements. The performance of these services typically involves working with sophisticated software, computing and networking systems. The Company's 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 reputation and increased costs. Because customers rely on the Company's digital certificate solutions for critical security applications, any significant defects or errors in the Company's

products or services, or in the products of third parties that embed the Company's products, might discourage such third parties or other customers from utilizing the Company's products and services or result in tort or warranty claims, which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company attempts to reduce the risk of losses resulting from such claims through warranty disclaimers and liability limitation clauses in its sales agreements, there can be no assurance that such contractual provisions would be enforceable in every instance or at all. Furthermore, although the Company maintains errors and omissions insurance, there can be no assurance that such

insurance coverage will adequately cover the Company for such claims or that such other measures will be effective in limiting the Company's liability. If a court refused to enforce the liability-limiting provisions of the Company's contracts for any reason, or if liabilities arose that were not contractually limited or adequately covered by insurance, the Company's business, operating results and financial condition could be materially and adversely affected. See "Business--Products and Services" and "--Research and Development."

Potentially Lengthy Sales and Implementation Cycles for Certain Products and Services. A key element of the Company's strategy is to market certain of its products and services directly to large companies and government agencies. Based on its sales experience to date, the Company expects that the sale and implementation of its enterprise and electronic commerce solutions to such entities will typically involve a lengthy education process and a significant technical evaluation and commitment of capital and other resources. The sale and implementation of the Company's enterprise and electronic commerce solutions will be subject to the risk of delays associated with customers' internal budget and other procedures for approving large capital expenditures, deploying new technologies within their networks and testing and accepting new technologies that affect key operations. For these and other reasons, the sales and implementation cycles associated with certain of the Company's products and services are expected to be lengthy, potentially lasting from three to 12 months, and are expected to be subject to a number of significant risks that are beyond the Company's control. Because of the anticipated lengthy sales and implementation cycle and the potentially large size of such orders, if orders forecasted for a specific customer for a particular quarter are not realized or revenues are not otherwise recognized in that quarter, the Company's operating results for that quarter could be materially adversely affected. See "--Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Relating to Public Key Cryptography Technology. The Company's digital certificate products and related services are dependent on the use of public key cryptography technology. In utilizing 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 is dependent upon the integrity of a user's private key and that it is not stolen, misappropriated or otherwise compromised. The integrity of private keys also depends in part on the application of certain mathematical principles known as "factoring" which is predicated on the assumption that the factoring of the composite of large prime numbers is difficult. Should a substantial number of private keys be misappropriated or an easy factoring method be developed, then the security afforded by 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 the Company's existing products and services obsolete or unmarketable. There can be no assurance that such developments will not occur. Moreover, 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. If such improved techniques for attacking cryptographic systems are ever developed, the Company would likely have to reissue digital certificates to some or all of its customers, which could adversely affect market perception of the reliability of the Company's products and services or otherwise have a material adverse effect on the Company's business, operating results and financial condition. In the past there have been public announcements of the successful decoding of certain cryptographic messages and of the potential misappropriation of private keys. The publicity around any breaches could adversely affect the public perception as to the safety of the public key cryptography technology included in the Company's digital certificates. Such adverse public perception could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background" and "--Products and Services."

Risks Associated with International Operations. Revenues of VeriSign Japan and revenues from other international customers accounted for approximately 13% of the Company's revenues in 1997. A key component of the Company's strategy is to expand its international operations and its international sales and marketing activities. Expansion into these markets has required and will continue to require significant management attention and resources and may

require the Company to localize its products and services for a particular market and to enter into international distribution and operating relationships. The Company has limited experience in localizing its products and in developing international distribution or operating relationships. There can be no assurance that the Company will be successful in expanding its product and service offerings into international markets. In addition to the uncertainty regarding the Company's ability to generate revenues from foreign operations and expand its international presence, 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, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely affect the success of the Company's international operations. All of the Company's international revenues from sources other than VeriSign Japan are denominated in U.S. dollars. To the extent the Company expands its international operations and has additional portions of its international revenues denominated in foreign currencies, the Company could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, operating results and financial condition. See "--Industry Regulation," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy" and "--Marketing, Sales and Distribution."

Uncertain Maintenance and Strengthening of the VeriSign Brand. The Company believes that maintaining and strengthening the VeriSign brand is critical to achieving widespread acceptance of its digital certificates and related products and services and that the importance of brand recognition will increase as competition in the market for digital certificates and related products and services increases. Promoting and positioning the VeriSign brand will depend largely on the success of the Company's marketing efforts and the ability of the Company to provide, on an uninterrupted basis, high quality, secure, trustworthy and cost effective digital certificate solutions. The Company will also be dependent on the success of its strategic relationships in order to promote its brand and increase brand awareness. See "--Need to Establish and Maintain Strategic Relationships." If current or potential customers do not perceive the Company's products and services as secure or trustworthy, the Company will be unsuccessful in maintaining and strengthening its brand. Furthermore, in order to promote the VeriSign brand in response to competitive pressures, the Company may find it necessary to increase its marketing budget or otherwise increase its financial commitment to creating and maintaining brand loyalty among customers. If the Company fails to promote and maintain its brand or incurs excessive expenses in an attempt to promote and maintain its brand, or if the Company's existing or future strategic relationships fail to promote the Company's brand or increase brand awareness, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Strategy" and "--Marketing, Sales and Distribution."

Dependence on Authentication Information. The Company relies upon information provided by third-party sources to authenticate the identity of customers requesting certain of the Company's digital certificates. This information is presently only available from a limited number of sources and the Company currently procures such information from single sources. The Company's reliance on these single sources involves certain risks and uncertainties, including the possibility of delayed or discontinued availability. Any such delay or unavailability, coupled with any inability of the Company to develop alternative sources quickly and cost-effectively, could materially impair the Company's ability to deliver certain of its digital certificates on a timely basis and result in the cancellation of orders, increased costs and injury to reputation, which could have a material adverse effect on the Company's business, operating results and financial condition. The Company's reliance on third-party information sources for authentication has also limited the distribution of certain of its digital certificates outside of the United States, where access to such sources has been unavailable or limited. Additionally, accurate authentication of the identity of the individuals and entities to which the Company issues its digital certificates is necessary for such digital certificates to provide security. Therefore, the inaccuracy of authentication information



on which the Company relies, including information the Company receives from third parties, could result in material injury to the Company's reputation and tort or warranty claims from customers relying upon the Company's digital certificates, which could have a material adverse effect on the Company's business, operating results and financial condition. See "--Risk of Defects" and "Business--Products and Services."

Industry Regulation. Exports of software products utilizing encryption technology are generally restricted by the U.S. and various foreign governments. All cryptographic products require export licenses from certain U.S. government agencies. Although the Company has obtained approval to export its Global Server ID product and none of the Company's other products and services is currently subject to export controls under U.S. law, there can be no assurance that the list of products and countries for which export approval is required, and the regulatory policies with respect thereto, will not be revised from time to time to include digital certificate products and related services, or that the Company will be able to obtain necessary regulatory approvals for the export of future products. The inability of the Company to obtain required approvals under these regulations could adversely affect the ability of the Company to make international sales. Furthermore, competitors of the Company may also seek to obtain approvals to export products that could increase the amount of competition faced by the Company. There are currently no federal laws or regulations that specifically control certification authorities, but a limited number of states have enacted legislation or regulations with respect to certification authorities. If the market for digital certificates grows, the United States, state or foreign governments may choose to enact further regulations governing digital certificate authorities or other providers of digital certificate products and related services. Such regulations or the costs of complying with such regulations could have a material adverse effect on the Company's business, operating results and financial condition.

Many companies conducting commercial transactions 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 states or foreign countries may seek to impose sales taxes on out of state companies that engage in commerce over IP networks. In the event that states or foreign countries succeed in imposing sales or other taxes on Internet commerce, the growth of the use of IP networks for commerce could slow substantially, which could have a material adverse effect on the Company's business, operating results and financial condition.

Due to the increasing popularity of the Internet and other 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. For example, the Telecommunications Act of 1996 prohibits the transmission over the Internet of certain types of information and content. 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 the Internet or the use of other IP networks, which in turn could result in decreased demand for the Company's products and services or could otherwise have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background."

Intellectual Property; Potential Litigation. The Company relies primarily on a combination of copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods to protect its intellectual property and trade secrets. The Company also enters into confidentiality agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's 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 taken by the Company will prevent misappropriation or infringement of its technology. A failure by the Company to protect its intellectual property in a meaningful manner could have a material adverse effect on the Company's business, operating results and financial condition. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's 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 have a material

adverse effect on the Company's business, operating results and financial condition.

13

The Company also relies on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in the Company's products to perform key functions. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms or at all, and the loss of any of these technologies could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, in the Company's current license agreements, the licensor has agreed to defend, indemnify and hold the Company 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 the Company and a third party will not lead to royalty obligations of the Company for which the Company is not indemnified or for which such indemnification is insufficient, or that the Company will be able to obtain any additional license on commercially reasonable terms or at all. In the future, the Company may seek to license additional technology to incorporate in its products and services. There can be no assurance that any third-party technology licenses that the Company may be required to obtain in the future will be available to the Company 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 the Company's products or services until equivalent technology, if available, is identified, licensed and integrated, which could have a material adverse effect on the Company's business, operating results and financial condition.

From time to time, the Company has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. In September 1995, the Company applied to the United States Patent and Trademark Office to register the VeriSign name as a trademark. VeriFone, Inc. ("VeriFone") challenged the validity of the Company's application in August 1996 and, in September 1996, commenced a civil action in federal district court alleging trademark infringement and unfair competition. The parties settled this litigation on November 21, 1997, entered into a licensing arrangement and are currently negotiating an OEM agreement. The Company also issued an aggregate of 250,000 shares of Common Stock to VeriFone in connection with the foregoing transactions. There can be no assurance that infringement or other claims will not be asserted or prosecuted against the Company in the future or that any past or future assertions or prosecutions will not materially adversely affect the Company's business, operating results and financial condition. 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 the Company 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 the Company, or at all. In the event of a successful claim of product infringement against the Company and the failure or inability of the Company to develop non-infringing technology or license the infringed or similar technology on a timely basis, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Intellectual Property."

Year 2000 Compliance. Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. Although the Company believes that its products and systems are Year 2000 compliant, the Company utilizes third-party equipment and software that may not be Year 2000 compliant. Failure of such third-party equipment or software to operate properly with regard to the year 2000 and thereafter could require the Company to incur unanticipated expenses to remedy any problems, which could have a material adverse effect on the Company's business, operating results and financial condition. Furthermore, the purchasing patterns of customers or potential customers may be affected by Year 2000 issues as companies expend significant resources to correct their current systems for Year 2000 compliance. These expenditures may result in reduced funds available to implement the infrastructure needed to conduct trusted and secure communications and commerce over IP networks or to

purchase products and services such as those offered by the Company, which could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background."

14

Future Capital Needs; Uncertainty of Additional Funding. The Company may require additional capital to finance its growth and marketing and research and development projects beyond the next 12 months. The Company's capital requirements will depend on many factors including, but not limited to, demand for the Company's products and services and the extent to which such products achieve market acceptance and the timing of such market acceptance, the timing of and extent to which the Company invests in new technology, the expenses of sales and marketing and new product development, the extent to which competitors are successful in developing their own products and services and increasing their own market share and brand awareness, the success of the Company's strategic relationships, the costs involved in maintaining and enforcing intellectual property rights, the level and timing of revenues, available borrowings under line of credit arrangements, the degree and timing of growth of IP networks for trusted and secure communications and commerce, and other factors. To the extent that resources are insufficient to fund the Company's activities, the Company may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Strategic relationships, if necessary to raise additional funds, may require the Company to relinquish rights to certain of its technologies or products. The failure of the Company to raise capital when needed could have a material adverse effect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Company by its then-current stockholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of the Company's Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Certain Anti-Takeover Provisions. Upon completion of this offering, the Company's Board of Directors will have the authority to issue up to 5,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing flexibility in connection with possible financings, acquisitions or other corporate purposes, may have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Company's Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of, and the voting and other rights of the holders of, the Common Stock. The Company has no current plans to issue shares of Preferred Stock. In addition, certain provisions of the Company's Amended and Restated Bylaws will have the effect of delaying, deferring or preventing a change of control of the Company. These provisions will provide, among other things, that the Board of Directors is divided into three classes to serve staggered three-year terms, that stockholders may not take actions by written consent and that the ability of stockholders to call special meetings will be restricted. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The Company's indemnity agreements provide and the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws will provide that the Company will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to the Company, which may be broad enough to include services in connection with takeover defense measures. Such provisions may have the effect of preventing changes in the management of the Company. See "Description of Capital Stock."

Shares Eligible for Future Sale. Sales of a substantial number of shares of Common Stock in the public market following this offering could adversely affect the market price of the Company's Common Stock. The number of shares of Common Stock available for sale in the public market is limited by

restrictions under the Securities Act of 1933, as amended (the "Securities Act"), and lock-up agreements executed by each of the security holders of the Company under which such security holders have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus without the prior written consent

15

of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated may, however, in its sole discretion and at any time without notice, release all or any portion of the shares subject to lock-up agreements. In addition to the 3,000,000 shares of Common Stock offered hereby (assuming no exercise of the Underwriters' over-allotment option), there will be 17,151,244 shares of Common Stock outstanding as of the date of this Prospectus, all of which are "restricted" shares under the Securities Act. On the date of this Prospectus, no shares other than the 3,000,000 shares offered hereby will be eligible for sale. Upon the expiration of lock-up agreements 180 days after the date of this Prospectus, an additional 16,801,244 shares will become eligible for sale in the public market, subject in the case of all but 2,661,052 shares to the volume limitations and other conditions of Rule 144 adopted under the Securities Act ("Rule 144"). The remaining 350,000 shares will become eligible for sale in November 1998, subject to the volume limitations and other conditions of Rule 144. In addition, the Company intends to file a registration statement on Form S-8 with the Securities and Exchange Commission shortly after this offering covering (i) the 2,625,000 shares of Common Stock reserved for issuance under the Company's Equity Incentive Plan, Purchase Plan and Directors Plan, (ii) an additional number of shares of Common Stock to be reserved for issuance under the Equity Incentive Plan equal to the number of shares reserved for future issuance under the 1995 Stock Option Plan and 1997 Stock Option Plan as of the date of this Prospectus (436,682 as of December 31, 1997), and (iii) the shares subject to outstanding options granted under the Company's 1995 Stock Option Plan and 1997 Stock Option Plan as of the date of this Prospectus (2,516,818 as of December 31, 1997). The holders of approximately 15,069,339 shares of Common Stock are also entitled to certain rights with respect to registration of such shares of Common Stock for offer or sale to the public. If such holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, such sales could have a material adverse effect on the market price for the Company's Common Stock. See "Management--Director Compensation," "--Employee Benefit Plans," "Description of Capital Stock--Registration Rights" and "Shares Eligible for Future Sale."

Acquisitions. The Company from time to time may acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. Although the Company currently has no understandings, commitments or agreements with respect to any acquisitions, any such acquisitions would be accompanied by the risks commonly encountered in such transactions, including, among others, the difficulty of assimilating the operations and personnel of the acquired businesses, the potential disruption of the Company's ongoing business, the diversion of the Company's management from the day-to-day operations of the Company, the inability of the Company to incorporate acquired technologies successfully into the Company's products and services, the additional expense associated with amortization of acquired intangible assets, the potential impairment of the Company's relationships with its employees, customers and strategic partners, the inability of the Company to retain key technical and managerial personnel of the acquired business and the inability of the Company to maintain uniform standards, controls, procedures and policies. Because of these and other factors, any such acquisitions, if consummated, could have a material adverse effect on the Company's business, operating results and financial condition. See "Use of Proceeds."

No Prior Trading Market; Possible Volatility of Stock Price. Prior to this offering, there has been no public market for the Common Stock of the Company and there can be no assurance that an active trading market will develop or be sustained upon completion of this offering. The initial public offering price, which will be established by negotiations between the Company and the representatives of the Underwriters based upon a number of factors, may not be indicative of prices that will prevail in the trading market. See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price. The stock market from time to time has experienced significant price and volume fluctuations. In addition, the market prices of securities of other technology companies, particularly Internet-related companies, have been highly volatile. Factors such as fluctuations in

the Company's operating results, announcements of technological innovations or new products or services by the Company or its competitors, analysts' reports and projections, regulatory actions and general market conditions may have a significant effect on the market price of the Company's Common Stock. See "Underwriters."

16

Control by Existing Stockholders. Upon completion of this offering, the present executive officers, directors and 5% stockholders of the Company and their affiliates will beneficially own approximately 49.2% of the Company's outstanding Common Stock (48.1% if the Underwriters' over-allotment option is exercised in full). As a result, these stockholders would be able to significantly influence the management and affairs of the Company 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 the Company's assets. Such concentration of ownership might have the effect of delaying or preventing a change in control of the Company and might affect the market price of the Company's Common Stock and the voting and other rights of the Company's other stockholders. See "Principal Stockholders."

Immediate and Substantial Dilution. Investors participating in this offering will incur immediate, substantial dilution in the amount of \$9.77 per share (based on an assumed initial public offering price of \$12.00 per share). To the extent that outstanding options to purchase the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

Unspecified Use of Proceeds. The Company plans to use substantially all of the net proceeds from this offering for general corporate purposes, including working capital and capital expenditures. The Company may also use a portion of the net proceeds from this offering to acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. The Company has no present plans or commitments and is not currently engaged in any negotiations with respect to such transactions. As a result, the Company will have significant discretion as to the use of the net proceeds from this offering. Pending such uses, the Company intends to invest the net proceeds from this offering in short-term, interest-bearing, investment-grade securities. See "Use of Proceeds."

17

#### USE OF PROCEEDS

The net proceeds to the Company from the sale of the 3,000,000 shares of Common Stock offered by the Company hereby are estimated to be approximately \$32.5 million (approximately \$37.5 million if the Underwriters' over-allotment option is exercised in full), at an assumed initial public offering price of \$12.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. The primary purposes of this offering are to obtain additional equity capital, create a public market for the Company's Common Stock and facilitate future access by the Company to the public equity markets.

The Company intends to use approximately \$5.0 million of the net proceeds of this offering to fund its capital expenditures for 1998 and to utilize the remainder of the net proceeds of this offering primarily for general corporate purposes, including working capital. The Company may also use a portion of the net proceeds from this offering to acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. The Company has no present plans or commitments and is not currently engaged in any negotiations with respect to such transactions. As a result, the Company will have significant discretion as to the use of the net proceeds from this offering. Pending such uses, the Company intends to invest the net proceeds from this offering in short-term, interest-bearing, investment-grade securities. See "Risk Factors--Acquisitions" and "--Unspecified Use of Proceeds."

#### DIVIDEND POLICY

The Company has never declared or paid any cash dividends on its Common Stock or other securities and does not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of the Company's equipment line

of credit agreement prohibit the payment of dividends on its capital stock.

CAPITALIZATION

The following table sets forth the capitalization of the Company (i) as of December 31, 1997, (ii) on a pro forma basis giving effect to the conversion of all outstanding shares of Preferred Stock into shares of Common Stock upon the closing of this offering and (iii) on a pro forma as adjusted basis to reflect the receipt by the Company of the estimated net proceeds from the sale of the 3,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$12.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company.

	DECEMBER 31, 1997		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Stockholders' equity:			
Convertible Preferred Stock, \$.001 par value; actual--10,282,883 shares authorized, 10,031,006 shares issued and outstanding; pro forma and pro forma as adjusted--5,000,000 shares authorized, no shares issued and outstanding .....	\$ 10	\$ --	\$ --
Common Stock, \$.001 par value; actual--21,592,117 shares authorized, 7,120,238 shares issued and outstanding; pro forma--50,000,000 shares authorized, 17,151,244 shares issued and outstanding; pro forma as adjusted--20,151,244 shares issued and outstanding(1).....	7	17	20
Additional paid-in capital.....	44,908	44,908	77,385
Notes receivable from stockholders.....	(644)	(644)	(644)
Deferred compensation.....	(380)	(380)	(380)
Accumulated deficit.....	(31,432)	(31,432)	(31,432)
<b>Total stockholders' equity.....</b>	<b>12,469</b>	<b>12,469</b>	<b>44,949</b>
<b>Total capitalization.....</b>	<b>\$ 12,469</b>	<b>\$ 12,469</b>	<b>\$44,949</b>

(1) Excludes (i) 2,102,518 shares of Common Stock issuable upon the exercise of options outstanding as of December 31, 1997 under the Company's 1995 Stock Option Plan (the "1995 Stock Option Plan"), with a weighted average exercise price of \$2.17 per share, and 50,982 shares of Common Stock reserved for issuance thereunder, (ii) 414,300 shares of Common Stock issuable upon the exercise of options outstanding as of December 31, 1997 under the Company's 1997 Stock Option Plan (the "1997 Stock Option Plan"), with a weighted average exercise price of \$6.91, and 385,700 shares of Common Stock reserved for issuance thereunder, (iii) 2,000,000 additional shares of Common Stock reserved for issuance under the Company's 1998 Equity Incentive Plan (the "Equity Incentive Plan"), (iv) 500,000 shares of Common Stock reserved for issuance under the Company's 1998 Employee Stock Purchase Plan (the "Purchase Plan"), (v) 125,000 shares of Common Stock reserved for issuance under the Company's 1998 Directors Stock Option Plan (the "Directors Plan"), (vi) 15,000 shares of Common Stock that would be issued to a service provider if certain milestones are met and (vii) 17,500 shares of Common Stock subject to a warrant that would be issued in the event that the Company borrows funds under an equipment loan agreement. See "Management--Director Compensation," "--Employee Benefit Plans," "Description of Capital Stock" and Note 6 of Notes to Consolidated Financial Statements.

DILUTION

The pro forma net tangible book value of the Company's Common Stock as of December 31, 1997 was \$12.4 million, or \$0.72 per share. Pro forma net tangible book value per share is equal to the Company's total tangible assets less its total liabilities, divided by the pro forma shares of Common Stock outstanding as of December 31, 1997. After giving effect to the issuance and sale of the 3,000,000 shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of \$12.00 per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company), the Company's as adjusted net tangible book value as of December 31, 1997 would have been \$44.9 million, or \$2.23 per share. This represents an immediate increase in pro forma net tangible book value of \$1.51 per share to existing stockholders and an immediate dilution of \$9.77 per share to new public investors. The following table illustrates the per share dilution:

Assumed initial public offering price per share.....	\$12.00
Pro forma net tangible book value per share at December 31, 1997.....	\$0.72
Increase in pro forma net tangible book value per share attributable to new public investors.....	1.51
	-----
As adjusted net tangible book value per share after offering..	2.23
	-----
Dilution per share to new public investors.....	\$ 9.77
	=====

The following table summarizes on a pro forma basis, as of December 31, 1997, the difference between the existing stockholders and the purchasers of shares of Common Stock in this offering (at an assumed initial public offering price of \$12.00 per share and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) with respect to the number of shares of Common Stock purchased from the Company, the total cash consideration paid and the average price paid per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
	-----	-----	-----	-----	-----
Existing stockholders(1).....	17,151,244	85.1%	\$38,885,000	51.9%	\$ 2.27
New public investors.....	3,000,000	14.9	36,000,000	48.1	12.00
	-----	-----	-----	-----	-----
Total.....	20,151,244	100.0%	\$74,885,000	100.0%	
	=====	=====	=====	=====	=====

(1) Reflects the conversion of the Preferred Stock upon the closing of this offering.

The foregoing discussion and tables assume no exercise of any stock options outstanding as of December 31, 1997, no exercise of a warrant to purchase 17,500 shares of Common Stock that would be issued in the event that the Company 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 December 31, 1997, there were options outstanding to purchase a total of 2,516,818 shares of Common Stock with a weighted average exercise price of \$2.95 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 Note 6 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Company'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 of the Company that have been audited by KPMG Peat Marwick 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 of the Company that have been audited by KPMG Peat Marwick LLP, independent auditors, but that are not included elsewhere in this Prospectus.

	PERIOD FROM		
	APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
CONSOLIDATED STATEMENT OF OPERATIONS DATA:			
Revenues .....	\$ 382	\$ 1,351	\$ 9,382
Costs and expenses:			
Cost of revenues.....	412	2,791	7,833
Sales and marketing.....	790	4,876	10,839
Research and development.....	642	2,058	5,188
General and administrative.....	680	2,640	4,604
Nonrecurring charges.....	--	--	2,800
Total costs and expenses.....	2,524	12,365	31,264
Operating loss.....	(2,142)	(11,014)	(21,882)
Other income (expense).....	148	(67)	1,149
Loss before minority interest.....	(1,994)	(11,081)	(20,733)
Minority interest in net loss of subsidiary.....	--	(838)	(1,538)
Net loss.....	\$ (1,994)	\$ (10,243)	\$ (19,195)
Pro forma basic and diluted net loss per share(1).....		\$ (.74)	\$ (1.13)
Shares used in per share computations (1)..		13,836	17,018

	DECEMBER 31,		
	1995	1996	1997
(IN THOUSANDS)			
CONSOLIDATED BALANCE SHEET DATA:			
Cash, cash equivalents and short-term investments.....	\$ 2,687	\$29,983	\$11,894
Working capital.....	2,284	24,823	5,227
Total assets.....	4,052	36,503	24,406
Long-term obligations.....	--	--	--
Stockholders' equity.....	3,376	28,555	12,469

(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 computations.



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

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing elsewhere in this Prospectus. The following discussion contains forward-looking statements. The Company's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected 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 digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company's Digital IDs are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs to organizations, primarily businesses, for their Web sites. Because the Company has issued most of its Digital IDs for individuals on a trial or promotional basis, a significant majority of the Company's revenues to date have been derived from businesses.

The Company was incorporated in April 1995 and introduced its first product, the Secure Server ID for Netscape Commerce Servers, in June 1995. In October 1995, the Company introduced additional Server Digital IDs for the Web server products of Microsoft, IBM, Open Market and other vendors. In May 1996, the Company began providing online enrollment and issuance of client Digital IDs for Netscape Navigator through its Digital ID Center and began shipping another form of Digital ID known as a Software Developer Digital ID for Microsoft's Authenticode program. The Company began issuing Digital IDs for Microsoft's Internet Explorer through the Company's Digital ID Center in August 1996. During 1997, the Company introduced its Universal Digital IDs and three new types of server digital certificate products--its Global Server ID, Financial Server ID and EDI Server ID.

In April 1996, the Company entered the enterprise and electronic commerce markets by introducing custom SET digital certificate solutions targeted at certified banks, payment processors and major card brands. During 1997, the Company introduced VeriSign OnSite and VeriSign V-Commerce, which are enterprise and electronic commerce digital certificate solutions that are targeted at mid-sized to large companies, managed intranets and extranets, payment card industry service providers and Web sites with large customer or user bases. During 1997, the Company began providing technology and products for digital certificate management to OEMs.

Historically, the Company has derived substantially all of its revenues from the sale of Digital IDs and from fees for services rendered in connection with the Company's digital certificate solutions and digital certificate service and product development agreements. Sales of Digital IDs and fees for services each resulted in approximately one-half of the Company's revenues in 1997. The purchase of a Digital ID allows the customer to use the Digital ID for a limited period of time, generally 12 months. After this period, the Digital ID must be renewed for continued usage by the customer. Renewal fees are typically lower than the fees charged for the initial Digital ID. Revenues from the sale or renewal of Digital IDs are deferred and recognized ratably over the life of the digital certificate. Revenues from the Company's enterprise and electronic commerce solutions consist of fees for the issuance of digital certificates, which are recognized ratably over the term of the particular license agreement relating to the enterprise or electronic commerce solution, and fees for set-up services, which are recognized upon completion of the service. Revenues from other services are recognized using the percentage-of-completion method for fixed-fee development arrangements, on a time-and-materials basis for consulting and training services or ratably over the term of the agreement for support and maintenance services. Deferred revenues increased from \$46,000 at December 31, 1995 to \$1.9 million at December 31, 1996 and to \$4.8 million at December 31, 1997. In the future, the Company anticipates that it may receive additional revenues from sales

of software products and value-added services, licensing and royalty fees from licenses of digital certificates and related technology and maintenance, and fees for customer support services.

The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs. Although a significant portion of its revenues to date has been generated through sales from the Company's Web site, the Company intends to increase its direct sales force, both domestically and internationally, and intends to continue to expand its other distribution channels.

In February 1996, the Company formed VeriSign Japan to provide digital certificate solutions to the Japanese market. In connection with the formation of this subsidiary, the Company licensed certain technology and contributed other assets to VeriSign Japan. Subsequent to its formation, additional investors purchased minority interests in VeriSign Japan, and, as of December 31, 1997, the Company owned 50.5% of the outstanding capital stock of VeriSign Japan. Accordingly, the Company's consolidated financial statements include the accounts of the Company and this subsidiary and the Company's consolidated statements of operations reflect the elimination of the minority shareholders' share of the net losses of the subsidiary. Historically, VeriSign Japan has funded its net losses with investments from its shareholders. However, to the extent VeriSign Japan is unable to continue to fund its operations principally from investments by shareholders, the Company may be required to fund the operations of this subsidiary, which could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--VeriSign Japan."

The Company has experienced substantial net losses in each fiscal period since its inception and, as of December 31, 1997, had an accumulated deficit of \$31.4 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations infrastructure and practices. The Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur substantial additional losses for the foreseeable future. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can be no assurance that the Company will ever achieve significant revenues or profitability or, if significant revenues and profitability are achieved, that they could be sustained. See "Risk Factors--Limited Operating History; History of Losses and Anticipation of Future Losses."

## RESULTS OF OPERATIONS

### REVENUES

The Company's revenues increased from \$382,000 for the period from April 12, 1995 (inception) to December 31, 1995 (the "Inception Period") to \$1.4 million for 1996 and to \$9.4 million for 1997. Revenues from inception through December 31, 1996 were primarily derived from sales of the Company's Server Digital ID products. The increase in revenues from the Inception Period to 1996 was due primarily to increased market acceptance of Server Digital IDs and, to a lesser extent, SET digital certificate solutions. The increase in revenues from 1996 to 1997 was due primarily to increased sales of Server Digital IDs and to increased services revenues, which included revenues from digital certificate service and product development agreements. Revenues from the sale of Universal Digital IDs have been nominal because substantially all of the Company's Universal Digital IDs have been issued free of charge on a promotional basis.

Revenues attributable to VISA accounted for approximately 21% and 14% of revenues for 1996 and 1997, respectively. No other customer accounted for more than 10% of the Company's revenues during the Inception Period, 1996 or 1997. Revenues of VeriSign Japan and revenues from other international customers accounted for less than 10% of revenues for the Inception Period and 1996 and approximately 13% of revenues for 1997.

## COSTS AND EXPENSES

The Company's costs and expenses have increased in absolute dollars since inception, primarily due to the overall growth of the Company. The total number of the Company's employees increased from 26 at December 31, 1995 to 185 at December 31, 1997. In addition, the Company opened several new offices, increased its sales and marketing and research and development efforts, and expanded its headquarters and Digital ID Centers during this period. The Company believes that it will need to continue to expand its operations in order to execute its business strategy. Accordingly, the Company intends to continue to increase its costs and expenses in all areas for the foreseeable future.

**Cost of Revenues.** Cost of revenues consists primarily of costs related to personnel providing digital certificate enrollment and issuance services, customer support and training, consulting and development services, and facilities and computer equipment used in such activities. Cost of revenues also includes fees paid to third parties to verify certificate applicants' identities and insurance premiums for the Company's NetSure warranty plan and errors and omission insurance. Cost of revenues increased from \$412,000 for the Inception Period to \$2.8 million for 1996 and to \$7.8 million for 1997. Cost of revenues was not material during the Inception Period as a result of the Company's minimal revenues. The increases in 1996 and 1997 were due primarily to increased facilities costs and related overhead that resulted from building the Company's operations infrastructure, hiring full-time and temporary personnel to support the additional volume of issuances of Server Digital IDs, introduction of additional Server Digital ID products, introduction of the Company's NetSure warranty program, increased costs of errors and omission insurance, increased expenses for access to third-party databases and, during 1997, implementation of the Company's disaster recovery plan. Given the Company's limited operating history, limited history of issuing Digital IDs and evolving industry and business model, the Company believes that analysis of cost of revenues as a percentage of revenues is not yet meaningful.

**Sales and Marketing.** Sales and marketing expenses consist primarily of costs related to sales, marketing and practices and external affairs personnel, including salaries, sales commissions and other personnel-related expenses, computer equipment and support services used in such activities, facilities costs, consulting fees and costs of marketing programs. Sales and marketing expenses increased from \$790,000 for the Inception Period to \$4.9 million for 1996 and to \$10.8 million for 1997. These increases were due primarily to increased headcount and, to a lesser extent, increased expenditures for marketing programs. The Company anticipates that sales and marketing expenses will continue to increase in absolute dollars as it expands its direct sales force, hires additional marketing personnel and increases its marketing and promotional activities during 1998.

**Research and Development.** Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees, facilities, and computer equipment and support services used in product and technology development. Research and development expenses increased from \$642,000 for the Inception Period to \$2.1 million for 1996 and to \$5.2 million for 1997. These increases were due primarily to increased personnel to support the design, testing and deployment of, and technical support for, the Company's expanded product offerings and technology. The Company believes that timely development of new and enhanced products and technology are necessary to remain competitive in the marketplace. Accordingly, the Company intends to continue recruiting and hiring experienced research and development personnel and make other investments in research and development. Therefore, the Company expects that research and development expenditures will continue to increase in absolute dollars. To date, all research and development expenses have been expensed as incurred.

**General and Administrative.** General and administrative expenses consist primarily of salaries and other personnel-related expenses for the Company's administrative, finance and human resources personnel, facilities and computer equipment, support services and professional services fees. General and administrative expenses increased from \$680,000 for the Inception Period to \$2.6 million for 1996 and \$4.6 million for 1997. These increases were due primarily to increased staffing levels to manage and support the Company's

expanding operations. The Company anticipates hiring additional personnel and incurring additional costs related to being a

public company, including directors' and officers' liability insurance, investor relations programs and professional services fees. Accordingly, the Company anticipates that general and administrative expenses will continue to increase in absolute dollars.

Nonrecurring Charges. In September 1996, VeriFone, which subsequently became a wholly-owned subsidiary of Hewlett-Packard Company ("Hewlett-Packard"), filed a lawsuit against the Company alleging, among other things, trademark infringement. In November 1997, the 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 1997 as a \$2.0 million charge to operations. In November 1997, the Company entered into a preferred provider agreement with 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.

#### OTHER INCOME (EXPENSE)

Other income (expense) consists primarily of interest earned on the Company's 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. The Company had other income of \$148,000 for the Inception Period, other expense of \$67,000 for 1996 and other income of \$1.1 million for 1997. The increase for 1997 was due to interest earned on the cash proceeds from the Company's November 1996 Series C Preferred Stock financing.

#### INCOME TAXES

No provision for federal and California income taxes has been recorded because the Company has experienced net losses since inception. As of December 31, 1997, the Company had federal and California net operating loss carryforwards of approximately \$26.9 million and \$27.1 million, respectively. These federal and California net operating loss carryforwards will expire, if not utilized, in years 2010 through 2014 and in 2003, respectively. The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. The Company's ability to utilize net operating loss carryforwards may be limited as a result of an "ownership change" as defined in the Internal Revenue Code. The Company does not anticipate that a material limitation on its ability to use such carryforwards and credits will result from this offering. The Company has provided a full valuation allowance on the deferred tax asset because of the uncertainty regarding its realization. The Company's accounting for deferred taxes under Statement of Financial Accounting Standards No. 109 involves the evaluation of a number of factors concerning the realizability of the Company's deferred tax assets. In concluding that a full valuation allowance was required, management primarily considered such factors as the Company's history of operating losses and expected future losses and the nature of the Company's deferred tax assets. Although management's operating plans assume taxable and operating income in future periods, management's 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 7 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 for 1996 and \$1.5 million for 1997. This increase was due to the increased expenses incurred in establishing and expanding the operations of VeriSign Japan prior to recognizing significant revenues and to an increasing percentage of VeriSign Japan's capital stock being held by minority shareholders. VeriSign Japan is still in an early stage of operations and, therefore, the Company expects that the minority interest in net loss of subsidiary will continue to fluctuate in future periods.

SELECTED QUARTERLY OPERATING RESULTS

The following table sets forth certain consolidated statement of operations data for each quarter of 1996 and 1997. This information has been derived from the Company's unaudited consolidated financial statements,

25

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, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997
	(IN THOUSANDS)							
Revenues.....	\$ 153	\$ 246	\$ 375	\$ 577	\$ 1,267	\$ 2,249	\$ 2,599	\$ 3,267
Costs and expenses:								
Cost of revenues.....	304	552	737	1,198	1,419	1,733	2,014	2,667
Sales and marketing....	540	1,015	1,213	2,108	2,254	2,686	2,324	3,575
Research and development.....	350	417	523	768	1,029	1,222	1,309	1,628
General and administrative.....	396	408	713	1,123	953	864	1,084	1,703
Nonrecurring charges...	--	--	--	--	--	--	2,000	800
Total costs and expenses.....	1,590	2,392	3,186	5,197	5,655	6,505	8,731	10,373
Operating loss.....	(1,437)	(2,146)	(2,811)	(4,620)	(4,388)	(4,256)	(6,132)	(7,106)
Other income (expense)...	35	35	14	(151)	469	166	225	289
Loss before minority interest.....	(1,402)	(2,111)	(2,797)	(4,771)	(3,919)	(4,090)	(5,907)	(6,817)
Minority interest in net loss of subsidiary.....	(2)	(128)	(228)	(480)	(305)	(482)	(407)	(344)
Net loss.....	\$ (1,400)	\$ (1,983)	\$ (2,569)	\$ (4,291)	\$ (3,614)	\$ (3,608)	\$ (5,500)	\$ (6,473)

REVENUES

The Company has experienced quarter-to-quarter sequential growth in revenues since its inception. These quarterly increases were due primarily to the increased number of Server Digital IDs sold during these periods. In addition, during the first quarter of 1997, the Company completed certain work required under various certificate service and product development agreements and, therefore, recognized the related portion of revenues during that quarter. The Company realized additional services fees during the second quarter of 1997 as a result of entering into new certificate service and product development agreements and completing work under existing certificate service and product development agreements. During the third and fourth quarters of 1997, revenues attributable to digital certificates grew as a result of the increased number of digital certificates sold and an approximately 15% per unit price increase. Revenues also increased in the third and fourth quarters of 1997 as a result of the completion of work under other certificate service and product development agreements.

COSTS AND EXPENSES

Cost of Revenues. Throughout 1996, the Company was developing a secure operations and customer support infrastructure as well as related systems. During the fourth quarter of 1996, the Company began building its new Digital ID Center to manage enrollment and issuance of large volumes of Digital IDs

and moved its customer support and information systems teams into the new Digital ID Center. Accordingly, facilities costs and related overhead increased significantly in the first quarter of 1997. During the second and third quarters of 1997, the Company added full-time and temporary personnel, particularly for customer support and information systems, in order to support the additional volume of issuances of Server Digital IDs. The Company also devoted additional personnel resources to support work under the Company's product development agreements during this time period. During the second quarter of 1997, the Company introduced its NetSure warranty program, resulting in higher insurance premiums. During the third quarter of 1997, the Company also incurred increased

26

expenses for access to third-party databases to verify certificate applicants' identities and expenses relating to the implementation of the Company's disaster recovery plan. During the fourth quarter of 1997, expenses for access to third-party databases continued to increase as the Secure Server ID volume increased. In addition, the Company accelerated the amortization of certain software that the Company plans to replace during 1998.

**Sales and Marketing.** The quarterly increases in sales and marketing expenses resulted primarily from the building of the Company's sales and marketing organization, which began in 1996. During the third and fourth quarters of 1996, the Company began expanding its marketing organization to include corporate, channel and product marketing programs. In each of the first three quarters of 1997, the Company added sales and marketing personnel to support its expanding product lines, which resulted in higher recruiting, benefits, travel and facilities costs. Sales and marketing expenses were higher in the second quarter of 1997 than the preceding two quarters and the following quarter due to increased expenses incurred pursuing international and domestic strategic relationships, increased public relations activities, Web site management costs and channel development activities. Sales and marketing expenses increased in the fourth quarter of 1997 as the Company continued to develop a direct sales force and increased spending for new marketing programs.

**Research and Development.** The sequential 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, the Company's expanded product offerings and technology.

**General and Administrative.** The sequential quarterly increases in general and administrative expenses over the four quarters of 1996 were primarily related to the addition of personnel and related costs to support expansion of the Company's operations. During the fourth quarter of 1996, the Company incurred additional expenses for consulting services, increased legal fees relating to a large number of contract negotiations and increased expenses resulting from a growth in headcount. During the fourth quarter of 1996 and into 1997, the Company incurred increased expenses for a larger facility and for the implementation of additional systems and procedures. In addition to building administrative infrastructure during the fourth quarter of 1997, the Company increased its allowance for doubtful accounts commensurately with the growth in accounts receivable.

**Nonrecurring Charges.** Nonrecurring charges in the third and fourth quarters of 1997 are discussed above under "--Results of Operations--Costs and Expenses--Nonrecurring Charges."

#### FACTORS AFFECTING OPERATING RESULTS

The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include the following: market acceptance of digital certificates; market acceptance of its products and services, particularly VeriSign OnSite, VeriSign V-Commerce and VeriSign SET; the long sales and implementation cycles for and potentially large order sizes of certain of the Company's products and services; the timing and execution of individual contracts; the timing of releases of new versions of Internet browsers or other third-party software products in which the Company's public root keys are embedded; customer renewal rates for the Company's products and services; the Company's success in marketing other products and services to its existing customer base and to

new customers; development of the Company's direct and indirect distribution channels; market acceptance of the Company's or competitors' new products and services; the amount and timing of expenditures relating to expansion of the Company's operations; price competition or pricing changes; general economic conditions and economic conditions specific to the Internet, intranet and extranet industries. Any one of these factors could cause the Company's revenues and operating results to vary significantly in the future. In addition, the Company will need to expand its operations and attract, integrate, retain and motivate a substantial number of sales and marketing and research and development personnel. The timing of such expansion and the rate at which new personnel become productive could cause material fluctuations in the Company's quarterly operating results.

The Company's limited operating history and the emerging nature of its market make prediction of future revenues difficult. The Company's expense levels are based, in part, on its expectations regarding future revenues, and to a large extent such expenses are fixed, particularly in the short term. There can be no assurance that the Company will be able to predict its future revenues accurately and the Company may be unable to adjust

27

spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall of revenue in relation to the Company's expectations could cause significant declines in the Company's quarterly operating results.

Due to all of the foregoing factors, the Company's quarterly revenues and operating results are difficult to forecast. The Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. Also, it is likely that the Company's operating results will fall below the expectations of the Company, securities analysts or investors in some future quarter. In such event, the market price of the Company's Common Stock could be materially and adversely affected.

#### LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company and its Japanese subsidiary financed their operations primarily through private sales of equity securities raising approximately \$45.6 million. At December 31, 1997, the principal source of liquidity for the Company was \$11.9 million of cash, cash equivalents and short-term investments. The Company also has an equipment loan agreement under which it 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 the Company borrows under this equipment loan agreement, it will be obligated to issue to the lender a warrant to purchase 17,500 shares of Common Stock. The Company currently has no plans to borrow any amounts under this equipment loan agreement. VeriSign Japan has available a revolving line of credit of up to \$500,000 with a bank that bears interest at 1.625% per annum and expires in May 1998. The line of credit is secured by a letter of credit from the Company in the same amount. There were no borrowings outstanding under this line of credit as of December 31, 1997.

The Company has had significant negative cash flows from operating activities in each fiscal period to date. Net cash used in operating activities for the Inception Period, 1996 and 1997 was \$1.5 million, \$6.0 million and \$13.6 million, respectively. Net cash used in operating activities in each of these periods was primarily the result of net losses, offset in part by increases in accounts payable and accrued liabilities for the Inception Period and 1996 and deferred revenues in all three fiscal periods.

Net cash used in investing activities for the Inception Period, 1996 and 1997 was \$1.0 million, \$4.4 million and \$15.0 million, respectively. Net cash used in investing activities in these periods was primarily the result of capital expenditures for computer equipment, purchased software, office equipment, furniture, fixtures and leasehold improvements. In addition, for 1997, cash used in investing activities included \$8.0 million of net purchases of short-term investments. Capital expenditures for property and equipment for the Inception Period, 1996 and 1997 aggregated \$1.0 million, \$4.2 million and \$6.6 million, respectively. The Company's planned capital expenditures for 1998 are approximately \$5.0 million, primarily for computer equipment and

other leasehold improvements. As of December 31, 1997, the Company also had commitments under noncancelable operating leases of \$6.3 million through 2002.

Net cash provided by financing activities for the Inception Period, 1996 and 1997 was \$5.3 million, \$37.8 million and \$2.6 million, respectively, resulting primarily from net proceeds from the sale of Preferred Stock by the Company. In addition, for 1996 and 1997, net cash provided by financing activities of VeriSign Japan was \$4.2 million and \$2.5 million, respectively, resulting from the sale of its capital stock to minority investors and from the proceeds of its bank borrowings.

The Company believes that the net proceeds from this offering, together with existing cash, cash equivalents and short-term investments, will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months. The Company may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding,

28

if needed, will be available on terms attractive to the Company, or at all. Strategic relationships, if necessary to raise additional funds, may require the Company to relinquish rights to certain of its technologies or products. The failure of the Company to raise capital when needed could have a material adverse effect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Company of its then-current stockholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of the Company's Common Stock. See "Risk Factors--Future Capital Needs; Uncertainty of Additional Financing."

#### RECENT ACCOUNTING PRONOUNCEMENT

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 97-2, Software Revenue Recognition, which supersedes SOP No. 91-1. The Company will be required to adopt SOP No. 97-2 prospectively 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 the relative fair values of the elements. The fair value of an element must be based on evidence that is specific to the vendor. If a vendor does not have evidence of the fair value for all elements in a multiple-element arrangement, all revenue from the arrangement is deferred until such evidence exists or until all elements are delivered. The Company's management anticipates that the adoption of SOP No. 97-2 will not have a material effect on the Company's operating results.

29

#### BUSINESS

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company has established strategic relationships with industry leaders, including AT&T, BT, Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA, to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications over IP networks. The Company's Digital IDs are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company provides turn-key and custom solutions needed by organizations such as Dow Jones, NationsBank, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs, and intends to continue to expand these distribution channels.



## INDUSTRY BACKGROUND

### GROWTH OF INTERNET COMMERCE AND COMMUNICATIONS

IP networks are revolutionizing the ways in which companies, government agencies, trading partners and individuals communicate and conduct business. IP networks provide an attractive medium for communications and commerce because of their global reach, accessibility, use of open standards and ability to enable real-time interaction. Organizations are seeking to leverage the capabilities of IP networks to attract new customers, access new markets, improve customer service and satisfaction and lower support and distribution costs. Until recently, IP networks have been used primarily for informal messaging, general information browsing and the exchange of non-sensitive data. The use of IP networks is now beginning to extend beyond these initial uses to a number of more valuable and sensitive activities, including business-to-business transactions and Internet-based EDI, online retail purchases and payments, Web-based access to account and benefits information and secure messaging for both personal and business use. IDC estimates that global Internet commerce revenues will grow from approximately \$10.6 billion in 1997 to approximately \$223.1 billion in 2001.

### REQUIREMENT FOR TRUSTED INTERACTION OVER IP NETWORKS

Although openness represents a fundamental strength of IP networks, their accessibility and the anonymity of users resulting from the lack of "face-to-face" interaction create threats to the privacy and integrity of information that is transmitted across or stored on these networks. Despite the convenience and the compelling economic incentives for the use of IP networks, they cannot reach their full potential as a platform for global communications and commerce until the current lack of security and trust associated with these networks is resolved. According to a study conducted in 1997 by Zona Research, Inc., 70% of the businesses and consumers surveyed listed concerns about trust and security as the main impediment to broader use of the Internet for commercial applications. Business concerns include the potential for theft of corporate or customer information, impersonation of employees, loss of reputation and economic loss through fraud. Consumer concerns include the possibility of merchant impersonation and fraud and the risk that third parties may be able to intercept and use personal information such as credit card numbers. Traditional security mechanisms such as passwords and personal identification numbers do not adequately address these issues, as they can be easily lost, forgotten or misappropriated. Some security concerns are being addressed through technologies such as encryption and firewalls, but these technologies do not address the need to establish and maintain a common framework of trust between parties conducting transactions or exchanging sensitive information in the digital world.

30

In the physical world, trust in communications and commerce is established through a combination of social, business and legal practices that, in some cases, have been developed over hundreds of years. These practices often include the use of physical credentials, such as credit cards, business licenses or employee badges, and the associated legal protections to avoid loss from theft or fraud. The diligence, practices, policies and reputations of the organizations standing behind the issuance, delivery, revocation and renewal of physical credentials provide a readily understood and accepted framework of trust for a given communication or transaction. The physical credentials that embody these proven practices and frameworks of trust and the social interactions that accompany their use cannot be utilized in the digital world. As a result, there is a need for a trusted and convenient way to verify the identity, authority and privilege of the parties involved in communications and commerce over IP networks and to assure their proper and trusted association with a specific organization or community.

### EMERGENCE OF DIGITAL CERTIFICATE TECHNOLOGY

Digital certificates are emerging as the leading technology for establishing a framework for trusted and secure communications and commerce over IP networks, with many Internet security protocols dictating the use of digital certificates. A digital certificate is a specially prepared software file that functions as an electronic credential in the digital world, identifying the certificate owner, authenticating the certificate owner's membership in a given organization or community (credit card holder, employee, supply chain

participant or citizen) and establishing the certificate owner's authority to engage in a given transaction. Utilizing the principles of public key cryptography, a digital certificate binds a pair of unique mathematical keys, one designated as "private" and securely maintained by its owner, and the other designated as "public" and embedded in the digital certificate. What the owner's private key digitally signs, only the corresponding public key can verify. When properly prepared, issued and administered, digital certificates create a framework for trusted interaction over IP networks, making it possible, for example, to verify with certainty the identity of an account holder or a Web-based business, the source of an electronic message or the integrity of electronically distributed software or content.

Significant efforts are underway to utilize digital certificates as "vehicles of trust" for securely transmitting e-mail, accessing information on public and private Web sites, purchasing retail goods and services and conducting other financial transactions such as electronic securities trading. The leading vendors of Web browser, Web server, electronic mail, electronic payment and content distribution applications have incorporated digital certificate technology as the framework for establishing trusted and secure communications and commerce over IP networks and are embedding support for digital certificates in their products. A number of standard protocols that are being widely adopted for communications and commerce require the use of digital certificates. These protocols include the Secure Sockets Layer protocol ("SSL") for browser/server authentication and secure data transmission, the Secure Multipurpose Internet Mail Extensions protocol ("S/MIME") for secure e-mail and EDI, the Secure Electronic Transactions protocol ("SET") for secure electronic payments, and the Internet Protocol Security standard ("IP/SEC") for authentication of networking devices. Just as an individual may have many forms of credit cards and IDs, he or she may require multiple digital certificates, each corresponding to a unique digital relationship between the individual and an organization. Thus, there is the potential need over time for hundreds of millions of digital certificates to be issued and managed.

#### CERTIFICATION AUTHORITIES AND THE NEED FOR TRUSTED INFRASTRUCTURE

Digital certificates are prepared and managed by trusted parties known as Certification Authorities ("CAs"). To prepare a digital certificate for issuance, a CA embeds an individual's or an organization's public key along with specific personal information (name or e-mail address) or organizational information (domain name or affiliation) in the digital certificate, which is then cryptographically "signed" by the CA. The CA's digital signature acts as a tamper-proof electronic seal that verifies the integrity of the information within the digital certificate and validates its use within a specific organization or community. This digital signature is linked to the CA's public "root key," which is embedded in the browser, server or other application used by the

31

organization or community. Through the embedded public root key, a community member can automatically confirm the authenticity of a digital certificate--and hence the certificate owner's identity, authority and privilege--to verify the source and integrity of any accompanying message or transaction request.

A CA may digitally sign certificates for multiple organizations or communities, each having different rules, qualifications or procedures governing the admission of members. The CA may sign and issue certificates directly to the members of a given community or sign certificates on behalf of other entities (credit card issuers, corporations or government agencies) that wish to control the admission of members into their organizations and grant to them certain authority and privileges.

The successful implementation and management of digital certificates as a mechanism for trusted and secure commerce and communications present a number of issues and challenges for a CA. The CA must establish and maintain rigorous practices, policies and procedures to manage the technical complexities of cryptographic key management and provide for the secure creation and distribution of digital certificates. The CA must carefully manage the entire lifecycle of all digital certificates issued, including identifying and conducting initial due diligence on the owners, tracking digital certificates, providing customer support for digital certificate owners, confirming in real-time the continued validity of each digital certificate and revoking or renewing the digital certificates. To be effective for large public and

private communities needing digital certificates, a CA must also have a highly scaleable and flexible infrastructure, be able to provide a full range of digital certificate services in high volume on a 24 hour x 7 day basis and have its public root key embedded in and supported by a wide variety of applications utilized across IP networks.

#### THE VERISIGN SOLUTION

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company has established strategic relationships with industry leaders, including AT&T, BT, Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company believes that it has issued more digital certificates than any other company, having issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs for Web sites. The Company's digital certificates are enabled in millions of copies of Microsoft and Netscape browsers, tens of thousands of copies of popular Web servers and a variety of software applications. In addition, Microsoft and Netscape have integrated enrollment for the Company's digital certificates into the registration process for their Web browsers, prominently feature the Company and its digital certificate solutions in certain of their products and on their Web sites, have integrated the Company's public root key into their browsers and engage in a variety of joint marketing activities with the Company. In addition to providing Digital IDs for individuals and Web sites, the Company also provides turn-key and custom solutions needed by organizations, such as Dow Jones, NationsBank, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks.

The Company issues and manages digital certificates directly from its Digital ID Centers for consumers, businesses and organizations that use IP networks for trusted and secure communications and commerce. The Company also offers a comprehensive range of digital certificate solutions tailored to meet the specific needs of customers, such as financial institutions and governmental agencies, that wish to issue their own, or have VeriSign issue on their behalf, digital certificates for use within their private intranets and extranets. These solutions vary based on the nature and complexity of the applications, the degree of control customers desire to maintain and the degree of operational responsibility customers wish to delegate. Each of the Company's solutions leverages its infrastructure for managing digital certificates to relieve customers from the burdensome responsibilities and costs of designing, establishing, maintaining and staffing their own digital certificate operations.

The key components of the Company's solution are its scaleable, modular software architecture, highly reliable and secure operations and comprehensive security and trusted practices, which together provide a

32

platform designed for the timely, rapid deployment of large volumes of digital certificates and the ongoing management of such digital certificates throughout their lifecycles.

. Scaleable, Modular Software Architecture. The Company has designed its software to provide the scaleability necessary to support the issuance and management of millions of certificates for distinct communities ranging from individual corporations to the entire population of Internet users. The Company's WorldTrust software automates many of the processes for digital certificate issuance and lifecycle management, including subscriber enrollment, authentication and administration services. The Company's modular software is also distributable over one or many computer systems to enhance scaleability and allow for certain functions of the digital certificate issuance and lifecycle management process to be deployed at customer or affiliate locations while maintaining a secure and reliable link to the Company's Digital ID Centers for back-end processing.

. Highly Reliable and Secure Operations. The Company's Digital ID Centers, which are located in Mountain View, California and Kawasaki, Japan and operate on a 24 hour x 7 day basis, support all aspects of issuance and management of digital certificates as well as the delivery of its related

digital certificate services. Through the use of state-of-the-art computer, telecommunications, network and monitoring systems, the Company's Digital ID Centers are designed to provide the high levels of availability, security and scaleability necessary to meet the needs of customers for high volume digital certificate issuance and management.

. Comprehensive Security and Trusted Practices. The Company has 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. The Company believes that these practices and procedures are a critical component to the creation of a digital certificate infrastructure required for trusted and secure communications and commerce over IP networks.

## STRATEGY

The Company's objective is to enhance its position as the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company's strategy to achieve this objective includes the following key elements:

Leverage Leadership Position to Drive Market Penetration. The Company believes that it has developed a leading position in the market for digital certificate solutions and underlying trust infrastructure by being the first to market with a variety of digital certificate products and services, building strategic relationships with industry leaders, issuing more digital certificates than any other company, embedding its public root key in a variety of communications, commerce and other software applications and investing significant resources in developing its comprehensive trust infrastructure. The Company intends to leverage this leadership position to drive further adoption and deployment of its digital certificate solutions and associated trust services. In addition, the Company intends to maintain its first-to-market position by applying its knowledge and experience to new products and services that the Company believes will have significant market potential.

Leverage and Expand Strategic Relationships with Industry Leaders. The Company has established strategic relationships with industry leaders, including AT&T, BT, Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA. The Company believes that these relationships, as well as others that it intends to pursue, will enable the widespread deployment of the Company's Digital IDs by allowing it to capitalize on the brand recognition and broad customer bases of such strategic partners. For example, both Microsoft and Netscape have incorporated the Company's public root key in their Web browsers and feature the Company and its digital certificate solutions in their products and on their Web sites. The Company believes that this support from Microsoft and Netscape enhances market awareness of the Company and provides a powerful endorsement of the Company's digital certificate solutions and infrastructure. Certain of

the Company's strategic relationships also involve joint marketing activities, which enhance the Company's ability to target large customers and expand overall brand awareness. The Company intends to pursue additional strategic relationships that the Company believes will enhance the marketing and distribution of its products and services.

Maintain Leadership in Technology, Infrastructure and Practices. The Company has developed technical, operational and procedural expertise for the widespread implementation of secure digital certificate solutions. The Company intends to continue to enhance its technology, infrastructure and distributed product architecture to enable further operational scaleability in order to provide digital certificate solutions for a variety of industries with high volume certificate issuance requirements. In order to ensure the alignment of its technology with emerging trends, the Company actively participates in industry consortia, standards setting organizations and other trade groups. In addition, the Company is continually enhancing its internal "best practices" and controls to ensure the physical security of its facilities, maintain quality in the execution of its operations, verify the quality and consistency of its services and promote the global acceptance of its digital certificate

solutions.

Continue to Build the VeriSign Brand. The Company will continue to promote the VeriSign brand as synonymous with trusted and secure communications and commerce over IP networks. In order to accelerate the acceptance and penetration of its digital certificate solutions, the Company has developed joint marketing relationships with brand leaders such as BT, Microsoft, Netscape, VeriFone and VISA and intends to pursue additional relationships with entities whose brands are well known and widely respected. The Company also utilizes a variety of marketing programs to promote market awareness of the Company and promote the VeriSign brand.

Expand Global Marketing and Distribution. The Company will continue to expand its global marketing and distribution efforts to address the range of markets and applications for digital certificate solutions. The Company intends to add direct sales personnel and expand indirect channels, both domestically and internationally. The Company also plans to leverage its technology infrastructure to establish Digital ID Centers in appropriate international markets. The Company believes that this strategy affords the opportunity to create an international network of digital certificate providers operating under common technology, operations and legal practices to provide a standard for global interoperability.

PRODUCTS AND SERVICES

The Company provides a comprehensive line of digital certificate solutions that are designed to enable trusted and secure communications and commerce over IP networks. All of these solutions and services are based upon the Company's WorldTrust software architecture, scaleable operations infrastructure and comprehensive security and trust practices. See "--Technology and Architecture," "--Infrastructure" and "--Security and Trust Practices."

The following table illustrates the range of the Company's products:

MARKET/CATEGORY	VERISIGN PRODUCT/SERVICE	DESCRIPTION	END-USER LIST PRICE*
Internet IDs Client Digital Certificates	Universal Digital IDs	Digital certificates for individuals for secure e-mail, access control and password replacement	\$9.95-\$29.95 per year
Server Digital Certificates	Server Digital IDs	Digital certificates for organizations' Web sites for encrypted server operations	\$249-\$1,195 per year
Content Signing Digital Certificates	Software Developer Digital IDs	Digital certificates for software developers, content publishers and distributors	\$20-\$400 per year
	Channel Signing Digital IDs	for authenticated software and content distribution	
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Enterprise and Electronic Commerce Enterprise Solutions	VeriSign OnSite	Turn-key digital certificate solutions for managed IP network applications for a wide range of mid-sized to large enterprises	\$5,000-\$50,000 per year
Integrated Electronic Commerce Solutions	VeriSign V-Commerce	Customized solutions for Fortune 1000 companies and Web sites with very large customer or user bases	\$50,000-\$500,000 per year
SET Certificate Solutions	VeriSign SET	Managed solutions for card brands, banks and payment processors	\$50,000-\$500,000 per year

\* The Company typically receives a percentage of the end-user list price for Internet IDs that are sold through the Company's distribution channels. The terms and conditions for the Company's enterprise, integrated electronic

commerce and SET certificate solutions, including sales prices and discounts from list prices, may be negotiated in individual transactions based on certificate volumes, associated services and required customization and thus may vary from customer to customer.

The Company derived approximately one-half of its revenues in 1997 from Internet IDs, principally Server Digital IDs for businesses, and approximately one-third of its revenues in 1997 from enterprise and electronic commerce products. There can be no assurance that the Company will be able to continue to increase its revenues from these sources or that these products and services will achieve widespread market acceptance. See "Risk Factors--Limited Operating History; History of Losses and Anticipation of Future Losses" and "--No Assurance of Market Acceptance for Digital Certificates and the Company's Products and Services."

35

#### INTERNET IDS

The Company issues Internet IDs directly to individuals and organizations engaged in communications and commerce over the Internet. These Internet IDs allow individuals, organizations and software developers to protect the privacy and integrity of their communications by establishing the identity, authority or privilege of the parties involved to avoid impersonations or identity "spoofing" and malicious security breaches. Since its inception, the Company has issued over 2.0 million of its Digital IDs for individuals and over 40,000 of its Digital IDs for Web sites. The purchase of a Digital ID allows the customer to use the Digital ID for a limited period of time, generally 12 months. After this period, the Digital ID must be renewed for continued usage by the customer. The Company has also established a warranty protection program, the NetSure Protection Plan, that provides warranty coverage to its customers at varying levels up to \$250,000 in the event of economic loss due to the theft, impersonation, corruption or loss of an Internet ID. VeriSign has insured itself against losses under such coverage with United States Fidelity and Guaranty Company.

Client Digital Certificates. VeriSign's Universal Digital IDs are issued directly to individuals to enable users to exchange digitally signed and encrypted e-mail using the S/MIME protocol. Universal Digital IDs can also be used to replace passwords for more convenient access to and enhanced security of Web sites.

The Company currently offers two versions of Universal Digital IDs and plans to offer a third version in the second half of 1998. These versions are differentiated principally by the subscriber identity authentication procedures and due diligence performed by the Company prior to issuance and the amount of NetSure warranty protection provided:

Universal Digital ID-Class 1. Class 1 Universal Digital IDs are the class of Universal Digital ID most commonly issued by the Company. The Company issues a Class 1 Universal Digital ID after authenticating a user's e-mail address by providing an activation code, via e-mail, that can be used to download the digital certificate from VeriSign's Web site. Class 1 Universal Digital IDs have NetSure warranty protection of \$1,000. The Company offers a Class 1 Universal Digital ID for free on a 60-day trial basis, but the trial version does not include replacement, revocation, NetSure warranty protection or other related digital certificate services. To date, substantially all of the Class 1 Universal Digital IDs have been issued without charge on a trial or promotional basis.

Universal Digital ID-Class 2. The Company issues a Class 2 Universal Digital ID after authenticating a user's personal identity by matching personal information provided by the user with information contained in established third-party consumer credit databases. To date, the Company has issued Class 2 Universal Digital IDs primarily to North American residents. Class 2 Universal Digital IDs have NetSure warranty protection of up to \$25,000.

Universal Digital ID-Class 3. VeriSign expects to introduce a Class 3 Universal Digital ID in the second half of 1998. A Class 3 Universal Digital ID will be issued after authentication of a user's identity through personal presence verification by VeriSign or one of its certified agents or affiliates. The Company anticipates that Class 3 Universal Digital IDs will have NetSure warranty protection of up to \$50,000.

Server Digital Certificates. The VeriSign Server Digital ID product line enables organizations to implement and operate secure Web sites using the SSL or S/MIME protocols in order to establish authenticated and private communications and commerce on IP networks. Prior to issuing a Server Digital ID, VeriSign establishes the authenticity of a Web site through a series of background checks that corroborate an organization's authority to do business under a given business name, as well as its right to operate a server with a specific domain name or URL. These procedures protect an organization against another server "spoofing" its site and also allows site visitors to establish the site's authenticity. VeriSign's Server Digital IDs enable an individual's Web browser to verify a Web site's identity automatically by checking the site's Server Digital ID. Once this authentication has occurred, an encrypted session based on SSL or the S/MIME messaging protocol can commence. These private communications sessions are virtually impenetrable by external parties, thereby protecting sensitive information from unauthorized access.

36

The Company currently offers four versions of its Server Digital IDs, differentiated by the target application of the server that hosts the Server Digital ID. The Company provides NetSure warranty protection of up to \$100,000 on each Secure Server ID, Global Server ID and Financial Server ID and up to \$250,000 on each EDI Server ID.

Secure Server ID. VeriSign Secure Server IDs enable Web sites to implement SSL security features for transactions and communications conducted between their Web servers and individual end users. A Secure Server ID can also be used in conjunction with a Universal Digital ID to restrict access to account information and content on a server hosted on an IP network. The Company's public root key is embedded in more than 40 server software applications.

Global Server ID. VeriSign Global Server IDs enable organizations to establish worldwide 128-bit encrypted SSL sessions using Netscape Communicator or appropriately configured Microsoft Internet Explorer software. Global Server IDs are available for use by U.S. corporations and U.S. and foreign banks approved by the United States Department of Commerce Bureau of Export Administration. VeriSign Global Server IDs are currently the only commercially available server digital certificates for Netscape and Microsoft products that utilize 128-bit encryption and can be used by approved organizations on a global basis.

Financial Server ID. VeriSign Financial Server IDs are intended for use with financial applications using the Open Financial Exchange specification developed by Microsoft, Intuit Inc. ("Intuit") and CheckFree Corporation. Financial Server IDs are used by financial institutions for authentication of their Web servers and to enable the secure exchange of data between these organizations and customers engaged in home banking, brokerage and insurance services on the Internet. The Company's financial server public root key is embedded in Intuit's Quicken product and will be embedded in the next version of Microsoft Money.

EDI Server ID. VeriSign EDI Server IDs are intended for organizations or individuals who participate in large online trading networks and who wish to engage in secure communications. EDI Server IDs ensure the integrity of messages, allow encrypted messages to be sent using a variety of EDI standards and enable messages to be digitally signed to ensure nonrepudiation. The Company's public root key is embedded in the Actra ECXpert product and other EDI applications.

Content Signing Digital Certificates. The VeriSign content signing digital certificate product line enables content providers, publishers and vendors to digitally sign their content or distribution channels in order to ensure the authenticity and integrity of content delivered to end users. All of the Company's content signing digital certificates have NetSure warranty protection of between \$25,000 and \$50,000.

The Company currently offers three versions of its content signing digital certificates, differentiated principally by the subscriber identity authentication procedures and due diligence performed by the Company prior to issuance and the amount of NetSure warranty protection provided:

Individual Software Developer Digital ID. Individual Software Developer Digital IDs are issued after VeriSign authenticates the identity of an individual software publisher through the use of established third-party consumer credit and other databases.

Commercial Software Developer Digital ID. Commercial Software Developer Digital IDs are issued after VeriSign authenticates the identity of a commercial software publisher by using registered credentials and online commercial databases to verify the company's identity.

Both the Individual Software Developer Digital IDs and the Commercial Software Developer Digital IDs are designed for use by software developers that wish to digitally sign and distribute code electronically via the Internet, including ActiveX controls under the Microsoft Authenticode program or JAVA code in conjunction with the Netscape object signing technology.

37

Channel Signing Digital ID. Channel Signing Digital IDs authenticate a distribution channel for software and content that is automatically distributed or "pushed" via IP networks using an application such as Marimba's Castanet, by authenticating that the software or content is from the indicated source and establishing that the software or content has not been tampered with or modified while en route over IP networks.

#### ENTERPRISE AND ELECTRONIC COMMERCE

The Company offers a broad range of turn-key and custom solutions tailored to meet the specific needs of companies, government agencies and other organizations that wish to issue digital certificates to customers, employees, trading partners or citizens. The Company's enterprise and electronic commerce solutions can be used for a variety of applications, including: controlling access to sensitive data and account information; facilitating and protecting online payment card transactions; enabling digitally signed e-mail; or creating an electronic trading community. These solutions give customers the option of issuing private label digital certificates, which have limited use within their intranets and extranets, or VeriSign Digital IDs, which are interoperable with IP network applications enabled with the Company's public root key and can be customized to include customer-specified data.

Enterprise and electronic commerce solutions vary based on the nature and complexity of the application, the degree of control customers desire to maintain, and the degree of operational responsibility customers wish to delegate. The modularity of the Company's WorldTrust architecture allows certain functions of the certification process, such as registration, authentication, issuance, revocation, renewal or replacement, to be deployed at customer sites while maintaining a link to VeriSign's Digital ID Centers for back-end processing. As a result, customers enjoy significant time-to-market and cost reduction benefits by leveraging the Company's trusted, scalable infrastructure with complete certificate lifecycle management, high-speed servers, redundant telecommunications, data storage and daily back-up, full disaster recovery, availability of 24 hour x 7 day customer service and rigorous network and physical security.

VeriSign OnSite. VeriSign OnSite combines the ease of use and low entry cost of a turn-key software product with the flexibility and scalability of a fully managed service. VeriSign OnSite targets mid- to large-scale companies and government agencies that wish to set up and administer their own digital certificate solutions using VeriSign's trusted infrastructure. VeriSign OnSite provides browser-based software for front-end processing complete with configuration wizards, enrollment templates, authentication and administration tools, directory files and a secure link to the Company's Digital ID Centers for back-end processing. VeriSign OnSite provides several key benefits, including complete control over configuration, quick deployment, low cost and flexibility. VeriSign OnSite can be downloaded from one of the Company's Digital ID Centers or sold through one of the Company's direct or indirect sales channels and is priced on an annual subscription basis for a fixed quantity of digital certificates.

VeriSign V-Commerce. VeriSign V-Commerce is a comprehensive, custom solution that enables large-scale electronic commerce activities on IP networks, such as virtual storefronts, electronic subscription services, content delivery and



information access and broadcast. VeriSign V-Commerce targets Fortune 1000 companies, financial institutions and large government agencies with high-volume digital certificate issuance and management requirements. VeriSign V-Commerce solutions involve special set-up and consulting services to support the development and installation of custom digital certificate formats, subscriber services, authentication interfaces, administration tools and root keys. VeriSign V-Commerce solutions also support the deployment of certain of the digital certificate service functions at the customer's site or remote offices to allow for maximum control and flexibility. VeriSign V-Commerce enables companies and government agencies to realize the full potential of IP networks as a medium for trusted and secure communications and commerce by relying on the Company to develop, deploy and administer a large scale digital certificate implementation. VeriSign V-Commerce terms are negotiated based on the annual volume of digital certificates, associated services and customization required.

38

VeriSign SET. VeriSign SET is an electronic commerce solution targeted at certified banks, payment processors or major credit card brands to enable cardholders, merchants and payment gateways to enroll for and obtain digital certificates for use with the SET specification without the expense of developing and hosting a custom digital certificate solution. The SET specification was developed by an industry consortium, including MasterCard and VISA, to enable secure payments and purchases over IP networks. SET digital certificates are used to identify the identity of participants in a SET transaction. The Company delivers SET services directly to certified banks or payment processors and to banks on behalf of major credit card brands, including Air Travel Card, Diner's Club, MasterCard, NOVUS/Discover and VISA. There are currently approximately 100 VISA member banks that are using VeriSign SET solutions in pilot programs.

#### SERVICES

In addition to its broad set of digital certificate solutions, the Company also provides, or intends to provide, a range of services that augment its solutions with added value or trust functionality. These services include:

Professional Consulting Services. The Company employs experts in cryptography and digital certificate management who offer consulting and training services to organizations implementing digital certificate solutions. VeriSign's professional services group provides a variety of design, development and implementation services, including interfacing with existing applications and databases, consulting on policies and procedures related to the management and deployment of digital certificates and the selection of related software and hardware (e.g., smart cards and readers) to complement a digital certificate solution. These consulting and training services are billed on a time and materials basis.

Key Generation Ceremonies. For larger organizations wishing to establish customized storage of their digital certificate root keys as well as an auditable record of the root key generation process, the Company provides a custom "key generation ceremony" as part of its setup services, complete with videography, dedicated hardware and secret key sharing among trusted parties. These key generation services provide an added measure of security and an audit trail for the issuance and management of digital certificates.

Status Services. The Company has currently developed services that will support real-time confirmation of the status of a particular digital certificate used in specific applications by providing a digitally signed receipt acknowledging "good," "revoked" or "unknown" status of a digital certificate to the requesting party. The Company currently uses a real-time status service to support Microsoft's Authenticode program. The Company expects to broaden the use of status services to other digital certificate markets during the first half of 1998.

Time Stamping Services. The Company offers a time stamping service that allows software developers to add a verifiable time and date stamp to software content that they digitally sign with their Software Developer Digital IDs. The Company is currently developing time stamping services for a variety of other applications.

Warranty and Insurance Plans. To extend its NetSure Protection Plan

offerings, the Company is developing programs to make insurance products available to its enterprise and electronic commerce customers so that these customers can purchase insurance from third-party insurers to cover losses resulting from the use of digital certificates on both a per certificate and per transaction basis.

#### CUSTOMERS AND MARKETS

VeriSign's target customers for its enterprise and electronic commerce digital certificate solutions include consumers, government agencies, financial institutions, content providers and other organizations requiring trusted and secure communications and commerce over IP networks. The following examples illustrate how certain organizations use VeriSign's digital certificate solutions:

**Credit Cards.** VISA wants to promote the use of its cards as the preferred payment method for purchases over the Internet. To accomplish this goal, it must give consumers the confidence to use their account numbers

39

safely over the Internet while reducing the potential for losses due to fraud. VISA has adopted the SET protocol, which dictates the use of digital certificates for all parties involved in transactions, including cardholders, merchants, issuing banks, acquiring banks and payment gateways. VISA chose VeriSign to provide SET digital certificate solutions to, and on behalf of, its member banks. The benefits that VISA and its member banks expect to receive include increased use of the card for purchases over the Internet, increased customer loyalty and a reduction in losses due to credit card fraud. VISA currently is conducting a pilot program with a number of member banks using VeriSign SET solutions and anticipates full scale deployment of the program in 1998.

**Banking.** NationsBank wants to provide secure services such as home banking, commercial banking and credit card purchases to its business and consumer clients over the Internet. VeriSign will provide 128-bit Server Digital IDs and bank-branded client digital certificates for home and commercial banking as well as VeriSign SET digital certificates for NationsBank's credit card holders. The benefits that NationsBank expects to receive include improved customer service, reduced service costs and broader geographic reach. NationsBank is currently utilizing VeriSign's 128-bit Server Digital IDs for home banking and commercial banking and anticipates offering bank-branded client digital certificates and VeriSign SET digital certificates in mid-1998.

VISA accounted for approximately 21% and 14% of the Company's revenues for 1996 and 1997, respectively. VISA also accounted for 13% and 11% of the Company's accounts receivable as of December 31, 1996 and 1997, respectively. In addition, two other customers, a South African systems integrator and a financial services provider, accounted for approximately 28% and 13%, respectively, of accounts receivables as of December 31, 1996 and one other customer, a network equipment provider, accounted for approximately 13% of accounts receivable as of December 31, 1997.

#### TECHNOLOGY AND ARCHITECTURE

The Company employs a modular set of software applications and toolkits, which collectively make up its proprietary WorldTrust architecture, as the core platform for all of its digital certificate solutions. The modular design of the WorldTrust architecture enables the Company's digital certificate 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 the Company's Digital ID 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 architecture include:

**Subscriber Services Module.** The 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. The authentication services module supports manual, automated and delegated authentication of subscribers by designated sources prior to certificate issuance. Software toolkits and APIs are provided to allow for integration with various process models and database systems.

Administration and Support Modules. The 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 of customers and end users.

Directory Services Module. The directory services module utilizes database applications typically hosted at one of the Company's Digital ID Centers to support the storage of and access to digital certificates and associated information for a particular customer. Enterprise and electronic commerce customers can also download updated copies of their directory information to their systems.

Service Control Module. The service control module is hosted at one of the Company's Digital ID Centers and acts as a gatekeeper, decoding and routing all certificate service requests based on customer type, application

40

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.

Certificate Processing Module. The certificate processing module is hosted at one of the Company's Digital ID Centers and creates digital certificates with digital signatures on each certificate, delivers certificates to subscribers and stores a copy of each digital certificate for archive, audit and directory purposes.

#### INFRASTRUCTURE

The Company believes that its highly reliable and scalable operations infrastructure represents a strategic advantage in providing digital certificate solutions. The Company's Digital ID Centers are located in Mountain View, California and Kawasaki, Japan. These centers operate on a 24 hour x 7 day basis, and support all aspects of issuance and management of digital certificates as well as delivery of related digital certificate services. By leveraging the Company's WorldTrust architecture, certain functionality of the Company's Digital ID Centers can be distributed in optimum configurations based on customer requirements for availability and capacity. Key features of the Company's infrastructure include:

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

Advanced Telecommunications. The Company deploys redundant telecommunications and routing hardware and maintains high-speed connections to multiple ISPs and throughout its internal network to ensure that its mission critical services are readily accessible to customers at all times.

Network Security. The Company incorporates advanced architectural concepts such as protected domains, restricted nodes and distributed access control in its system architecture. The Company has also developed proprietary communications protocols within and between the WorldTrust architecture modules that it believes can prevent most known forms of electronic attacks. In addition, the Company employs the latest network security technologies including firewalls and intrusion detection software, and contracts with security consultants who perform periodic attacks and security risk assessments. The Company will continue to evaluate and deploy new technological defenses as they become available. See "Risk Factors--System Interruption and Security Breaches."

Call Center and Help Desk. The Company provides a wide range of customer support services through a phone-based call center, e-mail help desk and Web-

based self-help system. The Company's call center is staffed from 8 a.m. to 5 p.m. PST and employs an Automated Call Director system. The Web-based support services are available on a 24 hour x 7 day basis. E-mail support utilizes customized auto response systems to provide self-help recommendations and a staff of trained customer support agents.

Disaster Recovery Plans. Although the Company believes its operations facilities are highly resistant to systems failure and sabotage, it has developed, and is in the process of implementing, a disaster recovery and contingency operations plan and has an agreement with Comdisco Corporation to provide replication of customer data, facilities and systems at another site so that its main services can be re-instated within 24 hours of a failure. In addition, all of the Company's 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."

41

#### SECURITY AND TRUST PRACTICES

The Company believes that its perceived level of trustworthiness as a CA will continue to be a significant determining factor in the acceptance of the Company's digital certificate solutions. The Company believes that its reputation as a trusted party will be based, to a large extent, on both the security of its physical infrastructure and the special practices used in its operations. The Company's Digital ID Centers include state-of-the-art physical and network security. The Company also seeks to take a leading role in defining and adhering to industry-endorsed trust practices and procedures, which the Company believes are also critical to establishing its perceived trustworthiness as a CA. The Company has invested significant capital and human resources in its security and practices including:

Employees. The Company uses stringent hiring and personnel management practices for all operations and certain engineering personnel as well as all executive management. The Company utilizes a licensed private investigation firm to conduct background checks into potential employees' criminal and financial histories and conducts periodic investigations of such personnel on an ongoing basis.

Security Monitoring Systems. The Company has sophisticated access control and monitoring systems that help prevent unauthorized access to secure areas and provide 24 hour x 7 day monitoring and logging of activities within its 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. The Company's Digital ID 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. The Company has invested in back-up power systems that automatically activate in the event of a failure in its 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. The Company's Practices and External Affairs Department periodically performs, and retains accredited third parties to perform, audits of its operational procedures under both internally-developed procedures and externally-recognized standards.

Practices. The Company's Practices and External Affairs Department is responsible for the development of the Company's practices for issuing and managing digital certificates. These practices are set forth in the Company's Certification Practice Statement, which the Company provides in order to assure potential customers and strategic partners as to the trustworthiness of the Company's digital certificate solutions. The Practices and External Affairs

Department is also responsible for the Company's accountability and security controls and regularly monitors all aspects of the Company's Digital ID 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 communications and commerce over IP networks. For example, the Company actively participates 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 the Company's Vice President of Practices and External Affairs, and the U.S. State Department Advisory Committee on Electronic Commerce.

42

#### VERISIGN JAPAN

In February 1996, the Company formed VeriSign Japan in order to market and deliver its digital certificate solutions in Japan. VeriSign Japan has built and operates a secure Digital ID Center in Kawasaki, Japan, maintains sales and marketing, engineering and administrative staffs and offers customer support services, thus enabling it to provide the Company's digital certificate solutions to the Japanese market. As of December 31, 1997, VeriSign Japan had 23 employees. In 1996 and 1997, additional strategic investors acquired 49.5% of the outstanding capital stock of VeriSign Japan. These investors included the following: The Long Term Credit Bank of Japan, Ltd.; Matsushita Graphic Communication Systems Co., Ltd.; Mitsubishi Corporation; NEC Corporation; Nippon Investment & Finance Co., Ltd.; Nippon Steel Corporation; NISSHO IWAI Corporation; NTT Data Corporation; NTT Electronics Corporation; NTT PC Communications, Inc.; The Sakura Bank, Limited; The Sanwa Bank, Limited; Sharp Corporation; SOFTBANK Corporation; Sony Corporation; The Sumitomo Credit Service Co., Ltd.; The Sumitomo Trust and Banking Company, Limited; and Toshiba Corporation.

#### STRATEGIC RELATIONSHIPS

The Company has established strategic relationships with leading companies across a number of industry segments, including AT&T, BT, Cisco, Microsoft, Netscape, SecureOne (a consortium of McAfee Associates, RSA and Security Dynamics), Security Dynamics, VeriFone and VISA.

AT&T. The Company has entered into an agreement with AT&T that will enable AT&T to offer VeriSign's digital certificates in conjunction with AT&T's Internet services. AT&T plans to act as a certificate authority and issue digital certificates under the AT&T brand beginning in 1998.

British Telecommunications plc. BT plans to issue digital certificates and to provide a range of digital certificate services for secure Internet access and electronic commerce under a license from VeriSign. Certain of these services will be available in the Spring of 1998. With support from VeriSign, BT plans to establish a certificate authority in the United Kingdom, and both companies plan to collaborate to develop legal practices and policies to gain and maintain compliance with United Kingdom and European-based regulations and standards as they emerge.

Cisco. The Company has developed a custom software product to provide digital certificate functionality in Cisco-based intranet environments. As a result, intranets utilizing Cisco products will support applications that rely on VeriSign digital certificates for authentication and network management. The Company and Cisco also engage in a variety of joint marketing efforts. Cisco is a stockholder of the Company.

Microsoft. The Company works with Microsoft to develop, promote and distribute a variety of client-based and server-based digital certificate solutions and has been designated as the preferred provider of digital certificates for Microsoft customers. The Company's public root key has been embedded in Microsoft's Internet Explorer since version 3.0, and users can easily enroll for VeriSign's Universal Digital IDs through this product. The Company also provides Server Digital IDs for Microsoft's Internet Information Server product. The Company 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 a 5% stockholder of the Company.

Netscape. The Company works with Netscape on a variety of technology projects and joint marketing activities. The Company's public root key has been embedded in Netscape's Navigator since version 2.0 and in Netscape's Communicator since version 4.0. The Company also has an agreement with Netscape through February 1998 which provides that Netscape will exclusively feature the Company as the premier provider of

43

digital certificates on the Netscape Web site and also provides for the Company to have a first right of participation for any new Netscape products incorporating digital certificate technology. Enrollment for free, limited-use versions of the Company's Universal Digital IDs is integrated into the registration process of Netscape's Netcenter online service and users of Netscape browsers can easily enroll for standard VeriSign Universal Digital IDs through these products. Netscape SuiteSpot and SuiteSpot with 128-bit encryption capabilities can also utilize the Company's Server Digital IDs. The Company also supports 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.

SecureOne. The Company, McAfee Associates, RSA and Security Dynamics are jointly developing the SecureOne framework, which is designed to provide enterprises with a platform for developing and maintaining secure networks that link anti-virus, authentication, encryption and digital certificate technologies. The SecureOne framework will integrate the programming interfaces of McAfee Associates' Virus Interface for Protective Early Response, Security Dynamics' Enterprise Security Services ("ESS") architecture, RSA's digital signature, cryptographic, messaging and transaction security engines and a VeriSign software developer toolkit to enable digital certificate functionality in secure applications. The companies have also agreed to integrate their security technologies through a series of cross-licensing agreements, and, as a result, the Company's Class 1 Universal Digital IDs are being issued on a trial basis to users of McAfee Associates' VirusScan Security Suite. Security Dynamics, together with its wholly-owned subsidiaries, is the largest stockholder of the Company.

Security Dynamics. The Company has entered into an agreement with Security Dynamics under which Security Dynamics will incorporate custom digital certificate technology developed by VeriSign into Security Dynamics' ESS architecture, which is used in certain of Security Dynamics' security solutions. Security Dynamics has also agreed to be a reseller of the Company's VeriSign OnSite product. The Company believes that Security Dynamics is a market leader in enterprise security and that, by including VeriSign technology and products in Security Dynamics' products, the Company will have a broader potential market for its digital certificate solutions. Security Dynamics, through a controlled entity, is the largest stockholder of the Company. See "Certain Transactions" and "Principal Stockholders."

VeriFone. The Company and VeriFone have executed a term sheet which provides that VeriFone will become a reseller of the Company's SET services and Server Digital ID products in connection with VeriFone's Internet payment solutions. In addition, VeriFone has agreed to promote VeriSign as the preferred provider of SET digital certificate services to its current and prospective customers and to use its best efforts to position the Company as a premier provider of SET and non-SET digital certificate services for use by Hewlett-Packard and its affiliated entities. VeriFone has also agreed to engage in a variety of joint marketing activities with the Company. Hewlett-Packard, VeriFone's parent company, is a stockholder of the Company.

VISA. The Company has an agreement with VISA under which the Company provides SET digital certificate solutions to VISA on behalf of its member banks enabling them to offer branded SET-compliant digital certificates to their cardholders and merchants. To date, approximately 100 member banks worldwide are using VeriSign SET solutions in pilot programs. VISA is a 6% stockholder of the Company. See "Certain Transactions" and "Principal Stockholders."

MARKETING, SALES AND DISTRIBUTION

## MARKETING

The Company utilizes a variety of marketing programs to increase brand awareness. In addition to joint marketing arrangements, the Company also engages in a variety of direct marketing programs that are focused on owners of Web servers, home and business PC users and enterprise professionals in mid-sized and large organizations. The Company addresses these customers through outbound e-mail, telemarketing and printed mail campaigns to stimulate product trial, purchase and usage. The Company also uses banner ads that link to the Company's Web site, participates in industry-specific events, trade shows, executive seminars, industry association activities and various national and international standards bodies.

44

## SALES AND DISTRIBUTION

The Company markets its digital certificate solutions worldwide through multiple distribution channels. To date, direct sales and Internet sales have accounted for a substantial majority of the Company's revenues. The Company has recently begun to market its digital certificate solutions through other distribution channels, including telesales, VARs, systems integrators and OEMs.

**Internet Sales.** The Company distributes many of its products through its Web sites. The Company believes that Internet distribution is particularly well-suited for sales of certain of its enterprise solutions and Internet IDs and can be used to serve a large number of Internet users from multiple countries. The Company also utilizes its Web site to assist in disseminating product information and in generating product leads and trials for a number of its products and services.

**Direct Sales.** The Company's direct sales force targets mid-sized and large corporations, financial institutions, commercial Web sites and federal and state government agencies. The Company believes 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 the Company believes are the most suitable to act as VeriSign affiliates. In certain instances, the Company's direct sales force works with complementary VARs, hardware OEMs and systems integrators to deliver complete solutions for major customers. As of December 31, 1997, the Company had 26 direct sales and sales support personnel. The Company maintains sales offices and personnel in California, Illinois, Maryland, Massachusetts, New York and Japan.

**Telesales.** The Company currently outsources its telemarketing operations to a third party for use in customer prospecting, lead generation and lead follow-up. This marketing activity qualifies leads for further follow up by the direct sales force or resellers or leads the prospect to VeriSign's Web site so that the prospect can access information or enroll for enterprise or electronic commerce solutions. The Company anticipates taking its telemarketing operations in-house in the first half of 1998.

**VARs and Systems Integrators.** The Company works with VARs and systems integrators to package and sell its enterprise and electronic commerce solutions and Internet IDs. The Company also has a VeriSign Business Partner Program that allows leading ISPs to offer VeriSign Server Digital IDs as an integral part of their secure Web site hosting services. Current members of this program include AOL Primehost, Epoch Internet, Hiway Technologies, Internet Servers, Inc., pcbank.net and PSINET, Inc.

**OEMs.** The Company provides technology and products for certificate management to OEMs, which integrate the technology and products with value-added software or service offerings and sell the bundled solution to end user customers. Cisco and Security Dynamics have OEM relationships with the Company. See "--Strategic Relationships."

**International.** The Company intends to market its products and services to international markets directly over the Internet and through resellers and affiliate relationships. The Company markets its products and services in Japan through VeriSign Japan, which maintains a secure Digital ID Center in Kawasaki, Japan, and employed 23 persons as of December 31, 1997. Revenues of VeriSign Japan and from other international customers accounted for less than 10% of revenues through 1996 and for approximately 13% of revenues for 1997. See "--

VeriSign Japan."

#### RESEARCH AND DEVELOPMENT

The Company believes that its future success will depend in large part on its ability to continue to maintain and enhance its current technologies, products and services. To this end, the Company leverages the modular nature of its WorldTrust software architecture to enable it to rapidly develop enhancements to its WorldTrust software and to deliver complementary new products and services. In the past, the Company has developed products and services both independently and through efforts with leading application developers and major customers. The Company has also, in certain circumstances, acquired or licensed technology from third parties,

45

including public key cryptography technology from RSA. Although the Company will continue to work closely with developers and major customers in its product development efforts, it expects that most of its future enhancements to existing products and new products will be developed internally.

The Company has several significant projects currently in development. These include the continued enhancement of the WorldTrust architecture and associated software toolkits to broaden functionality and provide additional packaging and integration options and the development of new services such as real-time status checking, secure timestamping and smart card personalization.

As of December 31, 1997, VeriSign had 46 employees dedicated to research and development. The Company also employs independent contractors for documentation, usability, artistic design and editorial review. Research and development expenses were \$642,000, \$2.1 million and \$5.2 million for the period from April 12, 1995 (inception) to December 31, 1995, 1996 and 1997, respectively. To date, all development costs have been expensed as incurred. The Company believes that timely development of new and enhanced products and technology are necessary to remain competitive in the marketplace. Accordingly, the Company 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 the Company continually improve the performance, features and reliability of its products and services, particularly in response to competitive offerings and that it introduce new products and services or enhancements to existing products and services as quickly as possible and prior to its competitors. The success of new product introductions is dependent on several factors, including proper new product definition, timely completion and introduction of new products, differentiation of new products from those of the Company's competitors and market acceptance of the Company's new products and services. There can be no assurance that the Company will be successful in developing and marketing new products and services that respond to competitive and technological developments and changing customer needs. The failure of the Company to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for such products and services could have a material adverse effect on the Company's 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 substantial expenditures by the Company to modify or adapt its products and services. To the extent that a specific method other than digital certificates is adopted to enable trusted and secure commerce and communications over IP networks, sales of the Company's existing and planned products and services will be adversely affected and the Company's products and services could be rendered unmarketable or obsolete, which would have a material adverse effect on the Company's business, operating results and financial condition. The Company believes there is a time-limited opportunity to achieve market share, and there can be no assurance that the Company will be successful in achieving widespread acceptance of its products and services or in achieving market share before competitors offer products and services with features similar to the Company's current offerings. Any such failure by the Company could have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Rapid Technological Change; New Product and Services Introductions."



## CUSTOMER SUPPORT

The Company believes that a high level of customer support for commerce and enterprise customers as well as end users of digital certificates is necessary to achieve acceptance of its digital certificates and related products and services. The Company provides 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 it introduced its first products over two years ago, the Company has developed a substantial knowledge base of customer support information based on its customer interactions and believes that this offers the Company a competitive advantage. The Company's call center is staffed from 8 a.m. to 5 p.m. PST and employs an Automated Call Director system

46

to provide self-help services and, if necessary, to route support calls to available support personnel. The Company also offers Web-based support services that are available on a 24 hour x 7 day basis and that are frequently updated to improve existing information and to support new services. The Company's 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 December 31, 1997, the Company had 57 employees in its customer support organization.

The Company also employs technical support personnel who work directly with its direct sales force, distributors and customers of its electronic commerce and enterprise solutions. The Company's annual maintenance agreements for its electronic commerce and enterprise solutions include technical support and upgrades. The Company also provides training programs for customers of its enterprise and electronic commerce solutions.

## COMPETITION

The Company's digital certificate solutions are targeted at the new and rapidly evolving market for trusted and secure communications and commerce over IP networks. Although the competitive environment in this market has yet to develop fully, the Company anticipates 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.

The Company's primary competitors are Entrust, GTE CyberTrust and IBM. The Company also experiences competition from a number of smaller companies that provide digital certificate solutions. The Company expects that competition from established and emerging companies in the financial and telecommunications industries will increase in the near term, and that the Company's 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 the Company believes that other companies could introduce such products. There can be no assurance that additional companies will not offer digital certificate solutions that are competitive with those of the Company. Increased competition could result in pricing pressures, reduced margins or the failure of the Company's products and services to achieve or maintain market acceptance, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Several of the Company's current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than the Company and therefore may be able to respond more quickly than the Company 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 the Company's products and services might be substantially reduced and the ability of the Company to distribute its products successfully and the utilization of its services would be substantially diminished. In addition, browser companies that embed the Company's root keys or otherwise feature the Company as a provider of digital certificate solutions in their Web browsers or on their Web sites could also promote competitors of the Company or charge the Company substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may

increase the competitive pressures on the Company. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect the Company's competitive position or render its products or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving competitors of the Company. The existence or announcement of such relationships could adversely affect the Company's ability to attract and retain customers. As a result of the foregoing and other factors, there can be no assurance that the Company will compete effectively with current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Competition."

#### INTELLECTUAL PROPERTY

The Company relies primarily on a combination of copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods to protect its intellectual property and trade secrets. The Company also enters into confidentiality agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's 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 taken by the Company will prevent misappropriation or infringement of its technology. A failure by the Company to protect its intellectual property in a meaningful manner could have a material adverse effect on the Company's business, operating results and financial condition. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's 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 have a material adverse effect on the Company's business, operating results and financial condition.

The Company also relies on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in the Company's products to perform key functions. In particular, the Company has been granted a perpetual, royalty free, nonexclusive, worldwide license to distribute products it 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 the Company, 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 maintenance and technical support for these products to the Company. 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. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms or at all, and the loss of any of these technologies could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, in the Company's current license agreements, the licensor has agreed to defend, indemnify and hold the Company 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 the Company and a third party will not lead to royalty obligations of the Company for which the Company is not indemnified or for which such indemnification is insufficient, or that the Company will be able to obtain any additional license on commercially reasonable terms or at all. In the future, the Company may seek to license additional technology to incorporate in its products and services. There can be no assurance that any third party technology licenses that the Company may be required to obtain in the future will be available to the Company 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 the Company's products or

services until equivalent technology, if available, is identified, licensed and integrated, which could have a material adverse effect on the Company's business, operating results and financial condition.

From time to time, the Company has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. There can be no assurance that infringement or other claims will not be asserted or prosecuted against the Company in the future or that any past or future assertions or prosecutions will not materially adversely affect the Company's business, operating results and financial condition. 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 the Company 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 the Company, or at all. In the event of a

48

successful claim of product infringement against the Company and the failure or inability of the Company to develop non-infringing technology or license the infringed or similar technology on a timely basis, the Company's business, operating results and financial condition could be materially adversely affected. See "Risk Factors--Intellectual Property; Potential Litigation."

#### EMPLOYEES

As of December 31, 1997, the Company had 185 full-time employees. Of the total, 55 were employed in sales and marketing, 46 in research and development, 57 in customer support, four in practices and external affairs, three in federal markets, and 20 in finance and administration. The Company has never had a work stoppage, and no employees are represented under collective bargaining agreements. The Company considers its relations with its employees to be good. The Company's ability to achieve its financial and operational objectives depends in large part upon its continuing ability to attract, integrate, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of its senior management and key sales and technical personnel, none of whom is bound by an employment agreement. Competition for such qualified personnel in the Company's industry and geographical location in the San Francisco Bay Area is intense, particularly in software development and product management personnel. See "Risk Factors--Dependence on Key Personnel."

#### FACILITIES

The Company's principal administrative, sales, marketing, research and development and operations facilities are located in two adjacent buildings in Mountain View, California, where they occupy approximately 44,000 square feet under leases expiring in 2001. The Company intends to obtain additional office space in 1998 contiguous to its headquarters. The Company believes that this additional space will be available and that its current facilities, together with this additional space, will be adequate to meet its needs for the foreseeable future.

The Company also leases space for sales and support offices in Rosemont, Illinois; Linthicum, Maryland; Cambridge, Massachusetts; and Uniondale, New York. In addition, VeriSign Japan leases space in Kawasaki, Japan for its offices and Digital ID Center. The Company's success is largely dependent on the uninterrupted operation of its Digital ID Centers and computer and communications systems. See "Risk Factors--System Interruption and Security Breaches."

49

#### MANAGEMENT

##### EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information regarding the executive officers and directors of the Company as of December 31, 1997.

NAME	AGE	POSITION
D. James Bidzos (1)	42	Chairman of the Board
Stratton D. Sclavos	36	President, Chief Executive Officer and Director
Michael S. Baum	45	Vice President of Practices and External Affairs
Ethel E. Daly	53	Vice President of Worldwide Operations
Dana L. Evan	38	Vice President of Finance and Administration and Chief Financial Officer
Quentin P. Gallivan	40	Vice President of Worldwide Sales
Nicholas F. Piazzola	51	Vice President of Federal Markets
Arnold Schaeffer	34	Vice President of Engineering
Richard A. Yanowitch	41	Vice President of Marketing
Timothy Tomlinson (2)	47	Secretary and Director
William Chenevich (1)(2)	54	Director
Kevin R. Compton (2)	39	Director
David J. Cowan (1)	31	Director

- (1) Member of the Compensation Committee  
(2) Member of the Audit Committee

D. JAMES BIDZOS has served as Chairman of the Board of the Company since its founding in April 1995 and served as Chief Executive Officer of the Company 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 the Company since he joined the Company in July 1995. From October 1993 to June 1995, he was Vice President, Worldwide Marketing and Sales of Taligent, Inc. ("Taligent"), a software development company that was a joint venture among Apple Computer, Inc. ("Apple"), 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.

MICHAEL S. BAUM has served as Vice President of Practices and External Affairs of the Company since he joined the Company in November 1995. From 1987 to October 1995, he was the founder and a principal of Independent Monitoring, a consulting firm specializing in digital commerce and information security law. Prior to that time, Mr. Baum was employed by BBN Corporation in various capacities. Mr. Baum holds a B.A. degree in History from Carnegie Mellon University, an M.B.A. degree in Management of Technology from the Wharton School of the University of Pennsylvania and a J.D. degree from Western New England School of Law.

ETHEL E. DALY has served as Vice President of Worldwide Operations of the Company since she joined the Company in June 1996. From January 1995 to June 1996, she was Senior Vice President, Product Management and Marketing of Knight-Ridder Information, Inc., an online information services company. Prior to that time, from 1986 to January 1995, Ms. Daly worked for Charles Schwab and Company, a stock brokerage firm, most

recently as Managing Director, International Division. Prior to that time, she held the positions of Vice President of Marketing for Attalla Corporation and Vice President Electronic Banking of Crocker National Bank. Ms. Daly holds a B.A. degree in Psychology from San Francisco State University and a Masters of Business Management degree from Stanford University.

DANA L. EVAN has served as Vice President of Finance and Administration and Chief Financial Officer of the Company since she joined the Company 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 the Company 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 Peat Marwick 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 the Company since he joined the Company 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.

NICHOLAS F. PIAZZOLA has served as Vice President of Federal Markets of the Company since he joined the Company in December 1996. From 1969 to November 1996, he was employed by the United States National Security Agency (the "NSA"), most recently as Chief, Network Security Group from May 1994 to November 1996 and Chief, Infosec Research & Technology Group until April 1994. Mr. Piazzola holds a B.S. degree in Electrical Engineering from Villanova University and an M.S. degree in Electrical Engineering from the University of Maryland.

ARNOLD SCHAEFFER has served as Vice President of Engineering of the Company since he joined the Company 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 the Company since he joined the Company 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 the Company 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 the Company 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 the Company 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 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 the Company 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 the Company 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.

The Company's Bylaws currently authorize no fewer than five and no more than seven directors. The Company's Board of Directors (the "Board") is currently comprised of six directors. Directors are elected by the stockholders at each annual meeting of stockholders to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified. The existing directors were elected pursuant to the provisions of the Stockholders' Agreement described in "Certain Transactions," which agreement terminates upon the closing of this offering. Executive officers are elected by, and serve at the discretion of, the Board. The Company's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that the Board will be divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms. The Class I directors, initially Messrs. Slavos and Tomlinson, will stand for reelection or election at the 1999 annual meeting of stockholders. The Class II directors, initially Messrs. Compton and Cowan will stand for reelection or election at the 2000 annual meeting of stockholders and the Class III directors, initially Messrs. Bidzos and Chenevich will stand for reelection or election at the 2001 annual meeting of stockholders.

#### BOARD COMMITTEES

The Board has established an Audit Committee to meet with and consider suggestions from members of management, as well as the Company's independent accountants, concerning the financial operations of the Company. The Audit Committee also has the responsibility to review audited financial statements of the Company 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 the Company's key executive officers, administer the Company'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. At the Company's founding in April 1995, the Company granted an option to purchase 25,000 shares of its Common Stock under the Company's 1995 Stock Option Plan to D. James Bidzos with an exercise price of \$.12 per share. All Board members are eligible to receive stock options under the Company's stock option plans, and outside directors receive stock options pursuant to automatic grants of stock options under the 1995 Stock Option Plan. In July 1996, the Company granted to each of Messrs. Bidzos, Chenevich, Compton, Cowan and Tomlinson an option to purchase 10,000 shares of its Common Stock under the Company's 1995 Stock Option Plan with an exercise price of \$.80 per share. In June 1997, the Company granted to each of Messrs. Bidzos, Compton, Cowan and Tomlinson an option to purchase 3,500 shares of its Common Stock under the Company's 1995 Stock Option Plan with an exercise price of \$.80 per share.

In October 1997, the Board adopted, and in January 1998 the stockholders approved, the 1998 Directors Stock Option Plan (the "Directors Plan") and reserved a total of 125,000 shares of the Company's Common Stock for issuance thereunder. Members of the Board who are not employees of the Company, or any parent, subsidiary or 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 grant. Each eligible director who first becomes a member of the Board on or after the effective date of the Registration Statement of which this Prospectus forms a part (the "Effective Date") will initially be granted an option to purchase 15,000 shares (an "Initial Grant") on the date such director first becomes a

director. 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 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, provided that they will terminate seven months following the date the director ceases to be a director or, if the Company so specifies in the grant, a consultant of the Company (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 the Company so specifies in the grant, as a consultant of the Company. Additionally, immediately prior to the dissolution or liquidation of the Company 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.

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 26.2% of the Company's Common Stock, and also served as the Company'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.

53

EXECUTIVE COMPENSATION

The following table sets forth certain summary information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities during 1997 by the Company'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 1997 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION
	SALARY	BONUS	OTHER ANNUAL COMPENSATION	AWARDS
				SECURITIES UNDERLYING OPTIONS (#)
Stratton D. Sclavos..... President and Chief Executive Officer	\$200,000	\$183,022	--	100,000
Dana L. Evan..... Vice President of Finance and Administration and Chief Financial Officer	145,000	46,349	--	45,000
Michael S. Baum..... Vice President of Practices and External Affairs	145,000	35,788	\$15,000 (1)	25,000
Arnold Schaeffer..... Vice President of Engineering	145,000	30,226	--	58,000
Richard A. Yanowitch..... Vice President of Marketing	140,000	59,084	--	--

(1) Represents compensation that the Company paid Mr. Baum in exchange for his agreement to forego certain consulting projects.

54

OPTION GRANTS IN FISCAL 1997

The following table sets forth certain information regarding stock options granted to each of the Named Executive Officers during the year ended December 31, 1997.

NAME	INDIVIDUAL GRANTS(1)				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS(2)	
	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%
	GRANTED	FISCAL YEAR(%) (3)	PER SHARE (4)	DATE		
Stratton D. Sclavos.....	100,000	7.1	\$7.00	11/4/04	\$ 284,970	\$ 664,102
Dana L. Evan.....	45,000	3.2	6.00	10/6/04	109,917	256,154
Michael S. Baum.....	25,000	1.8	6.00	10/6/04	61,065	142,308
Arnold Schaeffer.....	58,000	4.1	6.00	10/6/04	141,671	330,154
Richard A. Yanowitch....	--	--	--	--	--	--

- (1) Options granted in 1997 were granted under the Company's 1995 Stock Option Plan or, in the case of Mr. Sclavos, the Company's 1997 Stock Option 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 the Company, 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 the Company 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 the Company's projection or estimate of future stock price growth.
- (3) The Company granted options to purchase 1,407,650 shares of Common Stock to employees during 1997.
- (4) Options were granted at an exercise price equal to the fair market value of the Company's Common Stock, as determined by the Board of Directors.

AGGREGATE OPTION EXERCISES IN FISCAL 1997 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, 1997 and the year-end number and value of exercisable and unexercisable options:

NAME	SHARES ACQUIRED ON EXERCISE		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/97(1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/97(2)	
	EXERCISE	REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
		VALUE				
Stratton D. Sclavos.....	--	--	--	100,000	--	\$500,000
Dana L. Evan.....	--	--	--	45,000	--	270,000
Michael S. Baum.....	--	--	--	25,000	--	150,000
Arnold Schaeffer.....	--	--	--	58,000	--	348,000
Richard A. Yanowitch....	--	--	--	--	--	--

- (1) Options shown were granted under the Company's 1995 Stock Option Plan or, in the case of Mr. Sclavos, under the Company's 1997 Stock Option 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 an assumed initial public offering price of \$12.00 per share and net of the option exercise price.

55

No options were exercised during 1997 by the Named Executive Officers. 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 1997 to any Named Executive Officer. The Company 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. In April 1995, the Board adopted and the stockholders approved the 1995 Stock Option Plan. At that time, 2,145,000 shares of Common Stock were reserved for issuance under the 1995 Stock Option Plan, which number was increased to 4,145,000 shares in May 1996. As of December 31, 1997, options to purchase 1,991,500 shares had been exercised (net of repurchases), options to purchase an additional 2,102,518 shares of Common Stock were outstanding under the 1995 Stock Option Plan with a weighted average exercise price of \$2.17 and 50,982 shares remained available for future grants. Following the closing of this offering, no additional options will be granted under the 1995 Stock Option Plan. 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 Equity Incentive Plan. The 1995 Stock Option Plan does not provide for issuance of restricted stock or stock bonus awards.

1997 Stock Option Plan. In October 1997, the Board adopted and the Company's stockholders approved the 1997 Stock Option Plan. At that time, 800,000 shares of Common Stock were reserved for issuance under the 1997 Stock Option Plan. At December 31, 1997, options to purchase 414,300 shares of Common Stock were outstanding under the 1997 Stock Option Plan with a weighted average exercise price of \$6.91 and 385,700 shares remained available for future grants. Following the closing of this offering, no options will be granted under the 1997 Stock Option Plan. 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. The 1997 Stock Option Plan does not provide for issuance of restricted stock or stock bonus awards.

1998 Equity Incentive Plan. In October 1997, the Board adopted, and in January 1998 the stockholders approved, the Equity Incentive Plan. The total number of shares of Common Stock reserved for issuance thereunder is 2,000,000 plus an additional number of shares described in (a) - (d) below. The Equity Incentive Plan will become effective on the Effective Date and will serve as the successor to the 1995 Stock Option Plan and the 1997 Stock Option Plan (the "Prior Plans"). Options granted under the Prior Plans before their termination will remain outstanding according to their terms, but no further options will be granted under the Prior Plans after the Effective Date. Shares that: (a) are subject to issuance upon exercise of an option granted under the Prior Plans, or the Equity Incentive Plan that cease to be subject to such option for any reason other than exercise of such option; (b) have been issued pursuant to the exercise of an option granted under the Prior Plans or the Equity Incentive Plan with respect to which the Company's right of repurchase has not lapsed and are subsequently repurchased by the Company; (c) are subject to an award granted pursuant to restricted stock purchase agreements under the Equity Incentive Plan that are forfeited or are repurchased by the Company at the original issue price; or (d) are subject to stock bonuses granted under the Equity Incentive Plan that otherwise terminate without shares being issued, will again be available for grant and issuance under the Equity Incentive Plan. Any authorized shares not issued or subject to outstanding grants under the Prior Plans on the Effective Date will no longer be available for grant and issuance under the Prior Plans but will be available for grant and issuance under the Equity Incentive Plan. 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 the Company 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 will be administered by the Compensation Committee. The Compensation Committee has the authority to

56

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 of 1986, as amended (the "Code"), and nonqualified stock options ("NQSOs"). ISOs may be granted only to employees of the Company or of a parent or subsidiary of the Company. NQSOs (and all other Awards other than ISOs) may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any parent or subsidiary of the Company, provided such consultants, independent contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction ("Eligible Service Providers"). The exercise price of ISOs must be at least equal to the fair market value of the Company's 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 Company's 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 may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the optionee only by the optionee (unless otherwise determined by the Compensation Committee and set forth in the Award agreement with respect to Awards that are not ISOs). Options granted under the Equity Incentive Plan generally expire three months after the termination of the optionee's service to the Company or a parent or subsidiary of the Company, except in the case of death or disability, in which case the options generally may be exercised up to 12 months following the date of death or termination of service. Options will generally terminate immediately upon termination for cause. In the event of the Company's dissolution or liquidation or a "change in control" transaction, outstanding Awards may be assumed or substituted by the successor corporation (if any). If a successor corporation (if any) 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 the Company's Common Stock for issuance thereunder. The Purchase Plan will be administered by the Compensation Committee of the Board. The Compensation Committee will have the authority to construe and interpret the Purchase Plan and its decisions in such capacity will be final and binding. The Purchase Plan will become effective on the first business day on which price quotations for the Company's Common Stock are available on the Nasdaq National Market. Employees generally will be eligible to participate in the Purchase Plan if they are customarily employed by the Company (or its parent or any subsidiaries that the Company designates) for more than 20 hours per week and more than five months in a calendar year and are not (and would not become as a result of being granted an option under the Purchase Plan) 5% stockholders of the Company (or its designated parent or subsidiaries). Eligible employees may select a rate of payroll deduction between 2% and 10% of their compensation and are subject to certain maximum purchase limitations that will be described in the Purchase Plan. A participant may change the rate of payroll deductions or withdraw from an Offering Period by notifying the Company in writing. 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 is expected to begin on the first business day on which price quotations for the Company's Common Stock are available on the Nasdaq National Market and, depending on the effective date of this Registration Statement, may be greater or less than 24 months long. 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 Company's Common Stock purchased 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 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

57

beginning of the Offering or Purchase Period to be affected. The Purchase Plan will be intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Rights granted under the Purchase Plan will not be transferable by a participant other than by will or the laws of descent and distribution. The Purchase Plan will provide that, in the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, 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 will provide that, in the event of certain "change of control" transactions, the 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 will have 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 Code. All eligible employees who are at least 18 years old and have been employed by the Company for one month may participate in the 401(k) Plan. An eligible employee of the Company 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. 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. 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 the Company on behalf of the participants. The Company has not made matching or profit-sharing contributions. Contributions by employees or the Company to the 401(k) Plan, and income earned on plan contributions, are generally not taxable to employees until withdrawn, and contributions by the Company, if any, should be deductible by the Company 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 the Company's Executive Loan Program of 1996 (the "Executive Loan Program"). Pursuant to the Executive Loan Program, the Company's Chief Executive Officer and each Vice President of the Company (each a "Qualified Borrower") are each entitled to borrow an aggregate of up to \$250,000 from the Company. 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 with the Company, 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 of the Company 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 the Company. 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

58

option was amended such that it became immediately exercisable. Mr. Sclavos exercised this option in full in November 1996. In connection with this exercise, the Company 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, 1997, 269,500 of the shares Mr. Sclavos received upon exercise of the option were subject to a right of repurchase on behalf of the Company. 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.

Michael S. Baum, Dana L. Evan, Arnold Schaeffer and Richard A. Yanowitch were granted options to purchase 150,000, 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 the Company'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"), the Company's Third Amended and Restated Certificate of Incorporation, which will become effective upon the closing of this offering, 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 Company 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 DGCL (regarding unlawful dividends and stock purchases) or (iv) for any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, the Company's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that (i) the Company is required to indemnify its directors and officers to the fullest extent permitted by the DGCL, subject to certain very limited exceptions, (ii) the Company 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 Company 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 (iv) the rights conferred in the Amended and Restated Bylaws are not exclusive.

The Company 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 Company's 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 the Company regarding which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

59

#### CERTAIN TRANSACTIONS

Since April 12, 1995, the Company's inception date, there has not been nor is there currently proposed, any transaction or series of similar transactions

to which the Company 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 the Company 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 (i) compensation agreements and other arrangements, which are described where required in "Management," and (ii) the transactions described below.

#### TRANSACTIONS WITH DIRECTORS, EXECUTIVE OFFICERS AND 5% STOCKHOLDERS

The Company has financed its operations to date through a series of private Common Stock and Preferred Stock financings. Upon the closing of this offering, all shares of Preferred Stock will be converted into shares of Common Stock at a conversion rate of one share of Common Stock for each share of Preferred Stock. See "Description of Capital Stock."

Common Stock at Formation. In April 1995, the Company sold an aggregate of 4,688,333 shares of its Common Stock at a purchase price of \$.12 per share to certain individuals and entities. Among the purchasers were the following 5% stockholders, directors and entities affiliated with directors of the Company, who purchased the number of shares set forth opposite their respective names: RSA--4,000,000 shares; Bessemer Venture Partners DCI--258,333 shares; D. James Bidzos--125,000 shares; Kairdos L.L.C.--100,000 shares; and TZM Investment Fund--80,000 shares. Mr. Bidzos is the Chairman of the Board of the Company, the President and Chief Executive Officer of RSA and the General Manager and a member of Kairdos L.L.C. Mr. Tomlinson, a director of the Company, is a general partner of TZM Investment Fund and TZM Investment Fund is a member of Kairdos L.L.C. Mr. Cowan, a director of the Company, is a general partner of the general partner of Bessemer Venture Partners DCI. All purchasers paid cash except RSA, which assigned and transferred to the Company 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 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 the Company, RSA entered into a BSAFE/TIPEM OEM Master License Agreement with the Company pursuant to which the Company was granted a perpetual, royalty free, nonexclusive, worldwide license to distribute products it 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 the Company, 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 maintenance and technical support for these products to the Company. 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. 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 the Company's certificate authority business.

Series A Preferred Stock. In April 1995, the Company also sold an aggregate of 4,306,883 shares of its Series A Preferred Stock at a cash purchase price of \$1.20 per share to nine entities. Among the purchasers were the following 5% stockholders and entities affiliated with directors of the Company, who purchased the number of shares set forth opposite their respective names: Bessemer Venture Partners DCI--850,000 shares; VISA--850,000 shares; Intel Corporation--850,000 shares; Security Dynamics--425,000 shares and First TZMM Investment Partnership--23,550 shares. Mr. Bidzos is an Executive Vice President and a director of Security Dynamics. Mr. Tomlinson, a director of the Company, is a general partner of First TZMM Investment Partnership.

Series B Preferred Stock. In February 1996, the Company sold an aggregate of 2,099,123 shares of its 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 the Company, 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; Intel Corporation--144,052 shares; VISA -- 144,052 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 the Company, 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.

Series C Preferred Stock. In November and December 1996, the Company sold an aggregate of 3,625,000 shares of its Series C Preferred Stock at a cash purchase price of \$8.00 per share to 13 entities. Among the purchasers was Microsoft, a 5% stockholder, which purchased 812,500 shares. No other 5% stockholder, officer, director or entity affiliated with a director of the Company purchased Series C Preferred Stock.

Stockholders' Agreement. In April 1995, the Company and each of the persons who were then stockholders (the "Parties") entered into a Stockholders' Agreement, which was amended at the time of the Series B Preferred Stock financing and again in November 1996, when the Series C Preferred Stock financing was closed, to include as parties to the agreement the new holders of Preferred Stock. The Stockholders' Agreement, as amended, prohibits the Parties from transferring any of their shares of capital stock of the Company, without the prior consent of the Board and a majority in interest of the other Parties, to certain specified corporations and entities affiliated with such corporations. The Stockholders' Agreement also provides that no Party can vote shares of capital stock of the Company with voting rights in excess of 45% of the voting rights of the total voting capital stock of the Company entitled to vote on any matter, thereby prohibiting a Party with more than 45% of the voting rights of the total voting capital stock of the Company from controlling the voting on any given matter. Finally, the Stockholders' Agreement provides that, so long as any of Kleiner Perkins Caufield & Byers VII, Bessemer Venture Partners DCI, VISA and Intel Corporation retained at least 50% of the shares issued to them in the Series A or Series B Preferred Stock financing, or so long as RSA retains not less than the lesser of 10% of the issued and outstanding voting shares of the Company or 75% of the shares of Common Stock held by it immediately following the Series A Preferred Stock financing, the Company and the stockholders would cause and maintain the election to the Board of a representative of each of those five entities that satisfied their respective requirement. The Stockholders' Agreement terminates upon the closing of this offering.

Co-Sale Agreement. In February 1996, the Company, 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 the Company owned by RSA. Such co-sale rights will terminate upon the closing of this offering.

Investors' Rights Agreement. In November 1996, the Company, 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, the Company's President and Chief Executive Officer and a director of the Company, were granted a right of first offer with respect to certain future sales of securities by the Company.

Officer Loans. In November 1996, in connection with the exercise of stock options granted under the 1995 Stock Option Plan, the Company permitted four executive officers, Richard A. Yanowitch, Ethel E. Daly, 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, \$105,000, \$93,750 and \$73,920, respectively. See "Management--Employee Benefit Plans--Executive Loan Program of 1996." In June 1997, in connection

with the exercise of a stock option granted under the 1995 Stock Option Plan, the Company permitted Nicholas F. Piazzola, an executive officer, to purchase shares of Common Stock in exchange for a promissory note issued under the Executive Loan Program in the amount of \$115,425. 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 (6.87% in the case of Mr. Piazzola), payable quarterly, and are due and payable on the earlier of December 31, 2005 or the date the borrowers' employment relationship with the Company is terminated, unless otherwise extended by a separate written agreement approved by the Board. During 1997, the Company paid a bonus in the amount of the interest accrued under each such executive officer's promissory note -- \$23,603, \$11,395, \$10,174 and \$8,022 for Mr. Yanowitch, Ms. Daly, Ms. Evan and Mr. Slavos, respectively.

Development Agreement. In September 1997, the Company 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 the Company, is also a director of Security Dynamics. Pursuant to the Development Agreement, the Company will develop a customized certificate authority product based upon the Company's WorldTrust software application in order to enable Security Dynamics to offer a product with encryption and digital certificate authority functionality. The Company 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, the Company has granted Security Dynamics a non-exclusive, royalty-free, perpetual, worldwide license under the Company's intellectual property rights in its technology to the extent that its 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. The Development Agreement provides that Security Dynamics will 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 will be payable upon the achievement of certain technical milestones, which include a software code completion milestone of February 6, 1998, the release of a beta version of this product by February 27, 1998 and the release of the final version of the product by April 1, 1998. Commencing in March 1998, Security Dynamics will also be required to pay the Company a monthly product support fee for a three-year period, and thereafter for successive annual terms, unless either of the parties elects to terminate such product support within 60 days prior to the end of the term or Security Dynamics terminates support services at any time on 60 days prior written notice to the Company. For a yearly fee, Security Dynamics can purchase product maintenance services. If Security Dynamics pays both support and maintenance fees, such fees would aggregate approximately \$200,000 for a one-year period. For so long as Security Dynamics is paying such maintenance fees, the Company will be obligated, at no additional cost, to provide Security Dynamics with updates and enhancements that it develops to the customized product and with non-exclusive first-to-market access to new technologies developed by the Company that are relevant to the business of providing enterprise security solutions or solutions for secure business communications. The Company is also obligated, upon the request of Security Dynamics, to make its other technology available to Security Dynamics and to offer maintenance after the term of the agreement on certain "most favored pricing" terms. The Company believes that the terms of the Development Agreement, taken as a whole, were no less favorable to the Company than the Company could have obtained from unaffiliated third parties.

Microsoft Agreement. In November 1997, the Company entered into a Certificate Authority Preferred Provider Agreement (the "Microsoft Agreement") under which the Company will be featured as the preferred provider of digital certificates for Microsoft customers. Upon the execution of this agreement, the Company issued Microsoft 100,000 shares of Common Stock valued at \$800,000. The Company believes that the terms of the Microsoft Agreement, taken as a whole, were no less favorable to the Company than the Company could have obtained from unaffiliated third parties.

VISA Agreements. In April 1996, the Company entered into a Private Label Agreement with VISA under which the Company developed and operates a digital certificate system for VISA's member banks, based on a private VISA root key. The Company provides certificate registration and issuing and management functions through its Digital ID Center and retains the ownership rights to this digital certificate system developed for

support for the VISA digital certificate system. If the Company does not meet certain minimum service standards, or if the VISA system experiences a degradation in the quality of service, the Company would be required to pay monetary penalties in the event that the system is unavailable. VISA could terminate this agreement in the event the service, once fully available in final form, is unavailable for a significant amount of time. This agreement expires two and one-half years from the earlier of the commencement of the pilot program or April 8, 1997. The Company received aggregate payments from VISA of \$455,000 during 1996 and \$1.1 million during 1997, in the form of development fees, set-up fees and certificate volume-based subscriber fees. VISA is obligated to continue to pay subscriber fees for the remainder of the term of this agreement. VISA prepays these fees on a quarterly basis (\$250,000 per quarter in 1998 and the first three quarters of 1999), and these fees are subject to offset against per certificate fees for all certificates issued until such time as the total prepayment for a given period is exhausted. VISA is not entitled to any refunds in the event that sufficient certificates are not issued to offset any remaining prepaid subscriber fees. The Company is also obligated to provide VISA with certain "most favored pricing" rights. VISA has the right to terminate this agreement after April 1, 1998 by entering into a license agreement with the Company and paying licensing fees as well as a royalty for future certificates issued. Otherwise, the agreement is terminable upon the completion of its term (or earlier in the event of a material breach of the agreement by the other party), upon bankruptcy or insolvency of the other party or upon the Company's failure to provide support.

In October 1996, the Company entered into a Private Label Agreement with VISA under which the Company developed a pilot digital certificate system, based on a private VISA root key, which provides certificate registration and issuing and management functions through VeriSign's operations and Digital ID Center in connection with the VISA Cash stored value card and the Chip Card Payment Service. During 1998, the Company is entitled to receive an additional \$20,000 of operations fees under the agreement, as well as subscriber fees based on the number of certificates issued. This agreement expired in October 1997. The Company received aggregate payments of \$40,000 during 1996 and \$221,600 during 1997, in the form of development fees, operation fees and subscriber fees. The Company believes that the terms of the agreements with VISA, taken as a whole, were no less favorable to the Company than the Company could have obtained from unaffiliated third parties.

Sublease with Security Dynamics. Since September 1996, the Company 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 expires in March 1998. The Company made lease payments to Security Dynamics of \$17,646 during 1996 and \$179,000 during 1997. The Company is obligated to pay monthly rent of approximately \$20,000 from January 1998 through the expiration date. The Company is also obligated to pay all electricity, heating, ventilation and air conditioning costs for the subleased premises.

#### CERTAIN BUSINESS RELATIONSHIPS

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

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

#### PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of December 31, 1997 and as adjusted to reflect the sale of the shares of Common Stock offered hereby by: (i) each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director of the Company, (iii) each of the Named Executive Officers and (iv) all directors and executive officers of the Company as a group.



NAME OF BENEFICIAL OWNER -----	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED(1)	
		BEFORE OFFERING	AFTER OFFERING(2)
D. James Bidzos Security Dynamics Technologies, Inc. (3)...	4,742,442	27.6%	23.5%
Kevin R. Compton Kleiner Perkins Caufield & Byers (4).....	1,315,703	7.7	6.5
David J. Cowan Bessemer Venture Partners DCI (5).....	1,299,902	7.6	6.4
William Chenevich Visa International Service Association (6).....	997,802	5.8	5.0
Intel Corporation (7).....	994,052	5.8	4.9
Microsoft Corporation (8).....	912,500	5.3	4.5
Stratton D. Sclavos (9).....	616,000	3.6	3.1
Richard A. Yanowitch (10).....	290,000	1.7	1.4
Arnold Schaeffer (11).....	142,000	*	*
Dana L. Evan (12).....	135,000	*	*
Michael S. Baum (13).....	125,000	*	*
Timothy Tomlinson (14).....	39,403	*	*
All officers and directors as a group (13 persons) (15).....	9,933,252	57.8	49.2

\* Less than 1% of the Company's outstanding Common Stock

(1) Percentage ownership is based on 17,151,244 shares outstanding as of December 31, 1997, including shares issuable upon conversion of all outstanding Preferred Stock into Common Stock in connection with this offering, and 20,151,244 shares outstanding after the offering. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days of December 31, 1997 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 is not exercised.

(3) Represents 4,497,026 shares held of record by Security Dynamics or by wholly-owned subsidiaries thereof, 113,000 shares held of record by D. James Bidzos, 103,125 shares held of record by Kairdos L.L.C., 12,000 shares held of record by relatives and other associates of Mr. Bidzos, 16,666 shares subject to options held of record by D. James Bidzos that are exercisable within 60 days of December 31, 1997 and 625 shares subject to options that are held of record by Kairdos L.L.C. that are exercisable within 60 days of December 31, 1997. Mr. Bidzos, the Chairman of the Board of the Company, 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 1,279,154 shares held of record by Kleiner Perkins Caufield & Byers VII L.P., 32,799 shares held of record by KPCB Information Science Zaibatsu Fund II and 3,750 shares subject to options held of record by Kevin Compton that are exercisable within 60 days of December 31, 1997. Mr. Compton, a director of the Company, 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.

- (5) Represents 1,296,152 shares held of record by Bessemer Venture Partners DCI and 3,750 shares subject to options held of record by Deer III & Co. LLC that are exercisable within 60 days of December 31, 1997. Mr. Cowan, a director of the Company, 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.
- (6) Represents 994,052 shares held by VISA and 3,750 shares subject to options held of record by VISA that are exercisable within 60 days of December 31, 1997. Mr. Chenevich, a director of the Company, is the Group Executive Vice President, Data Processing Systems of VISA. Mr. Chenevich disclaims beneficial ownership of shares held by VISA. The address for Mr. Chenevich and VISA is 900 Metro Center, Foster City, California 94404.
- (7) Represents shares held by Intel Corporation. The address for Intel Corporation is 2200 Mission College Blvd., Building SC-4, Santa Clara, California 95050.
- (8) Represents shares held by Microsoft Corporation. The address of Microsoft Corporation is One Microsoft Way, Redmond, Washington 98052.
- (9) Includes 2,500 shares held of record by Stratton or Jody Sclavos as Custodians under UTMA for Nicholas L. Sclavos and 2,500 shares held of record by Stratton or Jody Sclavos as Custodians under UTMA for Alexandra C. Sclavos. Mr. Sclavos is President, Chief Executive Officer and a director of the Company. Of the shares shown in the table, as of December 31, 1997, 269,500 were subject to a repurchase right that lapses as to 38,500 of the shares each quarter.
- (10) Mr. Yanowitch is Vice President of Marketing of the Company. Of the shares shown in the table, as of December 31, 1997, 181,250 were subject to a repurchase right that lapses as to 18,125 of the shares each quarter.
- (11) Mr. Schaeffer is Vice President of Engineering of the Company. Of the shares shown in the table, as of December 31, 1997, 80,500 were subject to a repurchase right that lapses as to 8,875 of the shares each quarter.
- (12) Includes 2,500 shares held of record by Ms. Evan as Custodian under UTMA for Christopher Thomas Evan and 2,500 shares held of record by Ms. Evan as Custodian under UTMA for Ryan Joseph Evan. Ms. Evan is Vice President of Finance and Administration and Chief Financial Officer of the Company. Of the shares shown in the table, as of December 31, 1997, 78,125 were subject to a repurchase right that lapses as to 7,812 of the shares each quarter.
- (13) Mr. Baum is Vice President of Practices and External Affairs of the Company. Of the shares shown in the table, as of December 31, 1997, 58,594 were subject to a repurchase right that lapses as to 7,324 of the shares each quarter.
- (14) Includes 5,000 shares held of record by the Joy E. Tomlinson 1996 Trust, 5,000 shares held of record by the Tucker Tomlinson 1996 Trust and 625 shares subject to options held of record by TzM Investment Fund that are exercisable within 60 days of December 31, 1997. Mr. Tomlinson is a general partner of TzM Investment Fund and a trustee of each trust.
- (15) Includes the shares described in footnotes (3)-(6) and (9)-(14) and an additional 230,000 shares held by other executive officers, of which 155,000 were subject to repurchase rights as of December 31, 1997 that lapse as to an aggregate of 14,375 of the shares each quarter.

As of December 31, 1997, assuming the conversion of all outstanding shares of Preferred Stock into shares of Common Stock, there were outstanding 17,151,244 shares of Common Stock, each with a par value of \$.001, held of record by approximately 144 stockholders, and outstanding options to purchase 2,516,818 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 the Company'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

Upon the closing of this offering, the Company will be 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 will not be authorized by the Company's Amended and Restated 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 the Company, 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

Upon the closing of this offering, each outstanding share of Preferred Stock (the "Convertible Preferred") will be converted into shares of Common Stock. See Note 6 of Notes to Consolidated Financial Statements for a description of the Convertible Preferred. Following the offering, the Company will be 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 the Company and may adversely affect the market price of the Common Stock, and the voting and other rights of the holders of Common Stock. The Company has no current plan to issue any shares of Preferred Stock.

#### REGISTRATION RIGHTS

Following this offering, the holders of approximately 15,069,339 shares of Common Stock (representing the purchasers of Common Stock at the founding of the Company in April 1995, all of the purchasers of Preferred Stock, and certain purchasers of Common Stock in November 1997) (the "Holders") will have certain rights to cause the Company to register those shares (the "Registrable Securities") under the Securities Act pursuant to the Investors' Rights Agreement. The holders of at least a majority of the Registrable Securities may require, after 180 days from the effective date of this offering, that the Company use its best efforts to effect up

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 (i) the right, under certain circumstances, of the underwriters of an offering to limit the number of shares included in such registration and (ii) the right of the Company to delay the filing of a registration statement for not more than 120 days after receiving the registration demand. The Company 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 the Company proposes to register any of its securities under the Securities Act (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration on a form that does not include substantially the same information as would be required in a registration statement covering the sale of the Registrable Securities or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered) in connection with the sale of such securities solely for cash, whether or not for sale for its own account, the Holders are entitled to notice of such registration and are entitled to include Registrable Securities therein. 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. The Company is obligated to pay all registration expenses incurred in connection with such registration other than underwriters' discounts and commissions. If the Company were to initiate a registration and include shares pursuant to this "piggyback" right, such sales might have an adverse effect on the Company's ability to raise capital.

The Holders may also require the Company, 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 the Company, 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 the Company 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. The Company 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.

Each stockholder's registration rights will expire upon the earlier of the fifth anniversary of the closing of this offering or at such time as the stockholder can sell all of its securities under Rule 144(k).

#### DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Upon the closing of this offering, the Company will be 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, including those whose securities are listed on the Nasdaq National Market, 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" (a stockholder who owns 15% or more of the corporation's outstanding voting stock, as well as affiliates and associates of any such persons) for three years following the date that such stockholder became an "interested stockholder" unless (i) the transaction is approved by the Board of Directors prior to the date the "interested stockholder" attained such status, (ii) 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 (a) persons who are directors and also officers and (b) 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 (iii) on or subsequent to such 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 an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law. The statute could prohibit or delay mergers or other takeover or change-in-control attempts with respect to the Company and, accordingly, may discourage attempts to acquire the Company.

The Company's Amended and Restated Bylaws, which will be in effect upon the completion of this offering, will 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 it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the Company. In addition, the Amended and Restated Bylaws will provide that any action required or permitted to be taken by the stockholders of the Company 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 will provide that special meetings of the stockholders may only be called by the Chairman of the Board, the Chief Executive Officer or, if none, the President of the Company or by the Board.

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

#### TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Company's Common Stock is ChaseMellon Shareholder Services, L.L.C.

#### LISTING

The shares of Common Stock offered hereby have been approved for quotation on the Nasdaq National Market under the symbol "VRSN" subject to official notice of issuance.

68

#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices from time to time. Furthermore, since no shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale (as described below), sales of substantial amounts of Common Stock of the Company in the public market after these restrictions lapse could adversely affect the prevailing market price and the ability of the Company to raise equity capital in the future.

Upon completion of this offering, the Company will have outstanding an aggregate of 20,151,244 shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act (the "Affiliates"). The remaining 17,151,244 shares of Common Stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 promulgated under the Securities Act, which rules are summarized below. All officers, directors, stockholders and option holders of the Company 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 180 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 180 day period. As a result of such contractual restrictions and the provisions of Rule 144 and 701, the Restricted Shares will be available for sale in the public market as follows: (i) no shares will be eligible for immediate sale on the date of this Prospectus; (ii) 16,801,244 shares will be eligible for sale upon expiration of the lock-up agreements 180 days after the date of this Prospectus, subject in the case of all but 2,661,052 shares to the volume limitations and other conditions of Rule 144 described below; and (iii) the remaining 350,000 shares will become eligible for sale in November 1998, subject to the volume limitations and other conditions of Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, 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 201,500 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 the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144; therefore, unless otherwise restricted, shares will qualify as "144(k) shares" on the date of this Prospectus and may be sold immediately upon the completion of this offering. Subject to certain limitations on the aggregate offering price of a transaction and other conditions, employees, directors, officers, consultants or advisors may rely on Rule 701 with respect to the resale of securities originally purchased from the Company prior to the date the issuer becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it

69

becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options (including exercises after the date of this Prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this Prospectus, may be sold by persons other than Affiliates subject only to the manner of sale provisions of Rule 144, and by Affiliates under Rule 144 without compliance with its holding period requirements.

Upon completion of this offering, the holders of approximately 15,069,339 shares of Common Stock currently outstanding or issuable upon conversion of Preferred Stock, or their transferees, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. 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 (except for share purchases by affiliates) immediately upon the effectiveness of such registration.

The Company intends to file a registration statement under the Securities Act covering (i) 2,625,000 shares of Common Stock reserved or to be reserved for issuance under the Equity Incentive Plan, the Purchase Plan and the Directors Plan, (ii) an additional number of shares of Common Stock to be reserved for issuance under the Equity Incentive Plan equal to the number of

shares reserved for future issuance under the Prior Plans as of the date of this Prospectus (436,682 as of December 31, 1997), and (iii) shares subject to outstanding options under the Prior Plans as of the date of this Prospectus (2,516,818 as of December 31, 1997). See "Management--Employee Benefit Plans." Such registration statement is expected to be filed and become effective as soon as practicable after the effective date of this offering. Accordingly, shares registered under such registration statement will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market, beginning 180 days after the date of the Prospectus, unless such shares are subject to vesting restrictions with the Company.

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 (the "Underwriters"), for whom Morgan Stanley & Co. Incorporated, Hambrecht & Quist LLC and Wessels, Arnold & Henderson, L.L.C. are acting as Representatives (the "Representatives"), have severally agreed to purchase, and the Company has agreed to sell to them, severally, the respective number of shares of Common Stock set forth opposite their respective names below:

NAME ----	NUMBER OF SHARES -----
Morgan Stanley & Co. Incorporated.....	
Hambrecht & Quist LLC.....	
Wessels, Arnold & Henderson, L.L.C. ....	
	-----
Total.....	3,000,000 =====

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 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 initial 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.

The Company has granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of 450,000 additional shares of Common Stock at the initial public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option to purchase 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.

The Underwriters have informed the Company that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of Common Stock offered by them.

Each of the Company and the directors, executive officers, certain other

stockholders and option holders of the Company 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 180 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

71

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 the Company 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 the Company 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 the Company 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.

In November and December 1996, the Company issued an aggregate of 3,625,000 shares of Series C Preferred Stock for an aggregate consideration of \$29.0 million. In connection with such financing, Morgan Stanley & Co. Incorporated received an aggregate of \$730,000 as a financial advisory fee.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

#### PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the Common Stock or any other securities of the Company. The initial public offering price for the Common Stock will be determined by negotiations between the Company and the Representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of the Company and its industry in general, sales, earnings and certain other financial and operating information of the Company in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of the Company. The estimated initial public offering price range set forth on the cover page of this Preliminary Prospectus is subject to change as a result of market conditions and other factors.

#### LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Fenwick & West LLP, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

#### EXPERTS



The consolidated financial statements and schedule of VeriSign, Inc. and subsidiary 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 have been included herein and in the Registration Statement in reliance upon the reports of KPMG Peat Marwick LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

72

#### ADDITIONAL INFORMATION

The Company 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 hereby. 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 and schedule thereto. Certain items are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and the exhibits and schedule thereto. Statements contained in this Prospectus regarding the contents of any contract or any other document to which reference is made are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement, and the exhibits and schedule thereto, may be inspected 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, and copies of all or any part of the Registration Statement may be obtained from such offices upon the payment of 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>.

73

#### VERISIGN, INC.

#### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
	----
Report of KPMG Peat Marwick LLP, Independent Auditors.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Operations.....	F-4
Consolidated Statements of Stockholders' Equity.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7

F-1

#### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiary 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriSign, Inc. and subsidiary 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 Peat Marwick LLP

San Francisco, California  
January 8, 1998

F-2

VERISIGN, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,		
	1996	1997	PRO FORMA 1997
ASSETS			(UNAUDITED)
Current assets:			
Cash and cash equivalents.....	\$29,983	\$ 3,943	\$ 3,943
Short-term investments.....	--	7,951	7,951
Accounts receivable, net of allowance for doubtful accounts of \$35 and \$214, respectively.....	751	2,274	2,274
Prepaid expenses and other current assets.....	786	750	750
Total current assets.....	31,520	14,918	14,918
Property and equipment, net.....	4,617	8,622	8,622
Other assets.....	366	866	866
	\$36,503	\$24,406	\$24,406
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable.....	\$ 258	\$ --	\$ --
Accounts payable.....	2,461	2,526	2,526
Accrued liabilities.....	2,034	2,346	2,346
Deferred revenue.....	1,944	4,819	4,819
Total current liabilities.....	6,697	9,691	9,691
Minority interest in subsidiary.....	1,251	2,246	2,246
Commitments			
Stockholders' equity:			
Convertible preferred stock, \$.001 par value; actual--10,282,883 shares authorized; 10,031,006 shares issued and outstanding in 1996 and 1997; aggregate liquidation preference of \$39,206 in 1996 and 1997; pro			

forma--5,000,000 shares authorized; no shares issued and outstanding.....	10	10	--
Common stock, \$.001 par value; actual--21,592,117 shares authorized; 6,376,708 and 7,120,238 shares issued and outstanding in 1996 and 1997, respectively; pro forma--50,000,000 shares authorized; 17,151,244 shares issued and outstanding.....	6	7	17
Additional paid-in capital.....	41,319	44,908	44,908
Notes receivable from stockholders.....	(543)	(644)	(644)
Deferred compensation.....	--	(380)	(380)
Accumulated deficit.....	(12,237)	(31,432)	(31,432)
Total stockholders' equity.....	28,555	12,469	12,469
	\$36,503	\$24,406	\$24,406
	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-3

VERISIGN, INC. AND SUBSIDIARY  
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 1997	
	-----	-----	-----
Revenues.....	\$ 382	\$ 1,351	\$ 9,382
Costs and expenses:			
Cost of revenues.....	412	2,791	7,833
Sales and marketing.....	790	4,876	10,839
Research and development.....	642	2,058	5,188
General and administrative.....	680	2,640	4,604
Nonrecurring charges.....	--	--	2,800
Total costs and expenses.....	2,524	12,365	31,264
Operating loss.....	(2,142)	(11,014)	(21,882)
Other income (expense).....	148	(67)	1,149
Loss before minority interest.....	(1,994)	(11,081)	(20,733)
Minority interest in net loss of subsidiary.....	--	(838)	(1,538)
Net loss.....	\$(1,994)	\$(10,243)	\$(19,195)
	=====	=====	=====
Pro forma basic and diluted net loss per share.....		\$ (.74)	\$ (1.13)
		=====	=====
Shares used in per share computations.....		13,836	17,018

See accompanying notes to consolidated financial statements.

F-4

VERISIGN, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

PERIOD FROM APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1997  
(IN THOUSANDS, EXCEPT SHARE DATA)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM STOCKHOLDERS	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT					
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, 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	1	559	(543)	--	--	17
Issuance of common stock.....	--	--	46,500	--	3	--	--	--	3
Issuance of capital stock by subsidiary to minority interest.....	--	--	--	--	2,063	--	--	--	2,063
Net loss.....	--	--	--	--	--	--	--	(10,243)	(10,243)
Balances, December 31, 1996.....	10,031,006	10	6,376,708	6	41,319	(543)	--	(12,237)	28,555
Deferred compensation related to common stock options, net of amortization of \$34.....	--	--	--	--	414	--	(380)	--	34
Exercise of common stock options and advance to stockholder.....	--	--	432,250	1	244	(116)	--	--	129
Issuance of common stock.....	--	--	39,405	--	141	--	--	--	141
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.....	--	--	--	--	--	--	--	(19,195)	(19,195)
Balances, December 31, 1997.....	10,031,006	\$ 10	7,120,238	\$ 7	\$ 44,908	\$ (644)	\$ (380)	\$ (31,432)	\$ 12,469

See accompanying notes to consolidated financial statements.

F-5

VERISIGN, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

PERIOD FROM  
APRIL 12, 1995      YEAR ENDED  
(INCEPTION) TO      DECEMBER 31,  
DECEMBER 31,      -----

	1995	1996	1997
	-----	-----	-----
Cash flows from operating activities:			
Net loss.....	\$(1,994)	\$(10,243)	\$(19,195)
Adjustments to reconcile net loss to net cash used in operating activities:			
Nonrecurring charges.....	--	--	2,800
Depreciation and amortization.....	52	559	2,611
Minority interest in net loss of subsidiary.....	--	(838)	(1,538)
Changes in operating assets and liabilities:			
Accounts receivable.....	(195)	(556)	(1,523)
Prepaid expenses and other current assets.....	(79)	(708)	36
Accounts payable.....	437	2,047	65
Accrued liabilities.....	216	1,818	312
Deferred revenue.....	42	1,898	2,875
	-----	-----	-----
Net cash used in operating activities...	(1,521)	(6,023)	(13,557)
	-----	-----	-----
Cash flows from investing activities:			
Purchases of short-term investments.....	--	--	(14,918)
Maturities and sales of short-term investments.....	--	--	6,967
Purchases of property and equipment.....	(1,008)	(4,168)	(6,582)
Other assets.....	(35)	(281)	(500)
	-----	-----	-----
Net cash used in investing activities...	(1,043)	(4,449)	(15,033)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from bank borrowings.....	--	258	2,481
Repayment of bank borrowings.....	--	--	(2,739)
Proceeds from issuance of convertible preferred stock.....	5,168	33,339	--
Proceeds from issuance of common stock....	83	20	275
Issuance of capital stock by subsidiary to minority interest.....	--	4,151	2,533
	-----	-----	-----
Net cash provided by financing activities.....	5,251	37,768	2,550
	-----	-----	-----
Net change in cash and cash equivalents....	2,687	27,296	(26,040)
Cash and cash equivalents at beginning of period.....	--	2,687	29,983
	-----	-----	-----
Cash and cash equivalents at end of year....	\$ 2,687	\$ 29,983	\$ 3,943
	=====	=====	=====
Noncash financing and investing activities:			
Issuance of common stock to a founder for equipment, other assets, and technology..	\$ 119	\$ --	\$ --
	=====	=====	=====
Issuance of notes receivable collateralized by common stock.....	\$ --	\$ 543	\$ 116
	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-6

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1996 AND 1997

(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 digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over the Internet and over intranets and extranets using the Internet Protocol.

#### Consolidation

In February 1996, the Company established a subsidiary in Japan. As of December 31, 1997, the Company owned approximately 50.5% of the subsidiary's outstanding shares of capital stock. The subsidiary provides the Company's digital certificate solutions throughout Japan. The accompanying consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for changes in its proportionate share of the net assets of the subsidiary resulting from sales of capital stock by the subsidiary as equity transactions.

#### Foreign Currency Translation

The functional currency for the Company's subsidiary is the U.S. dollar; however, its books of record are maintained in Japanese yen. As a result, its 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 U.S. government or agency securities 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 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 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, on a time-and-materials basis for consulting and training services or ratably over the term of the agreement for support and maintenance services. To the extent costs incurred and anticipated costs to complete

F-7

### VERISIGN, INC. AND SUBSIDIARY

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 97-2, Software Revenue Recognition, which supersedes SOP No. 91-1. The Company will be required to adopt SOP No. 97-2 prospectively 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 the

relative fair values of the elements. The fair value of an element must be based on evidence that is specific to the vendor. If a vendor does not have evidence of the fair value for all elements in a multiple-element arrangement, all revenue from the arrangement is deferred until such evidence exists or until all elements are delivered. The Company's management anticipates that the adoption of SOP No. 97-2 will 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.

#### Pro Forma Net Loss Per Share

Pro forma basic net loss per share is computed using the weighted average number of shares of common stock and convertible preferred stock outstanding on an as-if converted basis. Pro forma diluted net loss per share is computed using the weighted average number of shares of common stock and convertible preferred stock outstanding on an as-if converted basis and, when dilutive, common equivalent shares from options to purchase common stock using the treasury stock method. In accordance with certain Securities and Exchange Commission Staff Accounting Bulletins, such computations included all common and common equivalent shares issued within the 12 months preceding the initial public offering ("IPO") date as if they were outstanding for all prior periods presented using the treasury stock method and the estimated IPO price.

#### 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

F-8

### VERISIGN, INC. AND SUBSIDIARY

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

The Company provided services to VISA International Services Association ("VISA"), a 6% stockholder of the Company on a fully-diluted basis, under an agreement that included development and ongoing operations of a digital

certificate system for VISA's member banks. VISA accounted for approximately 21% and 14% of the Company's revenues for the year ended December 31, 1996 and 1997, respectively, and 13% and 11% of accounts receivable as of December 31, 1996 and 1997, respectively.

The Company entered into a development agreement in September 1997 with Security Dynamics Technologies, Inc. ("Security Dynamics"), the parent company of RSA, a 26% stockholder of the Company on a fully-diluted basis, 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 provides that Security Dynamics will 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 will be 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% of the Company's revenues for the nine months ended September 30, 1997.

The Company had one customer, a South African systems integrator, and another customer, a financial services provider, which accounted for approximately 28% and 13%, respectively, of accounts receivable as of December 31, 1996. One other customer, a network equipment provider, accounted for approximately 13% of accounts receivable as of December 31, 1997.

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.

Unaudited Pro Forma Consolidated Balance Sheet

Upon closing of the Company's proposed initial public offering, all outstanding shares of preferred stock will be converted into 10,031,006 shares of common stock. The unaudited pro forma consolidated balance sheet as of December 31, 1997, reflects this conversion.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(2) CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

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

	DECEMBER 31,	
	-----	-----
	1996	1997
	-----	-----
Corporate bonds.....	\$ --	\$ 3,244
Money market funds.....	521	3,311
U.S. government and agency securities.....	84	1,000
Commercial paper.....	--	1,060
	-----	-----
	\$ 605	\$ 8,615
	=====	=====
Included in cash and cash equivalents.....	\$ 605	\$ 664
	=====	=====
Included in short-term investments.....	\$ --	\$ 7,951
	=====	=====



(3) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows (in thousands):

	DECEMBER 31,	
	-----	-----
	1996	1997
	-----	-----
Computer equipment and purchased software.....	\$3,501	\$ 7,927
Office equipment, furniture and fixtures.....	792	1,442
Leasehold improvements.....	934	2,425
	-----	-----
	5,227	11,794
Less accumulated depreciation and amortization.....	610	3,172
	-----	-----
	\$4,617	\$ 8,622
	=====	=====

(4) ACCRUED LIABILITIES

A summary of accrued liabilities follows (in thousands):

	DECEMBER 31,	
	-----	-----
	1996	1997
	-----	-----
Employee compensation.....	\$ 566	\$ 1,443
Professional fees.....	354	95
Financing charges.....	732	--
Other.....	382	808
	-----	-----
	\$2,034	\$ 2,346
	=====	=====

(5) 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.

F-10

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's Japanese subsidiary has available a revolving line of credit with a bank that provides up to \$500,000, bears interest at 1.625% per annum and expires in May 1998. The line of credit is secured by a letter of credit in the same amount from the Company. There were no borrowings under this arrangement as of December 31, 1996 or 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.

(6) STOCKHOLDERS' EQUITY

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	
	SHARES AUTHORIZED	ISSUED AND OUTSTANDING
	-----	-----
A.....	4,306,883	4,306,883
B.....	2,101,000	2,099,123
C.....	3,875,000	3,625,000
	-----	-----
	10,282,883	10,031,006
	=====	=====

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

- . The holders of Series A, B, and C preferred stock are entitled to noncumulative dividends, if and when declared by the Board of Directors, of \$0.10, \$0.20, and \$0.64 per share, respectively.
- . Shares of preferred stock are 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 converts to common stock upon the closing of an underwritten public offering of the Company's common stock in which the aggregate proceeds for such shares is at least \$15,000,000 and the per share price is at least \$9.00 per share.
- . The holders of convertible preferred stock are protected by certain antidilutive provisions.
- . Shares of Series A, B, and C convertible preferred stock have 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 votes 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.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Common Stock

As of December 31, 1997, a total of 7,070,000 shares of common stock were authorized 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, and 125,000 shares authorized under the 1998 Directors Plan.

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, as determined by the Board of Directors, 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 of Directors 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.

A summary of stock option activity under the Plans follows:

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1995		YEAR ENDED DECEMBER 31,			
	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	1,425,150	4.53
Exercised.....	--	--	(1,637,375)	.34	(432,250)	.58
Canceled.....	(124,000)	.12	(52,000)	.13	(84,157)	.91
Outstanding at end of period.....	1,274,750	.12	1,608,075	.80	2,516,818	2.95
Exercisable at end of period.....	86,457		152,163		249,963	
Weighted average fair value of options granted during the period.....		.03		.22		1.33

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

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
\$.12-.25.....	377,212	4.8 years	\$ .15	113,672
\$.75-1.50.....	709,206	5.7 years	\$ .86	126,791
\$2.25.....	569,050	6.3 years	\$2.25	125
\$4.00-8.00.....	861,350	6.7 years	\$6.35	9,375

F-12

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 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, would have been as follows (in thousands, except per share data):

1995                      1996                      1997

	-----	-----	-----
Net loss as reported.....	\$(1,994)	\$(10,243)	\$(19,195)
Pro forma net loss under SFAS No. 123.....	(1,999)	(10,294)	(19,472)
Pro forma basic and diluted net loss per share as reported.....		(.74)	(1.13)
Pro forma basic and diluted net loss per share under SFAS No. 123.....		(.74)	(1.14)

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, is estimated on the date of grant using the minimum value method with the following weighted-average assumptions: no dividend yield; risk-free interest rates of 6.11%, 6.21%, and 6.14%, respectively; and an expected life of 5 years.

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.

1998 Employee Stock Purchase Plan

In December 1997, the Board of Directors 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 authorized. Eligible employees may select a rate of payroll deduction between 2% and 10% of their compensation and each participant will be granted an option on the first day of each 24 month offering period and such option will be 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 purchase 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 is expected to begin on the first business day on which price quotations for the Company's common stock are available on the Nasdaq National Market and, depending on the effective date of the registration statement for the Company's proposed initial public offering, may be greater or less than 24 months. Offering periods thereafter will begin at February 1 and August 1.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(7) INCOME TAXES

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

	DECEMBER 31,	
	1996	1997
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards and deferred start-up costs.....	\$ 4,016	\$ 11,579
Tax credit carryforwards.....	177	839
Other.....	162	507
	-----	-----
	4,355	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 years 2010 through 2014. The California net operating loss carryforwards will expire, if not utilized, in the year 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 years 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 the year 2003.

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.

(8) 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
	=====

Net rental expense under operating leases for the period from April 12, 1995 (inception) to December 31, 1995 and for the years ended December 31, 1996 and 1997, was \$141,000, \$621,000, and \$1,700,000, respectively.

F-14

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(9) NONRECURRING CHARGES

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.

(10) GEOGRAPHIC INFORMATION

Financial information by geographic area is as follows (in thousands):

DECEMBER 31, 1996 -----	UNITED STATES	JAPAN	CONSOLIDATED -----
Revenues.....	\$ 1,296	\$ 55	\$ 1,351
Operating loss.....	\$ (9,281)	\$ (1,733)	\$ (11,014)
Total assets, excluding cash and cash equivalents.....	\$ 5,922	\$ 598	\$ 6,520
DECEMBER 31, 1997			
Revenues.....	\$ 9,009	\$ 373	\$ 9,382
Operating loss.....	\$ (18,747)	\$ (3,135)	\$ (21,882)
Total assets, excluding cash and cash equivalents.....	\$ 16,703	\$ 3,760	\$ 20,463

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

F-15

[LOGO OF VERISIGN]

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.....	\$ 12,122
NASD Filing Fee.....	4,500
Nasdaq National Market Application Fee.....	50,000
Printing.....	200,000
Legal Fees and Expenses.....	425,000
Accounting Fees and Expenses.....	225,000
Road Show Expenses.....	50,000
Blue Sky Fees and Expenses.....	5,000
Transfer Agent and Registrar Fees.....	5,000
Miscellaneous.....	23,378
	-----
Total.....	\$1,000,000
	=====

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, which will become effective upon the completion of this offering, 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.

II-1

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, with approval by the Registrant's Board of Directors, has applied for, and expects to obtain, directors' and officers' liability insurance.

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 November 20, 1997).....	1.01
Form of Third Amended and Restated Certificate of Incorporation of Registrant.....	3.03
Form of Amended and Restated Bylaws of Registrant.....	3.05
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 April 12, 1995, the Company's inception date.

NAME OR CLASS OF PURCHASER	DATE OF SALE	TITLE OF SECURITIES	NUMBER OF SHARES	AGGREGATE PURCHASE PRICE	FORM OF CONSIDERATION
RSA Data Security, Inc.....	4/18/95	Common Stock	4,000,000	\$ 119,000	Property(1)
Bessemer Venture Partners DCI.....	4/18/95	Common Stock	258,333	31,000	Cash
D. James Bidzos.....	4/18/95	Common Stock	125,000	15,000	Cash
Ronald Rivest.....	4/18/95	Common Stock	125,000	15,000	Cash
Kairdos L.L.C.....	4/18/95	Common Stock	100,000	12,000	Cash
TZM Investment Fund.....	4/18/95	Common Stock	80,000	9,600	Cash
Bessemer Venture Partners DCI.....	4/18/95	Series A Preferred Stock(2)	850,000	1,020,000	Cash
Visa International Service Association....	4/18/95	Series A Preferred Stock(2)	850,000	1,020,000	Cash
Intel Corporation.....	4/18/95	Series A Preferred Stock(2)	850,000	1,020,000	Cash
Fischer Security Corporation L.L.C.....	4/18/95	Series A Preferred Stock(2)	425,000	510,000	Cash
Ameritech Development Corporation.....	4/18/95	Series A Preferred Stock(2)	425,000	510,000	Cash
Mitsubishi Corporation..	4/18/95	Series A Preferred Stock(2)	425,000	510,000	Cash
Security Dynamics Technologies, Inc.....	4/18/95	Series A Preferred Stock(2)	425,000	510,000	Cash
GC&H Investments.....	4/18/95	Series A Preferred Stock(2)	33,333	40,000	Cash
First TZMM Investment Partnership.....	4/18/95	Series A Preferred Stock(2)	23,550	28,260	Cash
Kleiner Perkins Caufield & Byers VII.....	2/20/96	Series B Preferred Stock (2)	1,153,207	2,825,357	Cash
KPCB VII Founders Fund..	2/20/96	Series B Preferred Stock (2)	125,947	308,570	Cash
KPCB Information Sciences Zaibatsu Fund II.....	2/20/96	Series B Preferred Stock (2)	32,799	80,358	Cash

II-2

NAME OR CLASS OF PURCHASER	DATE OF SALE	TITLE OF SECURITIES	NUMBER OF SHARES	AGGREGATE PURCHASE PRICE	FORM OF CONSIDERATION
Bessemer Venture Partners DCI.....	2/20/96	Series B Preferred Stock (2)	187,819	460,157	Cash
Mitsubishi Corporation..	2/20/96	Series B Preferred Stock (2)	72,026	176,464	Cash
Security Dynamics Technologies, Inc. ....	2/20/96	Series B Preferred Stock (2)	72,026	176,464	Cash
Intel Corporation.....	2/20/96	Series B Preferred Stock (2)	144,052	352,927	Cash
Ameritech Development Corporation.....	2/20/96	Series B Preferred Stock (2)	72,026	176,464	Cash
GC&H Investments.....	2/20/96	Series B Preferred Stock (2)	5,589	13,693	Cash
Visa International Service Association....	2/20/96	Series B Preferred Stock (2)	144,052	352,927	Cash
Fischer Security Corporation L.L.C. ....	2/20/96	Series B Preferred Stock (2)	72,026	176,464	Cash
First TZMM Investment Partnership.....	2/20/96	Series B Preferred Stock (2)	17,554	43,007	Cash
Cisco Systems, Inc. ....	11/18/96	Series C Preferred Stock (2)	812,500	6,500,000	Cash
Microsoft Corporation...	11/18/96	Series C Preferred Stock (2)	812,500	6,500,000	Cash
Venture Fund I, L.P. ...	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
COMCAST Investment Holdings, Inc. ....	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
First Data Corporation..	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash



Intuit Inc. ....	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
Reuters New Media Inc. ....	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
SOFTBANK Ventures, Inc. ....	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
Merrill Lynch & Co., Incorporated.....	11/18/96	Series C Preferred Stock (2)	250,000	2,000,000	Cash
Amerindo Technology Growth Fund II.....	11/18/96	Series C Preferred Stock (2)	62,500	500,000	Cash
Attractor L.P. ....	11/18/96	Series C Preferred Stock (2)	62,500	500,000	Cash
Chancellor LGT Asset Management.....	11/18/96	Series C Preferred Stock (2)	62,500	500,000	Cash
Gemplus.....	12/17/96	Series C Preferred Stock (2)	62,500	500,000	Cash
26 consultants.....	3/28/96-12/19/97	Common Stock	90,405	172,150	Services
63 employee or director optionees.....	2/27/96-12/18/97	Common Stock (option exercises)	2,069,625(3)	796,543	Cash
Microsoft Corporation...	11/20/97	Common Stock	100,000	800,000	(4)
VeriFone, Inc./Hewlett- Packard Company.....	11/20/97	Common Stock	250,000	2,000,000	(5)

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- (1) All founding stockholders paid cash except RSA Data Security, Inc., which contributed its equipment, other assets and technology, as described in Exhibit A to its Founder's Subscription Agreement.
- (2) Each share of Preferred Stock will convert automatically into one share of Common Stock.

#### II-3

- (3) Of these shares, 78,125 were repurchased by cancellation of a promissory note in the amount of \$9,375, and 822,969 were subject to repurchase at December 31, 1997. The repurchase right lapses ratably over four years.
- (4) The shares of Common Stock were issued in connection with a preferred provider agreement with the Registrant.
- (5) 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.

All sales of Common Stock to employees made pursuant to the exercise of stock options granted under the Registrant'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 November 20, 1997).+
3.01	Second Amended and Restated Certificate of Incorporation of the Registrant, as amended.+
3.02	Form of Amendment to Second Amended and Restated Certificate of Incorporation of the Registrant.+
3.03	Form of Third Amended and Restated Certificate of Incorporation of the Registrant to be effective upon the closing of this offering.+

- 3.04 Bylaws of Registrant.+
- 3.05 Form of Amended and Restated Bylaws of Registrant, to be adopted prior to the closing of this offering.+
- 4.01 Investors' Rights Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.+
- 4.02 Stockholders' Agreement, dated April 18, 1995, among the Registrant and the parties indicated therein, and amendments dated February 20, 1996 and November 15, 1996.+
- 4.03 Co-Sale Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+
- 4.04 Form of Specimen Common Stock Certificate.+
- 5.01 Opinion of Fenwick & West LLP regarding legality of the securities being registered.+
- 10.01 Series A Preferred Stock Purchase Agreement, dated April 18, 1995, among the Registrant and the parties indicated therein.+
- 10.02 Series B Preferred Stock Purchase Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+

II-4

EXHIBIT  
NUMBER

EXHIBIT TITLE

- | EXHIBIT<br>NUMBER<br>----- | EXHIBIT TITLE<br>-----   |
|----------------------------|--|
| 10.03                      | Series C Preferred Stock Purchase Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.+                               |
| 10.04                      | Termination and Release Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+   |
| 10.05                      | Form of Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.+   |
| 10.06                      | Registrant's 1995 Stock Option Plan and related documents.+  |
| 10.07                      | Registrant's 1997 Stock Option Plan.+  |
| 10.08                      | Registrant's 1998 Directors' Stock Option Plan and related documents.+   |
| 10.09                      | Registrant's 1998 Equity Incentive Plan and related documents.+  |
| 10.10                      | Registrant's 1998 Employee Stock Purchase Plan and related documents.+   |
| 10.11                      | Registrant's Executive Loan Program of 1996.+  |
| 10.12                      | Founder's Subscription Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc. for purchase of Common Stock.+                    |
| 10.13                      | Form of Subscription Agreement, dated April 18, 1995, between the Registrant and certain founding Common Stock holders for purchase of Common Stock.+        |
| 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.+ |
| 10.15                      | Assignment Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.+  |
| 10.16                      | BSAFE/TIPEM OEM Master License Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.+                             |
| 10.17                      | Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.+  |
| 10.18                      | Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.*+     |
| 10.19                      | Master Development and License Agreement, dated September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*                         |
| 10.20                      | License Agreement, dated December 16, 1996, between the Registrant and VeriSign Japan K.K.+  |
| 10.21                      | Loan Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.+  |
| 10.22                      | Security Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.+  |
| 10.23                      | VeriSign Private Label Agreement, dated April 2, 1996, between the Registrant and VISA International Service Association.*                                   |
| 10.24                      | VeriSign Private Label Agreement, dated October 3, 1996, between the Registrant and VISA International Service Association.*                                 |
| 10.25                      | Lease Agreement, dated August 15, 1996, between the Registrant and Shoreline Investments VII.+   |
| 10.26                      | Lease Agreement, dated September 18, 1996, between the Registrant and Shoreline Investments VII.+  |
| 10.27                      | Sublease Agreement, dated September 5, 1996, between the Registrant and Security Dynamics Technologies, Inc.+  |

10.28 Employment Offer Letter Agreement, between the Registrant and Stratton Sclavos, dated June 12, 1995, as amended October 4, 1995.+

II-5

EXHIBIT NUMBER -----	EXHIBIT TITLE -----
11.01	Statement regarding computation of pro forma basic and diluted net loss per share.+
21.01	Subsidiary of the Registrant.+
23.01	Consent of Fenwick & West LLP (included in Exhibit 5.01).+
23.02	Consent of KPMG Peat Marwick LLP (see Page S-1 of the Registration Statement).
24.01	Power of Attorney.+
27.01	Financial Data Schedule (available in EDGAR format only).+

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+ Previously filed.

\* Confidential treatment is being sought with respect to certain portions of this agreement. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

(b) The following financial statement schedule is filed herewith:

Schedule II -- Valuation and Qualifying Accounts--Page S-2

Other 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.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

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.

II-6

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 29th day of January, 1998.

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 was signed by the following persons in the capacities and on the date indicated.

SIGNATURE

TITLE

DATE

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PRINCIPAL EXECUTIVE OFFICER:

/s/ Stratton D. Sclavos

President, Chief Executive  
Officer and Director

January 29, 1998

Stratton D. Sclavos

PRINCIPAL FINANCIAL AND PRINCIPAL ACCOUNTING OFFICER:

/s/ Dana L. Evan

Vice President of Finance  
and Administration and  
Chief Financial Officer

January 29, 1998

Dana L. Evan

DIRECTORS:

\*

Chairman of the Board

January 29, 1998

D. James Bidzos

\*

Director

January 29, 1998

William Chenevich

\*

Director

January 29, 1998

Kevin R. Compton

\*

Director

January 29, 1998

David J. Cowan

\*

Director and Secretary

January 29, 1998

Timothy Tomlinson

/s/ Dana L. Evan

Attorney-in-Fact

\* By

Dana L. Evan

II-7

REPORT ON SCHEDULE AND CONSENT OF KPMG PEAT MARWICK LLP

The Board of Directors  
VeriSign, Inc.:

The audits referred to in our report dated January 8, 1998 included the related financial statement schedule 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, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

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 Peat Marwick LLP

San Francisco, California  
January 28, 1998

S-1

VERISIGN, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT THE BEGINNING OF THE PERIOD	CHARGED TO COSTS AND EXPENSES	WRITE-OFFS	BALANCE AT THE END OF THE YEAR
-----				
(IN THOUSANDS)				
Allowance for doubtful accounts: Period from April 12, 1995 (inception) to December 31, 1995.....	\$ --	\$ 30	\$ --	\$ 30
Year ended December 31, 1996.....	\$ 30	\$ 22	\$ 17	\$ 35
Year ended December 31, 1997.....	\$ 35	\$315	\$136	\$214

S-2

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT TITLE
10.19	Master Development and License Agreement, dated September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*
10.23	VeriSign Private Label Agreement, dated April 2, 1996, between the Registrant and VISA International Service Association.*
10.24	VeriSign Private Label Agreement, dated October 3, 1996, between the Registrant and VISA International Service Association.*
23.02	Consent of KPMG Peat Marwick LLP (see Page S-1 of the Registration Statement).

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\* Confidential treatment is being sought with respect to certain portions of this agreement. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

[CONFIDENTIAL TREATMENT REQUESTED]

MASTER DEVELOPMENT AND LICENSE AGREEMENT

This MASTER DEVELOPMENT AND LICENSE AGREEMENT (the "AGREEMENT"), is made by and between Security Dynamics Technologies, Inc., a Delaware corporation having its principal place of business at 20 Crosby Drive, Bedford, Massachusetts 01730 ("SDTI"), and VeriSign, Inc., a Delaware corporation having its principal place of business at 1390 Shorebird Avenue, Mountain View, California 94043 ("VERISIGN"), and is effective as of September 30, 1997 (the "EFFECTIVE DATE").

RECITALS

WHEREAS, VeriSign has developed and owns certain computer software relating to digital certificate authentication and local registration authority; and

WHEREAS, SDTI desires to engage VeriSign to customize such software to SDTI's specifications and to obtain from VeriSign a license to distribute the software in conjunction with other SDTI products, and VeriSign desires to accept such engagement and grant such licenses on the terms set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, promises and undertakings set forth herein, and for other good and valuable consideration, SDTI and VeriSign agree as follows:

1. DEFINITIONS

- 1.1 "ACCEPTANCE CRITERIA" means the criteria for the acceptance of the Developed Technology set forth in the Specifications.
- 1.2 "DELIVERABLE" means any of the deliverable items set forth on the Statement of Work.
- 1.3 "DEVELOPED TECHNOLOGY" means the work product, including the Technology and Documentation, to be developed by either party hereunder, as more fully set forth in the Specifications.
- 1.4 "DEVELOPMENT EQUIPMENT" means the development hardware, software and other equipment and supplies provided to VeriSign by SDTI hereunder, if any, as more particularly described in Exhibit A attached hereto  
-----  
and incorporated herein by this reference.
- 1.5 "DEVELOPMENT PERIOD" means the period commencing on the Effective Date and ending on the date of acceptance by SDTI of the last Deliverable under a Statement of Work.
- 1.6 "DOCUMENTATION" means the documentation necessary to use and support the Developed Technology, together, in each case, with any modifications or enhancements thereto.
- 1.7 "END-USER" The ultimate user of the Developed Technology who purchases or licenses the Product for use in the regular course of such customer's business and not for resale or further sublicensing by such customer.
- 1.8 "ERROR CORRECTION" means a modification to VeriSign's Pre-Existing Technology, the Developed Technology or a Deliverable that establishes material conformity to the current Specifications and Documentation or eliminates the adverse effect of a Non-Conformance in the operation of the Developed Technology or Deliverable, including but not limited to bug fixes and work-arounds.
- 1.9 "INTELLECTUAL PROPERTY RIGHTS" means all worldwide: (a) patents, patent applications and other patent rights; (b) rights associated with works of authorship, including copyrights, copyright

applications, copyright restrictions, Trademarks, registrations and applications for registration of Trademarks, mask work rights, mask

work applications and mask work registrations; (c) rights relating to the protection of trade secrets and confidential information; (d) rights analogous to those set forth herein and any other proprietary rights relating to intangible property; and (e) divisions, continuations, renewals, reissues and extensions of the foregoing (as applicable) now existing or hereafter filed, issued, or acquired.

- 1.10 "NON-CONFORMANCE" means a failure of the Developed Technology to conform materially to the Specifications or to materially perform correctly when measured against the Specifications.
- 1.11 "OBJECT CODE FORM" means a form of software code resulting from the translation or processing of Source Code by a computer into machine language or intermediate code, which thus is in a form which would not be convenient for human understanding of the program logic, but which is appropriate for execution or interpretation by a computer.
- 1.12 "PRE-EXISTING TECHNOLOGY" means Technology owned by either party prior to the Development Period, as identified in the applicable Statement of Work. Any and all Pre-Existing Technology may be incorporated into the Developed Technology will still be "Pre-Existing Technology."
- 1.13 "PRODUCT" means any product developed, manufactured, marketed, sold or distributed by SDTI which consists of or incorporates any Developed Technology.
- 1.14 "SOURCE CODE FORM" means a form in which a computer program's logic is easily deduced by a human being with skill in the art, such as a printed listing of the program or a form from which a printed listing can be generated.
- 1.15 "SPECIFICATIONS" means the document or documents that characterize and define the logical, functional, performance and operational aspects of the Developed Technology, as initially set forth on Exhibit B attached hereto and incorporated herein by this reference.
- 1.16 "STATEMENT OF WORK" or "SOW" means a written instrument that meets the following requirements:
  - (a) Includes substantially the following statement: "This is a Statement of Work under the Master Development and License Agreement between SDTI Systems, Inc. and VeriSign, Inc., dated effective \_\_\_\_ , 1997;"
  - (b) Is signed on behalf of both parties by their authorized representatives;
  - (c) Contains the following five mandatory items:
    - (i) Description and/or Specifications of the services to be performed and the Deliverables to be delivered to SDTI;
    - (ii) The name and address of a Project Manager for each of SDTI and VeriSign;
    - (iii) The amount, schedule, and method of payment to be made to VeriSign, including NRE fees, license fees, and royalties, if any;
    - (iv) The time schedule, framework or dates for performance and for delivery of the Deliverables (the "MILESTONES"); and
    - (v) Completion and Acceptance Criteria for the Deliverables; and
  - (d) When applicable, includes:
    - (i) Provisions for written and/or oral progress reports by VeriSign;
    - (ii) Detailed functional and technical specifications and standards for all services and Deliverables, including quality standards, overall systems



- architecture, project plan, identified dependencies or contingencies and critical path issues;
- (iii) Documentation standards;
- (iv) Lists of any special equipment, including Development Equipment, to be procured by VeriSign or provided by SDTI for use in performance of the work;
- (v) Identification of Pre-Existing Technology; and
- (vi) Such other terms and conditions as may be mutually agreeable between the parties.

- 1.17 "TECHNOLOGY" means technical information, knowledge, ideas, concepts, processes, procedures, designs, schematics, works of authorship, inventions and discoveries owned by or licensed to a party hereto and subject to intellectual property protection and any and all Intellectual Property Rights pertaining thereto.
- 1.18 "THIRD PARTY TECHNOLOGY" means software or other Technology owned by a third party and used in connection with the Developed Technology as set forth in Exhibit D attached hereto and incorporated herein by this reference.
- 1.19 "DERIVATIVE" means, as applicable: (a) any computer software (whether in source or object code form) port, work, product, service, improvement, modification, alteration, enhancement, new version, translation, adaptation, design, concept, materials and documentation, in any medium, format or form whatsoever, that is derived in any manner, directly or indirectly, from a pre-existing work or any part or aspect thereof or that utilizes or incorporates such a pre-existing work or any part or aspect thereof; (b) all "derivative works," as defined in the copyright law of the United States and (c) all materials and documentation related to each of the foregoing.
- 1.20 "TRADEMARKS" means trademarks, service marks, trade names, trade dress and logos.
- 1.21 "UPDATE" means a new revision of the Developed Technology that includes bug fixes, corrections and minor modifications.
- 1.22 "ENHANCEMENT" means a new revision of the Developed Technology that includes enhancements and new functionalities.

## 2. DEVELOPMENT WORK

- 2.1 ISSUANCE OF STATEMENTS OF WORK. The initial Statement(s) of Work agreed to by both parties is attached to this Agreement. Additional Statements of Work, regardless of whether they relate to the same subject matter as the initial Statement of Work, shall become effective upon execution by authorized representatives of both parties and shall then also be attached to this Agreement.
- 2.2 CHANGES TO STATEMENTS OF WORK. Changes in any Statement of Work or in any of the Specifications or Deliverables under any Statement of Work shall become effective only when a written change request is executed by authorized representatives of both parties. All change requests with respect to this Agreement, any Statement of Work, or any Specifications or Deliverables must be accepted by both parties.
- 2.3 DEVELOPMENT EFFORT. Each party agrees to use commercially reasonable efforts to undertake and complete development of the Deliverables in accordance with the Milestone Schedule and to timely deliver all the Deliverables. Certain tasks to be undertaken by a party may require information from the other party or completion of certain tasks by the other party prior to a party undertaking its tasks. Each party agrees that any delay in a party meeting the Milestones that is caused by the failure of the other party to timely provide such required information or complete performance shall not constitute a default under this Agreement.

## 3. OWNERSHIP

- 3.1 PRE-EXISTING TECHNOLOGY. Each party acknowledges and agrees that, as

between the parties, each party is and shall remain the sole and exclusive owner of all right, title, and interest in and to its Pre-Existing Technology, and all associated Intellectual Property Rights, and that this Agreement does not affect such ownership. Each party acknowledges that it acquires no rights under this Agreement to the other party's Pre-Existing Technology other than the limited rights specifically granted in this Agreement.

- 3.2 MODIFICATIONS/DERIVATIVE WORKS TO PRE-EXISTING TECHNOLOGY. Each party acknowledges and agrees that, as between the parties, each party is and shall remain the sole and exclusive owner of all right, title, and interest in and to any Derivatives to its Pre-Existing Technology regardless of who created such Derivatives, and all associated Intellectual Property Rights therein and thereto. Each party acknowledges that it acquires no rights under this Agreement to the Derivatives of the other party's Pre-Existing Technology other than the limited rights specifically granted in this Agreement.
- 3.3 DEVELOPED TECHNOLOGY. Subject to the ownership rights specified in Sections 3.1 and 3.2 above, each party shall own that portion of the Developed Technology that it solely created. Except in the event that portions of the Developed Technology (a) constitute Derivatives of SDTI Pre-Existing Technology, or (b) are solely created by SDTI, then VeriSign shall be the sole and exclusive owner of the Developed Technology. To the extent that the items in (a) and (b) above are incorporated into the Developed Technology, SDTI shall grant, and hereby does grant, to VeriSign a royalty-free, perpetual and irrevocable, worldwide, non-exclusive license to use, reproduce and distribute such code as part of the Developed Technology. Notwithstanding anything else in this Section 3.3, SDTI acknowledges and agrees that all Developed Technology created by the SDTI personnel on site at VeriSign, as set forth in the initial Statement of Work, and all Intellectual Property Rights therein, shall be owned solely and exclusively by VeriSign.
- 3.4 PORTS. In the event that SDTI creates ports of the Developed Technology to new platforms pursuant to SDTI's license rights under Section 4.2(a) ("PORTS") and VeriSign agrees to support the Port, then SDTI will promptly provide the Ports to VeriSign in Source Code and Object Code form, and SDTI hereby assigns all Intellectual Property Rights in the Ports to VeriSign.
- 3.5 ASSIGNMENT AND FURTHER ASSURANCES. Each party agrees to cooperate with the other party and take all reasonable actions required to vest and secure in such party all ownership rights, including all Intellectual Property Rights, as specified in this Section 3.

#### 4. LICENSE GRANTS; ACCESS TO TECHNOLOGY

- 4.1 SDTI PRE-EXISTING TECHNOLOGY. On the terms and subject to the conditions set forth herein, for the period necessary for VeriSign to have access to SDTI's Pre-Existing Technology in order to accomplish its obligations under this Agreement, SDTI grants to VeriSign a nonexclusive, nontransferable, royalty-free, limited license under SDTI's Intellectual Property Rights in the SDTI Pre-Existing Technology to:
- (a) use, copy and modify SDTI Pre-Existing Technology for internal purposes only and solely to the extent necessary to develop the Developed Technology; and
  - (b) incorporate SDTI Pre-Existing Technology to the extent necessary into the Developed Technology for use and distribution by SDTI.

- 4.2 DEVELOPED TECHNOLOGY. On the terms and subject to the conditions set forth herein, VeriSign grants to SDTI a non-exclusive, royalty-free, 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 and the Developed Technology to: (a) use, copy, modify, and prepare derivative works of the Developed Technology in Source Code form and Object Code; and (b) copy and distribute the Developed Technology solely in Object Code

Form to End-Users in combination with substantial added value in the form of the Products. Except as expressly permitted herein, SDTI may not (i) disassemble, decompile or reverse engineer the Developed Technology, (ii) use the Developed Technology in any manner to perform service bureau, time sharing, certification authority, or other computer services to third parties or permit End Users to do the same, or (iv) 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.

4.3 ACCESS TO TECHNOLOGY. VeriSign will provide SDTI first-to-market access to new technologies which it develops that, in VeriSign's reasonable discretion, have relevant impact to SDTI's business. Similarly, SDTI will provide VeriSign with advanced notification of security products and services it intends to launch and will make reasonable efforts to utilize VeriSign technology, products and services where appropriate. SDTI understands that VeriSign has a similar arrangement with the following companies listed: Microsoft, Netscape and Cisco Systems. VeriSign will notify and provide access to these new technologies to SDTI and the above companies at the same time. Any such disclosure by VeriSign to SDTI shall be subject to the provisions of Section 10 of this Agreement.

#### 4.4 TRADEMARKS.

- (a) TRADEMARK LICENSE. During the term of this Agreement, VeriSign hereby grants to SDTI a nonexclusive, nontransferable license to advertise the Product and Developed Technology under the VeriSign trademarks, trade names, logos and/or slogans listed on Exhibit G ("TRADEMARKS") as updated by VeriSign and agreed to in writing by SDTI from time to time. Such use must reference the Trademarks as being owned by VeriSign. The rights granted to SDTI in this license will terminate upon any termination or expiration of this Agreement. Upon such termination or expiration, SDTI will no longer make any use of any Trademarks.
- (b) TRADEMARK OWNERSHIP. SDTI recognizes that VeriSign is the owner of all right, title and interest in the Trademarks. SDTI's use of the Trademarks shall inure to the benefit of VeriSign. SDTI shall not at any time acquire any rights in the Trademarks by virtue of any use it may make of the Trademarks. SDTI shall not during the term of this Agreement, or thereafter, attack the title or any rights of VeriSign in and to the Trademarks or attack the validity of the Trademarks. SDTI shall not register in any country any name or mark resembling or confusingly similar to any of the Trademarks.
- (c) QUALITY STANDARDS. SDTI shall use the Trademarks in accordance with VeriSign's trademark usage guidelines specified in Exhibit G, as amended by VeriSign from time to time and agreed to by SDTI in writing. Upon VeriSign's request, SDTI shall furnish to VeriSign free of cost a reasonable number of each printed item of advertising, packaging, or other promotional material bearing the Trademarks so that VeriSign may monitor SDTI's compliance with the trademark usage guidelines set forth in Exhibit G, as amended by VeriSign from time to time. If any of VeriSign's Trademarks are to be used in conjunction with SDTI's or another party's trademarks, on or in relation to the Product or Developed Technology, then VeriSign's Trademarks shall be presented legibly, but nevertheless separated from the other, so that each appears to be a trademark in its own right, distinct from the other mark.

4.5 OTHER AGREEMENTS BY SDTI.. SDTI may not distribute the Developed Technology to any End User unless such End User is subject to an end user license agreement with SDTI that: (i) protects VeriSign's proprietary rights in the Developed Technology to at least the same degree as the terms and conditions of this Agreement; (ii) requires

that such End User not reverse engineer, reverse compile or disassemble the object code for the Developed Technology; (iii) requires such End User to comply fully with all applicable laws and regulations in any of its dealings with respect to the Developed Technology; (iv) makes no representations or warranties on behalf of VeriSign; and (v) does not grant any rights to such End User beyond the scope of this Agreement. SDTI will promptly provide VeriSign with reasonable access to such agreements following VeriSign's request.

4.6 U.S. GOVERNMENT AGENCIES. If SDTI distributes the Developed Technology to any agency of the United States government, SDTI shall require the government to agree that the Developed Technology is "commercial computer software" or "commercial computer software documentation" and that, absent written agreement to the contrary, the government's rights with respect to the Developed Technology are limited by the term of the End User license agreement, pursuant to FAR Section 12.212(a) and/or DFARS Section 27.702-1(a) as applicable.

## 5. PROJECT MANAGEMENT AND DELIVERY

5.1 PROJECT MANAGERS. Each party will appoint a single project manager ("PROJECT MANAGER") and will promptly provide written notification to the other party of the name and contact information for its Project Manager. Each Project Manager will act as the principal liaison between the parties with respect to his or her party's respective performance under this Agreement and will identify to the other party, and provide contact information for, the other individuals responsible for specific tasks hereunder.

5.2 DELIVERY OF DELIVERABLES ON TARGET DATES. VeriSign shall use its commercially reasonable efforts to deliver to SDTI the Deliverables in accordance with the Milestones set forth on the Statement of Work.

5.3 DELIVERY OF ERROR CORRECTIONS. During the term of this Agreement and for the period of VeriSign's warranty set forth in Section 13.1 below, VeriSign shall deliver to SDTI any Error Corrections for the Developed Technology promptly upon their development.

5.4 DELIVERY OF DEVELOPED TECHNOLOGY. Upon completion of the Developed Technology, VeriSign shall deliver it to SDTI for final evaluation and testing pursuant to Section 8.

## 6. VERISIGN'S OBLIGATIONS AND DEVELOPMENT UNDERTAKINGS

6.1 USE OF DEVELOPMENT EQUIPMENT. VeriSign shall not use or permit use of the Development Equipment for any purpose other than development of the Developed Technology. The Development Equipment shall: (i) remain the personal property of SDTI; (ii) be subject to inspection by SDTI upon reasonable notice and during VeriSign's normal business hours; and (iii) be kept free and clear of liens and encumbrances. VeriSign shall use and maintain the Development Equipment in a careful and proper manner and shall be responsible for all loss or damage which occurs while the Development Equipment is in its possession. Upon the termination of the Development Period, VeriSign shall return the Development Equipment to SDTI in good condition, reasonable wear and tear excepted, as may be directed by SDTI (and SDTI shall bear the corresponding freight costs).

6.2 THIRD PARTY TECHNOLOGY. VeriSign shall obtain and secure the worldwide rights to use and distribute any Third Party Technology that is necessary for the Developed Technology to operate

6

without Non-Conformance and to be used, manufactured and distributed by SDTI pursuant to the terms of this Agreement.

6.3 TESTING. For so long as VeriSign provides maintenance services pursuant to Section 12.2, VeriSign shall perform and be responsible for the testing and debugging of all releases of the Developed Technology and shall provide to SDTI at no charge all Error Corrections to the Developed Technology. VeriSign shall provide all assistance necessary for SDTI fully to test and evaluate the Developed Technology and each Deliverable to determine whether it

substantially conforms to the Specifications, including the Acceptance Criteria.

- 6.4 SCHEDULE CHANGES. In the event VeriSign determines that a particular Milestone will likely be missed, it promptly shall give notice to SDTI setting forth in reasonable detail the reason for the anticipated delay, any corrective measures VeriSign intends to undertake and the estimated revised Milestone.
7. SDTI'S OBLIGATIONS AND RIGHT TO MODIFY SPECIFICATIONS.
  - 7.1 SUPPORT AND INFORMATION. SDTI will provide any engineering support, technical training and other resources, including SDTI Pre-Existing Technology, reasonably requested by VeriSign to assist VeriSign with a Statement of Work ("RESOURCES"). SDTI shall not be obligated to provide specific Resources or specific levels of any Resource unless agreed in writing by SDTI.
  - 7.2 DEVELOPMENT EQUIPMENT. SDTI shall provide to VeriSign the Development Equipment listed in Exhibit A. The Development Equipment shall be shipped to VeriSign freight prepaid.
  - 7.3 SDTI UPDATES. SDTI may, in its sole discretion, update the SDTI Pre-Existing Technology, if any, provided to VeriSign if a new release becomes available during the Development Period, subject to VeriSign's written agreement to any modification to the Specifications necessitated by such new release.
  - 7.4 CHANGES. If, at any time, SDTI desires to modify the Specifications or the Statement of Work, SDTI shall present a written request to VeriSign describing such modifications using VeriSign's standard Project Change Request Form (each such request is a "CHANGE ORDER"), which VeriSign may approve in its sole discretion. VeriSign will promptly review each such Change Order and determine, in VeriSign's reasonable discretion, whether such Change Order can be accomplished by VeriSign, and whether the performance of such Change Order will increase the costs and/or delay the original schedule for creating the Deliverables. If the parties agree to the Change Order (including without limitation any such increased costs and/or delays estimated by VeriSign), the Change Order will be deemed to amend and become part of the Statement of Work and VeriSign will perform the Consulting Services in accordance with such amended Statement of Work.
  - 7.5 SDTI'S INTERNAL USE OF CERTIFICATE AUTHORITY ("CA") SERVICES. If and for so long as VeriSign's CA services and products are superior or competitive (at a minimum, in terms of pricing, performance and features) with similar products available in the market, as determined by SDTI in its sole discretion, SDTI will purchase and use VeriSign's CA products and services for its internal use only.
  - 7.6 To the extent SDTI personnel are provided or take action at VeriSign's site pursuant to this Agreement, such personnel shall be provided solely at SDTI's cost, and upon VeriSign's reasonable request, SDTI shall provide evidence of satisfaction of all state and federal employment laws and worker compensation requirements in connection with such personnel. Such personnel shall, at VeriSign's reasonable request, execute confidentiality agreements containing terms and conditions substantially similar to those in Section 10, and shall agree to

7

abide by all reasonable VeriSign visitor regulations. SDTI understands that VeriSign operates a secure facility and that there are portions of such facility that SDTI's personnel will not be permitted to enter unless entry to such facility is necessary in order to allow SDTI to exercise its rights hereunder. In the event that VeriSign determines that any SDTI personnel has breached a VeriSign visitor regulation, SDTI shall, upon receipt of notice from VeriSign, immediately cause such person to be removed from VeriSign's facility and provide a replacement.

8. EVALUATION AND ACCEPTANCE/REJECTION OF DEVELOPED TECHNOLOGY

Unless otherwise stated in the Statement of Work, SDTI shall advise VeriSign in writing within forty five (45) days of receipt of the completed Developed Technology for testing or evaluation whether SDTI accepts or rejects such Developed Technology in accordance with the Acceptance Criteria. In the event that SDTI does not respond in writing within such forty five (45) day period, then the Developed Technology shall be deemed accepted. If SDTI rejects the Developed Technology, then SDTI shall provide to VeriSign a written statement of the reasons for such rejection. Upon rejection, VeriSign shall prepare an Error Correction within twenty (20) business days and resubmit such Developed Technology to SDTI for evaluation pursuant to this Section. In the event the Developed Technology still fails to conform to the Acceptance Criteria after two (2) attempts to correct and resubmit the Developed Technology, the matter shall be escalated to the respective management of the parties for resolution. If the parties cannot reach an agreement in good faith after such executive escalation, either party may pursue whatever remedies it may have under this Agreement, at law or in equity.

## 9. LICENSE FEES; ROYALTY PAYMENTS

- 9.1 LICENSE FEE. SDTI shall make the nonrefundable license payments to VeriSign in accordance with Exhibit E attached hereto. Additional license fees for subsequent projects shall be as set forth in the applicable Statement of Work.
- 9.2 MAINTENANCE AND SUPPORT. In exchange for the receive maintenance and support services and Updates and Enhancements for the Products from VeriSign under Section 12, SDTI will pay VeriSign the nonrefundable amounts specified in Exhibit E for such services.
- 9.3 PAYMENT TERMS. SDTI will make all initial payments to VeriSign when specified in Exhibit E. SDTI will make all ongoing payments to VeriSign due under Exhibit E within thirty (30) days after receipt of VeriSign's invoice, unless otherwise set forth in a SOW. Payments made under this Agreement after their due date will incur interest at a rate equal to 1.5% per month or the highest rate permitted by applicable law, whichever is lower.
- 9.4 TAXES. All amounts payable under this Agreement are exclusive of all sales, use, value-added, withholding, and other taxes and duties. SDTI will pay all taxes and duties assessed in connection with this Agreement and its performance by any authority within or outside of the U.S., except for taxes payable on VeriSign's net income. VeriSign will be promptly reimbursed by SDTI for any and all taxes or duties that VeriSign may be required to pay in connection with this Agreement or its performance.
- 9.5 RECORDS AND AUDITS. SDTI shall keep all proper records and books of account and all proper entries therein relating to its distribution of Products under this Agreement. To the extent that SDTI is to pay ongoing royalties under the terms of the initial or a subsequent SOW, on no less than 30 days' prior written notice and no more than once annually, VeriSign may request that an independent certified public accountant audit the applicable records during regular business hours at SDTI's offices to verify statements rendered hereunder. VeriSign shall bear the expenses of any such audit; provided that if such audit reveals that royalties paid by SDTI for any period are less

8

than 95% of what should have been paid by SDTI, on VeriSign's request, SDTI shall pay the costs of such audit in addition to royalties then due and owing to VeriSign.

## 10. CONFIDENTIAL INFORMATION

- 10.1 CONFIDENTIAL INFORMATION. VeriSign and SDTI agree and acknowledge that in order to further the performance of this Agreement, they will be required to disclose to each other certain confidential information which will be identified as such in writing or, if disclosed orally, will be reduced to writing within thirty (30) days thereafter ("Confidential Information"). The Developed Technology

will be regarded as Confidential Information whether or not it is identified in writing as "Confidential."

10.2 PROTECTION OF CONFIDENTIAL INFORMATION. The receiving party agrees to protect the confidentiality of the disclosing party's Confidential Information with at least the same degree of care that it utilizes with respect to its own similar proprietary information, including without limitation agreeing:

(a) Not to disclose or otherwise permit any other person or entity access to, in any manner, the Confidential Information or any part thereof in any form whatsoever, except that such disclosure or access shall be permitted to an employee, agent or contractor of the receiving party requiring access to the Confidential Information in the course of his or her engagement in connection with this Agreement and who has signed an agreement obligating the employee, agent or contractor to maintain the confidentiality of the confidential information of third parties in the receiving party's possession;

(b) To notify the disclosing party promptly and in writing of the circumstances surrounding any suspected possession, use or knowledge of the Confidential Information or any part thereof at any location or by any person or entity other than those authorized by this Agreement; and

(c) Not to use the Confidential Information for any purpose other than as explicitly set forth herein.

10.3 EXCEPTIONS. Nothing in this Section 10 shall restrict the receiving party with respect to information or data, whether or not identical or similar to that contained in the Confidential Information, if such information or data: (a) was rightfully possessed by the receiving party before its received from the disclosing party; (b) is independently developed by the receiving part without reference to the disclosing party's information or data; (c) is subsequently furnished to the receiving party by a third party not under any obligation of confidentiality with respect to such information or data, and without restrictions on use or disclosure; (d) is or becomes available to the general public otherwise than through any act or default of the receiving party; or (e) is required to be disclosed by the receiving party by law or government regulation.

10.4 INJUNCTIVE RELIEF. Because the unauthorized use, transfer or dissemination of any Confidential Information provided hereunder may diminish substantially the value of such materials and may irreparably harm the disclosing party, if a receiving party breaches the provisions of this Section 10, the disclosing party shall, without limiting its other rights or remedies, be entitled to equitable relief, including but not limited to injunctive relief.

## 11. USE OF CONTRACTORS

Each party may retain third parties ("Contractors") to furnish services to it in connection with the performance of its obligations hereunder and permit such Contractors to have access to the Confidential Information of the other but only to the extent and insofar as reasonably required in connection with the performance of such party's obligations under this Agreement; provided that

9

all such Contractors shall be required by the applicable party to execute a written agreement: (a) sufficient to secure compliance by the Contractors with such party's obligations of confidentiality concerning Confidential Information set forth in Section 10; and (b) acknowledging the Contractor's obligation to assign all work product to such party in connection with performance hereunder.

## 12. SUPPORT

12.1 SUPPORT. Upon payment of the support fees set forth in Exhibit E, VeriSign shall provide the documentation and support to SDTI as set forth on Exhibit F for the Term of this Agreement. Additional or different support and documentation and the corresponding support fee

may require for subsequent projects and shall be as set forth in the applicable Statement of Work. Support services hereunder shall commence on the Effective Date, shall extend for a period of three (3) years, and shall continue for successive annual terms, which may be terminated by either party upon (60) days notice prior to the end of the then current term. Further, SDTI may terminate the support services set forth herein at any time upon sixty (60) days written notice to VeriSign.

12.2 MAINTENANCE. For a period of three (3) years from the Effective Date, upon payment of the maintenance fees set forth in Exhibit E, VeriSign shall provide to SDTI all Enhancements and Updates to the Developed Technology that VeriSign may, in its sole discretion, choose to develop. VeriSign shall deliver all Updates to SDTI promptly upon their creation. SDTI shall receive such Enhancements simultaneous with their release to VeriSign's similarly situated customers, and in any event shall deliver such available Enhancements at least once per year. VeriSign agrees to use its reasonable efforts to synchronize its release of Enhancements and Updates to SDTI with SDTI's release cycles of its Products. Upon delivery, Updates and Enhancements shall be deemed part of and incorporated into the Developed Technology. After the three (3) year maintenance period, the parties agree to negotiate in good faith for the terms of extended maintenance services as set forth in this Section. VeriSign agrees that it shall offer maintenance rates to SDTI that are no less favorable than the fees offered to any other third party purchasing similar products at similar volumes under similar commercial terms and conditions.

### 13. REPRESENTATIONS AND WARRANTIES.

13.1 WARRANTY RE DEVELOPED TECHNOLOGY. VeriSign represents and warrants to SDTI that (i) each Deliverable hereunder developed by VeriSign will substantially conform to and perform in accordance with the applicable Specifications and Documentation when delivered and (ii) the Developed Technology, when delivered by VeriSign to SDTI, will substantially conform to and perform in accordance with the Specifications and Documentation, be free of material defects in design, both for a period of ninety (90) days following acceptance by SDTI of the applicable Deliverable (the "Warranty Period"). During the Warranty Period, as SDTI's exclusive remedy for breach of the above warranties, VeriSign shall promptly correct all Errors and shall otherwise provide to SDTI, free of charge, the maintenance and support services described in Section 12 above.

13.2 AUTHORIZATION AND ORIGINALITY. VeriSign represents and warrants that it has the right to enter into this Agreement, and that there exist no prior commitments or other obligations which prevent VeriSign from making all of the grants and undertakings provided for in this Agreement. VeriSign warrants that VeriSign has the right to make the assignments and grant the licenses granted herein. SDTI represents and warrants that it has the right to enter into this Agreement, and that there exist no prior commitments or other obligations which prevent SDTI from making all of the grants and undertakings provided for in this Agreement. SDTI warrants that SDTI has the right to make the assignments and grant the licenses granted herein.

13.3 DISCLAIMER. EXCEPT AS PROVIDED IN THIS AGREEMENT, VERISIGN MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEVELOPED TECHNOLOGY OR OTHERWISE AND EXPRESSLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. No oral or written information or advice given by VeriSign's employees or representatives which is not contained in this Agreement shall create a warranty or in any way increase the scope of VeriSign's obligations.

13.4 NO WARRANTY AS TO SDTI PRE-EXISTING TECHNOLOGY. SDTI makes no representation or warranty concerning any SDTI Pre-Existing Technology licensed to VeriSign hereunder. The SDTI Pre-Existing Technology is licensed on an "AS IS" basis and solely for the convenience of VeriSign in performing its obligations hereunder.



14. LIMITATION OF LIABILITY

EXCEPT AS SET FORTH IN SECTION 15, VIOLATION OF THE PARTIES' RESPECTIVE INTELLECTUAL PROPERTY RIGHTS, BREACH BY PARTIES OF THEIR RESPECTIVE CONFIDENTIALITY OBLIGATIONS, AND BREACH OF THE SCOPE OF THE LICENSES GRANTED IN SECTION 4.2, (A) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THE PERFORMANCE OF OR ALLEGED FAILURE TO PERFORM THIS AGREEMENT (INCLUDING LOSS OF REVENUE, PROFITS, USE, DATA, OR OTHER ECONOMIC ADVANTAGE), REGARDLESS OF THE THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OCCURRING, AND (B) IN NO EVENT SHALL VERISIGN'S LIABILITY TO SDTI EXCEED THE TOTAL AMOUNTS PAID BY SDTI TO VERISIGN UNDER THIS AGREEMENT.

15. INTELLECTUAL PROPERTY INDEMNIFICATION

15.1 SCOPE OF VERISIGN INDEMNIFICATION.

- (a) VeriSign will indemnify, defend and hold SDTI harmless from and against any and all losses, damages, liabilities and expenses (including but not limited to reasonable legal fees, settlement costs, judgments and awards) to the extent resulting from or incurred in connection with any claim or legal proceeding brought against SDTI and based on a claim that a Deliverable, the Developed Technology, or any part thereof, or SDTI's use, manufacture or distribution thereof, infringes any issued United States patent or copyright or misappropriates any trade secret of a third party except to the extent that such claim arises out of (a) any SDTI Pre-Existing Technology or any modification to the Deliverable or Developed Technology made by SDTI or not made by VeriSign; or (b) any combination of the foregoing with Technology not provided or recommended in writing by VeriSign. The remedies set forth in this Section 15.1 shall be SDTI's sole and exclusive remedy, and VeriSign's sole and exclusive obligations with regard to third party claims of intellectual property infringement.
- (b) VERISIGN'S EFFORTS. Should SDTI's use and/or distribution of the Developed Technology be enjoined or become the subject of a claim of infringement, VeriSign shall use all reasonable commercial efforts to either (a) procure for SDTI the right to continue to use and distribute the Developed Technology, as the case may be, or (b) replace or modify the Developed Technology, as the case may be, to make it non-infringing without materially changing the form, fit, operation and function of the Developed Technology. If none of such alternatives is reasonably possible, then the use and distribution of the particular Developed Technology may be terminated at the option of VeriSign without

11

further obligation or liability except as otherwise provided herein. In the event of such termination, VeriSign shall refund to SDTI any and all monies paid by SDTI with respect to such Developed Technology less depreciation for use on a straight line basis amortized over \_\_\_\_\_ years.

- (c) CONDITIONS TO INDEMNIFICATION. The foregoing indemnity is conditioned on (i) prompt written notice by SDTI of any claim or proceeding subject to indemnity; (ii) VeriSign's sole control of the defense and settlement of any claim under this Section and (iii) all reasonable cooperation and assistance by SDTI party in the defense and settlement of such claim at VeriSign's expense.

- 15.2 SCOPE OF SDTI INDEMNIFICATION. Subject to Section 15.1, SDTI shall defend, indemnify and hold VeriSign harmless from any and all damages, liabilities, costs and expenses (including but not limited to attorney's fees) incurred by VeriSign arising out of (i) claims described in items (a) and (b) of Section 15.1(a), or (ii) any acts or omissions of SDTI in connection with their activities under this Agreement. As a condition to such defense and indemnification, VeriSign will provide SDTI with prompt written notice of the claim,

the opportunity to assume the defense of the claim at SDTI's expense, and information and assistance, at SDTI's expense, in connection therewith.

## 16. TERM AND TERMINATION

- 16.1 TERM OF AGREEMENT. This Agreement shall commence on the Effective Date and continue in perpetuity unless terminated as set forth below (the "Term").
- 16.2 TERMINATION FOR CAUSE. If either party commits a material breach of the terms and conditions of this Agreement, the other party may terminate this Agreement upon forty-five (45) days' prior written notice to the defaulting party describing in reasonable detail such breach unless, within such forty-five (45) day period after receipt of such Notice, all breaches specified therein shall have been remedied.
- 16.3 TERMINATION FOR INSOLVENCY EVENT. To the fullest extent permitted by law, this Agreement may be terminated at the option of the terminating party upon written notice to the other party upon the occurrence of any of the following events with respect to the other party: (i) a receiver is appointed for such party or its property; (ii) such party makes a general assignment for the benefit of its creditors; (iii) such party commences, or has commenced against it, proceedings under any bankruptcy, insolvency or debtor's relief law, which proceedings are not dismissed within sixty (60) days; or (iv) such party is liquidated or dissolved.
- 16.4 SURVIVAL OF RIGHTS AND OBLIGATIONS UPON TERMINATION. The provisions of Sections 3, 4.2, 4.3, 10, 12, 13, 14, 15, 16, and 17 shall survive any expiration or termination of this Agreement.
- 16.5 RETURN OF MATERIALS UPON TERMINATION. Upon termination or expiration of this Agreement, all materials containing the SDTI Pre-Existing Technology or Confidential Information of SDTI shall be returned promptly to SDTI or destroyed and certified as same by an officer of VeriSign. Unless otherwise provided in this Agreement, upon termination of this Agreement, all materials containing the VeriSign Pre-Existing Technology, Developed Technology, and VeriSign Proprietary Information of VeriSign shall be returned promptly to VeriSign or destroyed and certified as same by an authorized representative of SDTI.

## 17. MISCELLANEOUS

- 17.1 FORCE MAJEURE. Neither party shall be liable to the other (except for failure to pay) for delays or failures in performance resulting from causes beyond the reasonable control of that party, including but not limited to acts of God, labor disputes or disturbances, material shortages or

12

rationing, riots, acts of war, governmental regulations, communication or utility failures or casualties.

- 17.2 ASSIGNMENT. SDTI may not assign or otherwise transfer this Agreement, or any of its rights or obligations under this Agreement to a third party without the prior written consent of VeriSign. .
- 17.3 RELATIONSHIP OF PARTIES. The parties are independent contractors under this Agreement and no other relationship is intended, including a partnership, franchise, joint venture, agency, employer/employee, fiduciary, master/servant relationship, or other special relationship. Neither party shall act in a manner which expresses or implies a relationship other than that of independent contractor or binds the other party.
- 17.4 WAIVER OR DELAY. Waiver of any term, condition or provision of this Agreement, or a delay in the enforcement of any right hereunder, shall not be construed as a waiver of any other term, condition, or provision, nor shall such waiver be deemed a waiver of any subsequent breach thereof.

- 17.5 SEVERABILITY. If any term or provision of this Agreement is found to be invalid under any applicable statute or rule of law then, that provision notwithstanding, this Agreement shall remain in full force and effect and such provision shall be deemed omitted.
- 17.6 BENEFICIARIES. This Agreement is made for the benefit of the parties hereto and not for the benefit of any third parties.
- 17.7 GOVERNING LAW AND JURISDICTION. Any action related to this Agreement will be governed by California law and controlling U.S. federal law. No choice of law rules of any jurisdiction will apply. Any action brought hereunder shall be brought exclusively in the United States District Court for the Northern District of California, San Jose Branch, or the California Superior Court for the County of Santa Clara, as applicable.
- 17.8 ATTORNEYS' FEES. In addition to any other relief, the prevailing party in any action arising out of this Agreement shall be entitled to attorneys' fees and costs.
- 17.9 NOTICES. Any notices required or permitted to be given pursuant to this 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 addresses set forth on the first page of this Agreement 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.
- 17.10 HEADINGS. Headings used in this Agreement are for ease of reference only and shall not be used to interpret any aspect of this Agreement.
- 17.11 ENTIRE AGREEMENT. This Agreement, together with its Exhibits, is the parties' entire understanding and agreement with respect to its subject matter and supersedes (a) all prior or contemporaneous oral or written communications, proposals, understandings, and representations with respect to its subject matter; and (b) any conflicting terms of any quote, order, acknowledgment, or similar communication between the parties. This Agreement may not be modified or amended, in whole or in part, except in a writing executed by duly authorized representatives of each party.
- 17.12 COMPLIANCE WITH EXPORT LAWS SDTI shall not export, directly or indirectly, the Developed Technology or other materials or information provided by VeriSign hereunder, to any country for which the United States or any other relevant jurisdiction requires any export license or other governmental approval at the time of export without first obtaining such license or approval.

13

- 17.13 COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be an original and together which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

SECURITY DYNAMICS  
TECHNOLOGIES, INC. ("SDTI")

VERISIGN, INC.  
("VeriSign")

By: /s/ Marian O'Leary

By: /s/ Dana L. Evan

Name: Marian O'Leary

Name: Dana L. Evan

Title: Chief Financial Officer

Title: Chief Financial Officer

14

DEVELOPMENT EQUIPMENT

[TO BE COMPLETED]

EXHIBIT B

SPECIFICATIONS

[TO BE COMPLETED]

EXHIBIT C

STATEMENT OF WORK

[TO BE COMPLETED]

EXHIBIT D

THIRD PARTY TECHNOLOGY

[TO BE COMPLETED]

EXHIBIT E

LICENSE AND ROYALTY PAYMENTS

1. LICENSE FEE. SDTI shall pay to VeriSign an initial license fee of U.S. [\*] for the Developed Technology as more particularly described in the Statement of Work dated \_\_\_\_\_, 1997. Such license fee shall be payable as follows:

DELIVERABLE	DATE	PAYMENT
Execution of Agreement		\$ 900,000
Per Achievement of Milestones set forth in the Statement of Work		\$1,800,000
TOTAL		\$2,700,000

2. SUPPORT FEE: Support for the Developed Technology as set forth in Section 12.1 of the Agreement shall be provided by VeriSign without charge for a period of six (6) months from the Effective Date. Thereafter, SDTI shall pay VeriSign a support fee of [\*] per month.

3. MAINTENANCE FEE: Maintenance services as set forth in Section 12.2 of the Agreement shall be provided by VeriSign without charge for a period of twelve (12) months from the Effective Date. Thereafter, SDTI shall pay VeriSign an annual support fee of [\*] payable upon the anniversary of the Effective Date.

[\*] Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

EXHIBIT F

SUPPORT

[TO BE COMPLETED]

EXHIBIT G

## LOGO AND TRADEMARK USAGE GUIDE

VeriSign encourages its customers and partners to use VeriSign logos and trademarks on customer and partner product data sheets, packaging, Web pages and advertising - but it is important to use them properly.

When using VeriSign trademarks and service marks in ads, product packaging, documentation or collateral materials, be sure to use the correct trademark designator: (SM) for claimed or pending servicemarks, O for claimed or pending trademarks, and (R) for registered trademarks. VeriSign trademarks and their correct designators are depicted below. To ensure proper usage, please allow VeriSign's Corporate Marketing department to review any materials using or mentioning VeriSign trademarks prior to general release.

Using these VeriSign logos does not require prior written permission; in fact, we encourage you to use them on your product packaging, Web pages and marketing collateral. However, text of written materials which mention VeriSign services and/or products should be reviewed by VeriSign's Corporate marketing department at the draft stage.

VeriSign updates its Logo and Trademarks Usage Guide--available at <http://www.Verisign.com/about/logosmtm.html> on a regular basis and will distribute the information to its customers and partners. This information will also be located on the VeriSign Web site and updated often.

Logos/Marks (see the website for actual logos):

VeriSign(TM)

Digital ID(SM)

Digital ID Partner(SM)

Digital ID Center(SM)

Authentic Site(TM)

[CONFIDENTIAL TREATMENT REQUESTED]

PLA Number: \_\_\_\_\_  
Date of Agreement: \_\_\_\_\_

VERISIGN PRIVATE LABEL AGREEMENT  
(Customer Root Key)

Customer: VISA International Service Association, a Delaware  
-----  
corporation  
-----

Customer Address: 900 Metro Center Boulevard, Foster City California 94404 or  
-----  
P.O. Box 8999, San Francisco, California 94128-8999  
-----

Customer Contact: Peter R. Hill  
-----

Effective Date: April 2. 1996  
-----

Term of Agreement: Two and one half (2.5) years from the earlier of the  
-----  
Commencement of Pilot Program or April 1, 1997.  
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- Exhibits Attached: Exhibit "A": Definitions
- Exhibit "B": Fees
- Exhibit "C": Logo Usage Guide
- Exhibit "D": Project Plan Elements
- Exhibit "E": System Design Specifications
- Exhibit "F": Customer Requirements for ECS
- Exhibit "G": Acceptance Test Procedures
- Exhibit "H": VeriSign Marketing Rights and Royalty  
Obligations
- Exhibit "I": Escrow Agreement
- Exhibit "J": License Agreement
- Exhibit "K": Service Level Specification
- Exhibit "L": Support Levels
- Exhibit "M": Timetable for Resolution of Outstanding  
Issues

THIS VERISIGN PRIVATE LABEL AGREEMENT ("AGREEMENT"), effective as of the  
-----  
Effective Date set forth above, is entered into by and between VeriSign, Inc., a  
Delaware corporation, having its principal place of business at 2593 Coast  
Avenue, Mountain View, California 94043 ("VERISIGN"), and the party identified  
-----  
above ("CUSTOMER"), having a principal address as set forth above.  
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RECITAL

VeriSign provides Certificate-issuing and certain other services to members of  
both public and private hierarchies. Customer wishes VeriSign to design, build  
and operate a Private Label Certificate System based on Customer's Root Key for  
the use by Customer to provide certificate registration, issuing and management  
functions to its member banks, all on the terms and subject to the conditions  
set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

AGREEMENT

1. DEFINITIONS

Capitalized terms shall have the meanings shown in Exhibit "A" hereto.

2. VERISIGN SERVICES TO CUSTOMER

2.1 DEVELOPMENT OF PRIVATE LABEL CERTIFICATE SYSTEM. VeriSign will design and develop a Private Label Certificate System based on Customer's Root Keys, a Protocol specified by Customer and specifications agreed upon by VeriSign and Customer in accordance with Section 4.1 below. The Private Label Certificate System will include Certificate servers, custom enrollment and verification processes for each Certificate type specified for use by Subscribers, management of the Certificate repository and renewal process, and procedures for operation of the system.

2.2 OWNERSHIP AND LICENSE OF PRIVATE LABEL CERTIFICATE SYSTEM. VeriSign will acquire and assemble the components of the Private Label Certificate System, consisting of hardware, software and telecommunications equipment. All right, title and interest to the Private Label Certificate System shall belong solely and exclusively to VeriSign, and Customer shall have no right, title or ownership interest therein. VeriSign shall have the right to obtain and hold in its name copyrights, registrations, patents and any similar protection which may be available for the Private Label Certificate System or components thereof and any derivative works thereof. In the event that any technology included in the VSE as delivered to Customer by VeriSign (the "VSE Technology") is hereafter covered by a claim of a patent issued to or assigned to VeriSign, VeriSign shall grant to Customer a nonexclusive, worldwide, perpetual, irrevocable, royalty-free license under the relevant claim(s) to make, use, have made and sell any product incorporating technology included in the VSE as delivered by VeriSign, provided that such license shall extend only to the VSE Technology and not to any other technology incorporated in any such product. In the event that any technology included in the Private Label Certificate System as delivered to Customer by VeriSign is hereafter covered by a claim of a patent issued to or assigned to VeriSign, VeriSign shall grant to Customer a nonexclusive, worldwide, royalty-free license under the relevant claim(s) to the extent necessary for Customer to use the Private Label Certificate System as provided in this Agreement.

Commencing April 1, 1998, Customer on ninety (90) days' prior written notice shall have the right to license the Private Label Certificate System pursuant to a license agreement substantially in the form of Exhibit "J". To the extent portions of the Private Label Certificate System are not owned by VeriSign, VeriSign will arrange to obtain the right to use such items by Customer or arrange for Customer to obtain the right to purchase or otherwise license such items.

2.3 ASSISTANCE IN DEFINING PROTOCOL. VeriSign will assist Customer in defining a workable Protocol for secure management and handling of Certificates in Customer's Private Hierarchy. VeriSign will provide Customer with a copy of VeriSign's Certification Practice Statement which governs Certificate operations in the VeriSign Public Hierarchies and a copy of the VeriSign Public Key Infrastructure (PKI) specification, which details management and

VeriSign Private Label Agreement  
Page 3

handling of Certificates under a policy-based delegation of operating authority. VeriSign will also recommend a set of operating and security practices and procedures to mitigate risks associated with Private Key compromise and Root Key distribution and to protect Customer's confidential authorization information.

2.4 MAINTENANCE OF PRIVATE LABEL CERTIFICATE SYSTEM AT VERISIGN SITE. VeriSign will provide a high-security facility on VeriSign's premises in Mountain View, California for operation of the Certificate server(s) and for storage of Certificate Signing Units containing Customer's Private Keys when not in use in a secure vault. VeriSign shall be responsible for maintaining the security on its premises and shall be liable for any damages that arise out of a breach of its security. VeriSign may move the Private Label Certificate System

to another location under VeriSign's control which provides a comparable level of security, and VeriSign shall provide notice to Customer in advance of such relocation. VeriSign shall establish a secure backup site at a mutually agreeable location that ensures continued operation in the event of a technical failure, natural disaster or any other event that disables the Mountain View (or relocated) facility.

2.5 CERTIFICATE MANAGEMENT SERVICES. VeriSign will provide to Customer the following services for Certificate management and operations:

2.5.1 SCOPE OF SERVICES. In accordance with Customer's specified Protocol, VeriSign will provide the following services with respect to the Certificate server(s): maintain adequate Certificate-issuing capacity to meet Customer's reasonable forecast requirements, provide firewall security for all appropriate portions of the Private Label Certificate System, maintain such firewall security for the portion of the Private Label Certificate System located on VeriSign premises, maintain a Certificate repository. renew, revoke and suspend Certificates. and provide Certificate status services.

2.5.2 ENROLLMENT AND RENEWAL SERVICES. Using an enrollment process based on security-enhanced HTML or e-mail with interfaces to Certificate Signing Units and authorization systems, VeriSign will issue Certificates under Customer's name and containing Customer's Root Keys to Subscribers in Customer's Private Hierarchy in accordance with the Protocol. VeriSign will process renewals of Certificates in accordance with the Protocol. Within ten (10) days after the end of each month, VeriSign will provide Customer with a monthly report on the number of Certificates issued and renewed.

2.5.3 CERTIFICATE REPOSITORY, REVOCATION AND STATUS SERVICES. VeriSign will maintain a repository of Certificates issued in Customer's Private Hierarchy. VeriSign will revoke and suspend Certificates in accordance with the Protocol

2.6 CUSTOMER SUPPORT. During the term of this Agreement, VeriSign will supply maintenance for the Private Label Certificate System as described in this Section 2.6 without additional charge to Customer.

2.6.1 TELEPHONE SUPPORT. VeriSign will provide telephone support as is reasonably necessary for Customer to meet the performance criteria for the Private Label

VeriSign Private Label Agreement  
Page 4

Certificate System as provided in Exhibit "K". VeriSign will also provide telephone support for a reasonable volume of calls to Customer-related entities as provided in Exhibit "L". VeriSign shall provide the support specified in this Section 2.6.1 to Customer's employees responsible for developing and maintaining Customer Products. VeriSign will provide the names of employees who will serve as primary points of contact for technical support for Customer. VeriSign may change the names of designated employees at any time by providing written notice to Customer. On VeriSign's request, Customer will provide a list with the names of the employees designated to receive support from VeriSign. Customer may change the names on the list at any time by providing written notice to VeriSign.

2.6.2 ESCALATION PROCEDURES. Customer and VeriSign shall agree upon a procedure for resolution of operating problems in the Private Label Certificate System which provides for escalation of effort based on the problem severity.

2.6.3 REIMBURSEMENT FOR CORRECTION OF CUSTOMER ERRORS. In the event VeriSign is required to take actions to correct an error which is caused by Customer errors, modifications, enhancements, software or hardware, then VeriSign may charge Customer for the correction or repair on a time-and-materials basis at VeriSign's rates then in effect, plus reimbursement for reasonable travel to and from Customer's sites and out-of-pocket expenses. as may be necessary in connection with duties performed under this Section 2.6 by VeriSign.

2.6.4 SYSTEM RELEASES. In the event operating problems in the Private Label Certificate System are not resolved by the escalation procedures, Customer and VeriSign agree to evaluate the desirability of changing to a later available release version of ECS, ECAS, and other applications employed by



VeriSign in provision of the Private Label Certificate System. A change to release level in the Private Label Certificate System will also be evaluated at the time new releases are tested.

2.7 ESCROW AGREEMENT. VeriSign will place in escrow pursuant to the Escrow Agreement set forth at Exhibit "I" all information necessary to build, support, maintain and operate the Private Label Certificate System. This information will be released to Customer upon occurrence of the events specified in such Escrow Agreement.

2.8 CUSTOMER MARKETING RIGHTS. VeriSign acknowledges and understands that Customer will be marketing Certificates and Certificate services using the Private Label Certificate Service being produced by VeriSign to Customer hereunder. VeriSign will be entitled to market Customer to Members as a Certification Authority and to sell Certificates issued in Customer's Private Hierarchy at royalty rates specified on Exhibit "H". All pricing of Certificates to Customer Members under the Certificate Authority Service marketed by Customer shall be determined by Customer, independent of any obligation to support and operate the Private Label Certificate Service by VeriSign hereunder. Customer shall charge its Members directly for use of the Private Label Certificate System.

2.9 CUSTOMER PERSONNEL. Customer may, at its own cost, upon reasonable notice and for the purpose of problem resolution, provide personnel to monitor or participate in the

VeriSign Private Label Agreement  
Page 5

operation of the Private Label Certificate Service and provision of Customer service pursuant to Section 2.6. VeriSign agrees to cooperate with Customer personnel to permit them to assist in establishing appropriate levels of Customer service, participate in problem verification and determination, and prepare to transfer operation of the Private Label Certificate Service to Customer pursuant to the license set forth in Exhibit "J".

2.10 FINANCIAL DATA. In the event Customer ceases to have access to financial information concerning VeriSign pursuant to its rights under that certain Investors' Rights Agreement dated February 20, 1996, or pursuant to filings made in accordance with the Securities Exchange Act of 1934, VeriSign shall make available to Customer on a quarterly basis, an unaudited balance sheet and statement of operations. Such information shall be kept confidential by Customer in accordance with Section 6.

### 3. CUSTOMER OBLIGATIONS TO VERISIGN -----

3.1 PROTOCOL. In addition to specifying SET-based functionality as incorporated in the Customer Requirements for ECS and the System Design Specifications, Customer will specify a Protocol, consisting of policies, procedures and resources to control the entire Certificate process for its Private Hierarchy and the transactional use of Certificates within the Private Hierarchy. The Protocol is not required to be consistent with the requirements of VeriSign's Certification Practice Statement for operation of VeriSign Public Hierarchies.

3.2 VERIFICATION OF SUBSCRIBER INFORMATION. Customer will provide VeriSign with verification of enrollment information submitted by a Subscriber who wishes to become a member of Customer's Private Hierarchy prior to VeriSign's issuance of a Certificate to such Subscriber. Customer will provide VeriSign with verification of a Subscriber's identity to the extent required by the Protocol.

3.3 FORECAST. Customer agrees to provide VeriSign on a confidential basis at the end of each calendar quarter with an updated forecast of the volume of Certificates it expects to be required for Customer's Private Hierarchy for the next six (6) months. The forecasts shall be by product line and based upon good faith estimates and assumptions believed by Customer to be reasonable at the time made.

3.4 CUSTOMER PERSONNEL. To the extent Customer personnel are provided or take action pursuant to Sections 2.9, 4.1.5, or 4.2, such personnel shall be provided solely at Customer's cost, and, upon request, Customer shall provide evidence of satisfaction of all state and federal employment laws and worker

compensation requirements in connection with such personnel. Such personnel shall execute confidentiality agreements as VeriSign shall reasonably request, and shall agree to abide by all reasonable VeriSign visitor regulations. Customer understands that VeriSign operates a secure facility and that there are portions of such facility that Customer's personnel will not be permitted to enter. In the event that VeriSign determines that any of Customer's personnel has breached a VeriSign visitor regulation, Customer shall immediately cause such person to be removed from VeriSign's facility, and may provide a replacement.

VeriSign Private Label Agreement

Page 6

#### 4. DEVELOPMENT

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4.1 DEVELOPMENT OF PROJECT PLAN. Attached as Exhibit D is the Project Plan that specifies the major phases of the development of the Customer's Private Label Certificate System, the major tasks to be completed, the deliverables to be produced and their scheduled completion dates.

4.1.1 DEVELOPMENT OF INTERFACE SPECIFICATIONS. In accordance with the Project Plan. Customer will create Interface Specifications for software interface of the Private Label Certificate System to Customer's Subscriber enrollment and authorization information and deliver the Interface Specifications to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Interface Specifications within fourteen (14) days. VeriSign shall promptly notify Customer of any deficiencies in the Interface Specifications. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Interface Specifications shall be resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.1 .

4.1.2 DEVELOPMENT OF PROTOCOL. In accordance with the Project Plan, Customer will create the Protocol and deliver it to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Protocol within fourteen ( 14) days. VeriSign shall promptly notify Customer of any deficiencies in the Protocol. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Protocol shall be resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.2.

4.1.3 DEVELOPMENT OF SYSTEM DESIGN SPECIFICATIONS. In accordance with the Project Plan, VeriSign will create System Design Specifications for the Private Label Certificate System and deliver the System Design Specifications to Customer to determine material conformity to Exhibit "F" and the Protocol and for Customer acceptance. Customer shall deliver written acceptance or rejection of the System Design Specifications within fourteen (14) days. Customer shall promptly notify VeriSign of any deficiencies in the System Design Specifications. Such notification shall be in writing and shall contain sufficient detail to allow VeriSign to resolve such deficiencies. If Customer fails to respond within the fourteen (14) days, VeriSign may submit written notice of such failure. If Customer does not respond with written

VeriSign Private Label Agreement

Page 7

notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by Customer. VeriSign shall respond to deficiencies identified by Customer by either making

modifications or refuting Customer' s arguments regarding the deficiency. Any modification to the System Design Specifications shall be resubmitted to Customer for review and approval in accordance with the procedures outlined in this Section 4.1.3.

4.1.4 DEVELOPMENT OF ACCEPTANCE TEST PROCEDURES. In accordance with the Project Plan, Customer shall create the Acceptance Test Procedures and deliver them to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Acceptance Test Procedures within fourteen (14) days. VeriSign shall promptly notify Customer of any deficiencies in the Acceptance Test Procedures. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Acceptance Test Procedures shall be resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.4.

4.1.5 DEVELOPMENT OF PRIVATE LABEL CERTIFICATE SYSTEM. In accordance with the Project Plan, VeriSign will develop the Private Label Certificate System in material conformity to the Interface Specifications and the System Design Specifications. Development of the Private Label Certificate System will take place at VeriSign's facility located in Mountain View, California or such other place as VeriSign shall reasonably select. VeriSign will deliver notice to Customer that the Private Label Certificate System is in material conformity to the Interface Specifications and the System Design Specifications and ready for acceptance testing on or before the date set forth in the Project Plan. Customer shall have the option to place two Customer employees on VeriSign's development team for the Private Label Certificate System. Such Customer personnel will be fully integrated into the development process and have access to all project information. Such personnel shall be subject to Sections 3.4 and 6 of this Agreement.

4.1.6 DEVELOPMENT OF SERVICE LEVEL SPECIFICATION. Customer and VeriSign have specified a preliminary set of performance criteria against which to measure the adequacy of the Private Label Certificate System in Exhibit "K" hereto, which is acceptable at the Effective Date of this Agreement. Customer and VeriSign recognize that after completion of the major phases of development of the Private Label Certificate System some modification of the Service Level Specification may be desirable. After the Acceptance Test Procedures have been approved by VeriSign, Customer and VeriSign shall cooperate in evaluating whether the Service Level Specification should be amended by Change Order in accordance with Section 4.1.8 and shall negotiate in good faith with respect to this Exhibit K.

VeriSign Private Label Agreement  
Page 8

4.1.7 ACCEPTANCE. Acceptance testing of the Private Label Certificate System in accordance with the Acceptance Test Procedures shall take place at VeriSign's facility located in Mountain View, California, or such other place as VeriSign shall reasonably select, using test data supplied by Customer and supplemented and approved by VeriSign, and shall establish material conformity of the Private Label Certificate System with the Interface Specifications and the System Design Specifications. VeriSign shall be entitled, but not obligated, to have a representative present at all such tests. Customer shall promptly notify VeriSign of any failure of the Private Label Certificate System discovered in testing, and any retesting required will be performed after redelivery of a modified version of the Private Label Certificate System to Customer by VeriSign. Customer shall deliver written acceptance of the Private Label Certificate System after establishment of material conformance to the Interface Specifications and the System Design Specifications and material satisfaction of the Acceptance Test Procedures within fourteen (14) days of the completion of the testing. Such notification acceptance shall be in writing. If Customer fails to respond within the fourteen (14) days, VeriSign may submit written notice of such failure. If Customer does not respond with written notice of acceptance as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by Customer.

4.1.8 CHANGE ORDERS. Any amendment to a Program Document after its acceptance, shall only be effected by a change order ("CHANGE ORDER") approved  
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as follows:

4.1.8.1 CUSTOMER INITIATED. Customer may initiate a Change Order by delivering to VeriSign a writing signed by Customer's Program Manager requesting VeriSign to prepare a proposed Change Order. Such writing shall specify the requested change and cross-reference to Sections of the Program Documents that are proposed to be amended.

4.1.8.2 VERISIGN INITIATED. VeriSign may initiate a Change Order by delivering to Customer a proposed Change Order meeting the requirements of Section 4.1.8.3.

4.1.8.3 PREPARATION. Upon receipt of a written request as set forth above in this Section 4. 1.8, VeriSign shall, on or before fifteen (15) days after receipt of such request, prepare for Customer's review a proposed Change Order. Such proposed Change Order shall contain:

(i) a detailed description of the proposed amendments to the Program Documents;

(ii) the change, if any, to scheduled delivery of any item;

(iii) change in amounts due VeriSign under Exhibit "B" as a result of such Change Order. It is the expectation of the parties that enhancements, over and above the work initially specified in the Program Documents, which both parties deem necessary to permit reasonable implementation of the Private Label Certificate System, will be jointly funded in a spirit of cooperation between VeriSign and Customer. Those changes specifically requested by Customer, which are considered out of the scope of the original Program Documents, will be provided by VeriSign at its then-current time and materials rates.

VeriSign Private Label Agreement  
Page 9

4.1.8.4 EVALUATION. Customer shall evaluate, and respond to VeriSign with respect to, any proposed Change Order on or before the fifteenth (15) business day after receipt.

4.1.8.5 APPROVAL. Change Orders shall become effective and shall act as amendments to this Agreement and to portions of the Program Documents specified in such Change Orders only upon their execution by an officer or the Program Manager of VeriSign and by an officer or the Program Manager of Customer.

4.1.8.6 TECHNICAL SERVICES. In the event that a Change Order alters the scope of the project as originally defined, VeriSign will provide the following technical services to Customer at VeriSign's then standard rates:

4.1.8.6.1 Engineering assistance in developing interfaces for Certificate services to Customer's proprietary databases containing authorization and enrollment information regarding Subscribers.

4.1.8.6.2 Training of up to five (5) days for Customer's employee responsible for training other employees in customer technical support, marketing, and sales. Training shall occur at VeriSign's facility in Mountain View, California, or at such other location as the parties may agree.

4.2 PROJECT AUDITS. Customer shall have the right to perform a project audit to ensure adherence by VeriSign to this Agreement subject to limitations set forth below. Customer shall give reasonable prior notice to VeriSign of its desire to audit VeriSign's performance under this Agreement. Customer shall have the right to review VeriSign's progress on development of the Private Label Certificate System and after implementation of such system, Customer shall have the right to audit operational performance and execution of VeriSign in connection with the Private Label Certificate System. VeriSign agrees to cooperate with Customer personnel to permit them to assure themselves that VeriSign is performing its obligations in a reasonable manner under this Agreement. Such Customer personnel shall be subject to the requirements of

Sections 3.4 and 6 of this Agreement. Customer shall perform such audits only at reasonable intervals.

5. FEES AND PENALTIES

5.1 DEVELOPMENT FEES. As consideration for the development of a Private Label Certificate System for Customer, provision of the hardware and software components of the system, and assistance in developing a Protocol for operation of the Private Label Certificate System as set forth in Sections 2.1, 2.2 and 2.3 above, Customer shall pay to VeriSign the amount set forth as Development Fees on Exhibit "B" according to the terms contained therein.

5.2 SET-UP FEES. As consideration for operation of the Private Label Certificate System as set forth in Sections 2.4, 2.5, 2.6 and 2.7 above Customer shall pay to VeriSign the amount set forth as Set-Up Fees on Exhibit "B" according to the terms contained therein.

VeriSign Private Label Agreement  
Page 10

5.3 SUBSCRIBER FEES. Customer will pay to VeriSign as Subscriber Fees amounts for each Subscriber initially enrolled or renewed in Customer's Private Hierarchy through Customer the prices set forth on Exhibit "B".

5.4 TERMS OF PAYMENT. Subscriber Fees shall accrue upon issuance. VeriSign will furnish Customer with a monthly invoice accompanied by the report required by Section 2.5.2 above of the number and type of Certificates requested and the number and type of Certificates issued and renewed during the prior month. Customer will pay Subscriber Fees as set forth in Exhibit "B" for the period therein. Subscriber Fees due VeriSign hereunder shall be paid by Customer to VeriSign's address set forth on Page 1 above on or before the thirtieth (30th) day after the invoice date. A late payment penalty on any undisputed Subscriber Fees not paid when due shall be assessed at the rate of one percent (1%) per thirty (30) days, beginning on the thirty-first (31st) day after the day the unpaid Subscriber Fees are due.

5.5 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 VeriSign) which are imposed by or under the authority of any government or any political subdivision thereof on the Development Fees or Set-Up Fees, Subscriber Fees or any aspect of this Agreement shall be borne by Customer and shall not be considered a part of, a deduction from or an offset against such fees.

5.6 DELAY PENALTY. In the event VeriSign does not operate on Visa's behalf a Private Label Certificate System materially meeting the System Design Specifications within four (4) weeks after the date specified as the "Commencement of Pilot" in the Project Plan ("Penalty Date"), Customer shall be entitled to liquidated delay damages as follows: One Thousand Dollars (\$1,000) per day for each day past the Penalty Date. VeriSign shall be entitled to an automatic extension for any deadline that is equal in length to that of any delay caused by any party other than VeriSign or entities controlled by VeriSign.

5.7 DEGRADATION PENALTY. After thirty (30) days prior notice of failure to meet the minimum service standard set forth in Exhibit "K" Service Level Specifications, Customer shall be entitled to degradation penalties as defined in Exhibit K.

5.8 INCENTIVE FOR EARLY COMPLETION. Both parties agree to work in good faith to complete all tasks necessary to offer the Private Label Certificate System as soon as possible. To provide an incentive for completion, Customer agrees to pay VeriSign a bonus of One Thousand Dollars (\$1,000) per day for every day that it is operating a Private Label Certificate System for the Pilot before the date of the Commencement Pilot currently listed in Project Plan. In the event that VeriSign operates a Private Label Certificate System for Customer on or before January 1, 1997, Customer shall pay VeriSign a bonus of Fifty Thousand Dollars (\$50,000), this bonus shall be in lieu of the One Thousand Dollars (\$1,000) per day bonus.

6. CONFIDENTIALITY

6.1 CONFIDENTIALITY. The parties acknowledge that in their performance of their duties hereunder either party may communicate to the other (or its designees) certain confidential

VeriSign Private Label Agreement  
Page 11

and proprietary information concerning the Customer Products, VeriSign products, the know-how, technology, techniques or marketing plans related thereto (collectively, the "Proprietary Information") all of which are confidential and proprietary to, and trade secrets of, the disclosing party. Each party agrees to hold all Proprietary Information within its own organization and shall not, without specific written consent of the other party or as expressly authorized herein, utilize in any manner, publish, communicate or disclose any part of the Proprietary information to third parties. This Section 6.1 shall impose no obligation on either party with respect to any Proprietary Information which: (i) is in the public domain at the time disclosed by the disclosing party; (ii) enters the public domain after disclosure other than by breach of the receiving party's obligations hereunder or by breach of another party's confidentiality obligations; or (iii) is shown by documentary evidence to have been known by the receiving party prior to its receipt from the disclosing party. Each party will take such steps as are consistent with its protection of its own confidential and proprietary information (but will in no event exercise less than reasonable care) to ensure that the provisions of this Section 6.1 are not violated by its end user customers, distributors, employees, agents or any other person.

6.2 INJUNCTIVE RELIEF. Both parties acknowledge that the restrictions contained in this Section 6 are reasonable and necessary to protect their legitimate interests and that any violation of these restrictions will cause irreparable damage to the other party within a short period of time, and each party agrees that the other party will be entitled to injunctive relief against each violation.

## 7. OBLIGATIONS OF CUSTOMER

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7.1 PROPRIETARY MARKINGS; COPYRIGHT NOTICES. The Customer agrees not to remove or destroy any proprietary, trademark or copyright markings or notices placed upon or contained within any VeriSign materials or documentation. The Customer further agrees to insert and maintain: (i) within every Customer Product and any related materials or documentation a copyright notice in the name of VeriSign; and (ii) within the splash screens, user documentation, printed product collateral, product packaging and advertisements for the Customer Product, a statement that the Customer Product contains the VeriSign technology. The Customer shall not take any action which might adversely affect the validity of VeriSign's proprietary, trademark or copyright markings or ownership by VeriSign thereof, and shall cease to use the markings, or any similar markings, in any manner on the expiration of this Agreement. The placement of a copyright notice on any of the VeriSign materials or documentation shall not constitute publication or otherwise impair the confidential or trade secret nature of the VeriSign materials or documentation.

7.2 VERISIGN'S INDEMNITY. CUSTOMER EXPRESSLY INDEMNIFIES AND HOLDS HARMLESS VERISIGN, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO SUBSCRIBERS IN CUSTOMER'S PRIVATE HIERARCHY AND TO THIRD PARTIES WHICH MAY ARISE FROM ACTS OF CUSTOMER OR FROM THE USE OF CERTIFICATES IN CUSTOMER'S PRIVATE HIERARCHY, USE OF ANY CUSTOMER PRODUCT, OR ANY DOCUMENTATION, SERVICES OR ANY OTHER ITEM

VeriSign Private Label Agreement  
Page 12

FURNISHED BY THE CUSTOMER TO SUBSCRIBERS IN CUSTOMER'S PRIVATE HIERARCHY, OTHER THAN LIABILITY ARISING FROM THE VERISIGN PRODUCTS AND VERISIGN DOCUMENTATION (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY THE CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS) OR FROM THE ACTS OF VERISIGN; AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY THE CUSTOMER OR ITS AGENTS, EMPLOYEES OR DISTRIBUTORS TO ANY PARTY WITH RESPECT TO THE VERISIGN PRODUCTS OR VERISIGN DOCUMENTATION.

7.3 CUSTOMER'S INDEMNITY. VERISIGN EXPRESSLY INDEMNIFIES AND HOLDS HARMLESS CUSTOMER, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL

LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO ANY THIRD PARTIES THAT MAY ARISE FROM ACTS OF VERISIGN OR FROM USE OF VERISIGN SOURCE CODE, VERISIGN'S OBJECT CODE OR VERISIGN'S USER MANUALS (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS); AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY VERISIGN OR ITS AGENTS OR EMPLOYEES TO ANY PARTY WITH RESPECT TO CUSTOMER PRODUCTS, OR ANY VERISIGN SOFTWARE.

7.4 NOTICES. The Customer shall immediately advise VeriSign of any legal notices served on the Customer which might affect VeriSign.

8. LIMITED WARRANTY: DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY;  
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INDEMNITIES  
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8.1 Limited Warranty. During the term of this Agreement, VeriSign warrants that

8.1.1 to VeriSign's knowledge, Customer's Private Keys have not been compromised so long as VeriSign has not provided notice to Customer to the contrary,

8.1.2 VeriSign has used best efforts to maintain the security at its facilities and to maintain the security of any of Customer's private keys in its possession or control,

8.1.3 VeriSign has substantially complied with the Protocol in issuing a Certificate to a Subscriber in Customer's Private Hierarchy,

8.1.4 VeriSign has substantially complied with the Protocol in renewing, revoking or suspending a Certificate, and

8.1.5 the Private Label Certificate System materially conforms to the Interface Specifications and the System Design Specifications.

VeriSign Private Label Agreement  
Page 13

8.2 DISCLAIMER. EXCEPT FOR THE EXPRESS LIMITED WARRANTY PROVIDED IN SECTION 8.1, VERISIGN'S PRODUCTS AND SERVICES ARE PROVIDED "AS IS" WITHOUT ANY WARRANTY WHATSOEVER. VERISIGN DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO ANY MATTER WHATSOEVER, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY VERISIGN OR ITS EMPLOYEES OR REPRESENTATIVES SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF VERISIGN'S OBLIGATIONS.

CUSTOMER IS RESPONSIBLE FOR THE SECURITY, COMMUNICATION OR USE OF ITS PRIVATE KEY, EXCEPT TO THE EXTENT SUCH PRIVATE KEY IS IN THE CUSTODY OR CONTROL OF VERISIGN. VERISIGN SHALL NOT BE RESPONSIBLE FOR THE THEFT OR ANY OTHER FORM OF COMPROMISE OF CUSTOMER'S PRIVATE KEY, WHICH MAY OR MAY NOT BE DETECTED EXCEPT WHEN SUCH PRIVATE KEY IS IN THE CUSTODY OR CONTROL OF VERISIGN. VERISIGN SHALL NOT BE LIABLE FOR ANY USE OF A KEY STOLEN OR COMPROMISED WHILE IN CUSTOMER'S CUSTODY OR CONTROL UNLESS CUSTOMER HAS PROVIDED NOTICE TO VERISIGN IN ACCORDANCE WITH THE PROTOCOL, AND VERISIGN HAS FAILED SUBSTANTIALLY TO COMPLY WITH THE PROTOCOL OR UNLESS CUSTOMER CAN ESTABLISH THAT SUCH THEFT OR KEY COMPROMISE OCCURRED WHILE THE SOLE COPY OF THE KEY WAS IN THE CUSTODY OR CONTROL OF VERISIGN OR WHILE THE KEY WAS IN THE CUSTODY OR CONTROL OF VERISIGN AND THAT THE COPY OF THE KEY IN VERISIGN'S CUSTODY OR CONTROL WAS STOLEN OR COMPROMISED.

EACH SUBSCRIBER IS RESPONSIBLE FOR THE SECURITY, COMMUNICATION OR USE OF HIS, HER OR ITS PRIVATE KEY. VERISIGN SHALL NOT BE RESPONSIBLE FOR THE THEFT OR ANY OTHER FORM OF COMPROMISE OF ANY SUBSCRIBER'S PRIVATE KEY, WHICH MAY OR MAY NOT BE DETECTED. VERISIGN SHALL NOT BE LIABLE FOR ANY USE OF A STOLEN OR COMPROMISED KEY TO FORGE A SUBSCRIBER'S DIGITAL SIGNATURE TO A DOCUMENT UNLESS THE SUBSCRIBER OR CUSTOMER HAS PROVIDED NOTICE TO VERISIGN IN ACCORDANCE WITH THE PROTOCOL AND VERISIGN HAS FAILED TO COMPLY WITH THE PROTOCOL.

8.3 LIMITATION OF LIABILITY. NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY, TO A SUBSCRIBER OR TO ANY THIRD PARTY FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL OR EXEMPLARY DAMAGES WHETHER FORESEEABLE OR UNFORESEEABLE (INCLUDING, BUT NOT LIMITED TO, GOODWILL, PROFITS, INVESTMENTS, USE OF MONEY OR

USE OF FACILITIES; INTERRUPTION IN USE OR AVAILABILITY OF DATA; STOPPAGE OF OTHER WORK OR IMPAIRMENT OF OTHER ASSETS; OR LABOR CLAIMS, EVEN IF VERISIGN HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING OUT OF BREACH OF ANY EXPRESS OR IMPLIED WARRANTY, BREACH OF CONTRACT,

VeriSign Private Label Agreement  
Page 14

NEGLIGENCE, EXCEPT ONLY IN THE CASE OF DEATH OR PERSONAL INJURY WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY'S LIABILITY TO THE OTHER PARTY OR ANY SUBSCRIBER OR ANY THIRD PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT, EXCLUDING LIABILITY FOR MONEY ACTUALLY OWED TO A PARTY AS ROYALTY FEES, DEVELOPMENT FEES, SET-UP FEES, OR SUBSCRIBER FEES, EXCEED \$100,000.00 WITH RESPECT TO A SINGLE OCCURRENCE OR \$1,000,000.00 IN THE AGGREGATE REGARDLESS OF WHETHER ANY ACTION OR CLAIM IS BASED ON WARRANTY, CONTRACT, TORT OR OTHERWISE. THE LIMITATION SET FORTH IN THIS SECTION 8.3 SHALL NOT APPLY TO INDEMNITIES OR RIGHTS GRANTED BY SECTION 8.5 OR 8.6.

8.4 INDEMNITIES. Subject to the limitations set forth below and the limitations in Section 8.3, VeriSign, at its own expense, shall (i) defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of VeriSign's breach of any limited warranty in this Agreement in connection with use of a Certificate in Customer's Private Hierarchy; and (ii) pay any final judgment entered or settlement against company on such issue in any such suit or proceedings defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 8.4 unless (a) Customer gives VeriSign prompt written notice of the claim; (b) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (c) Customer has complied with the Protocol.

#### 8.5 PROPRIETARY RIGHTS INFRINGEMENT BY VERISIGN.

8.5.1 Subject to the limitations set forth in this Section 8.5, VeriSign, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of infringement of any United States copyright, patent, trade secret or any other intellectual property right ("Proprietary Rights") by the unmodified Private Label Certificate System as delivered by VeriSign or any claim that VeriSign has no right to provide the Private Label Certificate System hereunder; and (ii) pay any final judgment entered or settlement against Customer on such issue in any such suit or proceeding defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 8.5.1 unless: (A) Customer gives VeriSign prompt written notice of the claim; (B) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (C) the claim is based on Customer's use of the most recent version of the Relatively Unmodified Private Label Certificate System in accordance with this Agreement. A Relatively Unmodified Private Label Certificate System shall mean a wholly unmodified Private Label Certificate System or a Private Label Certificate System that has been modified but such modifications are not relevant to the claim.

8.5.2 If VeriSign receives notice of an alleged infringement described in Section 8.5.1, VeriSign shall have the right, at its sole option, to obtain the right to continue use of the Private Label Certificate System or to replace or modify the Private Label Certificate System so that it is no longer infringing. If neither of the foregoing options is reasonably available to VeriSign, then use of the Private Label Certificate System may be terminated at the option of VeriSign without further obligation or liability except as provided in Sections 8.5.1 and 9.3 and

VeriSign Private Label Agreement  
Page 15

in the event of such termination, VeriSign shall refund the Development Fees paid by Customer hereunder less depreciation for use assuming straight line depreciation over a five (5)-year useful life.

8.5.3 THE RIGHTS AND REMEDIES SET FORTH IN SECTIONS 8.5.1 AND 8.5.2 CONSTITUTE THE ENTIRE OBLIGATION OF VERISIGN AND THE EXCLUSIVE REMEDIES OF CUSTOMER CONCERNING PROPRIETARY RIGHTS INFRINGEMENT BY THE VERISIGN SOFTWARE.

#### 8.6 PROPRIETARY RIGHTS INFRINGEMENT BY CUSTOMER.



8.6.1 Subject to the limitations set forth in this Section 8.6, Customer, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against VeriSign on the basis of infringement of any Proprietary Right by the Customer Product (except to the extent arising from a Relatively Unmodified Private Label Certificate System); and (ii) pay any final judgment entered or settlement against VeriSign on such issue in any such suit or proceeding defended by Customer. Customer shall have no obligation to VeriSign pursuant to this Section 8.6.1 unless: (A) VeriSign gives Customer prompt written notice of the claim; and (B) Customer is given the right to control and direct the investigation, preparation, defense and settlement of the claim.

8.6.2 If Customer receives notice of an alleged infringement described in Section 8.6.1, Customer shall have the right, at its sole option, to obtain the right to continued use of the Private Label Certificate System or the Customer Product or to replace or modify the Private Label Certificate System or the Customer Product so that they are no longer infringing. If neither of the foregoing options in this Section 8.6.2 is reasonably available to Customer, then use of the Private Label Certificate System or the Customer Product may be terminated at the option of Customer without further obligation or liability except as provided in Sections 8.6.1 and 9.3, and in the event of such termination, VeriSign shall retain all Development Fees, Set-Up Fees and Subscriber Fees paid by Customer hereunder.

8.6.3 THE RIGHTS AND REMEDIES SET FORTH IN SECTIONS 8.6.1 AND 8.6.2 CONSTITUTE THE ENTIRE OBLIGATION OF CUSTOMER AND THE EXCLUSIVE REMEDIES OF VERISIGN CONCERNING CUSTOMER'S PROPRIETARY RIGHTS INFRINGEMENT.

## 9. TERM AND TERMINATION

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9.1 TERMINATION. This Agreement shall terminate on the earliest of:

9.1.1 The end of the term set forth on the first page hereof;

9.1.2 Failure by either party to perform any of its material obligations under this Agreement and the Exhibits hereto if such breach is not cured within sixty (60) days after receipt of written notice thereof from the other party;

VeriSign Private Label Agreement  
Page 16

9.1.3 Notice from VeriSign to the Customer after the occurrence of a purported assignment of this Agreement in violation of Section 10.2; or

9.1.4 Notice from either party to the other if the other party is adjudged insolvent or bankrupt, or the institution of any proceedings by or against the other party seeking relief, reorganization or arrangement under any laws relating to insolvency, or any assignment for the benefit of creditors, or the appointment of a receiver, liquidator or trustee of any of the other party's property or assets, or the liquidation, dissolution or winding up of the other party's business.

9.1.5 Customer shall have the right to terminate this Agreement upon sixty (60) days notice if the Customer support obligations provided by VeriSign pursuant to Section 2.6 are consistently not provided, or if agreement cannot be reached on the cost of service at the time of any annual review.

9.1.6 Upon Customer's execution of the License Agreement set forth at Exhibit "J".

9.2 EXTENSION OF TERM. This Agreement may be renewed by the written consent of the parties for an additional term upon expiration of the term provided in Section 9.1.1, under VeriSign's then-current standard terms and conditions. Subscriber Fees and Set-Up Fees shall be renegotiated annually during any extended term.

9.3 EFFECT OF TERMINATION. Upon expiration or termination of this Agreement for any reason except for VeriSign's breach pursuant to Section 9.1.2 or if VeriSign fulfills any of the conditions stated in Section 9.1.4, all use of the Private Label Certificate System by Customer shall cease, and Customer shall pay to VeriSign any Subscriber Fees which have accrued in accordance with

Section 5.4 unless the termination occurred pursuant to Section 9.1.2 because of breach by VeriSign. Such expiration or termination shall not affect Sections 6, 7, 8, and 10 of this Agreement which shall continue in full force and effect to the extent necessary to permit the complete fulfillment thereof.

#### 10. MISCELLANEOUS PROVISIONS

10.1 GOVERNING LAWS; VENUE; WAIVER OF JURY TRIAL. THE LAWS OF THE STATE OF CALIFORNIA, U.S.A. (IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT. THE PARTIES HEREBY AGREE THAT ANY SUIT TO ENFORCE ANY PROVISION OF THIS AGREEMENT OR ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE BUSINESS RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR THE SUPERIOR OR MUNICIPAL COURT IN AND FOR THE COUNTY OF SANTA CLARA,

VeriSign Private Label Agreement  
Page 17

CALIFORNIA, U.S.A. Each party hereby agrees that such courts shall have exclusive in personam jurisdiction and venue with respect to such party, and each party hereby submits to the exclusive in personam jurisdiction and venue of such courts. The parties hereby waive any right to jury trial with respect to any action brought in connection with this Agreement.

10.2 BINDING UPON SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto. This Agreement shall not be assignable by either party, by operation of law (including as a result of a merger involving a party or a transfer of a controlling interest in a party's voting securities) or otherwise without the prior written authorization of the nonassigning party, except that either party may assign its rights and obligations under this Agreement to its Affiliates, provided that the assigning party receives the nonassigning party's prior written consent, which shall not be unreasonably withheld. Any such purported assignment or delegation shall be void and of no effect and shall permit non-assigning party to terminate this Agreement pursuant to Section 9.1.3.

10.3 SEVERABILITY. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS AGREEMENT WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES IS INTENDED BY THE PARTIES TO BE SEVERABLE AND INDEPENDENT OF ANY OTHER PROVISION AND TO BE ENFORCED AS SUCH.

10.4 ENTIRE AGREEMENT. This Agreement, the Appendices hereto and all agreements referred to therein constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements or understandings between the parties.

10.5 AMENDMENT AND WAIVERS. Except as otherwise expressly provided in this Agreement, any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived, only by a writing signed by the party to be bound thereby.

10.6 ATTORNEYS' FEES. Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of the costs of suit and not as damages, reasonable attorneys' fees to be fixed by the court (including without limitation, costs, expenses and fees on any appeal).

10.7 NOTICES. Whenever any party hereto desires or is required to give any notice, demand, or request with respect to this Agreement, each such communication shall be in writing and shall be effective only if it is delivered sent by a courier service that confirms delivery in writing or mailed, certified or registered mail, postage prepaid, return receipt requested, addressed as

follows:

VeriSign Private Label Agreement  
Page 18

VeriSign: To the address set forth on page 1  
Attention: Stratton Sclavos, President & CEO

The Customer: To the address set forth on page 1  
Attention: Peter R. Hill

Such communications shall be effective when they are received. Any party may change its address for such communications by giving notice thereof to the other party in conformity with this Section.

10.8 FOREIGN RESHIPMENT LIABILITY. THIS AGREEMENT IS EXPRESSLY MADE SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, THE CUSTOMER SHALL NOT EXPORT OR RE-EXPORT, DIRECTLY OR INDIRECTLY, ANY TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE TO ANY COUNTRY FOR WHICH SUCH GOVERNMENT OR ANY AGENCY THEREOF REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENTAL APPROVAL AT THE TIME OF EXPORT OR RE-EXPORT WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

10.9 PUBLICITY. Neither party will disclose to third parties, other than its agents and representatives on a need-to-know basis, the terms of this Agreement or any exhibits hereto without the prior written consent of the other party, except (i) either party may disclose such terms to the extent required by law; and (ii) either party may disclose the existence of this Agreement.

10.10 NO WAIVER. Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision.

10.11 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but which collectively will constitute one and the same instrument.

10.12 HEADINGS AND REFERENCES. The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

10.13 DUE AUTHORIZATION. The Customer hereby represents and warrants to VeriSign that the individual executing this Agreement on behalf of the Customer is duly authorized to execute this Agreement on behalf of the Customer and to bind the Customer hereby.

10.14 INDEPENDENT CONTRACTOR. The relationship of VeriSign and the Customer is that of independent contractors. Neither the Customer nor the Customer's employees, consultants,

VeriSign Private Label Agreement  
Page 19

contractors or agents are agents, employees or joint venturers of VeriSign, nor do they have any authority to bind VeriSign by contract or otherwise to any obligation. They will not represent to the contrary, either expressly, implicitly, by appearance or otherwise

10.15 PUBLICITY. VeriSign grants Customer the right to disclose that VeriSign is a vendor of Customer and to name publicly-announced Customer Products that provide access to Certificates issued by VeriSign. VeriSign also grants the Company the right to display VeriSign's logo on the Customer's WWW site in one of the forms shown on Exhibit "C" attached to this Agreement. Customer shall not acquire any other rights of any kind in VeriSign's trade names, trademarks, product name or logo by use authorized in this Section. Customer grants VeriSign the right to disclose that Customer is a vendee of VeriSign and to name publicly announced Customer Products that provide access to Certificates issued by VeriSign. Customer also grants VeriSign the right to display Customer's logo on VeriSign's WWW site. VeriSign shall not acquire any other rights of any kind in Customer's trade names, trademarks, product name or

logo by use authorized in this Section.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

CUSTOMER:

VISA INTERNATIONAL SERVICE ASSOCIATION

By: /s/ F. Dutray  
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Its: Group Executive Vice President  
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VERISIGN, INC.

By: /s/ Stratton Sclavos  
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Its: President and CEO  
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VeriSign Private Label Agreement  
Page 20

EXHIBIT "A"

DEFINITIONS

1. ACCEPTANCE means that the Acceptance Test Procedures have been  
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performed to demonstrate that the Private Label Certificate System conforms to the Interface Specifications and the System Design Specifications. ACCEPTED  
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means that Acceptance has occurred.
2. ACCEPTANCE TEST PROCEDURES means the acceptance test procedures to be  
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created by Customer and approved by VeriSign pursuant to Section 4.1.4. The Acceptance Test Procedures shall include (1) the criteria against which the Private Label Certificate System is to be measured in order to verify conformance to the Interface Specifications and the System Design Specifications and (2) the testing procedures to be used to establish conformance of the Private Label Certificate System to the Interface Specifications and the System Design Specifications. Upon approval by Customer, the Acceptance Test Procedures shall be attached as Exhibit "G".
3. ACQUIRER means a Member financial institution that establishes an  
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account with a Merchant and processes bank card authorizations and payments.
4. CARDHOLDER means a consumer or corporate purchaser who uses a bank card  
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issued by an Issuer to make a purchase from a Merchant.
5. CERTIFICATE means a collection of electronic data consisting of a  
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Public Key, identifying information which contains information about the owner of the Public Key, and validity information, which (or a string of bits derived from the Public Key) has been encrypted by a third party who is the issuer of the Certificate with such third party Certificate issuer's Private Key. This collection of electronic data collectively serves the function of identifying the owner of the Public Key and verifying the integrity of the electronic data. "CERTIFY" or "CERTIFICATION" means the act of generating a Certificate. "CERTIFIED" means the condition of having been issued a valid Certificate by a Certifier, which Certificate has not been revoked.
6. CERTIFICATE SIGNING UNIT ("CSU") means a hardware unit or software  
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designed for use in signing Certificates and key storage. The BBN SafeKeyper(TM) manufactured by BBN Communications, Inc. is one hardware implementation of a CSU.

7. CERTIFICATION AUTHORITY ("CA") means VeriSign and any entity, group,  
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division, department, unit or office which is Certified by VeriSign to, and has  
accepted responsibility to, issue Certificates to specified Subscribers in a  
Hierarchy in accordance with the CPS or a Protocol.

8. CERTIFICATION PRACTICE STATEMENT ("CPS") means the VeriSign  
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specification of policies, procedures and resources to control the entire  
Certificate process and transactional use of Certificates within the VeriSign  
Public Hierarchies.

VeriSign Private Label Agreement  
Page 21

9. CHANGE ORDER has the meaning set forth in Section 4.1.8.  
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10. CUSTOMER AFFILIATES shall mean Visa's Subsidiaries and Related  
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Entities. A "Subsidiary" shall mean a company in which on a class-by-class  
basis, more than fifty percent (50%) of the stock entitled to vote for the  
election of directors is owned or controlled by Customer, but only so long as  
such ownership or control exists. A "Related Entity" shall mean an entity (A) at  
least fifty percent (50%) of whose stock or other equity is owned by Customer's  
member banks and that has the authority to process Visa payment transactions,  
but only so long as such ownership exists; (B) has an equity interest in  
Customer and is owned in whole by Member banks or financial institutions (e.g.,  
national or regional group Members); or (C) is exclusively managed by Visa or a  
national or group Member of Visa for the purpose of processing Visa payment  
transactions, but only so long as such exclusive management exists.  
Notwithstanding anything to the contrary set forth above, however, Subsidiaries  
or Related Entities do not include any Acquirer, Issuer or individual bank or  
like financial institution. Customer Affiliates include, for example, without  
limitation, Visa USA, Inc, ViTAL, Inc, Plus and Interlink.

11. CUSTOMER BRAND KEY means the set of key pairs for signature and  
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exchange that are used by the Customer in its capacity of CA. The Customer  
Brand Keys will be used as the "Root" for portions of the Private Label  
Certificate System.

12. CUSTOMER PRODUCT means any product developed by Customer for use by a  
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Subscriber in Customer's Private Hierarchy with a Certificate issued by VeriSign  
which incorporates Customer's Root Keys.

13. DIGITAL SIGNATURE means information encrypted with a Private Key which  
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is appended to information to identify the owner of the Private Key and to  
verify the integrity of the information. "DIGITALLY SIGNED" shall refer to  
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electronic data to which a Digital Signature has been appended.

14. ELECTRONIC CERTIFICATION SYSTEM ("ECS") means the Customer's name for  
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the Private Label Certification System.

15. ELECTRONIC COMMERCE AUTHENTICATION SYSTEM ("ECAS") means VeriSign's  
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proprietary software product marketed and developed under the name "Electronic  
Commerce Authentication System" providing secure on-line Certificate issuance as  
presently in existence and as developed and enhanced in the future by VeriSign.

16. FULLY AUTOMATED MERCHANT CERTIFICATE ISSUANCE means merchant  
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authentication is achieved by passing the authentication information to either  
Visa or a Visa Member who will then respond electronically with a confirmation  
or rejection of the authentication. This method does not require human  
intervention.

17. HIERARCHY means a domain consisting of a system of chained  
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Certificates leading from the Primary Certification Authority through one or more Certification Authorities to Subscribers.

VeriSign Private Label Agreement  
Page 22

18. INTERFACE SPECIFICATIONS means the interface specifications to be  
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created by Customer and approved by VeriSign pursuant to Section 4.1.1.
19. INTERNET means the global computer network.  
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20. ISSUER means a Member financial institution that establishes an  
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account for a Cardholder, issues a bank card to the Cardholder, and guarantees  
payment for authorized transactions using the bank card in accordance with  
association regulations and local laws.
21. MEMBER means a member of the VISA International Service Association.  
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All Issuers and Acquirers are Members.
22. MERCHANT means one who offers goods or services in exchange for  
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payment, who accepts bank cards for payment, and who has a relationship with an  
Acquirer.
23. PAYMENT GATEWAY shall mean the computer system as further defined in  
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SET that provides an interface between open networks, such as the Internet, and  
existing payment systems, such as VisaNet.
24. PRIMARY CERTIFICATION AUTHORITY "PCA" means an entity that establishes  
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policies for all Certification Authorities and Subscribers within its domain.
25. PRIVATE HIERARCHY means a domain consisting of a chained Certificate  
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hierarchy which is entirely self-contained within an organization or network and  
not designed to be interoperable with or intended to interact through public  
channels with any external organizations, networks, and public hierarchies.
26. PRIVATE KEY means a mathematical key which is kept private to the  
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owner and which is used through public key cryptography to encrypt electronic  
authenticity data and create a Digital Signature which will be decrypted with  
the corresponding Public Key.
27. PRIVATE LABEL CERTIFICATE SYSTEM means the system developed by  
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VeriSign for Customer as more fully described in Section 2, which incorporates  
the SET Module and VSE.
28. PROCESSOR means a third party which has been assigned the processing  
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of bank card transactions by one or more Issuers or Acquirers.
29. PROGRAM DOCUMENTS means each of the Project Plan, Interface  
-----  
Specifications, Protocol, System Design Specifications, Acceptance Test  
Procedures, and Service Level Specification.
30. PROTOCOL means Customer's specification of policies, procedures and  
-----  
resources to control the entire Certificate process and transactional use of  
Certificates within Customer's Private Hierarchy.
31. PUBLIC HIERARCHY means a domain consisting of a system of chained  
-----  
Certificates leading from VeriSign as the Primary Certification Authority  
through one or more Certification

Authorities to Subscribers in accordance with the VeriSign Certification Practice Statement. Certificates issued in a Public Hierarchy are intended to be interoperable among organizations, allowing Subscribers to interact through public channels with various individuals, organizations, and networks.

32. PUBLIC KEY means a mathematical key which is available publicly and  
-----

which is used through public key cryptography to decrypt electronic authenticity data which was encrypted using the matched Private Key and to verify Digital Signatures created with the matched Private Key.

33. PUBLIC KEY INFRASTRUCTURE ("PKI") means the VeriSign specification for  
-----

the architecture, techniques, practices, and procedures that collectively support the implementation and operation of Certificate-based public key cryptographic systems.

34. ROOT KEY means one or more public root key(s) published by the  
-----

organization which generated and is entitled to use such keys as the public components of its key pair(s) in issuing Certificates in a hierarchy over which such organization has responsibility.

35. SECOND TIER CA means an entity in the business of selling or issuing  
-----

Certificates in Customer's Private Hierarchy Digitally Signed by such Second Tier CA to Subscribers using the Private Label Certificate System as operated by VeriSign directly or by sublicensing the Private Label Certificate System from VeriSign.

36. SECURE ELECTRONIC TRANSACTIONS ("SET") means the specification  
-----

published by Customer and MasterCard International and made available to all developers wishing to implement secure payments over the Internet and other public and private networks.

37. SEMI-AUTOMATED MERCHANT CERTIFICATE ISSUANCE means Merchant  
-----

authentication is achieved by comparing information provided electronically by the Customer or Member to information provided electronically by a Merchant where human intervention is substantially reduced as compared with the Manual Merchant Certificate Issuance method.

38. SERVICE LEVEL SPECIFICATION means the specification attached hereto as  
-----

Exhibit "K" approved by Customer and VeriSign pursuant to Section 4.1.6.

39. SET MODULE shall mean the software module created by VeriSign in  
-----

connection with this Agreement to implement the SET. The SET Module shall include all software elements necessary to implement all aspects of the SET specification, but shall not include the VISA SET Enhancements.

40. SUBSCRIBER means an individual, a device or a role/office that has  
-----

requested a Certifier to issue him, her or it a Certificate.

41. SYSTEM DESIGN SPECIFICATIONS means the system design specifications to  
-----

be created by VeriSign in connection with the Private Label Certificate System for acceptance testing in accordance with Section 4.1.3. The System Design Specifications shall contain, at

minimum, the items listed on the outline presently attached as Exhibit "E" and the Requirements Documents attached as Exhibit "F". Upon acceptance by Customer,

the System Design Specifications shall be attached, in lieu of such outline, as Exhibit "E".

42. "VERISIGN AFFILIATES" shall mean a company in which, on a class by -----  
class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by VeriSign, but only so long as such ownership or control exists.

43. VISA SET ENHANCEMENTS ("VSE") shall mean the software module created -----  
by VeriSign under this Agreement which interfaces with the SET Module to provide enhanced functionality and features unique to Customer as specified in the Requirements Document, a current copy of which is attached as Exhibit "F," but not necessary to fully implement the SET.

44. WWW means the system currently referenced as the "World Wide Web" for ---  
organizing multi-media information distributed across network(s) such that it can be navigated and accessed via cross linking mechanisms, and any successor to such system, and any parallel system which uses at least all the same communication protocols as the system currently referenced as the "World Wide Web" or to the successor to such system, even if the administrators of such systems choose to call them by different names.

EXHIBIT "B"

FEES

1. DEVELOPMENT FEES.  
-----

Customer shall pay as Development Fees the amount of \* for development and testing, less the \$100,000.00 already paid pursuant to the Consulting Services Agreement between VeriSign and Customer dated \_\_\_\_\_, will be payable in four equal installments due at the execution of this Agreement, Test I, Test II, and Pilot as detailed in Exhibit "D".

2. SET-UP FEES.  
-----

A one-time Set-up Fee of \* will be paid by Customer for operation and set-up of redundant dedicated sites of the Private Label Certificate System. The Set-up Fee shall be in two portions: an Operation Fee of \* and a Back-Up Site Operations Fee of \*. One half of the Operation Fee will be payable October 1, 1996 and the other half shall be payable on December 31, 1996. The Back-Up Site Operations Fee shall be payable upon implementation of the back-up system specified pursuant to the Project Plan, but not earlier than January 1, 1997.

3. SUBSCRIBER FEES. For the initial Term of this Agreement, Prepaid Subscriber -----  
Fees shall be as follows:

Prepaid Subscriber Fee*	Period
	1997
	1998
	1999

Prepaid Subscriber Fees for 1997 and 1998 shall be paid on a quarterly basis and shall be due within thirty (30) days of the end of the calendar quarter. Prepaid Subscriber Fees for 1999 shall be made in two equal installments, payable within thirty (30) days after the end of the first two (2) calendar quarters of 1999. One hundred percent (100%) of the Fees accrued and payable on a monthly basis under this Section 3 shall be offset against such Prepaid Subscriber Fees until the total annual prepayment is exhausted. All Subscriber Fees from every type of Certificate shall be offset in the specified manner, whether Cardholder, Merchant, Payment Gateway or Member.

Prepaid Subscriber Fees in a year not offset in such year shall be earned by



VeriSign and shall not be subject to future offset, however, Prepaid Subscriber Fees for 1997 shall be used as an offset for Subscriber Fees incurred in the first year commencing on the First Date of Operations, as defined below. Similarly, Prepaid Subscriber Fees for 1998 and 1999 shall be used as an

-----  
\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

VeriSign Private Label Agreement  
Page 26

offset for Subscriber Fees for the second year and the first half of the third year respectively from the First Date of Operation. The "First Date of Operation" shall be either the actual date that VeriSign operates the Private Label Certificate System on behalf of Customer in the Pilot, as defined in the Project Plan, or April 1, 1997, whichever comes first.

FEES PER CERTIFICATE REQUEST:

Issuer CA Certificates\*  
Acquirer Certificates\*  
Payment Gateway CA Certificates\*

Quantity

Cardholder Certificates\*

Quantity

Manual Merchant Certificates\*  
Semi-Automated Merchant Certificates  
Manual Payment Gateway Certificates  
Semi-Automated Payment Gateway Certificates

The parties intend to create a Fully Automated Merchant Certificate. Parties agree to negotiate in good faith lower pricing for Fully Automated Merchant Certificates when such Certificates are made available.

4. MOST FAVORED PRICING. VeriSign agrees that it shall offer to Customer and -----  
Customer's Subscribers the best pricing it offers to any other customer or Subscriber of a customer purchasing services or Certificates through any Certificate system offering Subscriber Certificates through the use of the VSE. VeriSign agrees to renegotiate any of its pricing if at any time VeriSign pricing becomes noncompetitive with the pricing of other parties offering similar services.

5. U.S. CURRENCY. All payments hereunder shall be made in lawful United States -----  
Currency.

-----  
\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

VeriSign Private Label Agreement

EXHIBIT "C"

LOGOS AND TRADEMARKS

VeriSign encourages its customers to use VeriSign logos, trademarks and service marks on customer product data sheets, packaging, Web pages and advertising, but it is important to use them properly.

When using VeriSign trademarks and service marks in ads, product packaging, documentation or collateral materials, be sure to use the correct trademark designator: (R) for registered trademarks, (TM) for claimed or pending trademarks and sm for claimed or pending service marks. VeriSign trademarks and their correct designators are depicted below. To ensure proper usage, please allow VeriSign marketing to review any materials using or mentioning VeriSign trademarks prior to general release.

Using these VeriSign logos does not require written permission; in fact, we encourage you to use them on your product packaging, Web pages and marketing collateral!

VeriSign will update this Logos and Trademarks Usage Guide on a regular basis. To check for most current information on logo and trademark usage, check VeriSign's Web site at <http://www.verisign.com>.

VeriSign(TM)  
Digital ID (sm)  
Digital ID Center (sm)

VeriSign Private Label Agreement  
Page 28

EXHIBIT "D"

PROJECT PLAN ELEMENTS

The VeriSign Deliverables to Customer for Test I will be ready for Acceptance Test I on or before the date agreed to by the Customer/VeriSign Joint Project Team. Terms for delivery of development deliverables for Test II and Test III, Pilot, and General Availability production will be specified in the Project Plan. VeriSign will provide full production, operational facilities in accordance with time scales agreed with Customer. The operation and support will be implemented in phases as defined in the Project Plan (i.e. Test I, II, III, Pilot, General Availability).

VeriSign Private Label Agreement  
Page 29

EXHIBIT "E"

SYSTEM DESIGN SPECIFICATIONS

The Private Label Certificate System will be based upon the VeriSign product Electronic Commerce Authentication System plus enhancements specified by Customer.

The parties contemplate that development, testing and implementations of all Private Label Certificate system component will be implemented in three phases.

The Private Label Certificate System will consist of three basic module: ECAS, SET Module and VSE.

The System Design Specifications will implement the following requirements documents attached in this Exhibit.

Electronic Certification Services

Brand Certificate Authority

Business Policies, Procedures and Requirements

Version 1.0

April 30, 1996

TABLE OF CONTENTS

1.	Overview.....	1
1.1	Focus.....	1
1.2	Purpose.....	1
1.3	Availability/Phase.....	1
2.	Operations.....	2
2.1	Start of CA Operations.....	2
2.2	Operating Guidelines.....	2
2.3	Service Level Agreement.....	2
2.4	Termination of CA Operations.....	3
2.5	Backup Requirements.....	3
2.6	Archival and Retrieval.....	3
2.7	Contingency Requirements.....	3
3.	Keys and Certificates.....	4
3.1	Certificate Formats.....	4
3.2	Certificate Issuance Policies.....	4
3.3	Brand CA Key Pairs and Corresponding CeHiScates.....	4
3.3.1	Brand CA Geo-political Certificate Signature (T3)....	4
3.3.2	Brand CA Geo-political Key Exchange (T3).....	4
3.3.3	Brand CA Geo-political Message Signature (T3).....	5
3.3.4	Brand CA Issuer Certificate Signature (T2).....	5
3.3.5	Brand CA Issuer Key Exchange (T2).....	5
3.3.6	Brand CA Issuer Message Signature (T2).....	5
3.3.7	Brand CA Acquirer Certificate Signature (T2).....	5
3.3.8	Brand CA Acquirer Key Exchange (T2).....	6
3.3.9	Brand CA Acquirer Message Signature (T2).....	6
3.3.11	Brand CA Payment Gateway Key Exchange (T2).....	6
3.3.12	Brand CA Payment Gateway Message Signature (T2).....	6
3.3.13	Brand CA Root Key Exchange (GA).....	7
3.3.14	Brand CA Root Message Signature (GA).....	7
3.3.15	Brand CA Backup Signature/Encryption (P).....	7
3.3.16	Brand CA Archival Signature/Encryption (P).....	7
3.4	External Certificates.....	7
3.4.1	Root CA Brand Certificate Signature (T2).....	7
3.4.2	Root CA Brand Key Exchange (GA).....	8
3.4.3	Root CA Brand Message Signature (GA).....	8
3.5	Key and Certificate Management.....	8
3.5.1	Key Security.....	8
3.5.2	Key Generation.....	9
3.5.3	Key Expiration and Renewal.....	9
3.5.4	Brand Key Compromise.....	9
3.5.5	Key Backup.....	10
3.5.6	Key Recovery.....	10
3.5.7	Key Transport.....	11
3.5.8	Key Archival (P).....	11
3.5.9	Key Retrieval (P).....	12
3.6	Underlying Cryptography.....	12
3.7	Certificate Revocation Lists (CRL) (V2).....	12
4.	Interface with the Root CA.....	12
4.1	Registering with Root CA.....	12
4.2	Certificate Request.....	12
4.3	Certificate Renewal.....	13
4.4	Certificate Revocation.....	13
4.5	Root Certificates.....	13
4.6	Root Key Compromise Procedures.....	13
4.7	Messages.....	14

5.	Interface with Geo-political CAs (T3).....	14
5.1	Registering a Geo-political CA.....	14
5.2	Certificate Issuance Policies.....	15
5.3	Certificate Revocation.....	15
5.4	Messages.....	16
6.	Interface with Cardholder CAs.....	16
6.1	Registering a Cardholder CA.....	16
6.2	Certificate Issuance Policies.....	17
6.3	Certificate Revocation.....	17
6.4	Messages.....	18
7.	Interface with Merchant CAs.....	18
7.1	Registering a Merchant CA.....	18
7.2	Certificate Issuance Policies.....	19
7.3	Certificate Revocation.....	19
7.4	Messages.....	19
8.	Interface with Payment Gateway CA.....	20
8.1	Registering a Payment Gateway CA.....	20
8.2	Certificate Issuance Policies.....	21
8.3	Certificate Revocation.....	21
8.4	Messages.....	21
9.	Interface with VisaNet.....	22
10.	Security (P).....	22
10.1	Physical Security.....	22
10.2	Network Security.....	23
10.3	System Security.....	24
10.4	Personnel Security Requirements.....	24
11.	Auditing (P).....	24
12.	Reporting.....	26
13.	Outstanding Issues.....	26

## 1. OVERVIEW

This document defines the business policies, procedures and requirements governing the design, implementation and operation of the Brand Certificate Authority (CA). It addresses all aspects of the Brand Certificate Authority including operations, key and certificate management, interaction with other entities, security, auditing and reporting.

### 1.1 Focus

-----

This document focuses on the Brand Certificate Authority policies procedures and requirements needed to support Visa's Secure Electronic Commerce (SEC) Services. All CA functions are collectively known as Visa's Electronic Certification Services (ECS).

### 1.2 Purpose

-----

The Brand CA (BCA) issues SEC compliant digital certificates to Brand members (Issuers and Acquirers or their processors) that wish participate in Visa Secure Electronic Commerce (SEC) Services. The Brand CA issues Cardholder CA (CCA) certificates for use in issuing certificates to their cardholders and Merchant CA (MCA) certificates for use in issuing certificates to their merchants. In addition the Brand CA will issue certificates to Brand operated Payment Gateway CAs (PCA) for use in issuing certificates to Acquirer Payment Gateways. The Brand CA will also issue certificates to Geo-political CAs (GCA). The Brand CA issues three types of certificates for each of their members: certificate signature certificates, key exchange certificates and message signature certificates.

The Brand CA will only directly interact with the Root CA (RCA), Geopolitical CAs, Cardholder CAs, Merchant CAs, and Payment Gateway CAs.

The Brand CA is also responsible for establishing and publishing policies and procedures that clearly define the purpose, usage, value and guidelines of certificates that it issues. It also establishes policies, procedures and requirements that govern the design, implementation and operation of subordinate CAs within the Brand CA's domain.

### 1.3 Availability/Phase

-----

The policies, procedures and requirements identified and defined within this

document are expected to be in operation and/or the deliverable met for acceptance testing of Test 1. Exceptions to this are identified by "(xx)" where xx represents the acceptance test of the phase upon which it must be in operation and/or the deliverable met.

Test 1 will be based on the April/May 1996 release of the SET specifications. Pilot will be based on Version 1.0 of SET.

For additional or specific schedule information refer to the overall Visa SEC Service project plan.

1

## 2. OPERATIONS

This section defines the business policies, procedures and requirements related to the operation of the BCA.

### 2.1 Start of CA Operations

-----  
To be determined.

1. Prior to the start of the BCA operations, all acceptance testing, audits, backup and contingency procedures must be completed and have "sign off" by the appropriate Brand officials.

### 2.2 Operating Guidelines

-----  
1. The BCA will operate on GMT time. The BCA clock shall be kept accurate within one (1) minute of actual GMT time as provided by a source that is mutually agreed upon by Visa and VeriSign. (T2)

2. The BCA time will be synchronized with all other components of ECS.

3. The BCA will be able to support resent messages from CCAs, MCAs, PCAs and Payment Gateways. (V2)

4. Responses to resent messages (duplicates) will rewrap the reply contents and forward the reply to the requester. (V2)

5. The BCA shall log all incoming and response messages.

6. All transactions defined within the SET Specification document must be supported.

7. The BCA shall maintain a database of all registration information linked to a certificate and/or member. (T2)

8. No data that has reached the ECS domain can be lost. Refer to the SLA for more details. (T2)

### 2.3 Service Level Agreement

-----  
1. The BCA shall be available as defined in the Service Level Agreement. (GA)

2. The BCA shall be able to process a certain number of certificates requests per time period (peak load) as defined in the Service Level Agreement. (GA)

2

### 2.4 Termination of CA Operations

-----  
To be determined.

### 2.5 Backup Requirements

-----  
1. The BCA shall be backed up on a scheduled basis as defined in SLA. (T2)

2. The BCA shall back up the basic system components. (T1)

3. The BCA shall back up all elements of the CA as defined in a design document that is mutually agreed upon by Visa and VeriSign. (T2)
4. Backup copies of the BCA archives must be stored in encrypted and signed format as defined in a design document that is mutually agreed upon by Visa and VeriSign. (GA)
5. All backup media must be stored offsite in secure manner. (T2)
6. System backups must be performed as defined in SLA. (T2)

## 2.6 Archival and Retrieval

-----

1. All certificates issued by the BCA and the associated registration information, will be placed in archives. (GA)
2. The BCA archives shall be kept on read-only media (optical disk). (GA)
3. The BCA will have a mechanism to read/recall information that is stored in archives as defined in a design document that is mutually agreed upon by Visa and VeriSign. (GA)

## 2.7 Contingency Requirements

-----

1. The BCA must be able to recover from a RCA or BCA key compromise as defined in the SLA. (P)
2. The BCA shall have a fully functional and secure contingency site in the event that the primary site becomes unavailable. (P)
3. In case of disaster, the BCA must have appropriate backup facilities operable within the time frame described within the SLA.
4. If the BCA servers or cryptographic materials become inoperable, business resumption plans must allow the BCA services to resume within the time frame described within the SLA.

3

## 3. KEYS AND CERTIFICATES

This section defines the business policies, procedures and requirements related to keys and certificates used within the BCA.

### 3.1 Certificate Formats

-----

1. All RCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.
2. All BCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.
3. All GCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.
4. All CCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.
5. All MCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.
6. All PCA certificates will formatted as described in the SET Specification document and must include any SEC specific information.

### 3.2 Certificate Issuance Policies

-----

1. The BCA will only issue certificates to CCAs, MCAs, GCAs and PCAs.

### 3.3 Brand CA Key Pairs and Corresponding Certificates

-----

This subsection defines the key pairs and corresponding certificates generated and used within the BCA.

### 3.3.1 BRAND CA GEO-POLITICAL CERTIFICATE SIGNATURE (T3)

- \* Usage: Used to sign certificates issued to GCAs Key Size: 1024 bits
- Certificate/Public Key Expiration: 6 years Private Key Expiration: 1 year.
- Issued By: RCA

### 3.3.2 BRAND CA GEO-POLITICAL KEY EXCHANGE (T3)

- \* Usage: Used by the GCA to encrypt messages sent to BCA
- \* Key Size: 1024 bits. Certificate/Public Key Expiration: 1 year
- \* Private Key Expiration: 2 years. Issued By: RCA

4

### 3.3.3 BRAND CA GEO-POLITICAL MESSAGE SIGNATURE (T3)

- \* Usage: Used to sign messages sent to GCAs
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 2 years. Private Key Expiration: 1 year
- \* Issued By: RCA

### 3.3.4 BRAND CA ISSUER CERTIFICATE SIGNATURE (T2)

- \* Usage: Used to sign certificates issued to CCAs
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 5 years Private Key Expiration: 1 year.
- Issued By: RCA

### 3.3.5 BRAND CA ISSUER KEY EXCHANGE (T2)

- \* Usage: Used by the CCA to encrypt messages sent to BCA
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 1 year
- \* Private Key Expiration: 2 years
- \* Issued By: RCA

### 3.3.6 BRAND CA ISSUER MESSAGE SIGNATURE (T2)

- \* Usage: Used to sign messages sent to CCAs
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 2 years Private Key Expiration: 1 year
- \* Issued By: RCA

### 3.3.7 BRAND CA ACQUIRER CERTIFICATE SIGNATURE (T2)

- \* Usage: Used to sign certificates issued to MCAs
- \* Key Size: 1024 bits

5

- \* Certificate/Public Key Expiration: 4 years
- \* Private Key Expiration: 1 year
- \* Issued By: RCA

### 3.3.8 BRAND CA ACQUIRER KEY EXCHANGE (T2)

- \* Usage: Used by CCA to encrypt messages sent to BCA
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 1 year
- \* Private Key Expiration: 2 years
- \* Issued By: RCA

### 3.3.9 BRAND CA ACQUIRER MESSAGE SIGNATURE (T2)

- \* Usage: Used to sign messages sent to CCAs Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 2 years
- \* Private Key Expiration: 1 year Issued By: RCA

### 3.3.10 BRAND CA PAYMENT

- \* Gateway Certificate Signature (T2)
- \* Usage: Used to sign certificates issued to PCAs
- \* Key Size: 1024 bits
- \* Certificate/Public Key Expiration: 2 years. Private Key Expiration: 1 year
- \* Issued By: RCA

3.3.11 BRAND CA PAYMENT GATEWAY KEY EXCHANGE (T2)  
\* Usage: Used by PCAs to encrypt messages sent to BCA  
\* Key Size: 1024 bits  
\* Certificate/Public Key Expiration: 1 year  
\* Private Key Expiration: 2 years. Issued By: RCA

3.3.12 BRAND CA PAYMENT GATEWAY MESSAGE SIGNATURE (T2)  
\* Usage: Used to sign messages sent to PCAs

6

\* Key Size: 1024 bits  
\* Certificate/Public Key Expiration: 2 years  
\* Private Key Expiration: 1 year.  
\* Issued By: RCA

3.3.13 BRAND CA ROOT KEY EXCHANGE (GA)  
\* Usage: Used by RCA to encrypt messages sent to BCA . Key Size: 2048 bits  
\* Certificate/Public Key Expiration: 1 year Private Key Expiration: 2 years. I  
\* Issued By: RCA

3.3.14 BRAND CA ROOT MESSAGE SIGNATURE (GA)  
\* Usage: Used to sign messages sent to the RCA  
\* Key Size: 2048 bits  
\* Certificate/Public Key Expiration: 2 years  
\* Private Key Expiration: 1 year  
\* Issued By:RCA

3.3.15 BRAND CA BACKUP SIGNATURE/ENCRYPTION (P)  
\* Usage: Used to sign and encrypt BCA backup data  
\* Key Size: 1024 bits Certificate/Public Key Expiration: n/a .  
\* Private Key Expiration: n/a  
\* Issued By: BCA

3.3.16 BRAND CA ARCHIVAL SIGNATURE/ENCRYPTION (P)  
\* Usage: Used to sign and encrypt BCA archival data  
\* Key Size: 1024 bits  
\* Certificate/Public Key Expiration: n/a  
\* Private Key Expiration: n/a  
\* Issued By: BCA

#### 3.4 External Certificates

-----  
This subsection defines the certificates used by the BCA that were issued externally to the BCA.

3.4.1 ROOT CA BRAND CERTIFICATE SIGNATURE (T2)  
\* Usage: Used to authenticate certificates issued by the RCA to the BCA  
\* Key Size: 2048 bits  
\* Certificate/Public Key Expiration:  
\* Private Key Expiration:

7

\* Issued By: RCA

3.4.2 ROOT CA BRAND KEY EXCHANGE (GA)  
\* Usage: Used to encrypt messages sent by the BCA to the RCA  
\* Key Size: 2048 bits  
\* Certificate/Public Key Expiration:  
\* Private Key Expiration:  
\* Issued By: RCA

3.4.3 ROOT CA BRAND MESSAGE SIGNATURE (GA)  
\* Usage: Used to authenticate messages sent by the RCA to the BCA  
\* Key Size: 2048 bits  
\* Certificate/Public Key Expiration:  
\* Private Key Expiration:  
\* Issued By: RCA

#### 3.5 Key and Certificate Management

-----



This section defines the business policies, procedures and requirements related to key and certificate management of the BCA.

Note: Key management requirements are based on the use of a BBN cryptographic module. Similar methods must be used for non-BBN cryptographic modules. Visa will review and approve methods used for non-BBN cryptographic modules prior to implementation.

### 3.5.1 KEY SECURITY

1. All BCA cryptographic functions will be performed in tamper proof and detectable hardware that complies to FIPS 140 level 3 requirements. (T2)
2. Hardware security devices shall be able to indicate failure, error condition and evidence of tamper.
3. The PPK pair must be generated within the hardware security device in which that key will be used. The only exception to this is in generating backup cryptographic devices that require the same keying information.
4. The BCA private keys shall never appear outside of the hardware security device in any form. The only exception to this is in generating backup cryptographic devices that require the same keying information.

8

5. All BCA private keys must be kept in a single tamper evident hardware security device.

### 3.5.2 KEY GENERATION

1. The BCA keys must be generated according to Visa's direction as defined in a policy document that is mutually agreed upon by Visa and VeriSign.
2. The BCA public and private key (PPK) pairs must be generated using random (RNG) or pseudo-random (PRNG) techniques.
3. Any RNG/PRNG technique used to generate PPK pairs must have a low correlation value of results to ensure unpredictability. Correlation values must be documented and may be reviewed by Visa at its discretion.
4. The generation of each PPK pair must be conducted within a secure room rated for tempest security. The equipment may, if tempest rated, suffice.
5. Authorized BCA personnel only may generate PPK pairs.
6. Before generating each PPK pair, the hardware device must be made secure by guidelines as described by Visa International.
7. An audit control log must be kept for each PPK pair generated.
8. Brand CIK token holders may not also be Member CIK token holders.

### 3.5.3 KEY EXPIRATION AND RENEWAL

1. 30 days prior to expiration of existing BCA certificates, the BCA will generate new key pairs for the corresponding application. Following key generation, the BCA shall request a new certificate from the RCA. The new certificate will be distributed to all the GCA, CCA, MCA, PCAs within a message that is signed using the private key that corresponds to the valid BCA message signature certificate. (GA)

### 3.5.4 BRAND KEY COMPROMISE

1. Upon the compromise of a BCA key exchange key pair, the corresponding BCA key exchange certificate will be revoked. A new key pair will be generated and the BCA shall request a new certificate from the RCA. The BCA will distribute the new certificate to GCA, CCA, MCA, and PCAs within a message that is signed using the private key that corresponds to the valid BCA message signature certificate. (P)
2. Upon the compromise of a BCA message signature key pair, the corresponding BCA message signature certificate will be revoked. A new key pair will be generated and the BCA shall request a new certificate from the RCA. The BCA

will distribute the new certificate to GCA, CCA, MCA, and PCAs within a message that is signed using the private key that corresponds to the new BCA message signature certificate. (P)

9

3. Upon the compromise of a BCA certificate signature key pair, the corresponding BCA certificate signature certificate will be revoked. A new key pair will be generated and the BCA shall request a new certificate from the RCA. All GCA, CCA, MCA, and PCA certificates signed by the compromised key will be revoked. New certificates will be issued and signed using the newly generated key pair. The new certificates along with the new BCA certificate signature certificate will be sent to all GCA, CCA, MCA, and PCAs who's certificates were revoked. These certificates will be sent within a message that is signed using the private key that corresponds to the valid BCA message signature certificate. In addition, all other GCA, CCA, MCA, and PCAs will receive the new certificate within a similar message. (P)
4. Upon the compromise of a BCA Root key exchange key pair, the corresponding BCA Root key exchange certificate will be revoked. A new key pair will be generated and the BCA shall request a new certificate from the RCA. (GA)
5. Upon the compromise of a BCA Root message signature key pair, the corresponding BCA Root message signature certificate will be revoked. A new key pair will be generated and the BCA shall request a new certificate from the RCA in a trusted, off-line manner. (GA)

#### 3.5.5 KEY BACKUP

1. Each BCA private key will have a corresponding backup housed within a fill device; each fill device must be kept in a separate location known only to authorized CA personnel; access to backup key must be under dual control.
2. Backup facilities are subject to same key management requirements as the primary facilities.

#### 3.5.6 KEY RECOVERY

1. In the event that the BCA's private key is lost in a manner free of compromise where equipment failure, corruption of the keying data, or passwords are forgotten, it may be possible to restore the keying material from a secure backup, i.e., removable storage device.
2. The secure backup process includes a datakey or token where the private key is secured by both the physical security proprieties of the removable storage medium and by a secret DES key that is unique to the device that originally contained the Private Key. The latter requirement is important to assure that the authority is restored only on the device that contained the original DES key and that a duplicate authority is not created.
3. The DES key protecting the Private Key when secured in the removable storage device is to be a double length key and triple encryption is to be used to protect the Private

10

Key. The encryption process is defined in Visa's Card Technologies Standards Manual.

4. The process of removing the device from storage is to be performed under the principle of dual control.
5. Re-initialization of the authority is to be managed, using the same procedures as when the authority was created.

#### 3.5.7 KEY TRANSPORT

1. Private Keys are never to be transported outside the physical protection of the security module containing that private key during its active, useful life.

2. The Private Key may, for purposes of recovery, exist in the protected memory of removable storage only if protected by a double length DES key that is known only to the device where the actual Private Key is resident.
3. Transport of the data token, with the encrypted Private Key, is to be under dual control, i.e., never to be managed under the single custody of the transporting parties.
4. Custodians for the removable memory component are never to be holders of the Cryptographic Ignition Keys (CIKs).
5. Every access of the removable memory component is to be logged and a verifiable audit trail maintained by the CA.
6. When Public Keys are transported, steps must be taken to assure that the integrity of the key is maintained. There must be no chance for the substitution of other values. Therefore, Public Keys received by the CA for the purposes certification, are to be protected either using the DES Algorithm or Diffie-Hillman Exponential Key Exchange.

#### 3.5.8 KEY ARCHIVAL (P)

1. Archival refers to the off-line, long term storage of keys that are no longer operational.
2. The purpose of archiving is to settle disputes involving non-repudiation, i.e., the evidence of the validity of an old digital signature.
3. To be able to establish the validity of a claim requires that any archived keying data be secured so that the integrity of the original key is assured.
4. The archival of a Private Key requires either the secure, long term storage of the removable memory device or the complete storage of the physical device used by the CA for certificate creation. In those situations where the removable memory device can be archived, the physical device to which the removable memory was a part must contain a single authority.

11

5. For the purposes of the BCA, the archival of the private key requires the secure storage of the removable memory of the security device used by the authority for that Private Key. This device will contain the archived Private Key encrypted under the secret, double length DES key known only to the security module containing the active Private Key and distributed across the Cryptographic Ignition Keys (CIKs) unique to that device.
6. If the device contains multiple authorities, the archival of all Private Keys will, most likely have to be accomplished at the same time because, at no time is a CA to archive Private Keys outside the physical device of which they were created, protected by a DES key that is being used to protect another archived Private Key, except by chance.

#### 3.5.9 KEY RETRIEVAL (P)

1. For the purposes of non-repudiation, the archived Private Keys are to be managed as if they were valid.
2. Key retrieval from an archival domain is to be accomplished using the same care and procedures as originally used for its creation.

#### 3.6 Underlying Cryptography

1. The BCA will support the RSA algorithm for public-key cryptography, SHA (1) for hashing and DES for data encryption. Refer to the SEC Specification document for details.

#### 3.7 Certificate Revocation Lists (CRL) (V2)

Not applicable for of General Availability.

#### 4. INTERFACE WITH THE ROOT CA

This subsection defines the business policies, procedures and requirements related to the BCA's interaction with the RCA.

##### 4.1 Registering with Root CA

To be determined.

##### 4.2 Certificate Request

1. Initial BCA root certificate requests will be obtained by the RCA in a trusted, off-line manner. (P)
2. Delivery of the Initial BCA root certificate requests will be handled as described in a

12

policy document that is mutually agreed upon by Visa and VeriSign. (P)

3. Subsequent BCA certificate requests will be obtained by the RCA via online electronic means. (GA)

##### 4.3 Certificate Renewal

1. 30 days prior to expiration of existing BCA certificates, the BCA will generate new key pairs for the corresponding application. Following key generation, the BCA shall request a new certificate from the RCA.

##### 4.4 Certificate Revocation

1. Upon the compromise of any BCA key pair, the BCA must notify the RCA to revoke the corresponding BCA certificate. A new key pair will be generated and the BCA shall request a new certificate from the RCA.

##### 4.5 Root Certificates

1. All initial RCA certificates will obtained in a trusted manner. (P)
2. All initial RCA certificates will be authenticated using the public keys contained within the RCA certificates and the associated hash values as defined in the SEC Specification document. (P)
3. All non-initial RCA certificates will be authenticated using the public key contained within the previous Root usage certificates. (P)
4. All RCA certificates will be stored in a tamper proof and detectable manner. (P)
5. All certificates issued by the RCA to the BCA will be authenticated using the public key contained within the valid RCA brand certificate signature certificate. (P)

##### 4.6 Root Key Compromise Procedures

1. Upon compromise of a RCA key pair, new RCA certificates shall be treated as initial RCA certificates and the appropriate procedures will be applied. (P)
2. Upon the compromise of a RCA brand certificate signature key pair, the corresponding RCA brand signature certificate and any certificates issued with the corresponding key will not be accepted. The RCA will distribute the new RCA brand key exchange certificate to the BCA within a message that is signed using the private key that corresponds to the valid RCA brand message signature

certificate. All BCA certificates signed by the compromised key will be revoked. New BCA certificates will be requested from the RCA. All CCA, MCA, GCA, PCA and Registration Server certificates signed by BCA certificates issued by the compromised RCA key will be revoked. New CCA, MCA,

13

GCA, PCA and Registration Server certificates will be issued and signed using newly generated BCA key pairs. The new certificates along with the new RCA and BCA certificate signature certificates will be sent, in a trusted manner, to all CCA, MCA, GCA, PCA and Registration Server whose certificates were revoked. (P)

3. Upon the compromise of a RCA brand key exchange key pair, the corresponding RCA brand key exchange certificate will not be used to encrypt messages sent to the RCA. The RCA will distribute the new RCA brand key exchange certificate to the BCA within a message that is signed using the private key that corresponds to the valid RCA brand message signature certificate. (P)

4. Upon the compromise of a RCA brand message signature key pair, the corresponding RCA brand message signature certificate and any messages signed by the compromised key pair will not be accepted. The RCA will distribute the new RCA brand message signature certificate to the BCA within a message that is signed using the private key that corresponds to the new RCA brand message signature certificate. (P)

#### 4.7 Messages

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1. All messages sent by the BCA to the RCA will be encrypted using the public key contained within the valid RCA brand key exchange certificate. (GA)

2. All messages sent by the RCA to the BCA will be encrypted using the public key contained within the valid BCA Root key exchange certificate. (GA)

3. All messages sent by the BCA to the RCA will be signed using the private key corresponding to the valid BCA Root message signature certificate. (GA)

4. All messages sent by the RCA to the BCA will be authenticated using the public key contained within the valid RCA brand message signature certificate. (GA)

5. All requests for BCA certificates sent to the RCA will be formatted as described in ??? (GA)

6. All responses to BCA certificate requests by the RCA will be formatted as described in ??? (GA)

#### 5. INTERFACE WITH GEO-POLITICAL CAS (T3)

This subsection defines the business policies, procedures and requirements related to the BCA's interaction with a GCA.

##### 5.1 Registering a Geo-political CA

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1. The GCA entity must register with the Brand prior to issuing certificates to it's members.

14

2. The GCA entity must complete a GCA Registration Contract prior to being issued a certificate by the Brand.

3. The GCA Registration Contract must be signed by authorized members of the GCA entity.

4. The authorized members of the GCA entity must present proof of the existence of the Geo-political entity (i.e. letter of incorporation).

5. The authorized members of the GCA entity must present proof of their own

identity (i.e. passport).

6. The authorized members of the GCA entity must present proof of their relationship to GCA entity (i.e. badge).

7. The authorized members of the GCA entity must present proof of their authorization to act on behalf of the GCA entity (i.e. letter granting authority with appropriate letter head and signature of entity executives).

## 5.2 Certificate Issuance Policies

1. Initial GCA certificate requests will be obtained by the BCA in a trusted, off-line manner. This must include requests for GCA Brand (message and encryption) certificates.

2. Subsequent GCA certificate requests will be obtained by the BCA via electronic means.

3. All certificates issued to GCAs will be signed using the private key that corresponds to the valid BCA Geo-political certificate signature certificate.

4. The BCA will only issue certificates to GCA certificate requests that have passed the business constraints and edit routines as defined in a policy document that is mutually agreed upon by Visa and VeriSign.

5. The BCA shall send a certificate request rejection response to GCA certificate requests that have not passed the business constraints and edit routines.

## 5.3 Certificate Revocation

1. The BCA shall retain the right to revoke a GCA certificate based on guidelines outline within the Geo-political Registration Contract.

2. Upon the compromise of a GCA Brand key exchange key pair, the GCA must revoke the corresponding GCA Brand key exchange certificate. A new key pair will be generated and the GCA shall request a new certificate from the BCA.

3. Upon the compromise of a GCA Brand message signature key pair, the GCA must

15

revoke the corresponding GCA Brand message signature certificate. A new key pair will be generated and the GCA shall request a new certificate from the BCA in a trusted, off-line manner.

4. Upon the compromise of any other GCA key pair, the GCA must revoke the corresponding GCA certificate. A new key pair will be generated and the GCA shall request a new certificate from the BCA.

## 5.4 Messages

1. All requests for GCA certificates sent to the BCA will be formatted as described in ???

2. All responses to GCA certificate requests by the BCA will be formatted as described in ???

3. All messages sent by the GCA to the BCA will be encrypted using the public key contained within the valid BCA Geo-political key exchange certificate.

4. All messages sent by the BCA to the GCA will be encrypted using the public key contained within the valid GCA brand key exchange certificate.

5. All request messages sent to the BCA by GCAs will be authenticated using the public key contained within the valid GCA brand message signature certificate.

6. All response messages sent to GCAs will be signed using the private key that corresponds to the valid BCA Geo-political message signature certificate.

## 6. INTERFACE WITH CARDHOLDER CAS

This subsection defines the business policies, procedures and requirements related to the BCA's interaction with a CCA.

### 6.1 Registering a Cardholder CA

1. The CCA entity must register with the Brand prior to issuing certificates to it's cardholders.
2. The CCA entity must complete a CCA Registration Contract prior to being issued a certificate by the Brand.
3. The CCA Registration Contract must be signed by authorized members of the CCA entity.
4. The authorized members of the CCA entity must present proof of the existence of the CCA entity (i.e. letter of incorporation).

16

5. The authorized members of the CCA entity must present proof of their own identity (i.e. passport).
6. The authorized members of the CCA entity must present proof of their relationship to CCA entity (i.e. badge).
7. The authorized members of the CCA entity must present proof of their authorization to act on behalf of the CCA entity (i.e. letter granting authority with appropriate letter head and signature of entity executives).

### 6.2 Certificate Issuance Policies

1. Initial CCA certificate requests will be obtained by the BCA in a trusted, off-line manner. This must include requests for CCA Brand (message and encryption) certificates.
2. Subsequent CCA certificate requests will be obtained by the BCA via electronic means. (GA)
3. All certificates issued to CCAs will be signed using the private key that corresponds to the valid BCA issuer certificate signature certificate.
4. The BCA will only issue certificates to CCA certificate requests that have passed the business constraints and edit routines as defined in a policy document that is mutually agreed upon by Visa and VeriSign.
5. The BCA shall send a certificate request rejection response to CCA certificate requests that have not passed the business constraints and edit routines.

### 6.3 Certificate Revocation

1. The BCA shall retain the right to revoke a CCA certificate based on guidelines outline within the CCA Registration Contract.
2. Upon the compromise of a CCA Brand key exchange key pair, the CCA must revoke the corresponding CCA Brand key exchange certificate. A new key pair will be generated and the CCA shall request a new certificate from the BCA.
3. Upon the compromise of a CCA Brand message signature key pair, the CCA must revoke the corresponding CCA Brand message signature certificate. A new key pair will be generated and the CCA shall request a new certificate from the BCA in a trusted, off-line manner.
4. Upon the compromise of any other CCA key pair, the CCA must revoke the corresponding CCA certificate. A new key pair will be generated and the CCA shall request a new certificate from the BCA.

#### 6.4 Messages

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1. All requests for CCA certificates sent to the BCA will be formatted as described in ??? (GA)
2. All responses to CCA certificate requests by the BCA will be formatted as described in ??? (GA)
3. All messages sent by the CCA to the BCA will be encrypted using the public key contained within the valid BCA issuer key exchange certificate. (GA)
4. All messages sent by the BCA to the CCA will be encrypted using the public key contained within the valid CCA brand key exchange certificate. (GA)
5. All request messages sent to the BCA by CCAs will be authenticated using the public key contained within the valid CCA brand message signature certificate. (GA)
6. All response messages sent to CCAs will be signed using the private key that corresponds to the valid BCA issuer message signature certificate. (GA)

#### 7. INTERFACE WITH MERCHANT CAS

This subsection defines the business policies, procedures and requirements related to the BCA's interaction with an MCA.

##### 7.1 Registering a Merchant CA

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1. The MCA entity must register with the Brand prior to issuing certificates to it's merchants.
2. The MCA entity must complete an MCA Registration Contract prior to being issued a certificate by the Brand.
3. The MCA Registration Contract must be signed by authorized members of the MCA entity.
4. The authorized members of the MCA entity must present proof of the existence of the MCA entity (i.e. letter of incorporation).
5. The authorized members of the MCA entity must present proof of their own identity (i.e. passport).
6. The authorized members of the MCA entity must present proof of their relationship to MCA entity (i.e. badge).
7. The authorized members of the MCA entity must present proof of their

authorization to act on behalf of the MCA entity (i.e. letter granting authority with appropriate letter head and signature of entity executives).

##### 7.2 Certificate Issuance Policies

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1. Initial MCA certificate requests will be obtained by the BCA in a trusted, off-line manner. This must include requests for MCA Brand (message and encryption) certificates.
2. Subsequent MCA certificate requests will be obtained by the BCA via online electronic means. (GA)
3. All certificates issued to MCAs will be signed using the private key that corresponds to the valid BCA acquirer certificate signature certificate.



4. The BCA will only issue certificates to MCA certificate requests that have passed the business constraints.

5. The BCA shall send a certificate request rejection response to MCA certificate requests that have not passed the business constraints.

### 7.3 Certificate Revocation -----

1. The BCA shall retain the right to revoke a MCA certificate based on guidelines outline within the MCA Registration Contract.

2. Upon the compromise of a MCA Brand key exchange key pair, the MCA must revoke the corresponding MCA Brand key exchange certificate. A new key pair will be generated and the MCA shall request a new certificate from the BCA.

3. Upon the compromise of a MCA Brand message signature key pair, the MCA must revoke the corresponding MCA Brand message signature certificate. A new key pair will be generated and the MCA shall request a new certificate from the BCA in a trusted, off-line manner.

4. Upon the compromise of any other MCA key pair, the MCA must revoke the corresponding MCA certificate. A new key pair will be generated and the MCA shall request a new certificate from the BCA.

### 7.4 Messages -----

1. All requests for MCA certificates sent to the BCA will be formatted as described in ??? (GA)

2. All responses to MCA certificate requests by the BCA will be formatted as described in ??? (GA)

19

3. All messages sent by the Acquirer CA to the BCA will be encrypted using the public key contained within the valid BCA acquirer key exchange certificate. (GA)

4. All messages sent by the BCA to the MCA will be encrypted using the public key contained within the valid MCA brand key exchange certificate. (GA)

5. All request messages sent to the BCA by MCAs will be authenticated using the public key contained within the valid MCA brand message signature certificate. (GA)

6. All response messages sent to MCAs will be signed using the private key that corresponds to the valid BCA acquirer message signature certificate. (GA)

## 8. INTERFACE WITH PAYMENT GATEWAY CA

This subsection defines the business policies, procedures and requirements related to the BCA's interaction with a PCA.

### 8.1 Registering a Payment Gateway CA -----

1. The Acquirer operating the Payment Gateway must register with the Brand prior to accepting SEC transactions.

2. The Acquirer operating the Payment Gateway must complete an MCA Registration Contract prior to being issued a certificate by the Brand.

3. The MCA Registration Contract must be signed by authorized members of the MCA entity.

4. The authorized members of the MCA entity must present proof of the existence of the MCA entity (i.e. letter of incorporation).

5. The authorized members of the MCA entity must present proof of their own identity (i.e. passport).

6. The authorized members of the MCA entity must present proof of their relationship to MCA entity (i.e. badge).

7. The authorized members of the MCA entity must present proof of their authorization to act on behalf of the MCA entity (i.e. letter granting authority with appropriate letter head and signature of entity executives).

8. The Acquirer must have a Visa approved Payment Gateway in order to be eligible for an MCA certificate.

20

#### 8.2 Certificate Issuance Policies

1. Initial Payment Gateway certificate requests will be obtained by the BCA in a trusted manner. This must include requests for Payment Gateway Brand (message and encryption) certificates.

2. Subsequent Payment Gateway certificate requests will be obtained by the BCA via online electronic means.

3. All certificates issued to Payment Gateway will be signed using the private key that corresponds to the valid BCA payment gateway certificate signature certificate.

4. The BCA will only issue certificates to Payment Gateway certificate requests that have passed the business constraints.

5. The BCA shall send a certificate request rejection response to Payment Gateway certificate requests that have not passed the business constraints.

#### 8.3 Certificate Revocation

1. The BCA shall retain the right to revoke a Payment Gateway certificate based on guidelines outline within the MCA Registration Contract.

2. Upon the compromise of a Payment Gateway Brand key exchange key pair, the Payment Gateway must revoke the corresponding Payment Gateway Brand key exchange certificate. A new key pair will be generated and the Payment Gateway shall request a new certificate from the BCA.

3. Upon the compromise of a Payment Gateway Brand message signature key pair, the Payment Gateway must revoke the corresponding Payment Gateway Brand message signature certificate. A new key pair will be generated and the Payment Gateway shall request a new certificate from the BCA in a trusted manner.

4. Upon the compromise of any other Payment Gateway key pair, the Payment Gateway must revoke the corresponding Payment Gateway certificate. A new key pair will be generated and that Payment Gateway shall request a new certificate from the BCA.

#### 8.4 Messages

1. All requests for Payment gateway certificates sent to the BCA will be formatted as described in ??? (GA).

2. All responses to Payment gateway certificate requests by the BCA will be formatted as described in ??? (GA).

3. All messages sent by the Payment gateway to the BCA will be encrypted using

21

the public key contained within the valid BCA payment gateway key exchange certificate (GA).

4. All messages sent by the BCA to the Payment gateway will be encrypted using the public key contained within the valid Payment gateway brand key exchange

certificate (GA).

5. All request messages sent to the BCA by Payment gateways will be authenticated using the public key contained within the valid Payment gateway brand message signature certificate (GA).

6. All response messages sent to Payment gateways will be signed using the private key that corresponds to the valid BCA payment gateway message signature certificate (GA).

#### 9. INTERFACE WITH VISANET

There is no interface between the BCA and VisaNet. Future interface may be implemented to facilitate the automation of registration and management of member certificates.

#### 10. SECURITY (P)

This section identifies the physical, electronic and personnel security policies and procedures to which the BCA must comply.

##### 10.1 Physical Security -----

1. All BCA servers and cryptographic materials shall reside in a secure facility used solely for BCA purposes; no other business activities may be performed within the same facility.

2. The BCA facility must provide protection of the BCA servers and cryptographic materials from unauthorized access, modification, substitution, insertion and deletion.

3. The BCA facility will provide protection such that attempts described above will not be successful or will have a high probability of being detected.

4. All access to the BCA servers and cryptographic materials shall be only by authorized personnel.

5. No unauthorized personnel shall be allowed access to secure areas where the BCA servers or cryptographic materials are maintained.

6. No guests or "piggy backers" of authorized personnel shall be allowed access to secure areas where the BCA servers or cryptographic materials are maintained.

22

7. An audit control log of all access to room with the BCA server and cryptographic materials must be kept and reviewed by designated BCA management; this may be an electronic audit log.

8. Physical modification or movement of the BCA servers or cryptographic materials must be under dual control and require prior notification. Visa may oversee such modification or movement at its discretion.

9. An audit control log of all physical modifications or movements of the BCA servers or cryptographic materials must be strictly enforced.

10. The BCA facility will be protected with an intrusion alarm system and 24 hour guard; camera surveillance is recommended.

11. The BCA facility will have auxiliary power to ensure uninterrupted operation in the event of a central power failure.

12. Designated BCA management personnel will routinely inspect alarm system and auxiliary power source at least once every two weeks.

13. Records of alarm and auxiliary power inspections must be maintained.

14. Unauthorized access or potential compromise must be immediately reported to Visa International.

15. Backup facilities are subject to same physical security requirements as the primary facilities.

## 10.2 Network Security

1. The BCA must not be connected to a network that serves non-BCA functions.
2. Electronic access to the BCA must be restricted to data that is to be used only by authorized users.
3. CA network must be thoroughly researched, analyzed and tested to ensure adequate security before deployment.
4. CA network must respect the International Organization for Standardization (ISO) Open Systems Interconnection (ISO) seven layer model. Those seven are: Physical Link Network Transport Session Presentation Application
5. CA network must be implemented securely to mitigate exposures within each of the seven levels of the ISO model.
6. CA network must be implemented securely to mitigate exposure to cracking, sniffing, spoofing and denial of service attacks.

23

7. CA network architecture must be reviewed every six months to ensure exposures within each layer are mitigated.
8. CA network architecture must be modified immediately upon receipt of generally available information or notification by Visa International regarding weaknesses discovered within any of the seven layers.
9. Access to CA network shall be only by authorized personnel; each of the seven network layers shall be secured to ensure only authorized personnel have access to the CA network.
10. CA server administrators will continually monitor for unauthorized access, performance tuning and other network administrative tasks. Unauthorized access will be immediately reported to Visa International.
11. At its discretion Visa may analyze and/or test a CA network implementation to ensure known attack points do not present exposure to unauthorized access.
12. Backup facilities are subject to same network security requirements as the primary facilities.

## 10.3 System Security

1. User ID's are to be used to maintain individual accountability, tracking what a user is doing within the system.
2. Passwords are to be assigned by the system and changed every other month on a rotating basis, i.e., half of password changed on a monthly basis.
3. Passwords are never to be stored on the system except as cryptograms.
4. Passwords are to managed consistent with the guidelines set forth in the Department of Defense Password Management Guideline, i.e., the Green Book and FIPS PUB 112 - Password Usage.

## 10.4 Personnel Security Requirements

1. All personnel with access to the BCA servers and cryptographic materials shall be subject to a thorough background check as approved by Visa International; Visa, at its sole discretion, may modify background check procedures as it deems appropriate.

## 11. AUDITING (P)

1. All auditing processes and procedures are to be consistent with the recording, examining and reviewing of security related functions of a trusted system, where a security related activity is any activity or event that relates to the access of an object.

24

Typical events that will require logging include:

- \* Logons (successful and unsuccessful)
- \* Logouts
- \* Remote System Access
- \* File Opens, Closes, Renames and Deletions
- \* Changes in Privileges or Security Attributes

2. All auditable actions/events are to be associated to an authenticated ID. Audit trails produced by the system must show the ID of the user who initiated each action.

3. Each time that an audit event occurs, the system is to write, at least, the following information:

- \* Date and time of the event
- \* Unique ID of the user who initiated the event
- \* Type of event
- \* Success or failure
- \* Origin of the request ( e.g., terminal ID) . Name of object involved (e.g., file being created/deleted)
- \* Description of modifications to security database

4. Audit procedures are to be consistent with the requirements as set forth in the Orange Book (Trusted Computer Systems Evaluation Criteria; DOD 520.28-STD) for security protection of level B2.

5. Audit confirmation is to be provided to confirm that passwords are being protected consistent with B2 Levels of security of the Orange Book and as set forth in the Department of Defense Password Management Guideline, i.e., the Green Book and FIPS PUB 112 - Password Usage.

6. An annual EDP audit report at a SAS 70 level of review is to be performed annually and the results of that audit made available to Visa International.

7. All audit control logs must be reviewed by management on a monthly basis and retained for up to three years.

25

8. All Acquirer CA audit control logs, policies or procedures may be subject to inspection by Visa International at anytime.

## 12. REPORTING

To be defined.

## 13. OUTSTANDING ISSUES

The following are outstanding issues that need to be resolved. Each issue includes a brief description, group that identified the issue and the time frame by which it must be resolved.

1. What if an Issuer/Acquirer cert must be revoked? - Visa (T2)
2. Key Archival/Key Retrieval - VISA has asked us to archive private keys for the purposes of validating old digital signatures. I have recommended that they revisit this requirement, because archival of public keys would make more sense. This issue remains open. - VeriSign (P)
3. Physical Security - VISA has requested that their CA services be housed in a facility separate from VeriSign's CA operations. VeriSign will fulfill this requirement at GA physically separating VISA CA operations from VeriSign

operations. This separation will not include the customer service department. - VeriSign (P)

4. System Security - VISA has made reference to a DOD Publication in managing user passwords. If this mandates O.S. security higher than C2, this may be an issue. - VeriSign (P)

5. Auditing - VISA has made reference to DOD Publications and B2 security in the April 26 version of the CA requirements. VeriSign needs to analyze cost and sizing impacts of such a requirement. This issue remains open. VeriSign (P)

6. VeriSign to Visa interface documents need to be finalized. - Visa (T1)

26

VeriSign Private Label Agreement  
Page 30

EXHIBIT "F"

INTERFACE SPECIFICATIONS

These specifications are contained in the VAP Interface Specifications, Release 10.2, dated August 1995. This document has already been delivered to VeriSign by Customer.

VeriSign Private Label Agreement  
Page 31

EXHIBIT "G"

ACCEPTANCE TEST PROCEDURES

[POST CLOSING ITEM]

VeriSign Private Label Agreement  
Page 32

EXHIBIT "H"

VERISIGN MARKETING RIGHTS AND ROYALTY OBLIGATIONS

VeriSign shall have the right to market the VSE only as set forth on this Exhibit "H".

1. MARKETING RIGHTS. VeriSign shall have the right to license to Eligible

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Customers ECS pursuant to a license substantially in the form of Exhibit "J" or to provide Certificate registration, issuing and management functions to Eligible Customers using ECS. "Eligible Customers" shall mean: any Member of Visa and any entity providing Financial Services. "Financial Services" shall mean any of the following: banking, savings and loans, thrifts, insurance, lending, EDI, credit card issuance and service, commercial network transactions, companies facilitating commercial transactions over networks (e.g. CyberCash, DigiCash, and VeriFone), deposit taking, financial intermediaries and the like.

2. CHARGES. VeriSign shall determine the fees it charges for licensing of ECS  
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or operation of ECS on behalf of the Second Tier CA in its sole discretion.

3. VERISIGN RESERVED RIGHTS. VeriSign shall be entitled to create a software  
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module with the functionality of the VSE provided that VeriSign does not make use of the source code to the VSE or the System Design Specifications, Interface Specifications and Customer Requirements that are confidential or proprietary to Customer in creation of its own product. This Section shall not limit VeriSign's use for any purpose of residuals resulting from access to such source code. The term "residuals" means information in non-tangible form which may be retained by persons who have had access to such source code, including ideas, concepts,

know-how or techniques contained therein.

4. ROYALTIES. VeriSign will pay Customer a seven percent (7%) royalty on (i)

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all revenues from sales of any ECAS System to a Visa Member or Visa Processor and (ii) all revenues from sales of ECS or any derivative work created from ECS which shall not include any derivative works generated from the ECAS System alone. This royalty shall be paid on a quarterly basis and due within thirty (30) days of the end of the calendar quarter in which such revenue was received. This royalty shall terminate when Customer has been paid, either through the royalty defined above or through cash payment to Customer or a combination of both methods, its Initial Development Investment ("IDI") of \* ("Date of Recoupment"). In the event that any obligation of Visa or VeriSign is modified via an amendment to this Agreement or the Change Order defined in Section 4.1.8 and such amendment or modification changes a royalty obligation, the IDI or any other aspect of this Section 4, such amendment or change request shall include an explicit statement of the effect of such modification on the IDI. "All revenues from sales" means the gross amount of all cash, in-kind or other consideration receivable by VeriSign at any time in

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

VeriSign Private Label Agreement  
Page 33

consideration of the licensing of the relevant system, excluding any amounts receivable by VeriSign for sales and used taxes, shipping, insurance and duties, and reduced by all discounts, refunds or allowances granted in the ordinary course of business.

VeriSign will pay Customer a seven percent (7%) royalty on all revenue received from issuance of certificates by any system defined in this Section 4(i) and 4(ii) above ("Customer Related Certificates"). This royalty shall be due quarterly and paid within thirty (30) days after the end of the calendar quarter in which such revenue was received. This royalty shall terminate on the fifth (5th) anniversary of the Date of Recoupment or ten (10) years after the first publicly available pilot of the ECS System, whichever comes first.

5. U.S. CURRENCY. All payments hereunder shall be made in lawful United

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States Currency. If VeriSign receives payment in foreign currencies, the amount of its license fees due to Customer shall be calculated using the closing exchange rate published in the Wall Street Journal, Western Edition, on the last business day such journal is published in the calendar quarter immediately preceding the date of payment.

6. TERMS OF PAYMENT. License fees shall accrue with respect to ECS licensed

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or otherwise distributed by VeriSign or on the date that VeriSign receives the revenue from the Second Tier CA or Subscriber therefor. License fees due Customer hereunder shall be paid by VeriSign to the attention of Peter R. Hill at Customer's address set forth above on or before the thirtieth (30th) day after the close of the calendar quarter during which the license fees accrued. A late payment penalty on any undisputed license fees not paid when due shall be assessed at the rate of one percent (1%) per thirty (30) days beginning on the thirty-first (31st) day after the day the unpaid license fees are due.

7. LICENSE REPORT. A report in reasonably detailed form setting forth the

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calculation of license fees due from VeriSign and signed by a responsible officer of VeriSign shall be delivered to Customer on or before the thirtieth (30th) day after the close of each calendar quarter, regardless of whether license fee payments are required to be made pursuant to Section 4. The report shall include, at a minimum, the following information (if applicable to VeriSign's designated method of calculating license fees) with respect to the relevant quarter: (i) the total number of ECS licensed or otherwise distributed by VeriSign (indicating the names and versions thereof), (ii) the total revenue from sales of such ECS, (iii) the number and class of Certificates issued for which a royalty is due; and (iv) total license fees accrued.

8. AUDIT RIGHTS. Customer shall have the right, at its sole cost and expense,  
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to have an independent certified public accountant conduct during normal business hours not more frequently than annually, an audit of the appropriate records of VeriSign to verify the number of copies of ECS licensed or otherwise distributed by VeriSign, the number and class of Certificates issued, and if relevant to VeriSign's designated method of calculating license fees, the amount of revenues from sales therefor. Such certified public accountant shall adhere to any nondisclosure provisions committed to by VeriSign to a Second Tier CA or subscriber. If such amounts are found to be different than those reported or the license fees accrued are different than those reported, VeriSign will be invoiced or credited for the difference, as applicable. Any additional

VeriSign Private Label Agreement  
Page 34

license fees, along with the late payment penalty assessed in accordance with Section 6, shall be payable within thirty (30) days of such invoice. If a deficiency in license fees paid by VeriSign is greater than five percent (5%) of the license fees reported by VeriSign for any quarter, VeriSign will pay the reasonable expenses associated with such audit, in addition to the deficiency.

9. EVALUATION COPIES. VeriSign may deliver copies of ECS to prospective  
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Second Tier CAs on a trial basis for evaluation purposes only (each, an "Evaluation Copy") provided that each such prospective Second Tier CA has received a written or electronic trial license prohibiting the Second Tier CA from copying, modifying, reverse engineering, decompiling or disassembling the code for the VSE code or any part thereof. No royalties on income from licensing ECS shall be reportable or payable with respect to Evaluation Copies. Per copy Certificate charges will accrue if applicable.

10. VOLUME CREDIT. Each Certificate issued by a Second Tier CA using ECS, and  
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each Certificate issued by VeriSign while operating ECS on behalf of a Second Tier CA, shall be counted as a Certificate issued by Customer or on behalf of Customer by VeriSign for purposes of calculating royalties and license fees due from Customer under Exhibit "B" or the License Agreement when and if executed in the form of Exhibit "J" with Customer. Customer shall receive one hundred percent (100%) volume credit for all Customer Related Certificates. The cumulative total for certificates generated by Customer and Customer Related Certificates shall be used in determining the volume pricing available for Customer under Exhibit B. This cumulative total shall not be reset annually or at any time during this Agreement.

VeriSign Private Label Agreement  
Page 35

EXHIBIT "I"

ESCROW AGREEMENT

MASTER PREFERRED ESCROW AGREEMENT

Master Number \_\_\_\_\_

This Agreement is effective \_\_\_\_\_, 19\_\_ among Data Securities International, Inc. ("DSI"), \_\_\_\_\_ ("\_\_\_\_\_") and any party signing the Acceptance Form attached to this Agreement ("\_\_\_\_\_"), who collectively may be referred to in this Agreement as "the parties."

- A. Depositor and Preferred Beneficiary have entered or will enter into a license agreement, development agreement, and/or other agreement regarding certain proprietary technology of Depositor (referred to in this Agreement as "the license agreement").
- B. Depositor desires to avoid disclosure of its proprietary technology except under certain limited circumstances.
- C. The availability of the proprietary technology of Depositor is critical to



Preferred Beneficiary in the conduct of its business and, therefore, Preferred Beneficiary needs access to the proprietary technology under certain limited circumstances.

D. Depositor and Preferred Beneficiary desire to establish an escrow with DSI to provide for the retention, administration and controlled access of certain proprietary technology materials of Depositor.

E. The parties desire this Agreement to be supplementary to the license agreement pursuant to 11 United States [Bankruptcy] Code, Section 365(n).

#### ARTICLE 1 -- DEPOSITS

##### 1.1 Obligation to Make Deposit. Upon the signing of this Agreement by the

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parties, including the signing of the Acceptance Form, Depositor shall deliver to DSI the proprietary information and other materials ("deposit materials") required to be deposited by the license agreement or, if the license agreement does not identify the materials to be deposited with DSI, then such materials will be identified on an Exhibit A. If Exhibit A is applicable, it is to be prepared and signed by Depositor and Preferred Beneficiary. DSI shall have no obligation with respect to the preparation, signing or delivery of Exhibit A.

##### 1.2 Identification of Tangible Media. Prior to the delivery of the deposit

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materials to DSI, Depositor shall conspicuously label for identification each document, magnetic tape, disk, or other tangible media upon which the deposit materials are written or stored. Additionally, Depositor shall complete Exhibit B to this Agreement by listing each such tangible media by the item label description, the type of media and the quantity. The Exhibit B must be signed by

VeriSign Private Label Agreement  
Page 36

Depositor and delivered to DSI with the deposit materials. Unless and until Depositor makes the initial deposit with DSI, DSI shall have no obligation with respect to this Agreement, except the obligation to notify the parties regarding the status of the deposit account as required in Section 2.2 below.

##### 1.3 Deposit Inspection. When DSI receives the deposit materials and the

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Exhibit B, DSI will conduct a deposit inspection by visually matching the labeling of the tangible media containing the deposit materials to the item descriptions and quantity listed on the Exhibit B. In addition to the deposit inspection, Preferred Beneficiary may elect to cause a verification of the deposit materials in accordance with Section 1.6 below.

##### 1.4 Acceptance of Deposit. At completion of the deposit inspection, if DSI

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determines that the labeling of the tangible media matches the item descriptions and quantity on Exhibit B, DSI will date and sign the Exhibit B and mail a copy thereof to Depositor and Preferred Beneficiary. If DSI determines that the labeling does not match the item descriptions or quantity on the Exhibit B, DSI will (a) note the discrepancies in writing on the Exhibit B; (b) date and sign the Exhibit B with the exceptions noted; and (c) provide a copy of the Exhibit B to Depositor and Preferred Beneficiary. DSI's acceptance of the deposit occurs upon the signing of the Exhibit B by DSI. Delivery of the signed Exhibit B to Preferred Beneficiary is Preferred Beneficiary's notice that the deposit materials have been received and accepted by DSI.

##### 1.5 Depositor's Representations. Depositor represents as follows:

- 
- a. Depositor lawfully possesses all of the deposit materials deposited with DSI;
  - b. With respect to all of the deposit materials, Depositor has the right and authority to grant to DSI and Preferred Beneficiary the rights as provided in this Agreement;
  - c. The deposit materials are not subject to any lien or other encumbrance; and

- d. The deposit materials consist of the proprietary information and other materials identified either in the license agreement or Exhibit A, as the case may be.

1.6 Verification. Preferred Beneficiary shall have the right, at Preferred

Beneficiary's expense, to cause a verification of any deposit materials. A verification determines, in different levels of detail, the accuracy, completeness, sufficiency and quality of the deposit materials. If a verification is elected after the deposit materials have been delivered to DSI, then only DSI, or at DSI's election an independent person or company selected and supervised by DSI, may perform the verification.

1.7 Deposit Updates. Unless otherwise provided by the license agreement,

Depositor shall update the deposit materials within 60 days of each release of a new version of the product which is subject to the license agreement. Such updates will be added to the existing deposit. All deposit updates shall be listed on a new Exhibit B and the new Exhibit B shall be signed by Depositor. Each Exhibit B will be held and maintained separately within the escrow account.

VeriSign Private Label Agreement  
Page 37

An independent record will be created which will document the activity for each Exhibit B. The processing of all deposit updates shall be in accordance with Sections 1.2 through 1.6 above. All references in this Agreement to the deposit materials shall include the initial deposit materials and any updates.

1.8 Removal of Deposit Materials. The deposit materials may be removed and/or

exchanged only on written instructions signed by Depositor and Preferred Beneficiary, or as otherwise provided in this Agreement.

ARTICLE 2 -- CONFIDENTIALITY AND RECORD KEEPING

2.1 Confidentiality. DSI shall maintain the deposit materials in a secure,

environmentally safe, locked receptacle which is accessible only to authorized employees of DSI. DSI shall have the obligation to reasonably protect the confidentiality of the deposit materials. Except as provided in this Agreement, DSI shall not disclose, transfer, make available, or use the deposit materials. DSI shall not disclose the content of this Agreement to any third party. If DSI receives a subpoena or other order of a court or other judicial tribunal pertaining to the disclosure or release of the deposit materials, DSI will immediately notify the parties to this Agreement. It shall be the responsibility of Depositor and/or Preferred Beneficiary to challenge any such order; provided, however, that DSI does not waive its rights to present its position with respect to any such order. DSI will not be required to disobey any court or other judicial tribunal order. (See Section 7.5 below for notices of requested orders.)

2.2 Status Reports. DSI will issue to Depositor and Preferred Beneficiary a

report profiling the account history at least semi-annually. DSI may provide copies of the account history pertaining to this Agreement upon the request of any party to this Agreement.

2.3 Audit Rights. During the term of this Agreement, Depositor and Preferred

Beneficiary shall each have the right to inspect the written records of DSI pertaining to this Agreement. Any inspection shall be held during normal business hours and following reasonable prior notice.

ARTICLE 3 -- GRANT OF RIGHTS TO DSI

3.1 Title to Media. Depositor hereby transfers to DSI the title to the media

upon which the proprietary information and materials are written or stored. However, this transfer does not include the ownership of the proprietary information and materials contained on the media such as any copyright, trade secret, patent or other intellectual property rights.

3.2 Right to Make Copies. DSI shall have the right to make copies of the

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deposit materials as reasonably necessary to perform this Agreement. DSI shall copy all copyright, nondisclosure, and other proprietary notices and titles contained on the deposit materials onto any copies made by DSI. With all deposit materials submitted to DSI, Depositor shall provide any and all instructions as may be necessary to duplicate the deposit materials including but not limited to the hardware and/or software needed.

VeriSign Private Label Agreement

Page 38

3.3 Right to Sublicense Upon Release. As of the effective date of this

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Agreement, Depositor hereby grants to DSI a non-exclusive, irrevocable, perpetual, and royalty-free license to sublicense the deposit materials to Preferred Beneficiary upon the release, if any, of the deposit materials in accordance with Section 4.5 below. Except upon such a release, DSI shall not sublicense or otherwise transfer the deposit materials.

#### ARTICLE 4 -- RELEASE OF DEPOSIT

4.1 Release Conditions. As used in this Agreement, "Release Conditions" shall

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mean the following:

- a. Depositor's failure to carry out obligations imposed on it pursuant to the license agreement; or
- b. Depositor's failure to continue to do business in the ordinary course.

4.2 Filing For Release. If Preferred Beneficiary believes in good faith that a

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Release Condition has occurred, Preferred Beneficiary may provide to DSI written notice of the occurrence of the Release Condition and a request for the release of the deposit materials. Upon receipt of such notice, DSI shall provide a copy of the notice to Depositor, by certified mail, return receipt requested, or by commercial express mail.

4.3 Contrary Instructions. From the date DSI mails the notice requesting

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release of the deposit materials, Depositor shall have ten business days to deliver to DSI Contrary Instructions. "Contrary Instructions" shall mean the written representation by Depositor that a Release Condition has not occurred or has been cured. Upon receipt of Contrary Instructions, DSI shall send a copy to Preferred Beneficiary by certified mail, return receipt requested, or by commercial express mail. Additionally, DSI shall notify both Depositor and Preferred Beneficiary that there is a dispute to be resolved pursuant to the Dispute Resolution section of this Agreement (Section 7.3). Subject to Section 5.2, DSI will continue to store the deposit materials without release pending (a) joint instructions from Depositor and Preferred Beneficiary, (b) resolution pursuant to the Dispute Resolution provisions, or (c) order of a court.

4.4 Release of Deposit. If DSI does not receive Contrary Instructions from the

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Depositor, DSI is authorized to release the deposit materials to the Preferred Beneficiary or, if more than one beneficiary is registered to the deposit, to release a copy of the deposit materials to the Preferred Beneficiary. However, DSI is entitled to receive any fees due DSI before making the release. This Agreement will terminate upon the release of the deposit materials held by DSI.

4.5 Use License Following Release. Unless otherwise provided in the license

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agreement, upon release of the deposit materials in accordance with this Article 4, Preferred Beneficiary shall have a non-exclusive, non-transferable, irrevocable right to use the deposit materials for the sole purpose of continuing the benefits afforded to Preferred Beneficiary by the license agreement. Preferred Beneficiary shall be obligated to maintain the confidentiality of the released deposit materials.

VeriSign Private Label Agreement

ARTICLE 5 -- TERM AND TERMINATION

5.1 Term of Agreement. The initial term of this Agreement is for a period of  
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one year. Thereafter, this Agreement shall automatically renew from year-to-year unless (a) Depositor and Preferred Beneficiary jointly instruct DSI in writing that the Agreement is terminated; or (b) the Agreement is terminated by DSI for nonpayment in accordance with Section 5.2. If the Acceptance Form has been signed at a date later than this Agreement, the initial term of the Acceptance Form will be for one year with subsequent terms to be adjusted to match the anniversary date of this Agreement. If the deposit materials are subject to another escrow agreement with DSI, DSI reserves the right, after the initial one year term, to adjust the anniversary date of this Agreement to match the then prevailing anniversary date of such other escrow arrangements.

5.2 Termination for Nonpayment. In the event of the nonpayment of fees owed to  
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DSI, DSI shall provide written notice of delinquency to all parties to this Agreement. Any party to this Agreement shall have the right to make the payment to DSI to cure the default. If the past due payment is not received in full by DSI within one month of the date of such notice, then DSI shall have the right to terminate this Agreement at any time thereafter by sending written notice of termination to all parties. DSI shall have no obligation to take any action under this Agreement so long as any payment due to DSI remains unpaid.

5.3 Disposition of Deposit Materials Upon Termination. Upon termination of  
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this Agreement by joint instruction of Depositor and Preferred Beneficiary, DSI shall destroy, return, or otherwise deliver the deposit materials in accordance with such instructions. Upon termination for nonpayment, DSI may, at its sole discretion, destroy the deposit materials or return them to Depositor. DSI shall have no obligation to return or destroy the deposit materials if the deposit materials are subject to another escrow agreement with DSI.

5.4 Survival of Terms Following Termination. Upon termination of this  
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Agreement, the following provisions of this Agreement shall survive:

- a. Depositor's Representations (Section 1.5).
- b. The obligations of confidentiality with respect to the deposit materials.
- c. The licenses granted in the sections entitled Right to Sublicense Upon Release (Section 3.3) and Use License Following Release (Section 4.5), if a release of the deposit materials has occurred prior to termination.
- d. The obligation to pay DSI any fees and expenses due.
- e. The provisions of Article 7.
- f. Any provisions in this Agreement which specifically state they survive the termination or expiration of this Agreement.

ARTICLE 6 -- DSI'S FEES

6.1 Fee Schedule. DSI is entitled to be paid its standard fees and expenses  
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applicable to the services provided. DSI shall notify the party responsible for payment of DSI's fees at least 90 days prior to any increase in fees. For any service not listed on DSI's standard fee schedule, DSI will provide a quote prior to rendering the service, if requested.

6.2 Payment Terms. DSI shall not be required to perform any service unless the  
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payment for such service and any outstanding balances owed to DSI are paid in

full. All other fees are due upon receipt of invoice. If invoiced fees are not paid, DSI may terminate this Agreement in accordance with Section 5.2. Late fees on past due amounts shall accrue at the rate of one and one-half percent per month (18% per annum) from the date of the invoice.

#### ARTICLE 7 -- LIABILITY AND DISPUTES

7.1 Right to Rely on Instructions. DSI may act in reliance upon any

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instruction, instrument, or signature reasonably believed by DSI to be genuine. DSI may assume that any employee of a party to this Agreement who gives any written notice, request, or instruction has the authority to do so. DSI shall not be responsible for failure to act as a result of causes beyond the reasonable control of DSI.

7.2 Indemnification. DSI shall be responsible to perform its obligations under

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this Agreement and to act in a reasonable and prudent manner with regard to this escrow arrangement. Provided DSI has acted in the manner stated in the preceding sentence, Depositor and Preferred Beneficiary each agree to indemnify, defend and hold harmless DSI from any and all claims, actions, damages, arbitration fees and expenses, costs, attorney's fees and other liabilities incurred by DSI relating in any way to this escrow arrangement.

7.3 Dispute Resolution. Any dispute relating to or arising from this Agreement

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shall be resolved by arbitration under the Commercial Rules of the American Arbitration Association. Unless otherwise agreed by Depositor and Preferred Beneficiary, arbitration will take place in San Diego, California, U.S.A. Any court having jurisdiction over the matter may enter judgment on the award of the arbitrator(s). Service of a petition to confirm the arbitration award may be made by First Class mail or by commercial express mail, to the attorney for the party or, if unrepresented, to the party at the last known business address.

7.4 Controlling Law. This Agreement is to be governed and construed in

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accordance with the laws of the State of California, without regard to its conflict of law provisions.

7.5 Notice of Requested Order. If any party intends to obtain an order from

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the arbitrator or any court of competent jurisdiction which may direct DSI to take, or refrain from taking any action, that party shall:

- a. Give DSI at least two business days' prior notice of the hearing;

VeriSign Private Label Agreement  
Page 41

- b. Include in any such order that, as a precondition to DSI's obligation, DSI be paid in full for any past due fees and be paid for the reasonable value of the services to be rendered pursuant to such order; and
- c. Ensure that DSI not be required to deliver the original (as opposed to a copy) of the deposit materials if DSI may need to retain the original in its possession to fulfill any of its other escrow duties.

#### ARTICLE 8 -- GENERAL PROVISIONS

8.1 Entire Agreement. This Agreement, which includes the Acceptance Form and

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the Exhibits described herein, embodies the entire understanding between all of the parties with respect to its subject matter and supersedes all previous communications, representations or understandings, either oral or written. No amendment or modification of this Agreement shall be valid or binding unless signed by all the parties hereto, except Exhibit A need not be signed by DSI and Exhibit B need not be signed by Preferred Beneficiary.

8.2 Notices. All notices, invoices, payments, deposits and other documents and

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communications shall be given to the parties at the addresses specified in the attached Exhibit C and Acceptance Form. It shall be the responsibility of the parties to notify each other as provided in this Section in the event of a

change of address. The parties shall have the right to rely on the last known address of the other parties. Unless otherwise provided in this Agreement, all documents and communications may be delivered by First Class mail.

8.3 Severability. In the event any provision of this Agreement is found to be -----

invalid, voidable or unenforceable, the parties agree that unless it materially affects the entire intent and purpose of this Agreement, such invalidity, voidability or unenforceability shall affect neither the validity of this Agreement nor the remaining provisions herein, and the provision in question shall be deemed to be replaced with a valid and enforceable provision most closely reflecting the intent and purpose of the original provision.

8.4 Successors. This Agreement shall be binding upon and shall inure to the -----

benefit of the successors and assigns of the parties. However, DSI shall have no obligation in performing this Agreement to recognize any successor or assign of Depositor or Preferred Beneficiary unless DSI receives clear, authoritative and conclusive written evidence of the change of parties.

\_\_\_\_\_ Data Securities International, Inc.  
By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_  
Date: \_\_\_\_\_ Date: \_\_\_\_\_

VeriSign Private Label Agreement  
Page 42

Custom Certificate System License Agreement Number: \_\_\_\_\_

Date of Agreement: \_\_\_\_\_

EXHIBIT "J"

CUSTOM CERTIFICATE SYSTEM LICENSE AGREEMENT

THIS CUSTOM CERTIFICATE SYSTEM LICENSE AGREEMENT ("Agreement") effective as of the last date of execution, is entered into by and between VeriSign, Inc., a Delaware corporation ("VeriSign"), having a principal mailing address at 2593 Coast Avenue, Mountain View, California 94043, and the entity named below as "Customer" ("Customer"), having a principal address as set forth below.

Customer:

VISA International Service Association  
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(Name and jurisdiction of incorporation)

Customer Address:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Customer Legal Contact:  
\_\_\_\_\_  
(name, telephone and title)

Customer Billing Contact:  
\_\_\_\_\_  
(name, telephone and title)

Customer Technical Contact:  
\_\_\_\_\_  
(name, telephone and title)

Customer Commercial Contact:

\_\_\_\_\_  
(name, telephone and title)

VeriSign Private Label Agreement

Page 43

1. DEFINITIONS

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The following terms when used in this Agreement shall have the following meanings:

1.1 "CERTIFICATE" means a collection of electronic data consisting of a Public Key, identifying information which contains information about the owner of the Public Key, and validity information, which (or a string of bits derived from the Public Key) has been encrypted by a third party who is the issuer of the Certificate with such third party Certificate issuer's Private Key. This collection of electronic data collectively serves the function of identifying the owner of the Public Key and verifying the integrity of the electronic data. "CERTIFY" or "CERTIFICATION" means the act of generating a Certificate. "CERTIFIED" means the condition of having been issued a valid Certificate by a Certifier, which Certificate has not been revoked.

1.2 "CERTIFICATE MANAGEMENT SYSTEM ('CMS')" means VeriSign's proprietary software product marketed and developed under the name "Certificate Management System" providing secure off-line certificate issuance as presently in existence and as developed and enhanced in the future by VeriSign.

1.3 "CERTIFICATE SIGNING UNIT ('CSU')" means a hardware unit or software designed for use in signing Certificates and key storage. The BBN SafeKeyper(TM) manufactured by BBN Communications, Inc. is one hardware implementation of a CSU.

1.4 "CERTIFICATE SUBSCRIPTION SERVICE" means the operation of the Licensed Software to provide Certificate registration, issuing and management functions on behalf of Second Tier CAs.

1.5 "CERTIFICATION AUTHORITY" OR "CA" means VeriSign and any entity, group, division, department, unit or office which is Certified by VeriSign to, and has accepted responsibility to, issue Certificates to specified Subscribers in a Hierarchy in accordance with the CPS or a Protocol.

1.6 "CERTIFICATION PRACTICE STATEMENT" OR "CPS" means the VeriSign specification of policies, procedures and resources to control the entire Certificate process and transactional use of Certificates within the VeriSign Public Hierarchies.

1.7 "CUSTOMER AFFILIATES" shall mean Visa's Subsidiaries and Related Entities. A "Subsidiary" shall mean a company in which on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by Customer, but only so long as such ownership or control exists. A "Related Entity" shall mean an entity (A) at least fifty percent (50%) of whose stock or other equity is owned by Customer's member banks and that has the authority to process Visa payment transactions, but only so long as such ownership exists; (B) has an equity interest in Customer and is owned in whole by Member banks or financial institutions (e.g., national or regional group Members); or (C) is exclusively

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managed by Visa or a national or group Member of Visa for the purpose of processing Visa payment transactions, but only so long as such exclusive management exists.

VeriSign Private Label Agreement

Page 44

Notwithstanding anything to the contrary set forth above, however, Subsidiaries or Related Entities do not include any Acquirer, Issuer or individual bank or like financial institution. Customer Affiliates include, for example, without limitation, Visa USA, Inc, ViTAL, Inc, Plus and Interlink.

1.8 "CUSTOMER PRODUCT" means any product including some or all of the

Licensed Software developed by Customer for use by a Subscriber in VISA's Private Hierarchy with a Certificate issued by VISA or by a Second Tier CA to VISA which incorporates VISA's Root Keys.

1.9 "DIGITAL SIGNATURE" means information encrypted with a Private Key which is appended to information to identify the owner of the Private Key and to verify the integrity of the information. "DIGITALLY SIGNED" shall refer to -----  
electronic data to which a Digital Signature has been appended.

1.10 "ELECTRONIC COMMERCE AUTHENTICATION SYSTEM ('ECAS')" means VeriSign's proprietary software product marketed and developed under the name "Electronic Commerce Authentication System" providing secure on-line certificate issuance as presently in existence and as developed and enhanced in the future by VeriSign.

1.11 "HIERARCHY" means a domain consisting of a system of chained Certificates leading from the Primary Certification Authority through one or more Certification Authorities to Subscribers.

1.12 "INTERNET" means the global computer network commonly known as "Internet".

1.13 "LICENSED SOFTWARE" means the object code and source code of the VeriSign Software as specified on Exhibit "A" (License and Maintenance Fees) hereto as having been licensed by Customer. Only those portions of the VeriSign Software specified as having been licensed are included in the Licensed Software.

1.14 "NEW RELEASE" means a version of the VeriSign Software which shall generally be designated by a new version number which has changed from the prior number only to the right of the decimal point (e.g., Version 2.2 to Version 2.3).

1.15 "NEW VERSION" means a version of the VeriSign Software which shall generally be designated by a new version number which has changed from the prior number to the left of the decimal point (e.g., Version 2.3 to Version 3.0).

1.16 "PRIMARY CERTIFICATION AUTHORITY" OR "PCA" means an entity that establishes policies for all Certification Authorities and Subscribers within its Private Hierarchy.

1.17 "PRIVATE HIERARCHY" means a domain consisting of a chained Certificate hierarchy which is entirely self-contained within an organization or network and not designed to be interoperable with or intended to interact through public channels with any external organizations, networks, and public hierarchies. [I am not sure whether this definition correctly

VeriSign Private Label Agreement  
Page 45

describes an SET CA - while the hierarchy is self-contained, it is intended to interact with an "external organization" and on any network.]

1.18 "PRIVATE KEY" means a mathematical key which is kept private to the owner and which is used through public key cryptography to encrypt electronic authenticity data and create a Digital Signature which will be decrypted with the corresponding Public Key.

1.19 "PUBLIC HIERARCHY" means a domain consisting of a system of chained Certificates leading from VeriSign as the Primary Certification Authority through one or more Certification Authorities to Subscribers in accordance with the VeriSign Certification Practice Statement. Certificates issued in a Public Hierarchy are intended to be interoperable among organizations, allowing Subscribers to interact through public channels with various individuals, organizations, and networks.

1.20 "PUBLIC KEY" means a mathematical key which is available publicly and which is used through public key cryptography to decrypt electronic authenticity data which was encrypted using the matched Private Key and to verify Digital Signatures created with the matched Private Key.

1.21 "PUBLIC KEY INFRASTRUCTURE (PKI)" means the VeriSign specification for the architecture, techniques, practices, and procedures that collectively support the implementation and operation of Certificate-based public key



cryptographic systems.

1.22 "ROOT KEY" means one or more public root key(s) published by the organization which generated and is entitled to use such keys as the public components of its key pair(s) in issuing Certificates in a hierarchy over which such organization has responsibility.

1.23 "SECOND TIER CA" means an entity in the business of selling or issuing Certificates in VISA's Private Hierarchy digitally signed by such Second Tier CA to Subscribers, by virtue of authority of Customer and using VISA's Certificate Subscription Service directly or by sublicensing the Licensed Software from Customer.

1.24 "SECURE ELECTRONIC TRANSACTIONS ('SET')" means the specification published by Visa International Service Association and MasterCard International and made available to all developers wishing to implement secure payments over the Internet and other public and private networks.

1.25 "SET MODULE" shall mean the software module created by VeriSign to implement the SET. The SET Module shall include all software elements necessary to implement all aspects of the SET specification, but shall not include the VSE.

1.26 "SUBSCRIBER" means an individual, a device or a role/office that has requested a Certifier to issue him, her or it a Certificate.

1.27 "USER MANUAL" means the most current version of the user or operating manual customarily supplied by VeriSign to customers who license the VeriSign Object Code, if any.

VeriSign Private Label Agreement  
Page 46

1.28 "VERISIGN AFFILIATES" shall mean a company in which, on a class by class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by VeriSign, but only so long as such ownership or control exists.

1.29 "VERISIGN OBJECT CODE" means the Licensed Software in machine-readable, compiled object code form.

1.30 "VERISIGN SOFTWARE" means VeriSign proprietary software known as Certificate Management System, Electronic Commerce Authentication System, SET Module and VSE as described in the User Manuals associated therewith. "VeriSign Software" shall also include all modifications and enhancements (including all New Releases and New Versions) to such programs as provided by VeriSign to Customer pursuant to Sections 4.3 and 4.4.

1.31 "VISA" means VISA International Service Association and its Affiliates.

1.32 "VSE SOURCE CODE" means the mnemonic, high level statement versions of the VSE written in the source language used by programmers.

1.33 "VSE ('VISA SET ENHANCEMENTS')" shall mean the software module created by VeriSign under contract from VISA which interfaces with the SET Module to provide enhanced functionality and features unique to VISA, but not necessary to fully implement the SET.

1.34 "WWW" means the system currently referenced as the "World Wide Web" for organizing multi-media information distributed across network(s) such that it can be navigated and accessed via cross linking mechanisms, and any successor to such system, and any parallel system which uses at least all the same communication protocols as the system currently referenced as the "World Wide Web" or to the successor to such system, even if the administrators of such systems choose to call them by different names.

## 2. GRANT OF LICENSES; LIMITATIONS

2.1 VSE SOURCE CODE LICENSE. If a VSE Source Code license is specified in

Exhibit "A", VeriSign hereby grants Customer a non-exclusive, non-transferable, non-assignable, perpetual worldwide license to: (i) modify the VSE Source Code

(all such modifications to the VSE Source Code referenced collectively as "Customer Modifications"); and (ii) maintain Customer Products and support Subscribers .

2.2 VERISIGN SOFTWARE OBJECT CODE LICENSE. VeriSign hereby grants  
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Customer a worldwide non-exclusive, non-transferable, non-assignable, perpetual license to use the Licensed Software to provide Certificate Subscription Services; and sublicense the VeriSign Object Code to Second Tier CAs to permit such Second Tier CAs to provide Certificate Subscription Services.

2.3 LIMITATIONS ON LICENSES. The licenses granted in Sections 2.1 and 2.2  
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shall be limited as follows:

VeriSign Private Label Agreement  
Page 47

2.3.1 LIMITATION ON DISTRIBUTEES. The VeriSign Object Code shall be  
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sublicensed or otherwise distributed only to Second Tier CAs. Second Tier CAs shall be prohibited from redistributing or licensing the VeriSign Object Code or any portion of the Licensed Software.

2.3.2 LICENSE RESTRICTED TO LICENSED SOFTWARE. Customer may not use,  
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modify, sublicense or incorporate into any Customer Product any software module or other technology component derived from the VeriSign Software which is not designated as Licensed Software on Exhibit "A".

2.3.3 VERISIGN ROOT KEYS. Any Customer Product and Licensed Software  
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must include VISA's Private Hierarchy Root Key and may include VeriSign's Root Keys.

2.3.4 RESTRICTION ON COPYING. Customer may not copy or reproduce the  
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VeriSign Software or any part, version or form thereof, except as expressly permitted in Section 2.2.

2.4 TITLE.  
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2.4.1 IN VERISIGN. Except for the limited licenses granted in  
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Sections 2.1 and 2.2, VeriSign shall at all times retain full and exclusive right, title and ownership interest in and to the VeriSign Software and in any and all related patents, trademarks, copyrights and proprietary and trade secret rights.

2.4.2 IN CUSTOMER. Customer shall at all times retain full and  
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exclusive right, title and ownership interest in and to the Customer Modifications representing incremental modifications to the VeriSign Software (but not in any part of the VeriSign Software, either as a component of a derivative work or otherwise) and in any and all related patents, copyrights and proprietary and trade secret rights; provided, however, that Customer hereby agrees that it will not assert against VeriSign any of such patents, copyrights or proprietary or trade secret rights with respect to any software or products developed by VeriSign without reference to the source code for the Customer Modifications.

3. LICENSE FEES  
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3.1 LICENSE FEES. In consideration of VeriSign's grant to Customer of the  
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limited license rights hereunder, Customer shall pay to VeriSign the amounts set forth below (the "License Fees"):

3.1.1 SOURCE CODE LICENSE FEES. If VeriSign is granting to Customer  
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VSE Source Code license rights as indicated on Exhibit "A", Customer shall pay to VeriSign the source code License Fees specified on Exhibit "A" upon execution

of this Agreement.

3.1.2 OBJECT CODE LICENSE FEES. In consideration of VeriSign's grant

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to Customer of the VeriSign Object Code license rights, Customer shall pay to VeriSign the object code License Fees specified on Exhibit "A" subject to the following:

VeriSign Private Label Agreement  
Page 48

3.1.2.1 ONE-TIME PAID-UP LICENSE FEE. If a one-time paid-up License

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Fee is specified on Exhibit "A", a License Fee in the amount specified on Exhibit "A" shall be due upon execution of this Agreement.

3.1.2.2 PER CERTIFICATE, FIXED DOLLAR LICENSE FEE. If a per

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Certificate, fixed dollar License Fee is specified on Exhibit "A", a License Fee shall be due for each Certificate issued by Customer or a Second Tier CA using the Licensed Software or a Customer Product, in the amount specified on Exhibit "A".

3.2 TAXES. All taxes, duties, fees and other governmental charges of any

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kind (including sales and use taxes, but excluding taxes based on the gross revenues or net income of VeriSign) which are imposed by or under the authority of any government or any political subdivision thereof on the License Fees or any aspect of this Agreement shall be borne by Customer and shall not be considered a part of, a deduction from or an offset against License Fees.

3.3 TERMS OF PAYMENT. Per Certificate License Fees shall accrue upon the

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issuance of a Certificate by Customer or Second Tier CA using the Licensed Software or any Customer Product. One time paid up License Fees are due upon execution of this Agreement. License Fees due VeriSign hereunder shall be paid by Customer to the attention of the Software Licensing Department at VeriSign's address set forth above on or before the thirtieth (30th) day after the close of the calendar quarter during which the License Fees accrued. A late payment penalty on any undisputed License Fees not paid when due shall be assessed at the rate of one percent (1%) per thirty (30) days, beginning on the thirty-first (31st) day after the last day of the calendar quarter to which the delayed payment relates.

3.4 U.S. CURRENCY. All payments hereunder shall be made in lawful United

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States currency.

3.5 LICENSING REPORT. A report in reasonably detailed form setting forth

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the calculation of License Fees due from Customer and signed by a responsible officer of Customer shall be delivered to VeriSign on or before the thirtieth (30th) day after the close of each calendar quarter during the term of this Agreement, regardless of whether License Fee payments are required to be made pursuant to Section 3.3. The report shall include, at a minimum, the following information (if applicable to Customer's designated method of calculating License Fees) with respect to the relevant quarter: (i) the total number of copies/units of Customer Products licensed or otherwise distributed by Customer (indicating the names and versions thereof); (ii) total License Fees accrued; and (iii) the total number and type of Certificates issued.

3.6 AUDIT RIGHTS. VeriSign shall have the right, at its sole cost and

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expense, to have an independent certified public accountant conduct during normal business hours and not more frequently than annually, an audit of the appropriate records of Customer to verify the number of copies/units of Customer Products licensed or otherwise distributed by Customer, the number and class of Certificates issued, and, if relevant to Customer's designated method of calculating License Fees. If such amounts are found to be different than those reported, or the License Fees

VeriSign Private Label Agreement  
Page 49

accrued are different than those reported, Customer will be invoiced or credited for the difference, as applicable. Any additional License Fees, along with the late payment penalty assessed in accordance with Section 3.3, shall be payable within thirty (30) days of such invoice. If the deficiency in License Fees paid by Customer is greater than five percent (5%) of the License Fees reported by Customer for any quarter, Customer will pay the reasonable expenses associated with such audit, in addition to the deficiency.

3.7 EVALUATION COPIES. Customer may deliver copies of Customer Products  
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to prospective Second Tier CAs on a trial basis for evaluation purposes only (each, an Evaluation Copy") provided that each such prospective Second Tier CA has received a written or electronic trial license prohibiting the Second Tier CA from copying, modifying, reverse engineering, decompiling or disassembling the VeriSign Object Code or any part thereof.

3.8 MFN PRICING. VeriSign agrees to provide Customer with Most Favored  
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Nation ("MFN") pricing on all License Fees, excluding maintenance fees and upgrade charges related to the Licensed Software but including any customer discount. MFN pricing shall mean that Customer receives the best pricing offered by VeriSign to any third party under similar terms and conditions. In the event that VeriSign offers better pricing to a third party under different terms and conditions, VeriSign agrees to offer such better pricing to Customer under terms and conditions similar to those offered to the third party. Under no circumstances will the License Fee charged in Section 3.1.2.1 above, after any Customer Discount offered pursuant to Section 3.9 below, exceed One Million Dollars (\$1,000,000).

3.9 CUSTOMER DISCOUNT. VeriSign agrees to offer Customer the following  
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discount on the License Fee charged pursuant to Section 3.1.2.1:

Discount*	Date License Executed*
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4. SUPPORT AND MAINTENANCE  
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4.1 OPTIONAL MAINTENANCE. For the year commencing upon the date of this  
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Agreement and for each year thereafter commencing on the anniversary of such expiration, Customer may elect to purchase annual maintenance, as described in Section 4.3, by paying the then-current annual maintenance fee. Such amount shall be payable for the first year upon the execution of this Agreement and for each subsequent year in advance of the commencement of such year. VeriSign may cease to offer maintenance for future maintenance terms by notice delivered to Customer twelve (12) months or more before the end of the then-current maintenance term. VeriSign shall not be obligated to provide maintenance for versions older than the next most current version. For the purpose of this Section 4.1, "versions" shall refer to the integer portion of the release of a product (i.e., the "version" of Release 1.2 of a product is 1, therefore, when

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Release 3.0 of that product is introduced, VeriSign would not be required to support any Release 1.x).

4.2 ADDITIONAL CHARGES. In the event VeriSign is required to take actions  
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to correct a difficulty or defect which is traced to Customer errors, modifications, enhancements, software or hardware, then Customer shall pay to VeriSign its time and materials charges at VeriSign's rates then in effect. In the event VeriSign's personnel must travel to perform maintenance or on-site support, Customer shall reimburse VeriSign for any reasonable out-of-pocket expenses incurred,

\* Confidential treatment has been requested with respect to certain portions of

this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

VeriSign Private Label Agreement  
Page 50

including travel to and from Customer's sites, lodging, meals and shipping, as may be necessary in connection with duties performed under this Section 4 by VeriSign.

4.3 MAINTENANCE PROVIDED BY VERISIGN. For periods for which Customer has  
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paid an annual maintenance fee, VeriSign will provide Customer with the following services:

4.3.1 TELEPHONE SUPPORT. VeriSign will provide telephone support to  
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Customer during VeriSign's normal business hours. VeriSign may provide on-site support reasonably determined to be necessary by VeriSign at Customer's location specified on page 1 hereof. VeriSign shall provide the support specified in this Section 4.3.1 to Customer's employees responsible for developing Customer Products, maintaining Customer Products, and providing support to Second Tier CAs. VeriSign will provide the name of an employee who will serve as a single point of contact for support to Customer. VeriSign may change the name at any time by providing written notice to Customer. On VeriSign's request, Customer will provide a list with the names of the employees designated to receive support from VeriSign. Customer may change the names on the list at any time by providing written notice to VeriSign.

4.3.2 ERROR CORRECTION. In the event Customer discovers an error in  
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the Licensed Software which causes the Licensed Software not to operate in material conformance to VeriSign's published specifications therefor, Customer shall submit to VeriSign a written report describing such error in sufficient detail to permit VeriSign to reproduce such error. Upon receipt of any such written report, VeriSign will use its reasonable business judgment to classify a reported error as either: (i) a "Level 1 Severity" error, meaning an error that causes the Licensed Software to fail to operate in a material manner or to produce materially incorrect results and for which there is no workaround or only a difficult workaround; or (ii) a "Level 2 Severity" error, meaning an error that produces a situation in which the Licensed Software is usable but does not function in the most convenient or expeditious manner, and the use or value of the Licensed Software suffers no material impact. VeriSign will acknowledge receipt of a conforming error report within two (2) business days and (A) will use its continuing best efforts to provide a correction for any Level 1 Severity error to Customer as early as practicable; and (B) will use its reasonable efforts to include a correction for any Level 2 Severity error in the next release of the VeriSign Software.

4.3.3 NEW RELEASES AND NEW VERSIONS. VeriSign will provide Customer  
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information relating to New Releases and New Versions of the VeriSign Software during the term of this Agreement. New Releases will be provided at no additional charge. New Versions will be provided at VeriSign's standard upgrade charges in effect at the time. Any New Releases or New Versions acquired by Customer shall be governed by all of the terms and provisions of this Agreement.

4.4 LAPSED MAINTENANCE. In the event Customer has not purchased optional  
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maintenance with respect to any Licensed Software, Customer may obtain a license of a New Release of such Licensed Software or any service which is provided as a part of maintenance by paying the maintenance fees which would otherwise have been due from the expiration of

VeriSign Private Label Agreement  
Page 51

maintenance provided pursuant to Section 4.1 to the date such New Release is licensed or such service is provided.

5. MASTER COPY

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As soon as practicable, but not later than five (5) business days after the date of execution of this Agreement, VeriSign shall deliver to Customer one (1) copy of each of the VeriSign Object Code, the VSE Source Code (if licensed hereunder) and the User Manual in the manner designated on Exhibit "A".

6. ADDITIONAL OBLIGATIONS OF CUSTOMER  
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6.1 CUSTOMER PRODUCT MARKETING. Customer is authorized to represent to  
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Second Tier CAs and Subscribers only such facts about the VeriSign Software as VeriSign states in its published product descriptions, advertising and promotional materials or as may be stated in other non-confidential written material furnished by VeriSign.

6.2 CUSTOMER SUPPORT. Customer shall, at its expense, provide all support  
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for the Licensed Software, Customer Products to Second Tier CAs and Subscribers.

6.3 LICENSE AGREEMENTS. Customer shall cause to be delivered to each  
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Second Tier CA a license agreement which shall contain, at a minimum, substantially all of the limitations of rights and the protections for VeriSign which are contained in Sections 2.3, 6.4.2, 6.5, 7.2, 7.3, 9.8 and 9.9 of this Agreement and shall prohibit Second Tier CAs pursuant to written agreements from modifying, reverse engineering, decompiling or disassembling the VeriSign Object Code or any part thereof, to the extent permitted by applicable law. Customer shall use commercially reasonable efforts to ensure that all Second Tier CAs abide by the terms of such agreements.

6.4 CONFIDENTIALITY; PROPRIETARY RIGHTS.  
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6.4.1 CONFIDENTIALITY. .The parties acknowledge that in their  
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performance of their duties hereunder the parties will communicate to each other (or its designees) certain confidential and proprietary information concerning their respective businesses and products, and know-how, technology, techniques or marketing plans related thereto (collectively, the "Know-How") all of which are confidential and proprietary to, and trade secrets of that party. Each party agrees to hold all the Know-How within its own organization and shall not, without specific written consent of the other party or as expressly authorized herein, utilize in any manner, publish, communicate or disclose any part of the Know-How to third parties. This Section 6.4.1 shall impose no obligation on either party with respect to any Know-How which: (i) is in the public domain at the time disclosed by the party owning such Know-How; (ii) enters the public domain after disclosure other than by breach of the receiving party's obligations hereunder or by breach of another party's confidentiality obligations; or (iii) is shown by documentary evidence to have been known by the receiving party prior to its receipt from the disclosing party. Each party will take such steps as are consistent with that party's protection of its own confidential and proprietary information (but will in no event exercise less than reasonable care) to ensure that the provisions of this Section 6.4.1 are not violated by any third

party including each party's, employees, agents, Customer's Second Tier CA's, or any other person.

6.4.2 PROPRIETARY MARKINGS; COPYRIGHT NOTICES. Customer agrees not  
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to remove or destroy any proprietary, trademark or copyright markings or notices placed upon or contained within the VeriSign Source Code, VeriSign Object Code, User Manuals or any related materials or documentation. Customer further agrees to insert and maintain: (i) within every Customer Product and any related materials or documentation a copyright notice in the name of Customer; and (ii) within the splash screens, user documentation, printed product collateral, product packaging and advertisements for the Customer Product, a statement that the Customer Product contains the VeriSign Software. Customer shall not take any action which might adversely affect the validity of

VeriSign's proprietary, trademark or copyright markings or ownership by VeriSign thereof, and shall cease to use the markings, or any similar markings, in any manner on the expiration or other termination of the license rights granted pursuant to Section 2.

6.4.3 SOURCE CODE. Customer acknowledges the extreme importance of  
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the confidentiality and trade secret status of the VSE Source Code and Customer agrees, in addition to complying with the requirements of Sections 6.4.1 and 6.4.2 as they relate to the VSE Source Code, to: (i) inform any employee that is granted access to all or any portion of the VSE Source Code of the importance of preserving the confidentiality and trade secret status of the VSE Source Code; and (ii) maintain a controlled, secure environment for the storage and use of the VSE Source Code.

6.4.4 NO PUBLICATION. The placement of a copyright notice on any of  
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the VeriSign Software shall not constitute publication or otherwise impair the confidential or trade secret nature of the VeriSign Software.

6.4.5 INJUNCTIVE RELIEF. Both parties acknowledge that the  
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restrictions contained in this Section 6.4 are reasonable and necessary to protect both parties' legitimate interests and that any violation of these restrictions will cause irreparable damage to the other party within a short period of time and each party agrees that the other party will be entitled to injunctive relief against each violation.

6.5 FEDERAL GOVERNMENT SUBLICENSE. Any sublicense of a Customer Product  
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acquired from Customer under a United States government contract shall be subject to restrictions as set forth in subparagraph (c)(1)(ii) of Defense Federal Acquisition Regulations Supplement (DFARS) Section 252.227-7013 for Department of Defense contracts and as set forth in Federal Acquisition Regulations (FARS) Section 52.227-19 for civilian agency contracts or any successor regulations. Customer agrees that any such sublicense shall set forth all of such restrictions and the tape or diskette label for the Customer Product and any documentation delivered with the Customer Product shall contain a restricted rights legend conforming to the requirements of the current, applicable DFARS or FARS.

VeriSign Private Label Agreement  
Page 53

6.6 NOTICES. Each party shall immediately advise the other party of any  
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legal notices served on that party which might affect the other party.

6.7 VERISIGN'S INDEMNITY. CUSTOMER EXPRESSLY INDEMNIFIES AND HOLDS  
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HARMLESS VERISIGN, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO CUSTOMER'S SECOND TIER CAS OR SUBSCRIBERS AND THIRD PARTIES WHICH MAY ARISE FROM ACTS OF CUSTOMER OR FROM THE LICENSE OF CUSTOMER PRODUCTS BY CUSTOMER OR ANY DOCUMENTATION, SERVICES OR ANY OTHER ITEM FURNISHED BY CUSTOMER TO ITS SECOND TIER CAS, OTHER THAN LIABILITY ARISING FROM THE VERISIGN SOURCE CODE, THE VERISIGN OBJECT CODE OR THE USER MANUALS (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS) OR FROM THE ACTS OF VERISIGN; AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY CUSTOMER OR ITS AGENTS OR EMPLOYEES TO ANY PARTY WITH RESPECT TO THE VERISIGN SOFTWARE OR ANY CUSTOMER PRODUCTS.

6.8 CUSTOMER'S INDEMNITY. VERISIGN EXPRESSLY INDEMNIFIES AND HOLDS  
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HARMLESS CUSTOMER, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO ANY THIRD PARTIES THAT MAY ARISE FROM ACTS OF VERISIGN OR FROM USE OF VERISIGN SOURCE CODE, VERISIGN'S OBJECT CODE OR VERISIGN'S USER MANUALS (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS); AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY VERISIGN OR ITS AGENTS OR EMPLOYEES TO ANY PARTY WITH RESPECT TO CUSTOMER PRODUCTS, OR ANY VERISIGN SOFTWARE.

7. LIMITED WARRANTY; DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY;  
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INTELLECTUAL PROPERTY INDEMNITIES  
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7.1 LIMITED WARRANTY. During the initial ninety (90)-day term of this  
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Agreement VeriSign warrants that the Licensed Software specified in this Agreement will operate in material conformance to VeriSign's published specifications for such Licensed Software. VeriSign does not warrant that the VeriSign Software or any portion thereof is error-free. Customer's exclusive remedy, and VeriSign's entire liability in tort, contract or otherwise, shall be correction of any warranted nonconformity as provided in Section 4.3.2. This limited warranty and any obligations of VeriSign under Section 4.1 shall not apply to any Customer Modifications or any nonconformities caused thereby and shall terminate immediately if Customer makes any modification to the VeriSign Software other than Customer Modifications.

VeriSign Private Label Agreement  
Page 54

7.2 DISCLAIMER. EXCEPT FOR THE EXPRESS LIMITED WARRANTY PROVIDED IN  
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SECTION 7.1, VERISIGN'S PRODUCTS AND SERVICES ARE PROVIDED "AS IS" WITHOUT ANY WARRANTY WHATSOEVER. VERISIGN DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO ANY MATTER WHATSOEVER, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY VERISIGN OR ITS EMPLOYEES OR REPRESENTATIVES SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF VERISIGN'S OBLIGATIONS.

7.3 LIMITATION OF LIABILITY. NEITHER PARTY WILL BE LIABLE TO THE OTHER  
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PARTY, TO A SUBSCRIBER OR TO ANY THIRD PARTY FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL OR EXEMPLARY DAMAGES, WHETHER FORESEEABLE OR UNFORESEEABLE (INCLUDING, BUT NOT LIMITED TO, GOODWILL, PROFITS, INVESTMENTS, USE OF MONEY OR USE OF FACILITIES; INTERRUPTION IN USE OR AVAILABILITY OF DATA; STOPPAGE OF OTHER WORK OR IMPAIRMENT OF OTHER ASSETS; OR LABOR CLAIMS, EVEN IF VERISIGN HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING OUT OF BREACH OF ANY EXPRESS OR IMPLIED WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, EXCEPT ONLY IN THE CASE OF DEATH OR PERSONAL INJURY WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY'S LIABILITY TO THE OTHER PARTY OR ANY SUBSCRIBER OR ANY THIRD PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT, EXCLUDING LIABILITY FOR LICENSE FEES, MAINTENANCE FEES OR UPGRADE FEES ACTUALLY OWED TO A PARTY, EXCEED \$100,000 WITH RESPECT TO A SINGLE OCCURRENCE OR \$1,000,000 IN THE AGGREGATE REGARDLESS OF WHETHER ANY ACTION OR CLAIM IS BASED ON WARRANTY, CONTRACT, TORT OR OTHERWISE. THE LIMITATION SET FORTH IN THIS SECTION 7.3 SHALL NOT APPLY TO INDEMNITIES OR RIGHTS GRANTED BY SECTION 7.4 OR 7.5.

7.4 PROPRIETARY RIGHTS INFRINGEMENT BY VERISIGN.  
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7.4.1 OBLIGATION TO DEFEND. VeriSign, at its own expense, shall: (i)  
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defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of infringement or misappropriation of any United States patent, copyright, trade secret or any other intellectual property right by the Licensed Software as delivered by VeriSign (excluding the Customer Modifications) or any claim that VeriSign has no right to license the Licensed Software hereunder; and (ii) pay any final judgment entered or settlement against Customer on such issue in any such suit or proceeding defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 7.4.1 unless: (A) Customer gives VeriSign prompt written notice of the claim; (B) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (C) the claim is based on Customer's use of the most recent version or the immediately preceding version of the Licensed Software in accordance with this Agreement.

VeriSign Private Label Agreement  
Page 55



7.4.2 VERISIGN OPTIONS. If VeriSign receives notice of an alleged  
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infringement, VeriSign shall have the right, at its sole option, to obtain the right to continue use of the Licensed Software or to replace or modify the Licensed Software so that it is no longer infringing. If neither of the foregoing options is reasonably available to VeriSign, then the license rights granted pursuant to Section 2 may be terminated at the option of either party hereto without further obligation or liability except as provided in Sections 7.4.1 and 8.3 and in the event of such termination, VeriSign shall refund the License Fees paid by Customer hereunder ("Refunded Fees") less depreciation for use assuming straight line depreciation over a five (5)-year useful life. Alternatively, if VeriSign is unable to obtain the necessary rights to permit Customer to continue use of the Licensed Software, Customer may obtain a license permitting its use of the Licensed Software. Customer may seek reimbursement for any such fees up to the amount of Refunded Fees. If Customer obtains such a license from a third party, then this Agreement shall continue with both parties' rights and obligations unchanged.

7.4.3 EXCLUSIVE REMEDIES. THE RIGHTS AND REMEDIES SET FORTH IN  
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SECTIONS 7.4.1 AND 7.4.2 CONSTITUTE THE ENTIRE OBLIGATION OF VERISIGN AND THE EXCLUSIVE REMEDIES OF CUSTOMER CONCERNING VERISIGN'S PROPRIETARY RIGHTS INFRINGEMENT.

7.5 PROPRIETARY RIGHTS INFRINGEMENT BY CUSTOMER.  
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7.5.1 OBLIGATION TO DEFEND. Subject to the limitations set forth  
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below, Customer, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against VeriSign on the basis of infringement or misappropriation of any United States patent, copyright, trade secret or any other intellectual property right by any Customer Product (excluding the unmodified VeriSign Software) or the Customer Modifications; and (ii) pay any final judgment entered or settlement against VeriSign on such issue in any such suit or proceeding defended by Customer. Customer shall have no obligation to VeriSign pursuant to this Section 7.5.1 unless: (A) VeriSign gives Customer prompt written notice of the claim; and (B) Customer is given the right to control and direct the investigation, preparation, defense and settlement of the claim.

7.5.2 EXCLUSIVE REMEDIES. THE RIGHTS AND REMEDIES SET FORTH IN  
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SECTION 7.5.1 CONSTITUTE THE ENTIRE OBLIGATION OF CUSTOMER AND THE EXCLUSIVE REMEDIES OF VERISIGN CONCERNING CUSTOMER'S PROPRIETARY RIGHTS INFRINGEMENT.

8. TERM AND TERMINATION  
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8.1 TERM. The license rights granted pursuant to Section 2 shall be  
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effective as of the date hereof and shall continue in full force and effect for each item of Licensed Software for the period set forth on Exhibit "A" unless sooner terminated pursuant to the terms of this Agreement. Either party shall be entitled to terminate all the license rights granted pursuant to this Agreement at any time on written notice to the other in the event of a default by the other party 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.

8.2 INSOLVENCY. Upon the institution of any proceedings by or against  
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either party seeking relief, reorganization or arrangement under any laws relating to insolvency, or upon any 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 upon the liquidation, dissolution or winding up of either party's business, then and in any such events all the license rights granted pursuant to this Agreement may immediately be terminated by the other party upon giving written notice.

8.3 DISPOSITION OF VERISIGN SOFTWARE AND USER MANUALS ON TERMINATION.

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Upon the termination of this Agreement pursuant to a breach by Customer, the remaining provisions of this Agreement shall remain in full force and effect, and Customer shall cease making copies of, using or licensing the VeriSign Software, User Manual and Customer Products, excepting only such copies of Customer Products necessary to fill orders placed with Customer prior to such expiration or termination. Customer shall destroy all copies of the VeriSign Software, User Manual and Customer Products not subject to any then-effective license agreement with a Second Tier CA and all information and documentation provided by VeriSign to Customer (including all Know-How), other than such copies of the VeriSign Object Code, the User Manual and the Customer Products as are necessary to enable Customer to perform its continuing support obligations in accordance with Section 6.2, if any, and except as provided in the next following sentence. If Customer has licensed VeriSign Source Code hereunder, for a period of one (1) year after the date of expiration or termination of the license rights granted under this Agreement for any reason other than as a result of default or breach by Customer, Customer may retain one (1) copy of the VeriSign Source Code and is hereby licensed for such term to use such copy solely for the purpose of supporting Second Tier CAs and Subscribers. Upon the expiration of such one (1)-year period, Customer shall return such single copy of the VeriSign Source Code to VeriSign or certify to VeriSign that the same has been destroyed. In the event that this Agreement is terminated because of VeriSign's breach, Customer's rights under Section 2 shall continue indefinitely.

9. MISCELLANEOUS PROVISIONS

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9.1 GOVERNING LAWS. THE LAWS OF THE STATE OF CALIFORNIA, U.S.A.

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(IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT. THE PARTIES AGREE THAT ANY SUIT TO ENFORCE ANY PROVISION OF THIS AGREEMENT OR ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE BUSINESS RELATIONSHIP BETWEEN THE PARTIES SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR THE SUPERIOR OR MUNICIPAL COURT IN AND FOR THE COUNTY OF SANTA CLARA, CALIFORNIA, U.S.A. Each party agrees that such

VeriSign Private Label Agreement  
Page 57

courts shall have exclusive in personam jurisdiction and venue with respect to such party, and each party submits to the exclusive in personam jurisdiction and venue of such courts.

9.2 BINDING UPON SUCCESSORS AND ASSIGNS. Except as otherwise provided

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herein, this Agreement shall be binding upon, and inure to the benefit of, the successors, representatives, administrators and assigns of the parties hereto. This Agreement shall not be assignable by either party, by operation of law or otherwise, without the prior written consent of the other party, which shall not be unreasonably withheld. Any such purported assignment or delegation without the other party's written consent shall be void and of no effect.

9.3 SEVERABILITY. If any provision of this Agreement is found to be

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invalid or unenforceable, the remainder of this Agreement shall be interpreted so as best to reasonably effect the intent of the parties hereto. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS AGREEMENT WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES IS INTENDED BY THE PARTIES TO BE SEVERABLE AND INDEPENDENT OF ANY OTHER PROVISION AND TO BE ENFORCED AS SUCH.

9.4 ENTIRE AGREEMENT. This Agreement and the exhibits and schedules

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hereto constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations and understandings between the parties.

9.5 AMENDMENT AND WAIVERS. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived, only by a writing signed by the party to be bound.

9.6 ATTORNEYS' FEES. The prevailing party in any action or proceeding to enforce or interpret any part of this Agreement shall be entitled to recover its reasonable attorneys' fees (including fees on any appeal).

9.7 NOTICES. Any notice, demand, or request with respect to this Agreement shall be in writing and shall be effective only if it is delivered by hand or mailed, certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate party at its address set forth on page 1. Such communications shall be effective when they are received by the addressee; but if sent by certified or registered mail in the manner set forth above, they shall be effective not later than ten (10) days after being deposited in the mail. Any party may change its address for such communications by giving notice to the other party in conformity with this Section.

9.8 FOREIGN RESHIPMENT LIABILITY. THIS AGREEMENT IS EXPRESSLY MADE SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF THE VERISIGN SOFTWARE OR CUSTOMER PRODUCTS OR OF INFORMATION ABOUT THE VERISIGN SOFTWARE OR CUSTOMER PRODUCTS WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA.

VeriSign Private Label Agreement  
Page 58

NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, CUSTOMER SHALL NOT EXPORT OR REEXPORT, DIRECTLY OR INDIRECTLY, ANY VERISIGN SOFTWARE OR CUSTOMER PRODUCTS OR INFORMATION PERTAINING THERETO TO ANY COUNTRY FOR WHICH SUCH GOVERNMENT OR ANY AGENCY THEREOF REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENTAL APPROVAL AT THE TIME OF EXPORT OR REEXPORT WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

9.9 TRADEMARKS. By reason of this Agreement or the performance hereof, Customer shall acquire no rights of any kind in any VeriSign trademark, trade name, logo or product designation under which the VeriSign Software was or is marketed and Customer shall not make any use of the same for any reason except as expressly authorized by this Agreement or otherwise authorized in writing by VeriSign.

9.10 PUBLICITY. Neither party will disclose to third parties, other than its agents and representatives on a need-to-know basis, the terms of this Agreement or any exhibits hereto (including without limitation any License/Product Schedule) without the prior written consent of the other party, except (i) either party may disclose such terms to the extent required by law, (ii) either party may disclose the existence of this Agreement; and (iii) VeriSign shall have the right to disclose that Customer is a Customer of the VeriSign Software and that any publicly-announced Customer Product incorporates the VeriSign Software. Customer shall provide to VeriSign, solely for VeriSign's display purposes, one (1) working copy of each Customer Product which consists solely of computer software and one (1) working or non-working unit of any hardware product in which is incorporated a Customer Product which consists of an integrated circuit or other hardware.

9.11 REMEDIES NON-EXCLUSIVE. Except as otherwise expressly provided, any remedy provided for in this Agreement is deemed cumulative with, and not exclusive of, any other remedy provided for in this Agreement or otherwise available at law or in equity. The exercise by a party of any remedy shall not preclude the exercise by such party of any other remedy.

VeriSign Private Label Agreement  
Page 59

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of the last signature below, unless a different effective date is specified on the

first page of this Agreement.

CUSTOMER:

VISA INTERNATIONAL SERVICE ASSOCIATION

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

VeriSign Private Label Agreement

Page 60

EXHIBIT "K"

SERVICE LEVEL AGREEMENT\*

Secure Electronic Commerce  
Services (SEC)

Electronic Certification  
Services (ECS)

Service Level Agreement

Review Copy

Visa International / VeriSign

-----  
Version 1.0

1

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been separately filed with the Securities and Exchange Commission.

Page 2

REVIEW COPY

April 17, 1996

Visa SEC Service

Electronic Certification Services (ECS)

Visa /VeriSign Service Level Agreement

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April 1996

2

Visa SEC Service

Electronic Certification Services (ECS)

Visa / VeriSign Service Level Agreement

Page i

REVIEW COPY

April 18, 1996  
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TABLE OF CONTENTS

I. OVERVIEW	1
II. ECS SYSTEM DESCRIPTION	1
1. Brand Certificate Authority	2
2. Cardholder Certificate Authority	2
3. Merchant Certificate Authority	2
4. Payment Gateway Certificate Authority	2

III. SCOPE	3
A. WITHIN SCOPE	3
B. OUTSIDE OF SCOPE	3
IV. ECS SERVICE LEVELS	4
A. SERVICE AVAILABILITY	4
1. Definition	4
2. Measurement	5
3. Minimum Service Level Requirement	5
B. RESPONSE TIME	6
1. Definition	6
2. Measurement	6
3. Minimum Service Level Requirement	7
C. THROUGHPUT	7
1. Definition	7
2. Measurement	8
3. Minimum Service Level Requirement	8
D. DATA MANAGEMENT	9
	3
1. Definition	9
2. Measurement	9
3. Minimum Service Level Requirement	9
E. SYSTEM MONITORING AND OUTAGE REPORTING	9
1. Definition	9
2. Measurement	10
3. Minimum Service Level Requirement	10
F. SCHEDULED DOWN TIME	10
1. Definition	10
2. Measurement	11
3. Minimum Service Level Requirement	11
G. BACKUP	11
1. Definition	11
2. Measurement	11
3. Minimum Service level Requirement	11
H. KEY COMPROMISE	12
1. Definition	12
2. Measurement	12
3. Minimum Service Level Requirement	12
I. CONTINGENCY OPERATIONS / RECOVERY	12
1. Definition	12
2. Measurement	13
3. Minimum Service Level Requirement	13
J. REPORTING	13
K. PENALTIES	14
1. Access to Service	14
2. On-line Certification Processing Service	15

3. Off-line Certification Processing Service	16
V. VERISIGN ECS CUSTOMER SUPPORT SERVICE LEVELS	17
A. Availability	17
	4
B. RESPONSE TIME	17
C. CUSTOMER SUPPORT CALLBACK TIMEFRAMES AND DEFINITIONS	17

5

## I. OVERVIEW

This Service Level Agreement (SLA) between Visa International (Visa) and VeriSign, Inc. (VeriSign) details the terms for the supply of services by VeriSign to Visa for the operation of the Visa Electronic Certification Services (ECS). It specifically addresses the service levels that will be in effect for the ECS pilot as defined in the project plan,. Service levels for the test phases of ECS will be addressed separately.

This SLA is comprised of two components. The first addresses service levels for ECS. The second addresses service levels for VeriSign ECS customer support.

## II. ECS SYSTEM DESCRIPTION

A logical depiction of the ECS system is presented below:

[DIAGRAM DEPICTING A "CERTIFICATE REQUESTER" CONNECTED TO A CLOUD DEPICTING THE INTERNET, CONNECTED TO A USER INTERFACE WHICH IS CONNECTED TO A PAYMENT GATEWAY CERTIFICATE AUTHORITY, MERCHANT CERTIFICATE AUTHORITY AND A CARDHOLDER CERTIFICATE AUTHORITY WHICH ARE THEN CONNECTED TO AN ACQUIRING BANK, VISA AND AN ISSUING BANK.]

The logical components that are specifically addressed by this service level agreement are described below:

### 1. BRAND CERTIFICATE AUTHORITY

The Brand CA issues SEC compliant digital certificates to Brand members (Issuers and Acquirers or their processors) that wish participate in Visa's Secure Electronic Commerce (SEC) Service. The Brand CA issues Issuer certificates for use in issuing certificates to the Issuer's cardholders and Acquirer certificates for use in issuing certificates to the Acquirer's merchants. In addition the Brand CA will issue certificates to Brand or Geo-political operated Payment Gateway CAs for use in issuing certificates to Acquirer Payment Gateways. The Brand CA will also issue certificates to Geo-political CAs The Brand CA issues three types of certificates for each of their members: certificate signature certificates, key exchange certificates and message signature certificates.

### 2. CARDHOLDER CERTIFICATE AUTHORITY

The Cardholder CA issues SEC compliant digital certificates to the Issuer's cardholders that wish to participate in Visa's Secure Electronic Commerce (SEC) Service. The Cardholder CA issues a signature certificate to each cardholder.

### 3. MERCHANT CERTIFICATE AUTHORITY

The Merchant CA issues SEC compliant digital certificates to the Acquirer's merchants that wish to participate in Visa's Secure Electronic Commerce (SEC) Service. The Merchant CA issues two types of certificates to each merchant: key exchange certificates and message signature certificates.

### 4. PAYMENT GATEWAY CERTIFICATE AUTHORITY

The Payment Gateway CA issues SEC compliant digital certificates to the Payment Gateway's that wish to participate in Visa's Secure Electronic Commerce (SEC)

6

Service. The Payment Gateway CA issues two types of certificates to each Payment Gateway: key exchange certificates and message signature certificates.

### III. SCOPE

VeriSign will be developing and operating a Certificate Authority on behalf of Visa.

#### A. WITHIN SCOPE

The following components of ECS are addressed within the scope of this service level agreement:

- . Brand Certificate Authority (BCA)
- . Payment Gateway Certificate Authority (PCA)
- . Cardholder Certificate Authority (CCA)
- . Merchant Certificate Authority (MCA)

#### B. OUTSIDE OF SCOPE

The following components of ECS are not addressed within the scope of this service level agreement:

- . Visa Access Point (VAP)
- . VisaNet components (systems and network)
- . Issuer components
- . Acquirer components
- . Geo-political Certificate Authority

### IV. ECS SERVICE LEVELS

For the purpose of this SLA, ECS is considered to have two major operational components:

#### 1. Access to Service

This is the ability to receive a certificate transaction from a requesting entity (e.g., cardholder, merchant, payment gateway), provide an appropriate signed response to the requester, and either forward the certificate transaction to the appropriate CA for immediate processing or queue it for subsequent processing (if the CA is not available at that time).

#### 2. Certification Processing Service

This is the ability to fully process the certificate transaction (e.g., certificate request,

7

certificate query, certificate response) and return an appropriate signed response to the requester.

#### A. SERVICE AVAILABILITY

##### 1. Definition

Access to Service

Access to ECS must be available, seven (7) days a week, twenty-four (24) hours a day, 365 days a year.

#### On-line Certification Processing Service

All of the 'on-line' certificate authorities (CCA, MCA and PCA) must be available for processing certificate transactions and performing administrative functions such as regenerating keys seven (7) days a week, twenty-four (24) hours a day, 365 days a year with the exception of scheduled down time

#### Off-line Certification Processing Service

Initially, the brand certificate operations require manual procedures, are performed off-line and require the presence of authorized Visa and VeriSign personnel. The Brand certificate authority must be available during the normal hours of operation, as well as after hours by prior arrangement.

Normal hours of operation for the Brand CA are 0600 - 1800 PT. Visa will normally provide VeriSign with a twenty-four (24) hour advance notice of any required Brand CA operation.

In the event of extreme conditions, such as disaster recovery or key compromise, Visa may require Brand CA operations outside of the normal operating periods. Under such circumstances, Visa shall provide VeriSign with a two (2) hour advance notice of the required Brand CA operations. Therefore, the Brand CA must be available for issuing Cardholder CA, Merchant CA, Payment Gateway CA and Geopolitical CA certificates and performing administrative functions such as generating keys seven (7) days a week, twenty-four (24) hours a day, 365 days a year with the exception of scheduled downtime.

## 2. Measurement

### Access to Service

The measurement for service availability is the amount of time that the certificate processing service is capable of receiving and responding to incoming certificate transactions in an appropriate manner, even if it is not capable of certification processing. Nonavailability is the amount of time that the requesting entity cannot access the service at all.

### Certification Processing Service

The measurement for service availability is the amount of time that the CA is capable of receiving, processing and responding to incoming certificate transactions from the requesting entity (e.g., merchant, acquirer, issuer, cardholder, payment gateway). Nonavailability is the amount of time that

8

the CA is not capable of receiving, processing and responding to incoming certificate transactions from the requesting entity (e.g., merchant, acquirer, issuer, cardholder, payment gateway).

## 3. Minimum Service Level Requirement Access to Service

Access to Service availability must be \*.

### Certification Processing Service

The Brand CA must be available to process \* of the certificate requests and perform administrative functions such as generating keys.

All other CAs must be available to process certificate transactions and perform administrative functions such as generating keys \* of the time. Specifically, for the on-line CAs (i.e., CCA, MCA, PCA), the total unscheduled downtime per month must not exceed \*; no single CA type can exceed \* unscheduled downtime per month; no single unscheduled outage of any CA can exceed \*.

## B. Response Time

### 1. Definition

#### Access to Service



The requesting entity must be able to submit a transaction and receive an appropriate signed response within \*.

#### On-line Certification Processing Service

On-line CAs must respond to all certificate transactions within one (1) minute.

#### Off-line Certification Processing Service

There are two components of response time for the Brand CA.

1. The amount of time that it takes VeriSign to respond to a Visa request for Brand CA operations

VeriSign must respond to a Visa request for Brand CA operations within \* during normal operating hours. Under extreme conditions, VeriSign must respond to a Visa request for Brand CA operations within \*.

2. The amount of time that the actual Brand CA operation requires

All Brand CA operations must be processed and validated within hour(s) of the start of the operation. The specification timeframe will be determined at a later date.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

## 2. Measurement

### Access to Service

The measurement for response time is based upon the time elapsed from when a certificate transaction reaches VeriSign's Internet access point until the corresponding response message leaves VeriSign's Internet access point.

### On-line Certification Processing Service

The measurement for response time is based upon the time elapsed from when a certificate transaction reaches VeriSign's Internet access point until the corresponding response message leaves

VeriSign's Internet access point.

### Off-line Certification Processing Service

The measurement for response to requests for Brand CA operations is based upon the time elapsed from when Visa contacts VeriSign to inform them of the intent to perform a Brand CA operation until VeriSign confirms their availability to perform a Brand CA operation.

The measurement for performing Brand CA operations is based upon the time elapsed from when the operation starts until it is completed and verified.

## 3. Minimum Service Level Requirement

### Access To Service

Access to Service response times must be met \* of the time.

### Certification Processing Service

For the on-line CAs, \* of the certificate transactions must be responded to within the required time.

For the Brand CA, \* of the requests for Brand CA operations must be responded to within the required time and \* of the Brand CA operations must be performed within the required time.

C. Throughput

1. Definition

Access to Service

The facilities that are providing Access to Service must be capable of meeting the response time criteria identified above while supporting the following peak certificate transaction per hour loads:

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

10

	1996	1997	1998	1999
All certificate transactions (peak per hour). *				

On-line Certification Processing Service

On-line CAs must be capable of meeting the response time criteria identified above while supporting the following peak certificate transaction per hour loads:

Review Copy Electronic Certification Services (ECS)

a) Cardholder Certificate Authority

	1996	1997	1998	1999
Cardholder certificate transactions (peak per hour) *				

b) Merchant Certificate Authority

	1996	1997	1998	1999
Merchant certificate transactions (peak per hour) *				

c) Payment Gateway Certificate Authority

	1996	1997	1998	1999
Payment gateway certificate transactions (peak per hour) *				

Off-line Certification Processing

Throughput is not a factor for the Brand CA because all operations will be performed sequentially and are dependent upon manual processes.

2. Measurement

The measurement for throughput is based upon the actual volumes of certificate transactions that are processed by the various ECS system components while meeting response time criteria.

3. Minimum Service Level Requirement Throughput requirements must be met \* of the time.

D. Data Management

1. Definition ECS data, which includes system logs, transaction history, certificate registration data and certificates, must be available to support various legal, billing and customer service requirements. The on-line access, archive retention and retrieval requirements for the ECS data will vary by data

type as described below:

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

11

#### Registration data and certificates

This data will be kept on-line for 90 days prior to being archived. Archived data will be maintained for seven (7) years and must be retrievable, on-line and / or on hard copy, within six (6) hours of request.

#### System logs and transaction history

This data will be kept on-line for 90 days prior to being archived. Archived data will be maintained for one year and must be retrievable, either on-line and / or on hard copy, within twenty-four (24) hours of request.

#### 2. Measurement

The measurement for data management is based upon the data being available, either on-line or retrieved from archive, within the periods specified above.

#### 3. Minimum Service Level Requirement

The data management requirements must be met \* of the time.

#### E. System Monitoring and Outage Reporting

##### 1. Definition

##### Monitoring

The key storage units for all of the CAs must be checked for tampering on a daily basis. The applications and/or systems for the Access to Service facilities and Certification Processing Service must be monitored continually and a status check taken every 30 minutes.

##### Outage Reporting

All ECS hardware and/or software faults shall be logged, tracked and reported using a suitable computer-based system and provided to Visa within two (2) hours of occurrence.

All ECS system hardware, network, and software failures, their impact on ECS operations and any actions taken to correct the problem, including an event log shall be reported to Visa according to the schedule listed in Section V.C - Customer Callback Timeframes and Definitions. In addition, Visa shall be notified within one hour of any major failure that affects the normal operation of ECS.

2. Measurement The status checks must be recorded on a status log and signed by the VeriSign system operator. This status log must be available for review by Visa at any time.

Problem / event logs and system logs will record outages and causes (if known). These also must be made available to Visa for review at any time.

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3. Minimum Service Level Requirement

Compliance with the monitoring, logging and reporting requirements must be \*.

F. Scheduled Down Time

1. Definition

Access to Service

There is no scheduled down time for the Access to Service facility.

Certification Processing Service

There will be a scheduled down time period weekly to perform maintenance, backup and upgrade functions for the CAs. This period will not exceed \* and will be at the same time each week as agreed to by Visa and VeriSign. If a longer down time window is needed, it must be agreed to in advance by Visa and VeriSign.

2. Measurement

The measurement for scheduled down time for any CA is based on the time elapsed from when the CA is not capable of performing operations until it becomes available for performing operations. During this down time period, certificate transactions intended for the CA must be accepted, an appropriate signed response message returned to the requester, and the transaction queued for processing when the CA becomes available again for performing operations. Daily system logs will indicate system down time and the cause (if known) and can be used to track outages.

3. Minimum Service Level Requirement

\* of the down times must be within the required period. In addition, the access to the service (i.e., the receipt of certificate transactions, return of appropriate signed response, queuing of transaction for subsequent processing) must be available \* of the time.

G. Backup

1. Definition

At a minimum, all data related to the CAs, including application files and databases, system tables, log files, etc., will be backed up on a scheduled, daily basis. In addition, the CA application and all system components will be backed up on a weekly basis. All backups must be done non-disruptively without adversely impacting normal ECS operations. The backup files must be stored in a secure off-site facility as agreed upon by VeriSign and Visa.

2. Measurement

Daily system logs will indicate time and location of backup files, backup media identification and any other relevant information needed for recovery of backup files.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

3. Minimum Service level Requirement

The backup requirements must be met \* of the time.

H. KEY COMPROMISE

## 1. Definition

### On-line Certification Processing Service

In the event of a key compromise, an on-line CA must be able to revoke certificates generated with the compromised key or keys, generate new keys, request a new certificate from the appropriate CA, regenerate subordinate certificates with the new keys, and have these certificates available for distribution within twenty-four (24) hours of the time that the compromise is identified for merchants, payment gateways, MCAs, CCAs, GCAs and PCAs. The timeframe for cardholders will be y hours for certificates. In addition, the new public key must be published as specified by Visa.

### Off-line Certificate Processing Service

In the event of a key compromise, the Brand CA must be able to revoke certificates generated with the compromised key or keys, generate new keys and have a new certificate(s) request ready to submit to the Root CA within two hours of the time that the compromise is identified. In addition, the new public key must be published as specified by Visa.

## 2. Measurement

The measurement of recovery from key compromise is the elapsed period of time between the point at which the key compromise is identified and the point in time at which the regenerated certificates are available for distribution (on-line CAs) or a new certificate(s) request is ready for submission to the Root CA (Brand CA).

## 3. Minimum Service Level Requirement

The key compromise recovery time frames must be met \* of the time.

### I. CONTINGENCY OPERATIONS / RECOVERY

#### 1. Definition

##### Access to Service

In the event of a failure of the Access to Service facilities, a switch must immediately occur to a backup set of facilities. At no time should a requesting entity not be able to submit a certificate transaction and receive an appropriate signed response.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

### Certification Processing Service

If any single component of the Certification Processing Service (e.g., CA) fails, the component shall be recovered to the point of failure within six (6) hours. In the interim period before normal operations have been restored, Access to Service must be available with certificate transactions accepted and queued for future processing and an appropriate signed response returned to the requesting entity. If at the end of six hours the failed component has not been recovered, operations for that component will be performed at the backup site until such time as the component at the primary site has recovered.

In the event of a total Certification Processing Service failure, a switch to a backup facility must occur. Within twenty-four (24) hours, normal operations should begin at the alternate site with recovery to the point of failure for all systems and files. In the interim period before normal operations have begun at the alternate site, Access to Service must be available to receive certificate transactions, queue the transactions for future processing and provide an appropriate signed response to the requesting entity. When the primary site has

recovered, upon agreement by Visa and VeriSign, operation of the Certification Processing Service will be switched back to the primary site with no loss of data.

## 2. Measurement

The measurement for recovery of an ECS system component or a total system outage will be the length of time between the point that the outage occurs and the point that a full recovery to normal operations has been completed.

The ability to satisfy the recovery and / or contingency operations requirements will be demonstrated through periodic scheduled tests.

## 3. Minimum Service Level Requirement

The recovery and contingency operations requirements must be met \* of the time.

## J. REPORTING

VeriSign shall provide Visa with reporting on a scheduled basis. This will include both service level and activity reporting and may be either on hard copy or electronic (i.e., report or data files) form as agreed to by Visa and VeriSign.

## K. PENALTIES

All service levels are calculated, and penalties assessed, on a monthly basis.

### 1. Access to Service

#### Availability

Service Level: \* availability, 24 hours per day, 7 days per week, 365 days per year

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

15

#### Penalty:

\* \$5,000  
\$10,000  
\$15,000

Below \$5,000 per percent  
Considered to be grounds for termination of contract

#### Response Time

Service Level: 100% of certificate transactions received, responded to (appropriate signed response) within \*.

#### Penalty:

\* \$500  
\$1,000  
\$1,500  
\$2,000  
\$2,500

Below \$500 per percent  
Considered to be grounds for termination of contract

## 2. On-line Certification Processing Service

#### Availability

Service Level: \* availability, 24 hours per day, 7 days per week, 365 days

per year with exception of scheduled downtime.

Penalty:

	* \$5,000 per CA
	\$10,000 per CA
	\$15,000 per CA
Below	\$5,000 per percent per CA
	Considered to be grounds for termination of contract

Response Time

Service Level: \* of certificate transactions received, responded to (appropriate signed response) within \*.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

16

Penalty:

	* \$500 per CA
	\$1,000 per CA
	\$1,500 per CA
	\$2,000 per CA
	\$2,500 per CA
Below	\$500 per percent per CA
	Considered to be grounds for termination of contract

### 3. Off-line Certification Processing Service

Availability

Service Level: \* availability during normal operating hours and upon request with proper notification.

Penalty: \$10,000 per occurrence of non-availability.

Response Time

Service Level: \* of requests for Brand CA operations must be responded to within \* during normal operating hours. Under extreme conditions, VeriSign must respond to a Visa request for Brand CA operations within \*.

\* of Brand CA operations must be processed and validated within \* of the start of the operation.

### V. VERISIGN ECS CUSTOMER SUPPORT SERVICE LEVELS

VeriSign will provide support to Visa as described in the customer support requirements section of the contract. The VeriSign interface for customer support will be limited to designated individuals within Visa.

#### A. Availability

VeriSign Customer Service must be available to accept and respond to problem calls from Visa seven (7) days a week, twenty-four (24) hours a day.

#### B. Response Time

Normal Hours of Operation Between 0600 and 1800 PT, VeriSign Customer Support should respond immediately (i.e., answer the telephone within three rings). Outside of Normal Hours of Operation Between 1800 and 0600 PT, VeriSign Customer Support should respond within fifteen (15) minutes.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the

public filing and have been filed separately with the Securities and Exchange Commission.

17

### C. Customer Support Callback Timeframes and Definitions

VeriSign Customer Support will, at a minimum, initiate a return telephone call to Visa to establish if the problem has been corrected based on the following call reporting criteria:

Problem Severity	Definition	Callback Frequency
1	Entire population of a CA impacted	30 minutes
2	Multiple Member CAs impacted	60 minutes
3	Single Member CA impacted	90 minutes
4	Single cardholder or merchant impacted	120 minutes

In every case, if the problem has not been corrected within the callback frequency, VeriSign Customer Support will monitor the problem to determine if any corrective work has begun. If it has, then VeriSign Customer Support will continue to monitor the situation and provide

18

VeriSign Private Label Agreement  
Page 61

### EXHIBIT "L"

#### SUPPORT LEVELS

##### 1. Second-Level Support for Members

VeriSign will provide second level telephone support for any problem concerning a Certificate issued to a Member on a twenty-four (24) hour per day, seven (7) day per week basis. In the event that a Member problem is not resolved by the first level good-faith efforts of VISA Member Support, VeriSign will provide second level telephone support for a reasonable volume of calls from VISA Member Support Upon VISA Member Support's providing VeriSign with a clear description of the unresolved problem, VeriSign will verify the problem's existence and determine the conditions under which the problem may recur. After such verification and determination, VeriSign will, at its option,

- 1.1 use its best efforts to provide an immediate fix for the problem;
- 1.2 use its best efforts to provide a temporary solution of or workaround to the problem;
- 1.3 provide a statement that the problem will be corrected in a future release;
- 1.4 provide a statement that more information about the problem is required (however, after sufficient information, in VeriSign's opinion, is provided to VeriSign, VeriSign will provide to Customer one of the other four support alternatives contained in this Section 1); or
- 1.5 provide a statement that the Private Label Certificate System operates as described in VeriSign's then current user documentation or that the problem arises when such Private Label Certificate System is used other than in a manner for which it was designed

In the case of such second-level support, VeriSign will not contact a Member directly for more information about the problem unless VISA Member Support so requests.

##### 2. THIRD-LEVEL SUPPORT FOR CARDHOLDERS AND MERCHANTS



In the event that a Cardholder or Merchant problem has not been resolved by the good-faith efforts of the relevant Member at the first level or by VISA at the second level, VeriSign will provide telephone support for a reasonable volume of calls to VISA as the third level. Upon VISA's providing VeriSign with a clear description of the unresolved problem, VeriSign will verify the problem's existence and determine the conditions under which the problem may recur. After such verification and determination, VeriSign will, at its option,

2.1 use its best efforts to provide an immediate fix for the problem;

VeriSign Private Label Agreement  
Page 62

2.2 use its best efforts to provide a temporary solution of or workaround to the problem;

2.3 provide a statement that the problem will be corrected in a future release;

2.4 provide a statement that more information about the problem is required (however, after sufficient information, in VeriSign's opinion, is provided to VeriSign, VeriSign will provide to Customer one of the other four support alternatives contained in this Section 2); or

2.5 provide a statement that the Private Label Certificate System operates as described in VeriSign's then current user documentation or that the problem arises when such Private Label Certificate System is used other than in a manner for which it was designed.

In the case of third level support provided for Cardholder and Merchant problems, VeriSign will not contact the Member directly for more information about the problem unless VISA so requests, and VeriSign will not contact the Merchant or Cardholder directly under any circumstances.

The following chart summarizes telephone support provided in this Section:

Type of Certificate	Entity Supported	First level	Second level	Third level
Member	Issuers, Acquirers, Processors	VISA Member Support	VeriSign	N/A
Cardholder	Cardholders	Member	VISA	VeriSign
Merchant	Merchants	Member	VISA	VeriSign

### 3. TIMES TELEPHONE SUPPORT IS PROVIDED

VeriSign will accept and log all second level support requests received from Customer on a twenty-four (24) hour per day, seven (7) day per week basis, including national holidays. VeriSign will provide regular telephone support for both second level and third level on Monday through Friday 8:00 a.m. to 5:00 p.m., local time, and will provide critical corrective support after hours (outside the hours of 8:00 a.m. to 5:00 p.m., local time) and on national holidays. A problem is considered critical when the Private Label Certificate System will not operate or the Customer cannot perform its business function due to a Private Label Certificate System problem.

VeriSign Private Label Agreement  
Page 63

### 4. CUSTOMER RESPONSIBILITIES FOR TELEPHONE SUPPORT

Customer will (i) identify, document and report to VeriSign each problem with the Private Label Certificate System necessitating telephone support, (ii) supply VeriSign with all documentation and assistance necessary to demonstrate and allow VeriSign to diagnose the problem, and (iii) install each solution to

such problem provided by VeriSign. If Customer requests corrective changes to the Private Label Certificate System and VeriSign determines that the reported malfunction is not related to the Private Label Certificate System, VeriSign may charge Customer for its diagnostic services on a time and materials basis.

Customer will assure the proper use, management and supervision of any application programs, audit controls, operating methods and office procedures necessary for the intended use of the Private Label Certificate System.

Customer will provide the first-level support to Members through VISA Member Support as provided in Section I above. Customer will provide second-level support to Cardholders and Merchants through VISA as provided in Section 2 above.

EXHIBIT "M"

TIMETABLE FOR RESOLUTION OF OUTSTANDING ISSUES

Open Issues - -----	Date for Resolution -----
1. Logo Usage Guide to be attached to Agreement as Exhibit "C"	June 30, 1996
2. Add description of level of telephone support for Payment Gateway to Exhibit "L"	June 30, 1996
3. VISA Requirements for ECS (Exhibit "F") to be finalized as to issues indicated as open therein	June 30, 1996
4. System Design Specifications to be attached to Agreement as Exhibit "E" after approval by VISA	In accordance with Project Plan
5. Acceptance Test Procedures to be attached to Agreement as Exhibit "G" upon approval by VISA	In accordance with Project Plan
6. Service Level Specification to be reevaluated for possible modification after Acceptance Test Procedures have been approved.	In accordance with Project Plan

[Confidential Treatment Requested]

PLA Number: \_\_\_\_\_  
Date of Agreement: \_\_\_\_\_

VERISIGN PRIVATE LABEL AGREEMENT

Customer: VISA International Service Association, a Delaware  
-----  
corporation  
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Customer Address: 900 Metro Center Boulevard, Foster City California 94404 or  
-----  
P.O. Box 8999, San Francisco, California 94128-8999  
-----

Customer Contact: Irv Wentzien, Vice President  
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Effective Date: October 3, 1996  
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Term of Agreement: One year  
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- Exhibits Attached: Exhibit "A": Definitions
- Exhibit "B": Fees
- Exhibit "C": Logo Usage Guide
- Exhibit "D": Project Plan Elements
- Exhibit "E": System Design Specifications
- Exhibit "F": Customer Requirements
- Exhibit "G": Acceptance Test Procedures
- Exhibit "H": Reserved
- Exhibit "I": Escrow Agreement
- Exhibit "J": License Agreement
- Exhibit "K": Service Level Specification
- Exhibit "L": Support Levels

THIS VERISIGN PRIVATE LABEL AGREEMENT ("AGREEMENT"), effective as of the  
-----  
Effective Date set forth above, is entered into by and between VeriSign, Inc., a  
Delaware corporation, having its principal place of business at 2593 Coast  
Avenue, Mountain View, California 94043 ("VERISIGN"), and the party identified  
-----  
above ("CUSTOMER"), having a principal address as set forth above.  
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R E C I T A L

VeriSign provides Certificate-issuing and certain other services to members  
of both public and private hierarchies. Customer wishes VeriSign to design,  
build and operate a Private Label Certificate System based on Customer's Root  
Key for the use by Customer to provide certificate registration, issuing and  
management functions in connection with the Visa Cash stored value card and the  
Chip Card Payment System, all on the terms and subject to the conditions set  
forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

A G R E E M E N T

VeriSign Private Label Agreement  
Page 2

2. VERISIGN SERVICES TO CUSTOMER  
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2.1 DEVELOPMENT OF PRIVATE LABEL CERTIFICATE SYSTEM. VeriSign will design

and develop a Private Label Certificate System based on Customer's Root Keys, a Protocol specified by Customer and specifications agreed upon by VeriSign and Customer in accordance with Section 4.1 below. The Private Label Certificate System will include provision of services described in Exhibit B hereto.

2.2 OWNERSHIP AND LICENSE OF PRIVATE LABEL CERTIFICATE SYSTEM. VeriSign will acquire and assemble the components of the Private Label Certificate System, consisting of hardware, software and telecommunications equipment. All right, title and interest to the Private Label Certificate System shall belong solely and exclusively to VeriSign, and Customer shall have no right, title or ownership interest therein. VeriSign shall have the right to obtain and hold in its name copyrights, registrations, patents and any similar protection which may be available for the Private Label Certificate System or components thereof and any derivative works thereof. In the event that any technology included in the Private Label Certificate System as delivered to Customer by VeriSign is hereafter covered by a claim of a patent issued to or assigned to VeriSign, VeriSign shall grant to Customer a nonexclusive, worldwide, royalty-free license under the relevant claim(s) to the extent necessary for Customer to use the Private Label Certificate System as provided in this Agreement.

Commencing September 1, 1997, Customer on ninety (90) days' prior written notice shall have the right to license the Private Label Certificate System pursuant to a license agreement substantially in the form of Exhibit "J". To the extent portions of the Private Label Certificate System are not owned by VeriSign, VeriSign will arrange to obtain the right to use such items by Customer or arrange for Customer to obtain the right to purchase or otherwise license such items.

All right, title and interest to the Private Hierarchy Root Keys and associated Private Keys shall belong solely and exclusively to Customer, and VeriSign shall have no right, title or ownership interest therein. VeriSign shall use Customer's Private Hierarchy Root Keys and associated Private Keys in operating the Private Label Certificate System on Customer's behalf. VeriSign agrees to provide Customer with all assistance necessary to recover and recreate any Private Hierarchy Private Key, such assistance may include assigning to Customer the right and ability to request such recovery from BBN.

2.3 ASSISTANCE IN DEFINING PROTOCOL. VeriSign will assist Customer in defining a workable Protocol for secure management and handling of Certificates in Customer's Private Hierarchy. VeriSign will provide Customer with a copy of VeriSign's Certification Practice Statement which governs Certificate operations in the VeriSign Public Hierarchies and details management and handling of Certificates under a policy-based delegation of operating authority. VeriSign will also recommend a set of operating and security practices and procedures to mitigate risks associated with Private Key compromise and Root Key distribution and to protect Customer's confidential authorization information.

2.4 MAINTENANCE OF PRIVATE LABEL CERTIFICATE SYSTEM AT VERISIGN SITE. VeriSign will provide a high-security facility on VeriSign's premises in Mountain View, California for operation of the Certificate server(s) and for storage of Certificate Signing Units containing Customer's Private Keys when not in use in a secure vault. VeriSign shall be responsible for maintaining the security on its premises and shall be liable for any damages that arise out of a breach of its security. VeriSign may move the Private Label Certificate System to another location under VeriSign's control which provides a comparable level of security, and VeriSign shall provide notice to Customer in advance of such relocation. VeriSign shall establish a secure backup site at a mutually agreeable location that ensures continued operation in the event of a technical failure, natural disaster or any other event that disables the Mountain View (or relocated) facility.

2.5 CERTIFICATE MANAGEMENT SERVICES. VeriSign will provide to Customer the following services for Certificate management and operations:

VeriSign Private Label Agreement  
Page 3

2.5.1 SCOPE OF SERVICES. In accordance with Customer's specified Protocol, VeriSign will provide the following services with respect to the Certificate server(s): maintain adequate Certificate-issuing capacity to meet Customer's reasonable forecast requirements.

2.5.2 ENROLLMENT AND RENEWAL SERVICES. Using an enrollment process based on securely delivered certificate requests, VeriSign will issue

Certificates under Customer's name and containing Customer's Root Keys to Subscribers in Customer's Private Hierarchy in accordance with the Protocol. VeriSign will process renewals of Certificates in accordance with the Protocol. Within ten (10) days after the end of each month, VeriSign will provide Customer with a monthly report on the number of Certificates issued.

2.6 CUSTOMER SUPPORT. During the term of this Agreement, VeriSign will supply maintenance for the Private Label Certificate System as described in this Section 2.6 without additional charge to Customer.

2.6.1 TELEPHONE SUPPORT. VeriSign will provide telephone support as is reasonably necessary for Customer to meet the performance criteria for the Private Label Certificate System as provided in Exhibit "K." VeriSign will also provide telephone support for a reasonable volume of calls to Customer-related entities as provided in Exhibit "L." VeriSign shall provide the support specified in this Section 2.6.1 to Customer's employees responsible for developing and maintaining Customer Products. VeriSign will provide the names of employees who will serve as primary points of contact for technical support for Customer. VeriSign may change the names of designated employees at any time by providing written notice to Customer. On VeriSign's request, Customer will provide a list with the names of the employees designated to receive support from VeriSign. Customer may change the names on the list at any time by providing written notice to VeriSign.

2.6.2 ESCALATION PROCEDURES. Customer and VeriSign shall agree upon a procedure for resolution of operating problems in the Private Label Certificate System which provides for escalation of effort based on the problem severity.

2.6.3 REIMBURSEMENT FOR CORRECTION OF CUSTOMER ERRORS. In the event VeriSign is required to take actions to correct an error which is caused by Customer errors, modifications, enhancements, software or hardware, then VeriSign may charge Customer for the correction or repair on a time-and-materials basis at VeriSign's rates then in effect, plus reimbursement for reasonable travel to and from Customer's sites and out-of-pocket expenses, as may be necessary in connection with duties performed under this Section 2.6 by VeriSign.

2.6.4 SYSTEM RELEASES. In the event operating problems in the Private Label Certificate System are not resolved by the escalation procedures, Customer and VeriSign agree to evaluate the desirability of changing to a later available release version of Private Label Certificate System and other applications employed by VeriSign in provision of the Private Label Certificate System. A change to release level in the Private Label Certificate System will also be evaluated at the time new releases are tested.

2.7 ESCROW AGREEMENT. VeriSign will place in escrow pursuant to the Escrow Agreement set forth at Exhibit "I" all information necessary to build, support, maintain and operate the Private Label Certificate System. This information will be released to Customer upon occurrence of the events specified in such Escrow Agreement.

2.8 CUSTOMER MARKETING RIGHTS. VeriSign acknowledges and understands that Customer will be marketing Certificates and Certificate services using the Private Label Certificate Service being produced by VeriSign to Customer hereunder. All pricing of Certificates to Customer Members under the Certificate Authority Service marketed by Customer shall be determined by Customer, independent of any obligation to support and operate the Private Label Certificate Service by VeriSign hereunder. Customer shall charge its Members directly for use of the Private Label Certificate System.

2.9 CUSTOMER PERSONNEL. Customer may, at its own cost, upon reasonable notice and for the purpose of problem resolution, provide personnel to monitor or participate in the operation of the Private Label Certificate Service and provision of Customer service pursuant to Section 2.6. VeriSign agrees to cooperate with Customer

VeriSign Private Label Agreement  
Page 4

personnel to permit them to assist in establishing appropriate levels of Customer service and participate in problem verification and determination.

2.10 FINANCIAL DATA. In the event Customer ceases to have access to

financial information concerning VeriSign pursuant to its rights under that certain Investors' Rights Agreement dated February 20, 1996, or pursuant to filings made in accordance with the Securities Exchange Act of 1934, VeriSign shall make available to Customer on a quarterly basis, an unaudited balance sheet and statement of operations. Such information shall be kept confidential by Customer in accordance with Section 6.

3. CUSTOMER OBLIGATIONS TO VERISIGN  
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3.1 PROTOCOL. In addition to specifying functionality as incorporated in the Customer Requirements for the product(s) or service(s) specified on Exhibit "B" hereto and the System Design Specifications, Customer will specify a Protocol, consisting of policies, procedures and resources to control the entire Certificate process for its Private Hierarchy and the transactional use of Certificates within the Private Hierarchy. The Protocol is not required to be consistent with the requirements of VeriSign's Certification Practice Statement for operation of VeriSign Public Hierarchies.

3.2 VERIFICATION OF SUBSCRIBER INFORMATION. Customer will provide VeriSign with verification of enrollment information submitted by a Subscriber who wishes to become a member of Customer's Private Hierarchy prior to VeriSign's issuance of a Certificate to such Subscriber. Customer will provide VeriSign with verification of a Subscriber's identity to the extent required by the Protocol.

3.3 FORECAST. Customer agrees to provide VeriSign on a confidential basis at the end of each calendar quarter with an updated forecast of the volume of Certificates it expects to be required for Customer's Private Hierarchy for the next six (6) months. The forecasts shall be by product line and based upon good faith estimates and assumptions believed by Customer to be reasonable at the time made.

3.4 CUSTOMER PERSONNEL. To the extent Customer personnel are provided or take action pursuant to Sections 2.9 or 4.2, such personnel shall be provided solely at Customer's cost, and, upon request, Customer shall provide evidence of satisfaction of all state and federal employment laws and worker compensation requirements in connection with such personnel. Such personnel shall execute confidentiality agreements as VeriSign shall reasonably request, and shall agree to abide by all reasonable VeriSign visitor regulations. Customer understands that VeriSign operates a secure facility and that there are portions of such facility that Customer's personnel will not be permitted to enter. In the event that VeriSign determines that any of Customer's personnel has breached a VeriSign visitor regulation, Customer shall immediately cause such person to be removed from VeriSign's facility, and may provide a replacement.

4. DEVELOPMENT  
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4.1 DEVELOPMENT OF PROJECT PLAN. Attached as Exhibit "D" is the Project Plan that specifies the major phases of the development of the Customer's Private Label Certificate System, the major tasks to be completed, the deliverables to be produced and their scheduled completion dates.

4.1.1 DEVELOPMENT OF INTERFACE SPECIFICATIONS. In accordance with the Project Plan, Customer will create Interface Specifications for software interface of the Private Label Certificate System to Customer's Subscriber enrollment and authorization information and deliver the Interface Specifications to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Interface Specifications within fourteen (14) days. VeriSign shall promptly notify Customer of any deficiencies in the Interface Specifications. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by

VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Interface Specifications shall be

resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.1.

4.1.2 DEVELOPMENT OF PROTOCOL. In accordance with the Project Plan, Customer will create the Protocol and deliver it to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Protocol within fourteen (14) days. VeriSign shall promptly notify Customer of any deficiencies in the Protocol. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Protocol shall be resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.2.

4.1.3 DEVELOPMENT OF SYSTEM DESIGN SPECIFICATIONS. In accordance with the Project Plan, VeriSign will create System Design Specifications for the Private Label Certificate System and deliver the System Design Specifications to Customer to determine material conformity to Exhibit "F" and the Protocol and for Customer acceptance. Customer shall deliver written acceptance or rejection of the System Design Specifications within fourteen (14) days. Customer shall promptly notify VeriSign of any deficiencies in the System Design Specifications. Such notification shall be in writing and shall contain sufficient detail to allow VeriSign to resolve such deficiencies. If Customer fails to respond within the fourteen (14) days, VeriSign may submit written notice of such failure. If Customer does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by Customer. VeriSign shall respond to deficiencies identified by Customer by either making modifications or refuting Customer's arguments regarding the deficiency. Any modification to the System Design Specifications shall be resubmitted to Customer for review and approval in accordance with the procedures outlined in this Section 4.1.3.

4.1.4 DEVELOPMENT OF ACCEPTANCE TEST PROCEDURES. In accordance with the Project Plan, Customer shall create the Acceptance Test Procedures and deliver them to VeriSign for review and approval. VeriSign shall deliver written acceptance or rejection of the Acceptance Test Procedures within fourteen (14) days. VeriSign shall promptly notify Customer of any deficiencies in the Acceptance Test Procedures. Such notification shall be in writing and shall contain sufficient detail to allow Customer to resolve such deficiencies. If VeriSign fails to respond within the fourteen (14) days, Customer may submit written notice of such failure. If VeriSign does not respond with written notice of deficiencies as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by VeriSign. Customer shall respond to deficiencies identified by VeriSign by either making modifications or refuting VeriSign's arguments regarding the deficiency. Any modification to the Acceptance Test Procedures shall be resubmitted to VeriSign for review and approval in accordance with the procedures outlined in this Section 4.1.4.

4.1.5 DEVELOPMENT OF PRIVATE LABEL CERTIFICATE SYSTEM. In accordance with the Project Plan, VeriSign will develop the Private Label Certificate System in material conformity to the Interface Specifications and the System Design Specifications. Development of the Private Label Certificate System will take place at VeriSign's facility located in Mountain View, California or such other place as VeriSign shall reasonably select. VeriSign will deliver notice to Customer that the Private Label Certificate System is in material conformity to the Interface Specifications and the System Design Specifications and ready for acceptance testing on or before the date set forth in the Project Plan.

4.1.6 DEVELOPMENT OF SERVICE LEVEL SPECIFICATION. Customer and VeriSign have specified in Exhibit "K" hereto a preliminary set of performance criteria against which to measure the adequacy of the Private Label Certificate System, which is acceptance at the Effective Date of this Agreement. Customer and VeriSign recognize that after completion of the major phases of development of the Private Label Certificate System some modification of the Service Level Specification may be desirable. After the Acceptance Test Procedures have been

approved by VeriSign, Customer and VeriSign shall cooperate in evaluating whether the Service Level Specification should be amended by Change Order in accordance with Section 4.1.8 and shall negotiate in good faith with respect to this Exhibit K.

4.1.7 ACCEPTANCE. Acceptance testing of the Private Label Certificate System in accordance with the Acceptance Test Procedures shall take place at VeriSign's facility located in Mountain View, California, or such other place as VeriSign shall reasonably select, using test data supplied by Customer and supplemented and approved by VeriSign, and shall establish material conformity of the Private Label Certificate System with the Interface Specifications and the System Design Specifications. VeriSign shall be entitled, but not obligated, to have a representative present at all such tests. Customer shall promptly notify VeriSign of any failure of the Private Label Certificate System discovered in testing, and any retesting required will be performed after redelivery of a modified version of the Private Label Certificate System to Customer by VeriSign. Customer shall deliver written acceptance of the Private Label Certificate System after establishment of material conformance to the Interface Specifications and the System Design Specifications and material satisfaction of the Acceptance Test Procedures within fourteen (14) days of the completion of the testing. Such notification acceptance shall be in writing. If Customer fails to respond within the fourteen (14) days, VeriSign may submit written notice of such failure. If Customer does not respond with written notice of acceptance as described above within two (2) days of receipt of such notice then such failure to respond shall be deemed an acceptance by Customer.

4.1.8 CHANGE ORDERS. Any amendment to a Program Document after its acceptance shall only be effected by a change order ("CHANGE ORDER") approved as follows:

4.1.8.1 CUSTOMER INITIATED. Customer may initiate a Change Order by delivering to VeriSign a writing signed by Customer's Program Manager requesting VeriSign to prepare a proposed Change Order. Such writing shall specify the requested change and cross-reference to Sections of the Program Documents that are proposed to be amended.

4.1.8.2 VERISIGN INITIATED. VeriSign may initiate a Change Order by delivering to Customer a proposed Change Order meeting the requirements of Section 4.1.8.3.

4.1.8.3 PREPARATION. Upon receipt of a written request as set forth above in this Section 4.1.8, VeriSign shall, on or before fifteen (15) days after receipt of such request, prepare for Customer's review a proposed Change Order. Such proposed Change Order shall contain:

- (i) a detailed description of the proposed amendments to the Program Documents;
- (ii) the change, if any, to scheduled delivery of any item;
- (iii) change in amounts due VeriSign under Exhibit "B" as a result of such Change Order. It is the expectation of the parties that enhancements over and above the work initially specified in the Program Documents, which both parties deem necessary to permit reasonable implementation of the Private Label Certificate System, will be jointly funded in a spirit of cooperation between VeriSign and Customer. Those changes specifically requested by Customer, which are out of the scope of the original Program Documents, will be provided by VeriSign at its then-current time and materials rates.

4.1.8.4 EVALUATION. Customer shall evaluate, and respond to VeriSign with respect to, any Change Order on or before the fifteen (15) business day after receipt.

4.1.8.5 APPROVAL. Change Orders shall become effective and shall act as amendments to this Agreement and to portions of the Program Documents specified in such Change Orders only upon their execution by an officer or the Program Manager of VeriSign and by an officer or the Program Manager of Customer.



4.1.8.6 TECHNICAL SERVICES. In the event that a Change Order alters the scope of the project as originally defined. VeriSign will provide the following technical services to Customer at VeriSign's then standard rates:

4.1.8.6.1 Engineering assistance in developing interfaces for Certificate services to Customer's proprietary databases containing authorization and enrollment information regarding Subscribers.

4.1.8.6.2 Training of up to two (2) days for Customer's employee responsible for training other employees in customer technical support, marketing, and sales. Training shall occur at VeriSign's facility in Mountain View, California, or at such other location as the parties may agree.

4.2 PROJECT AUDITS. Customer shall have the right to perform a project audit to ensure adherence by VeriSign to this Agreement subject to limitations set forth below. Customer shall give reasonable prior notice to VeriSign of its desire to audit VeriSign's performance under this Agreement. Customer shall have the right to review VeriSign's progress on development of the Private Label Certificate System and after implementation of such system, Customer shall have the right to audit operational performance and execution of VeriSign in connection with the Private Label Certificate System. VeriSign agrees to cooperate with Customer personnel to permit them to assure themselves that VeriSign is performing its obligations in a reasonable manner under this Agreement. Such Customer personnel shall be subject to the requirements of Sections 3.4 and 6 of this Agreement. Customer shall perform such audits only at reasonable intervals.

5. FEES AND PENALTIES  
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5.1 Development Fees. As consideration for the development of a Private Label Certificate System for Customer, provision of the hardware and software components of the system, and assistance in developing a Protocol for operation of the Private Label Certificate System as set forth in Sections 2.1, 2.2 and 2.3 above, Customer shall pay to VeriSign the amount set forth as Development Fees on Exhibit "B" according to the terms contained therein.

5.2 OPERATION FEES. As consideration for operation of the Private Label Certificate System as set forth in Sections 2.4, 2.5, 2.6 and 2.7 above Customer shall pay to VeriSign the amount set forth as Operation Fees on Exhibit "B" according to the terms contained therein.

5.3 SUBSCRIBER FEES. Customer will pay to VeriSign as Subscriber Fees amounts for each Subscriber initially enrolled or renewed in Customer's Private Hierarchy through Customer the prices set forth on Exhibit "B".

5.4 TERMS OF PAYMENT. Subscriber Fees shall accrue upon issuance. VeriSign will furnish Customer with a monthly invoice accompanied by the report required by Section 2.5.2 above of the number and type of Certificates requested and the number and type of Certificates issued and renewed during the prior month. Customer will pay Subscriber Fees as set forth in Exhibit "B" for the period therein. Subscriber Fees due VeriSign hereunder shall be paid by Customer to VeriSign's address set forth on Page 1 above on or before the thirtieth (30th) day after the invoice date. A late payment penalty on any undisputed Subscriber Fees not paid when due shall be assessed at the rate of one percent (1%) per thirty (30) days, beginning on the thirty-first (31st) day after the day the unpaid Subscriber Fees are due.

5.5 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 VeriSign) which are imposed by or under the authority of any government or any political subdivision thereof on the Development Fees or Operation Fees, Subscriber Fees or any aspect of this Agreement shall be borne by Customer and shall not be considered a part of, a deduction from or an offset against such fees.

5.6 DEGRADATION PENALTY. After thirty (30) days prior notice of failure to meet the minimum service standard set forth in Exhibit "K" Service Level Specifications, Customer shall be entitled to degradation penalties as defined in Exhibit "K".

6. CONFIDENTIALITY  
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6.1 CONFIDENTIALITY. The parties acknowledge that in their performance of their duties hereunder either party may communicate to the other (or its designees) certain confidential and proprietary information concerning the Customer Products, VeriSign products, the know-how, technology, techniques or marketing plans related thereto (collectively, the "Proprietary Information") all of which are confidential and proprietary to, and trade secrets of, the disclosing party. Each party agrees to hold all Proprietary Information within its own organization and shall not, without specific written consent of the other party or as expressly authorized herein, utilize in any manner, publish, communicate or disclose any part of the Proprietary Information to third parties. This Section 6.1 shall impose no obligation on either party with respect to any Proprietary Information which: (i) is in the public domain at the time disclosed by the disclosing party; (ii) enters the public domain after disclosure other than by breach of the receiving party's obligations hereunder or by breach of another party's confidentiality obligations; or (iii) is shown by documentary evidence to have been known by the receiving party prior to its receipt from the disclosing party. Each party will take such steps as are consistent with its protection of its own confidential and proprietary information (but will in no event exercise less than reasonable care) to ensure that the provisions of this Section 6.1 are not violated by its end user customers, distributors, employees, agents or any other person.

6.2 INJUNCTIVE RELIEF. Both parties acknowledge that the restrictions contained in this Section 6 are reasonable and necessary to protect their legitimate interests and that any violation of these restrictions will cause irreparable damage to the other party within a short period of time, and each party agrees that the other party will be entitled to injunctive relief against each violation.

7. OBLIGATIONS OF CUSTOMER  
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7.1 PROPRIETARY MARKINGS; COPYRIGHT NOTICES. The Customer agrees not to remove or destroy any proprietary, trademark or copyright markings or notices placed upon or contained within any VeriSign materials or documentation. The Customer further agrees to insert and maintain: (i) within every Customer Product and any related materials or documentation a copyright notice in the name of VeriSign; and (ii) within the splash screens, user documentation, printed product collateral, product packaging and advertisements for the Customer Product, a statement that the Customer Product contains the VeriSign technology. The Customer shall not take any action which might adversely affect the validity of VeriSign's proprietary, trademark or copyright markings or ownership by VeriSign thereof, and shall cease to use the markings, or any similar markings, in any manner on the expiration of this Agreement. The placement of a copyright notice on any of the VeriSign materials or documentation shall not constitute publication or otherwise impair the confidential or trade secret nature of the VeriSign materials or documentation.

7.2 VERISIGN'S INDEMNITY. CUSTOMER EXPRESSLY INDEMNIFIES AND HOLDS HARMLESS VERISIGN, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO SUBSCRIBERS IN CUSTOMER'S PRIVATE HIERARCHY AND TO THIRD PARTIES WHICH MAY ARISE FROM ACTS OF CUSTOMER OR FROM THE USE OF CERTIFICATES IN CUSTOMER'S PRIVATE HIERARCHY, USE OF ANY CUSTOMER PRODUCT, OR ANY DOCUMENTATION, SERVICES OR ANY OTHER ITEM FURNISHED BY THE CUSTOMER TO SUBSCRIBERS IN CUSTOMER'S PRIVATE HIERARCHY, OTHER THAN LIABILITY ARISING FROM THE VERISIGN PRODUCTS AND VERISIGN DOCUMENTATION (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY THE CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS) OR FROM THE ACTS OF VERISIGN; AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY THE CUSTOMER OR ITS AGENTS, EMPLOYEES

OR DISTRIBUTORS TO ANY PARTY WITH RESPECT TO THE VERISIGN PRODUCTS OR VERISIGN DOCUMENTATION.

7.3 CUSTOMER'S INDEMNITY. VERISIGN EXPRESSLY INDEMNIFIES AND HOLDS HARMLESS CUSTOMER, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO ANY THIRD PARTIES THAT MAY ARISE FROM ACTS OF VERISIGN OR FROM USE OF VERISIGN SOURCE CODE, VERISIGN'S OBJECT CODE OR VERISIGN'S USER MANUALS (UNLESS SUCH LIABILITY WOULD NOT HAVE ARISEN IN THE ABSENCE OF MODIFICATIONS TO ANY OF THE FOREGOING BY CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS); AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY VERISIGN OR ITS AGENTS OR EMPLOYEES TO ANY PARTY WITH RESPECT TO CUSTOMER PRODUCTS, OR ANY VERISIGN SOFTWARE.

7.4 NOTICES. The Customer shall immediately advise VeriSign of any legal notices served on the Customer which might affect VeriSign.

8. LIMITED WARRANTY; DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY;  
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INDEMNITIES  
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8.1 LIMITED WARRANTY. During the term of this Agreement, VeriSign warrants that

- 8.1.1 to VeriSign's knowledge, Customer's Private Keys have not been compromised so long as VeriSign has not provided notice to Customer to the contrary,
- 8.1.2 VeriSign has used best efforts to maintain the security at its facilities and to maintain the security of any of Customer's private keys in its possession or control,
- 8.1.3 VeriSign has substantially complied with the Protocol in issuing a Certificate to a Subscriber in Customer's Private Hierarchy,
- 8.1.4 VeriSign has substantially complied with the Protocol in renewing, revoking or suspending a Certificate, and
- 8.1.5 the Private Label Certificate System materially conforms to the Interface Specifications and the System Design Specifications.

8.2 DISCLAIMER. EXCEPT FOR THE EXPRESS LIMITED WARRANTY PROVIDED IN SECTION 8.1, VERISIGN'S PRODUCTS AND SERVICES ARE PROVIDED "AS IS" WITHOUT ANY WARRANTY WHATSOEVER. VERISIGN DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO ANY MATTER WHATSOEVER, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY VERISIGN OR ITS EMPLOYEES OR REPRESENTATIVES SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF VERISIGN'S OBLIGATIONS.

CUSTOMER IS RESPONSIBLE FOR THE SECURITY, COMMUNICATION OR USE OF ITS PRIVATE KEY, EXCEPT TO THE EXTENT SUCH PRIVATE KEY IS IN THE CUSTODY OR CONTROL OF VERISIGN, VERISIGN SHALL NOT BE RESPONSIBLE FOR THE THEFT OR ANY OTHER FORM OF COMPROMISE OF CUSTOMER'S PRIVATE KEY, WHICH MAY OR MAY NOT BE DETECTED EXCEPT WHEN SUCH PRIVATE KEY IS IN THE CUSTODY OR CONTROL OF VERISIGN. VERISIGN SHALL NOT BE LIABLE FOR ANY USE OF A KEY STOLEN OR COMPROMISED WHILE IN CUSTOMER'S CUSTODY OR CONTROL UNLESS CUSTOMER HAS PROVIDED NOTICE TO VERISIGN IN ACCORDANCE WITH THE PROTOCOL, AND VERISIGN HAS FAILED SUBSTANTIALLY TO COMPLY WITH THE PROTOCOL

OR UNLESS CUSTOMER CAN ESTABLISH THAT SUCH THEFT OR KEY COMPROMISE OCCURRED WHILE THE SOLE COPY OF THE KEY WAS IN THE CUSTODY OR CONTROL OF VERISIGN OR WHILE THE KEY WAS IN THE CUSTODY OR CONTROL OF VERISIGN AND THAT THE COPY OF THE KEY IN VERISIGN'S CUSTODY OR CONTROL WAS STOLEN OR COMPROMISED.

EACH SUBSCRIBER IS RESPONSIBLE FOR THE SECURITY, COMMUNICATION OR USE OF HIS, HER OR ITS PRIVATE KEY. VERISIGN SHALL NOT BE RESPONSIBLE FOR THE THEFT OR

ANY OTHER FORM OF COMPROMISE OF ANY SUBSCRIBER'S PRIVATE KEY, WHICH MAY OR MAY NOT BE DETECTED. VERISIGN SHALL NOT BE LIABLE FOR ANY USE OF A STOLEN OR COMPROMISED KEY TO FORGE A SUBSCRIBER'S DIGITAL SIGNATURE TO A DOCUMENT UNLESS THE SUBSCRIBER OR CUSTOMER HAS PROVIDED NOTICE TO VERISIGN IN ACCORDANCE WITH THE PROTOCOL AND VERISIGN HAS FAILED TO COMPLY WITH THE PROTOCOL.

8.3 LIMITATION OF LIABILITY. NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY, TO A SUBSCRIBER OR TO ANY THIRD PARTY FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL OR EXEMPLARY DAMAGES, WHETHER FORESEEABLE OR UNFORESEEABLE (INCLUDING, BUT NOT LIMITED TO, GOODWILL, PROFITS, INVESTMENTS, USE OF MONEY OR USE OF FACILITIES; INTERRUPTION IN USE OR AVAILABILITY OF DATA; STOPPAGE OF OTHER WORK OR IMPAIRMENT OF OTHER ASSETS; OR LABOR CLAIMS, EVEN IF VERISIGN HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), ARISING OUT OF BREACH OF ANY EXPRESS OR IMPLIED WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, EXCEPT ONLY IN THE CASE OF DEATH OR PERSONAL INJURY WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY. UNDER NO CIRCUMSTANCES SHALL EITHER PARTY'S LIABILITY TO THE OTHER PARTY OR ANY SUBSCRIBER OR ANY THIRD PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT, EXCLUDING LIABILITY FOR MONEY ACTUALLY OWED TO A PARTY AS ROYALTY FEES, DEVELOPMENT FEES, OPERATION FEES, OR SUBSCRIBER FEES, EXCEED \$100,000.00 IN THE AGGREGATE REGARDLESS OF WHETHER ANY ACTION OR CLAIM IS BASED ON WARRANTY, CONTRACT, TORT OR OTHERWISE. THE LIMITATION SET FORTH IN THIS SECTION 8.3 SHALL NOT APPLY TO INDEMNITIES OR RIGHTS GRANTED BY SECTION 8.5 OR 8.6.

8.4 INDEMNITIES. Subject to the limitations set forth below and the limitations in Section 8.3, VeriSign, at its own expense, shall (i) defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of VeriSign's breach of any limited warranty in this Agreement in connection with use of a Certificate in Customer's Private Hierarchy; and (ii) pay any final judgment entered or settlement against company on such issue in any such suit or proceedings defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 8.4 unless (a) Customer gives VeriSign prompt written notice of the claim; (b) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (c) Customer has complied with the Protocol.

#### 8.5 PROPRIETARY RIGHTS INFRINGEMENT BY VERISIGN.

8.5.1 Subject to the limitations set forth in this Section 8.5, VeriSign, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of infringement of any United States copyright, patent, trade secret or any other intellectual property right ("Proprietary Rights") by the unmodified Private Label Certificate System as delivered by VeriSign or any claim that VeriSign has no right to provide the Private Label Certificate System hereunder; and (ii) pay any final judgment entered or settlement against Customer on such issue in any such suit or proceeding defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 8.5.1 unless: (A) Customer gives VeriSign prompt written notice of the claim; (B) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (C) the claim is based on Customer's use of the most recent version of the Relatively Unmodified Private Label Certificate System in accordance with this Agreement. A Relatively Unmodified Private Label Certificate System shall mean a wholly unmodified Private Label Certificate System or a Private Label Certificate System that has been modified but such modifications are not relevant to the claim.

VeriSign Private Label Agreement  
Page 11

8.5.2 If VeriSign receives notice of an alleged infringement described in Section 8.5.1, VeriSign shall have the right, at its sole option, to obtain the right to continue use of the Private Label Certificate System or to replace or modify the Private Label Certificate System so that it is no longer infringing. If neither of the foregoing options is reasonably available to VeriSign, then use of the Private Label Certificate System may be terminated at the option of VeriSign without further obligation or liability except as provided in Sections 8.5.1 and 9.3 and in the event of such termination, VeriSign shall refund the Development Fees paid by Customer hereunder less depreciation for use assuming straight line depreciation over a five (5)-year useful life.

8.5.3 THE RIGHTS AND REMEDIES SET FORTH IN SECTIONS 8.5.1 AND 8.5.2 CONSTITUTE THE ENTIRE OBLIGATION OF VERISIGN AND THE EXCLUSIVE REMEDIES OF

8.6 PROPRIETARY RIGHTS INFRINGEMENT BY CUSTOMER.

8.6.1 Subject to the limitations set forth in this Section 8.6, Customer, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against VeriSign on the basis of infringement of any Proprietary Right by the Customer Product (except to the extent arising from a Relatively Unmodified Private Label Certificate System); and (ii) pay any final judgment entered or settlement against VeriSign on such issue in any such suit or proceeding defended by Customer. Customer shall have no obligation to VeriSign pursuant to this Section 8.6.1 unless: (A) VeriSign gives Customer prompt written notice of the claim; and (B) Customer is given the right to control and direct the investigation, preparation, defense and settlement of the claim.

8.6.2 If Customer receives notice of an alleged infringement described in Section 8.6.1, Customer shall have the right, at its sole option, to obtain the right to continued use of the Private Label Certificate System or the Customer Product or to replace or modify the Private Label Certificate System or the Customer Product so that they are no longer infringing. If neither of the foregoing options in this Section 8.6.2 is reasonably available to Customer, then use of the Private Label Certificate System or the Customer Product may be terminated at the option of Customer without further obligation or liability except as provided in Sections 8.6.1 and 9.3, and in the event of such termination, VeriSign shall retain all Development Fees, Operation Fees and Subscriber Fees paid by Customer hereunder.

8.6.3 THE RIGHTS AND REMEDIES SET FORTH IN SECTIONS 8.6.1 AND 8.6.2 CONSTITUTE THE ENTIRE OBLIGATION OF CUSTOMER AND THE EXCLUSIVE REMEDIES OF VERISIGN CONCERNING CUSTOMER'S PROPRIETARY RIGHTS INFRINGEMENT.

9. TERM AND TERMINATION

9.1 TERMINATION. This Agreement shall terminate on the earliest of:

9.1.1 The end of the term set forth on the first page hereof;

9.1.2 Failure by either party to perform any of its material obligations under this Agreement and the Exhibits hereto if such breach is not cured within sixty (60) days after receipt of written notice thereof from the other party;

9.1.3 Notice from VeriSign to the Customer after the occurrence of a purported assignment of this Agreement in violation of Section 10.2; or

9.1.4 Notice from either party to the other if the other party is adjudged insolvent or bankrupt, or the institution of any proceedings by or against the other party seeking relief, reorganization or arrangement under any laws relating to insolvency, or any assignment for the benefit of creditors, or the appointment of a receiver, liquidator or trustee of any of the other party's property or assets, or the liquidation, dissolution or winding up of the other party's business.

VeriSign Private Label Agreement  
Page 12

9.1.5 Customer shall have the right to terminate this Agreement upon sixty (60) days notice if the Customer support obligations provided by VeriSign pursuant to Section 2.6 are consistently not provided, or if agreement cannot be reached on the cost of service at the time of any annual review.

9.1.6 Upon Customer's execution of the License Agreement set forth at Exhibit "J".

9.2 EXTENSION OF TERM. This Agreement may be renewed by the written consent of the Customer for an additional term upon expiration of the term provided in Section 9.1.1, under VeriSign's then-current standard terms and conditions. Subscriber Fees and Operation Fees shall be renegotiated annually during any extended term.

9.3 EFFECT OF TERMINATION. Upon expiration or termination of this Agreement for any reason except for VeriSign's breach pursuant to Section 9.1.2

or if VeriSign fulfills any of the conditions stated in Section 9.1.4, all use of the Private Label Certificate System by Customer shall cease, and Customer shall pay to VeriSign any Subscriber Fees which have accrued in accordance with Section 5.4 unless the termination occurred pursuant to Section 9.1.2 because of breach by VeriSign. Such expiration or termination shall not affect Sections 6, 7, 8, and 10 of this Agreement which shall continue in full force and effect to the extent necessary to permit the complete fulfillment thereof.

10. MISCELLANEOUS PROVISIONS  
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10.1 GOVERNING LAWS; VENUE; WAIVER OF JURY TRIAL. THE LAWS OF THE STATE OF CALIFORNIA, U.S.A. (IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT. THE PARTIES HEREBY AGREE THAT ANY SUIT TO ENFORCE ANY PROVISION OF THIS AGREEMENT OR ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE BUSINESS RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR THE SUPERIOR OR MUNICIPAL COURT IN AND FOR THE COUNTY OF SANTA CLARA, CALIFORNIA, U.S.A. Each party hereby agrees that such courts shall have exclusive in personam jurisdiction and venue with respect to such party, and each party hereby submits to the exclusive in personam jurisdiction and venue of such courts. The parties hereby waive any right to jury trial with respect to any action brought in connection with this Agreement.

10.2 BINDING UPON SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto This Agreement shall not be assignable by either party, by operation of law (including as a result of a merger involving a party or a transfer of a controlling interest in a party's voting securities) or otherwise without the prior written authorization of the nonassigning party, except that either party may assign its rights and obligations under this Agreement to its Affiliates, provided that the assigning party receives the nonassigning party's prior written consent, which shall not be unreasonably withheld Any such purported assignment or delegation shall be void and of no effect and shall permit non-assigning party to terminate this Agreement pursuant to Section 9.1.3.

10.3 SEVERABILITY If any provision of this Agreement, or the application thereof, shall for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS AGREEMENT WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES IS INTENDED BY THE PARTIES TO BE SEVERABLE AND INDEPENDENT OF ANY OTHER PROVISION AND TO BE ENFORCED AS SUCH.

VeriSign Private Label Agreement  
Page 13

10.4 ENTIRE AGREEMENT This Agreement, the Appendices hereto and all agreements referred to therein constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements or understandings between the parties.

10.5 AMENDMENT AND WAIVERS Except as otherwise expressly provided in this Agreement, any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived, only by a writing signed by the party to be bound thereby.

10.6 ATTORNEYS' FEES Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of the costs of suit and not as damages, reasonable attorneys' fees to be fixed by the court (including without limitation, costs, expenses and fees on any appeal).

10.7 NOTICES Whenever any party hereto desires or is required to give any notice, demand, or request with respect to this Agreement, each such communication shall be in writing and shall be effective only if it is delivered sent by a courier service that confirms delivery in writing or mailed, certified

or registered mail, postage prepaid, return receipt requested, addressed as follows:

VeriSign: To the address set forth on page 1  
Attention: Stratton Sclavos, President & CEO

The Customer: To the address set forth on page 1  
Attention: Irv Wentzien, Vice President

Such communications shall be effective when they are received. Any party may change its address for such communications by giving notice thereof to the other party in conformity with this Section.

10.8 FOREIGN RESHIPMENT LIABILITY THIS AGREEMENT IS EXPRESSLY MADE SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, THE CUSTOMER SHALL NOT EXPORT OR RE-EXPORT, DIRECTLY OR INDIRECTLY, ANY TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE TO ANY COUNTRY FOR WHICH SUCH GOVERNMENT OR ANY AGENCY THEREOF REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENTAL APPROVAL AT THE TIME OF EXPORT OR RE-EXPORT WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

10.9 PUBLICITY Neither party will disclose to third parties, other than its agents and representatives on a need-to-know basis, the terms of this Agreement or any exhibits hereto without the prior written consent of the other party, except (i) either party may disclose such terms to the extent required by law; and (ii) either party may disclose the existence of this Agreement after completion of the Pilot phase when the General Availability phase has begun.

10.10 NO WAIVER Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision.

10.11 COUNTERPARTS This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but which collectively will constitute one and the same instrument.

10.12 HEADINGS AND REFERENCES The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

VeriSign Private Label Agreement  
Page 9

10.13 DUE AUTHORIZATION The Customer hereby represents and warrants to VeriSign that the individual executing this Agreement on behalf of the Customer is duly authorized to execute this Agreement on behalf of the Customer and to bind the Customer hereby.

10.14 INDEPENDENT CONTRACTOR The relationship of VeriSign and the Customer is that of independent contractors. Neither the Customer nor the Customer's employees, consultants, contractors or agents are agents, employees or joint venturers of VeriSign, nor do they have any authority to bind VeriSign by contract or otherwise to any obligation. They will not represent to the contrary, either expressly, implicitly, by appearance or otherwise.

10.15 PUBLICITY VeriSign grants Customer the right to disclose that VeriSign is a vendor of Customer and to name publicly-announced Customer Products that provide access to Certificates issued by VeriSign. VeriSign also grants the Company the right to display VeriSign's logo on the Customer's WWW site in one of the forms shown on Exhibit "C" attached to this Agreement. Customer shall not acquire any other rights of any kind in VeriSign's trade names, trademarks, product name or logo by use authorized in this Section. Customer grants VeriSign the right to disclose that Customer is a vendee of VeriSign and the right to display Customer's logo on VeriSign's WWW site. VeriSign shall not acquire any other rights of any kind in Customer's trade names, trademarks, product name or logo by use authorized in this Section. VeriSign shall obtain Customer's prior written consent before releasing any public statement or press release regarding this Agreement or the services provided hereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

CUSTOMER:

VISA INTERNATIONAL SERVICE ASSOCIATION

By: F. Dutray  
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Its: Executive Vice President  
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VERISIGN, INC.

By: /s/ Stratton Sclavos  
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Its: President and CEO  
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VeriSign Private Label Agreement

EXHIBIT "A"

DEFINITIONS

1. ACCEPTANCE means that the Acceptance Test Procedures have been  
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performed to demonstrate that the Private Label Certificate System conforms to the Interface Specifications and the System Design Specifications. ACCEPTED means that Acceptance has occurred.
2. ACCEPTANCE TEST PROCEDURES means the acceptance test procedures to be  
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created by Customer and approved by VeriSign pursuant to Section 4. 1.4. The Acceptance Test Procedures shall include (1) the criteria against which the Private Label Certificate System is to be measured in order to verify conformance to the Interface Specifications and the System Design Specifications and (2) the testing procedures to be used to establish conformance of the Private Label Certificate System to the Interface Specifications and the System Design Specifications. Upon approval by Customer, the Acceptance Test Procedures shall be attached as Exhibit "G".
3. ACQUIRER means a Member financial institution that establishes an  
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account with a Merchant and processes bank card authorizations and payments.
4. CARDHOLDER means a consumer or corporate purchaser who uses a bank  
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card issued by an Issuer to make a purchase from a Merchant.
5. CERTIFICATE means a collection of electronic data consisting of a  
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Public Key, identifying information which contains information about the owner of the Public Key, and validity information, which (or a string of bits derived from the Public Key) has been encrypted by a third party who is the issuer of the Certificate with such third party Certificate issuer's Private Key. This collection of electronic data collectively serves the function of identifying the owner of the Public Key and verifying the integrity of the electronic data. "CERTIFY" or "CERTIFICATION" means the act of generating a Certificate. "CERTIFIED" means the condition of having been issued a valid Certificate by a Certifier, which Certificate has not been revoked.
6. CERTIFICATE SIGNING UNIT ("CSU") means a hardware unit or software  
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designed for use in signing Certificates and key storage. The BBN SafeKeyper(TM) manufactured by BBN Communications, Inc. is one hardware implementation of a CSU.
7. CERTIFICATION AUTHORITY ("CA") means VeriSign and any entity, group,  
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division, department, unit or office which is Certified by VeriSign to, and has accepted responsibility to, issue Certificates to specified Subscribers in a



Hierarchy in accordance with the CPS or a Protocol.

8. CERTIFICATION PRACTICE STATEMENT ("CPS") means the VeriSign

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specification of policies, procedures and resources to control the entire Certificate process and transactional use of Certificates within the VeriSign Public Hierarchies.

9. CHANGE ORDER has the meaning set forth in Section 4.1.8.

10. CUSTOMER AFFILIATES shall mean Visa's Subsidiaries and Related

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Entities. A "Subsidiary" shall mean a company in which on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by Customer, but only so long as such ownership or control exists. A "Related Entity" shall mean an entity (A) at least fifty percent (50%) of whose stock or other equity is owned by Customer's member banks and that has the authority to process Visa payment transactions, but only so long as such ownership exists; (B) has an equity interest in Customer and is owned in whole by Member banks or financial institutions (e.g., national or regional group Members); or (C) is exclusively managed by Visa or a national or group Member of Visa for the purpose of processing Visa payment transactions, but only so long as such exclusive management exists. Notwithstanding anything to the contrary set forth above, however, Subsidiaries or Related

VeriSign Private Label Agreement

Entities do not include any Acquirer, Issuer or individual bank or like financial institution. Customer Affiliates include, for example, without limitation, Visa USA, Inc., ViTAL, Inc., Plus and Interlink.

11. CUSTOMER BRAND KEY means the set of key pairs for signature and

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exchange that are used by the Customer in its capacity of CA. The Customer Brand Keys will be used as the "Root" for portions of the Private Label Certificate System.

12. CUSTOMER PRODUCT means any product developed by Customer for use by a

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Subscriber in Customer's Private Hierarchy with a Certificate issued by VeriSign which incorporates Customer's Root Keys.

13. DIGITAL SIGNATURE means information encrypted with a Private Key

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which is appended to information to identify the owner of the Private Key and to verify the integrity of the information. "Digitally Signed" shall refer to electronic data to which a Digital Signature has been appended.

14. HIERARCHY means a domain consisting of a system of chained

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Certificates leading from the Primary Certification Authority through one or more Certification Authorities to Subscribers.

15. INTERFACE SPECIFICATIONS means the interface specifications to be

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created by Customer and approved by VeriSign pursuant to Section 4.1. 1.

16. INTERNET means the global computer network.

17. ISSUER means a Member financial institution that establishes an

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account for a Cardholder, issues a bank card to the Cardholder, and guarantees payment for authorized transactions using the bank card in accordance with association regulations and local laws.

18. MEMBER means a member of the VISA International Service Association.

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All Issuers and Acquirers are Members.

19. MERCHANT means one who offers goods or services in exchange for  
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payment, who accepts bank cards for payment, and who has a relationship with an  
Acquirer.

20. PRIMARY CERTIFICATION AUTHORITY ("PCA") means an entity that  
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establishes policies for all Certification Authorities and Subscribers within  
its domain.

21. PRIVATE HIERARCHY means a domain consisting of a chained Certificate  
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hierarchy which is entirely self-contained within an organization or network and  
not designed to be interoperable with or intended to interact through public  
channels with any external organizations, networks, and public hierarchies.

22. PRIVATE KEY means a mathematical key which is kept private to the  
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owner and which is used through public key cryptography to encrypt electronic  
authenticity data and create a Digital Signature which will be decrypted with  
the corresponding Public Key.

23. PRIVATE LABEL CERTIFICATE SYSTEM means the system developed by  
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VeriSign for Customer as more fully described in Section 2.

24. PROCESSOR means a third party which has been assigned the processing  
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of bank card transactions by one or more Issuers or Acquirers.

25. PROGRAM DOCUMENTS means each of the Project Plan, Interface  
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Specifications, Protocol, System Design Specifications, Acceptance Test  
Procedures, and Service Level Specification.

#### VeriSign Private Label Agreement

26. PROTOCOL means Customer's specification of policies, procedures and  
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resources to control the entire Certificate process and transactional use of  
Certificates within Customer's Private Hierarchy.

27. PUBLIC HIERARCHY means a domain consisting of a system of chained  
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Certificates leading from VeriSign as the Primary Certification Authority  
through one or more Certification Authorities to Subscribers in accordance with  
the VeriSign Certification Practice Statement. Certificates issued in a Public  
Hierarchy are intended to be interoperable among organizations, allowing  
Subscribers to interact through public channels with various individuals,  
organizations, and networks.

28. PUBLIC KEY means a mathematical key which is available publicly and  
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which is used through public key cryptography to decrypt electronic authenticity  
data which was encrypted using the matched Private Key and to verify Digital  
Signatures created with the matched Private Key.

29. PUBLIC KEY INFRASTRUCTURE ("PKI") means the VeriSign specification  
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for the architecture, techniques, practices and procedures that collectively  
support the implementation and operation of certificate-based Public Key  
cryptographic systems.

30. ROOT KEY means one or more public root key(s) published by the  
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organization which generated and is entitled to use such keys as the public  
components of its key pair(s) in issuing Certificates in a hierarchy over which  
such organization has responsibility.

31. SERVICE LEVEL SPECIFICATION means the specification attached hereto  
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as Exhibit "K" approved by Customer and VeriSign pursuant to Section 4.1.6.

32. SUBSCRIBER means an individual, a device or a role/office that has

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requested a Certifier to issue him, her or it a Certificate.

33. SYSTEM DESIGN SPECIFICATIONS means the system design specifications to  
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be created by VeriSign in connection with the Private Label Certificate System  
for acceptance testing in accordance with Section 4.1.3. The System Design  
Specifications shall contain, at minimum, the items listed on the outline  
presently attached as Exhibit "E" and the Requirements Documents attached as  
Exhibit "F". Upon acceptance by Customer, the System Design Specifications shall  
be attached, in lieu of such outline, as Exhibit "E".

34. VERISIGN AFFILIATES shall mean a company in which, on a class by  
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class basis, more than fifty percent (50%) of the stock entitled to vote for the  
election of directors is owned or controlled by VeriSign, but only so long as  
such ownership or control exists.

35. WWW means the system currently referenced as the "World Wide Web" for  
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organizing multi-media information distributed across network(s) such that it  
can be navigated and accessed via cross linking mechanisms, and any successor to  
such system, and any parallel system which uses at least all the same  
communication protocols as the system currently referenced as the "World Wide  
Web" or to the successor to such system, even if the administrators of such  
systems choose to call them by different names.

VeriSign Private Label Agreement

EXHIBIT "B"

CUSTOMER PRODUCT AND SERVICES

The Private Label Certificate System is to be used in connection with the  
following Customer product(s) or service(s): Visa Cash stored value card and  
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Chip Card Payment Service (CCPS) The Private Label Certificate system to be  
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operated By VeriSign as CA for Customer under this Agreement will include a  
-----  
standalone server for Certificate issuance and management and two CSUs to  
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contain the Private Hierarchy Root Keys together with custom software and  
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procedures developed by VeriSign for operation of the system. Customer shall be  
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entitled to two key generation ceremonies under this Agreement.  
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ADDITIONAL COMMITMENTS

During the one hundred and eighty (180) day period following execution of  
this Agreement. VeriSign and Customer will cooperate in developing a Service  
Level Agreement to be attached as Exhibit B to Exhibit J. This new document will  
specify the performance standards for correction of errors in the Licensed  
Software and will include a reasonable period for curing problems in the  
Licensed Software. Exhibit B is intended to become effective at such time as  
Customer exercises the option to license the VeriSign Software and operate the  
Private Label Certificate System on the terms set forth in Exhibit J.

CONFIDENTIALITY

Customer and VeriSign expressly consent to disclosures of Confidential  
Information made by either party to BBN in connection with custom chip  
modification necessary to the CSUs used in this Private Label Certificate  
System. Such disclosures shall not be a violation of Sections 6.1 or 10.9 of  
this Agreement.

FEES

1. DEVELOPMENT FEES.  
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Customer shall pay as Development Fees the amount of \* for development and testing, will be payable Forty Thousand Dollars \* upon delivery of VeriSign Deliverables for testing and \* upon delivery of development deliverables for Pilot, as detailed in Exhibit "D". Additional software development testing, or policy development which is beyond the initial scope of this project shall be by Change Order in accordance with Section 4.1.8 above at the rate of \* per person per day for system consulting and \* per person per day for PKI consulting. No additional Development Fees shall be payable with respect to the custom chip modification work perform for the CSUs.

2. OPERATION FEES.  
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Customer shall pay as Operations Fees the amount of \* upon delivery of VeriSign Deliverables for testing as detailed in Exhibit "D" for a one-year pilot term.

3. SUBSCRIBER FEES.  
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Subscriber Fees of \* per Member Certificate shall be payable under this Agreement.

4. U.S. CURRENCY.  
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All payments hereunder shall be made in lawful United States Currency.

\* Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

VeriSign Private Label Agreement

EXHIBIT "C"

LOGOS AND TRADEMARKS

VeriSign encourages its customers to use VeriSign logos, trademarks and service marks on customer product data sheets, packaging, Web pages and advertising, but it is important to use them properly.

When using VeriSign trademarks and service marks in ads, product packaging, documentation or collateral materials, be sure to use the correct trademark designator: /(R)/ for registered trademarks, (TM) for claimed or pending trademarks and sm for claimed or pending service marks. VeriSign trademarks and their correct designators are depicted below. To ensure proper usage, please allow VeriSign marketing to review any materials using or mentioning VeriSign trademarks prior to general release.

Using these VeriSign logos does not require written permission; in fact, we encourage you to use them on your product packaging, Web pages and marketing collateral!

VeriSign will update this Logos and Trademarks Usage Guide on a regular basis. To check for most current information on logo and trademark usage, check VeriSign's Web site at <http://www.verisign.com>.

VeriSign (TM)  
Digital ID sm  
Digital ID Center sm

VeriSign Private Label Agreement

EXHIBIT "D"

PROJECT PLAN ELEMENTS

The VeriSign Deliverables to Customer for Test I will be ready for Alpha Test on or before the date agreed to by the Customer/VeriSign Joint Project Team. Pilot and General Availability production dates will be specified in the

Project Plan. VeriSign will provide full production, operational facilities in accordance with time scales agreed with Customer. The operation and support will be implemented in phases as defined in the Project Plan (i.e. Alpha Test, Pilot, General Availability).

Project Plan is inserted here as a separate attachment.

VeriSign Private Label Agreement

EXHIBIT "E"

SYSTEM DESIGN SPECIFICATIONS

The Private Label Certificate System will be a custom-designed VeriSign product based upon the Customer Requirements contained in Exhibit "F."

The parties contemplate that development, testing and implementation of all Private Label Certificate System components will be implemented in three phases.

The System Design Specifications will implement the Customer Requirements attached as Exhibit "F".

VeriSign Private Label Agreement

EXHIBIT "F"

CUSTOMER REQUIREMENTS

VISA Customer Requirements include the VISA CCPS Certification Authority  
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and RSA Key Tasks Requirements Document dated March 1996. Additional  
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references/requirements include:

- . Integrated Circuit Card Specifications For Payment Systems Part 3  
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Transaction Processing, Version 2.0 June 30, 1995;  
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- . Visa Integrated Circuit Card (ICC) Specifications, Version 10 July  
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31,1995;
- . Visa International Risk Management and Security Integrated Circuit Card  
-----  
Security Guidelines for: Chip Architecture and Design Operating Systems  
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Design and Vendor Viability, January 1996;  
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- . RSA Key and Certification Authority, memorandum dated 15 April 1996 from  
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Joel Weise;
- . CCPS Certification Authority and RSA Key Tasks memorandum dated May 16,  
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1996 from Joel Weise;
- . Untitled: "Tasks List (with responsibilities defined)" memorandum dated  
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May 16, 1996 from Joel Weise;
- . Letter of intent dated June 6th 1996 from Irv Wentzien;
- . VISA Common CA Acceptance Criteria memorandum dated July 17, 1996 from  
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Joel Weise;
- . CCPS RSA Key, Data, and Certificate Formats memorandum dated October 1,  
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1996 from Joel Weise.

VeriSign Private Label Agreement

EXHIBIT "G"

ACCEPTANCE TEST PROCEDURES

To be developed as provided in Section 4.1.4 Acceptance Criteria memorandum is inserted here as a separate attachment.

VeriSign Private Label Agreement

EXHIBIT "H"

RESERVED

VeriSign Private Label Agreement

EXHIBIT "I"

ESCROW AGREEMENT

MASTER PREFERRED ESCROW AGREEMENT

Master Number

This Agreement is effective \_\_\_\_\_, 19\_\_ among Data Securities International, Inc.

("DSI"), \_\_\_\_\_ (" ") and any party signing the Acceptance Form attached to this Agreement (" "), who collectively may be referred to in this Agreement as "the parties."

A. Depositor and Preferred Beneficiary have entered or will enter into a license agreement, development agreement, and/or other agreement regarding certain proprietary technology of Depositor (referred to in this Agreement as "the license agreement").

B. Depositor desires to avoid disclosure of its proprietary technology except under certain limited circumstances.

C. The availability of the proprietary technology of Depositor is critical to Preferred Beneficiary in the conduct of its business and, therefore, Preferred Beneficiary needs access to the proprietary technology under certain limited circumstances.

D. Depositor and Preferred Beneficiary desire to establish an escrow with DSI to provide for the retention, administration and controlled access of certain proprietary technology materials of Depositor.

E. The parties desire this Agreement to be supplementary to the license agreement pursuant to 11 United States [Bankruptcy] Code, Section 365(n).

ARTICLE 1 -- DEPOSITS

1.1 Obligation to Make Deposit. Upon the signing of this Agreement by the \_\_\_\_\_ parties, including the signing of the Acceptance Form, Depositor shall deliver to DSI the proprietary information and other materials ("deposit materials") required to be deposited by the license agreement or, if the license agreement does not identify the materials to be deposited with DSI, then such materials will be identified on an Exhibit A. If Exhibit A is applicable, it is to be prepared and signed by Depositor and Preferred Beneficiary. DSI shall have no obligation with respect to the preparation, signing or delivery of Exhibit A.

1.2 Identification of Tangible Media. Prior to the delivery of the \_\_\_\_\_ deposit materials to DSI, Depositor shall conspicuously label for identification each document, magnetic tape, disk, or other tangible media upon which the deposit materials are written or stored. Additionally, Depositor shall complete Exhibit B to this Agreement by listing each such tangible media by the item label description, the type of media and the quantity. The Exhibit B must be signed by Depositor and delivered to DSI with the deposit materials. Unless and until Depositor makes the initial deposit with DSI, DSI shall have no obligation with respect to this Agreement, except the obligation to notify the parties regarding the status of the deposit account as required in Section 2.2 below.

1.3 Deposit Inspection. When DSI receives the deposit materials and the

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Exhibit B, DSI will conduct a deposit inspection by visually matching the labeling of the tangible media containing the deposit materials to the item descriptions and quantity listed on the Exhibit B. In addition to the deposit inspection, Preferred Beneficiary may elect to cause a verification of the deposit materials in accordance with Section 1.6 below.

VeriSign Private Label Agreement

1.4 Acceptance of Deposit. At completion of the deposit inspection, if

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DSI determines that the labeling of the tangible media matches the item descriptions and quantity on Exhibit B, DSI will date and sign the Exhibit B and mail a copy thereof to Depositor and Preferred Beneficiary. If DSI determines that the labeling does not match the item descriptions or quantity on the Exhibit B, DSI will (a) note the discrepancies in writing on the Exhibit B; (b) date and sign the Exhibit B with the exceptions noted; and (c) provide a copy of the Exhibit B to Depositor and Preferred Beneficiary. DSI's acceptance of the deposit occurs upon the signing of the Exhibit B by DSI. Delivery of the signed Exhibit B to Preferred Beneficiary is Preferred Beneficiary's notice that the deposit materials have been received and accepted by DSI.

1.5 Depositor's Representations. Depositor represents as follows:

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a. Depositor lawfully possesses all of the deposit materials deposited with DSI;

b. With respect to all of the deposit materials, Depositor has the right and authority to grant to DSI and Preferred Beneficiary the rights as provided in this Agreement;

c. The deposit materials are not subject to any lien or other encumbrance; and

d. The deposit materials consist of the proprietary, information and other materials identified either in the license agreement or Exhibit A, as the case may be.

1.6 Verification. Preferred Beneficiary, shall have the right, at

-----  
Preferred Beneficiary's expense, to cause a verification of any deposit materials. A verification determines, in different levels of detail, the accuracy, completeness, sufficiency and quality of the deposit materials. If a verification is elected after the deposit materials have been delivered to DSI, then only DSI, or at DSI's election an independent person or company selected and supervised by DSI, may perform the verification.

1.7 Deposit Updates. Unless otherwise provided by the license agreement,

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Depositor shall update the deposit materials within 60 days of each release of a new version of the product which is subject to the license agreement. Such updates will be added to the existing deposit. All deposit updates shall be listed on a new Exhibit B and the new Exhibit B shall be signed by Depositor. Each Exhibit B will be held and maintained separately within the escrow account. An independent record will be created which will document the activity for each Exhibit B. The processing of all deposit updates shall be in accordance with Sections 1.2 through 1.6 above. All references in this Agreement to the deposit materials shall include the initial deposit materials and any updates.

1.8 Removal of Deposit Materials. The deposit materials may be removed

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and/or exchanged only on written instructions signed by Depositor and Preferred Beneficiary,, or as otherwise provided in this Agreement.

ARTICLE 2 -- CONFIDENTIALITY AND RECORD KEEPING

2.1 Confidentiality. DSI shall maintain the deposit materials in a

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secure, environmentally safe, locked receptacle which is accessible only to authorized employees of DSI. DSI shall have the obligation to reasonably protect the confidentiality of the deposit materials. Except as provided in this

Agreement, DSI shall not disclose, transfer, make available, or use the deposit materials. DSI shall not disclose the content of this Agreement to any third party. If DSI receives a subpoena or other order of a court or other judicial tribunal pertaining to the disclosure or release of the deposit materials, DSI will immediately notify the parties to this Agreement. It shall be the responsibility of Depositor and/or Preferred Beneficiary to challenge any such order; provided, however, that DSI does not waive its rights to present its position with respect to any such order. DSI will not be required to disobey any court or other judicial tribunal order. (See Section 7.5 below for notices of requested orders.)

2.2 Status Reports. DSI will issue to Depositor and Preferred Beneficiary

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a report profiling the account history at least semi-annually. DSI may provide copies of the account history pertaining to this Agreement upon the request of any party to this Agreement.

VeriSign Private Label Agreement

2.3 Audit Rights. During the term of this Agreement, Depositor and

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Preferred Beneficiary shall each have the right to inspect the written records of DSI pertaining to this Agreement. Any inspection shall be held during normal business hours and following reasonable prior notice.

ARTICLE 3 -- GRANT OF RIGHTS TO DSI

3.1 Title to Media. Depositor hereby transfers to DSI the title to the

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media upon which the proprietary information and materials are written or stored. However, this transfer does not include the ownership of the proprietary information and materials contained on the media such as any copyright, trade secret, patent or other intellectual property rights.

3.2 Right to Make Copies. DSI shall have the right to make copies of the

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deposit materials as reasonably necessary to perform this Agreement. DSI shall copy all copyright, nondisclosure, and other proprietary notices and titles contained on the deposit materials onto any copies made by DSI. With all deposit materials submitted to DSI, Depositor shall provide any and all instructions as may be necessary to duplicate the deposit materials including but not limited to the hardware and/or software needed.

3.3 Right to Sublicense Upon Release. As of the effective date of this

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Agreement, Depositor hereby grants to DSI a non-exclusive, irrevocable, perpetual, and royalty-free license to sublicense the deposit materials to Preferred Beneficiary upon the release, if any, of the deposit materials in accordance with Section 4.5 below. Except upon such a release, DSI shall not sublicense or otherwise transfer the deposit materials.

ARTICLE 4 -- RELEASE OF DEPOSIT

4.1 Release Conditions. As used in this Agreement, "Release Conditions"

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shall mean the following:

- a. Depositor's failure to carry out obligations imposed on it pursuant to the license agreement; or
- b. Depositor's failure to continue to do business in the ordinary course.

4.2 Filing For Release. If Preferred Beneficiary believes in good faith

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that a Release Condition has occurred, Preferred Beneficiary may provide to DSI written notice of the occurrence of the Release Condition and a request for the release of the deposit materials. Upon receipt of such notice, DSI shall provide a copy of the notice to Depositor, by certified mail, return receipt requested, or by commercial express mail.

4.3 Contrary Instructions. From the date DSI mails the notice requesting

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release of the deposit materials, Depositor shall have ten business days to



deliver to DSI Contrary Instructions. "Contrary Instructions" shall mean the written representation by Depositor that a Release Condition has not occurred or has been cured. Upon receipt of Contrary Instructions, DSI shall send a copy to Preferred Beneficiary by certified mail, return receipt requested, or by commercial express mail. Additionally, DSI shall notify both Depositor and Preferred Beneficiary that there is a dispute to be resolved pursuant to the Dispute Resolution section of this Agreement (Section 7.3). Subject to Section 5.2, DSI will continue to store the deposit materials without release pending (a) joint instructions from Depositor and Preferred Beneficiary, (b) resolution pursuant to the Dispute Resolution provisions, or (c) order of a court.

4.4 Release of Deposit. If DSI does not receive Contrary Instructions

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from the Depositor, DSI is authorized to release the deposit materials to the Preferred Beneficiary or, if more than one beneficiary is registered to the deposit, to release a copy of the deposit materials to the Preferred Beneficiary. However, DSI is entitled to receive any fees due DSI before making the release. This Agreement will terminate upon the release of the deposit materials held by DSI.

VeriSign Private Label Agreement

4.5 Use License Following Release. Unless otherwise provided in the

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license agreement, upon release of the deposit materials in accordance with this Article 4, Preferred Beneficiary shall have a non-exclusive, non-transferable, irrevocable right to use the deposit materials for the sole purpose of continuing the benefits afforded to Preferred Beneficiary by the license agreement. Preferred Beneficiary shall be obligated to maintain the confidentiality of the released deposit materials.

ARTICLE 5 -- TERM AND TERMINATION

5.1 Term of Agreement. The initial term of this Agreement is for a period

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of one year. Thereafter, this Agreement shall automatically renew from year-to-year unless (a) Depositor and Preferred Beneficiary jointly instruct DSI in writing that the Agreement is terminated; or (b) the Agreement is terminated by DSI for nonpayment in accordance with Section 5.2. If the Acceptance Form has been signed at a date later than this Agreement, the initial term of the Acceptance Form will be for one year with subsequent terms to be adjusted to match the anniversary date of this Agreement. If the deposit materials are subject to another escrow agreement with DSI, DSI reserves THE right, after the initial one year term, to adjust the anniversary date of this Agreement to match the then prevailing anniversary date of such other escrow arrangements.

5.2 Termination for Nonpayment. In the event of the nonpayment of fees

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owed to DSI, DSI shall provide written notice of delinquency to all parties to this Agreement. Any party to this Agreement shall have the right to make the payment to DSI to cure the default. If the past due payment is not received in full by DSI within one month of the date of such notice, then DSI shall have the right to terminate this Agreement at any time thereafter by sending written notice of termination to all parties. DSI shall have no obligation to take any action under this Agreement so long as any payment due to DSI remains unpaid.

5.3 Disposition of Deposit Materials Upon Termination. Upon termination

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of this Agreement by joint instruction of Depositor and Preferred Beneficiary, DSI shall destroy, return, or otherwise deliver the deposit materials in accordance with such instructions. Upon termination for nonpayment, DSI may, at its sole discretion, destroy the deposit materials or return them to Depositor. DSI shall have no obligation to return or destroy the deposit materials if the deposit materials are subject to another escrow agreement with DSI.

5.4 Survival of Terms Following Termination. Upon termination of this

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Agreement, the following provisions of this Agreement shall survive:

- a. Depositor' s Representations (Section 1.5) .
- b. The obligations of confidentiality with respect to the deposit materials.

- c. The licenses granted in the sections entitled Right to Sublicense Upon Release (Section 3.3) and Use License Following Release (Section 4.5), if a release of the deposit materials has occurred prior to termination.
- d. The obligation to pay DSI any fees and expenses due.
- e. The provisions of Article 7.
- f. Any provisions in this Agreement which specifically state they survive the termination or expiration of this Agreement.

ARTICLE 6 -- DSI'S FEES

6.1 Fee Schedule. DSI is entitled to be paid its standard fees and expenses applicable to the services provided. DSI shall notify the party responsible for payment of DSI's fees at least 90 days prior to any increase in

VeriSign Private Label Agreement

fees. For any service not listed on DSI's standard fee schedule, DSI will provide a quote prior to rendering the service, if requested.

6.2 Payment Terms. DSI shall not be required to perform any service unless the payment for such service and any outstanding balances owed to DSI are paid in full. All other fees are due upon receipt of invoice. If invoiced fees are not paid, DSI may terminate this Agreement in accordance with Section 5.2. Late fees on past due amounts shall accrue at the rate of one and one-half percent per month (18% per annum) from the date of the invoice.

ARTICLE 7 -- LIABILITY AND DISPUTES

7.1 Right to Rely on Instructions. DSI may act in reliance upon any instruction, instrument, or signature reasonably believed by DSI to be genuine. DSI may assume that any employee of a party to this Agreement who gives any written notice, request, or instruction has the authority to do so. DSI shall not be responsible for failure to act as a result of causes beyond the reasonable control of DSI.

7.2 Indemnification. DSI shall be responsible to perform its obligations under this Agreement and to act in a reasonable and prudent manner with regard to this escrow arrangement. Provided DSI has acted in the manner stated in the preceding sentence, Depositor and Preferred Beneficiary each agree to indemnify, defend and hold harmless DSI from any and all claims, actions, damages, arbitration fees and expenses, costs, attorney's fees and other liabilities incurred by DSI relating in any way to this escrow arrangement.

7.3 Dispute Resolution. Any dispute relating to or arising from this Agreement shall be resolved by arbitration under the Commercial Rules of the American Arbitration Association. Unless otherwise agreed by Depositor and Preferred Beneficiary, arbitration will take place in San Diego, California, U.S.A. Any court having jurisdiction over the matter may enter judgment on the award of the arbitrator(s). Service of a petition to confirm the arbitration award may be made by First Class mail or by commercial express mail, to the attorney for the party or, if unrepresented, to the party at the last known business address.

7.4 Controlling Law. This Agreement is to be governed and construed in accordance with the laws of the State of California, without regard to its conflict of law provisions.

7.5 Notice of Requested Order. If any party intends to obtain an order from the arbitrator or any court of competent jurisdiction which may direct DSI to take, or refrain from taking any action, that party shall:

- a. Give DSI at least two business days' prior notice of the hearing;

b. Include in any such order that, as a precondition to DSI's obligation, DSI be paid in full for any past due fees and be paid for the reasonable value of the services to be rendered pursuant to such order; and

c. Ensure that DSI not be required to deliver the original (as opposed to a copy) of the deposit materials if DSI may need to retain the original in its possession to fulfill any of its other escrow duties.

ARTICLE 8 -- GENERAL PROVISIONS

8.1 Entire Agreement. This Agreement, which includes the Acceptance Form and the Exhibits described herein, embodies the entire understanding between all of the parties with respect to its subject matter and supersedes all previous communications, representations or understandings, -either oral or written. No amendment or modification of this Agreement shall be valid or binding unless signed by all the parties hereto, except Exhibit A need not be signed by DSI and Exhibit B need not be signed by Preferred Beneficiary.

8.2 Notices. All notices, invoices, payments, deposits and other documents and communications shall be given to the parties at the addresses specified in the attached Exhibit C and Acceptance Form. It shall be the

VeriSign Private Label Agreement

responsibility of the parties to notify each other as provided in this Section in the event of a change of address. The parties shall have the right to rely on the last known address of the other parties. Unless otherwise provided in this Agreement, all documents and communications may be delivered by First Class mail.

8.3 Severability. In the event any provision of this Agreement is found to be invalid, voidable or unenforceable, the parties agree that unless it materially affects the entire intent and purpose of this Agreement, such invalidity, voidability or unenforceability shall affect neither the validity of this Agreement nor the remaining provisions herein, and the provision in question shall be deemed to be replaced with a valid and enforceable provision most closely reflecting the intent and purpose of the original provision.

8.4 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties. However, DSI shall have no obligation in performing this Agreement to recognize any successor or assign of Depositor or Preferred Beneficiary unless DSI receives clear, authoritative and conclusive written evidence of the change of parties.

Data Securities International, Inc.

By: \_\_\_\_\_ By: \_\_\_\_\_
Name: \_\_\_\_\_ Name: \_\_\_\_\_
Title: \_\_\_\_\_ Title: \_\_\_\_\_
Date: \_\_\_\_\_ Date: \_\_\_\_\_

EXHIBIT "J"

CUSTOM CERTIFICATE SYSTEM LICENSE AGREEMENT

THIS CUSTOM CERTIFICATE SYSTEM LICENSE AGREEMENT ("Agreement") effective as of the last date of execution, is entered into by and between VeriSign, Inc., a Delaware corporation ("VeriSign"), having a principal mailing address at 2593 Coast Avenue, Mountain View, California 94043, and the entity named below as "Customer" ("Customer"), having a principal address as set forth below.

Customer:

VISA International Service Association

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(Name and jurisdiction of incorporation)

Customer Address:

900 Metro Center Boulevard, Foster City California 94404 or  
-----  
P.O. Box 8999, San Francisco, California 94128-8999  
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Customer Legal Contact:

Andrew Konstantaras, Counsel, 415-432-8066  
-----  
(name, telephone and title)

Customer Billing Contact:

Irv Wentzien, VP, 415-432-3460  
-----  
(name, telephone and title)

Customer Technical Contact:

Joel Weise, Chip Card Technology Manager, 415-432-3863  
-----  
(name, telephone and title)

Customer Commercial Contact:

Joel Weise, Chip Card Technology Manager, 415-432-3863  
-----  
(name, telephone and title)

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 2

1. DEFINITIONS  
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The following terms when used in this Agreement shall have the following meanings:

1.1 "CERTIFICATE" means a collection of electronic data consisting of a Public Key, identifying information which contains information about the owner of the Public Key, and validity information, which (or a string of bits derived from the Public Key) has been encrypted by a third party who is the issuer of the Certificate with such third party Certificate issuer's Private Key. This collection of electronic data collectively serves the function of identifying the owner of the Public Key and verifying the integrity of the electronic data. "Certify" or "Certification" means the act of generating a Certificate. "Certified" means the condition of having been issued a valid Certificate by a Certifier, which Certificate has not been revoked.

1.2 "CERTIFICATE SIGNING UNIT ('CSU')" means a hardware unit or software designed for use in signing Certificates and key storage. The BBN SafeKeyper(TM) manufactured by BBN Communications, Inc. is one hardware implementation of a CSU.

1.4 "CERTIFICATION AUTHORITY" OR "CA" means VeriSign and any entity, group, division, department, unit or office which is Certified by VeriSign to, and has accepted responsibility to, issue Certificates to specified Subscribers in a Hierarchy in accordance with the CPS or a Protocol.

1.5 "CERTIFICATION PRACTICE STATEMENT" OR "CPS" means the VeriSign specification of policies, procedures and resources to control the entire Certificate process and transactional use of Certificates within the VeriSign Public Hierarchies.

1.6 "CUSTOMER PRODUCT" means any product including some or all of the Licensed Software developed by Customer for use by a Subscriber in VISA's Private Hierarchy with a Certificate issued by aVISA which incorporates VISA's

Root Keys.

1.7 "DIGITAL SIGNATURE" means information encrypted with a Private Key which is appended to information to identify the owner of the Private Key and to verify the integrity of the information. "DIGITALLY SIGNED" shall refer to -----  
electronic data to which a Digital Signature has been appended.

1.8 "HIERARCHY" means a domain consisting of a system of chained Certificates leading from the Primary Certification Authority through one or more Certification Authorities to Subscribers.

1.9 "INTERNET" means the global computer network commonly known as "Internet".

1.10 "LICENSED SOFTWARE" means the object code of the VeriSign Software as specified on Exhibit "A" (License and Maintenance Fees) hereto as having been licensed by Customer. Only those portions of the VeriSign Software specified as having been licensed are included in the Licensed Software.

1.11 "NEW RELEASE" means a version of the VeriSign Software which shall generally be designated by a new version number which has changed from the prior number only to the right of the decimal point (e.g., Version 2.2 to Version 2.3).

1.12 "NEW VERSION" means a version of the VeriSign Software which shall generally be designated by a new version number which has changed from the prior number to the left of the decimal point (e.g., Version 2.3 to Version 3.0).

1.13 "PRIMARY CERTIFICATION AUTHORITY" OR "PCA" means an entity that establishes policies for all Certification Authorities and Subscribers within its Private Hierarchy.

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 3

1.14 "PRIVATE HIERARCHY" means a domain consisting of a chained Certificate hierarchy which is entirely self-contained within an organization or network and not designed to be interoperable with or intended to interact through public channels with any external organizations, networks, and public hierarchies.

1.15 "PRIVATE KEY" means a mathematical key which is kept private to the owner and which is used through public key cryptography to encrypt electronic authenticity data and create a Digital Signature which will be decrypted with the corresponding Public Key.

1.16 "PUBLIC HIERARCHY" means a domain consisting of a system of chained Certificates leading from VeriSign as the Primary Certification Authority through one or more Certification Authorities to Subscribers in accordance with the VeriSign Certification Practice Statement. Certificates issued in a Public Hierarchy are intended to be interoperable among organizations, allowing Subscribers to interact through public channels with various individuals, organizations, and networks.

1.17 "PUBLIC KEY" means a mathematical key which is available publicly and which is used through public key cryptography to decrypt electronic authenticity data which was encrypted using the matched Private Key and to verify Digital Signatures created with the matched Private Key.

1.18 "PUBLIC KEY INFRASTRUCTURE (PKI)" means the VeriSign specification for the architecture, techniques, practices, and procedures that collectively support the implementation and operation of Certificate-based public key cryptographic systems.

1.19 "ROOT KEY" means one or more public root key(s) published by the organization which generated and is entitled to use such keys as the public components of its key pair(s) in issuing Certificates in a hierarchy over which such organization has responsibility.

1.20 "SUBSCRIBER" means an individual, a device or a role/office that has requested a Certifier to issue him, her or it a Certificate.

1.21 "USER MANUAL" means the most current version of the user or operating manual customarily supplied by VeriSign to customers who license the VeriSign Object Code, if any.

1.22 "VERISIGN OBJECT CODE" means the Licensed Software in machine-readable, compiled object code form.

1.23 "VERISIGN SOFTWARE" means VeriSign proprietary software for the Private Label Certificate System as described in the UserManuals associated therewith. "VeriSign Software" shall also include all modifications and enhancements (including all New Releases and New Versions) to such programs as provided by VeriSign to Customer pursuant to Sections 4.3, 4.4, and 4.5.

1.24 "VISA" means VISA International Service Association.

1.25 "WWW" means the system currently referenced as the "World Wide Web" for organizing multimedia information distributed across network(s) such that it can be navigated and accessed via cross linking mechanisms, and any successor to such system, and any parallel system which uses at least all the same communication protocols as the system currently referenced as the "World Wide Web" or to the successor to such system, even if the administrators of such systems choose to call them by different names.

## 2. GRANT OF LICENSES; LIMITATIONS -----

2.1 VERISIGN SOFTWARE OBJECT CODE LICENSE. VeriSign hereby grants  
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Customer a worldwide non-exclusive, non-transferable, non-assignable license during the term specified in Section 8 to use the Licensed

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 4

Software to act as the Primary Certification Authority for Customer's Private Hierarchy and to make, have made and sell Customer Products.

2.2 LIMITATIONS ON LICENSES. The license granted in Section 2.1 shall be  
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limited as follows:

2.2.1 LIMITATION ON DISTRIBUTEES. The VeriSign Software shall not be  
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sublicensed or otherwise distributed .

2.2.2 LICENSE RESTRICTED TO LICENSED SOFTWARE. Customer may not use,  
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modify, sublicense or incorporate into any Customer Product any software module or other technology component derived from the VeriSign Software which is not designated as Licensed Software on Exhibit "A".

2.2.3 ROOT KEYS. Any Customer Product and Licensed Software must  
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include VISA's Private Hierarchy Root Key.

2.2.4 RESTRICTION ON COPYING. Customer may not copy or reproduce the  
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VeriSign Software or any part, version or form thereof, except as expressly permitted in Section 2.1.

2.3 TITLE. Except for the limited license granted in Section 2.1,  
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VeriSign shall at all times retain full and exclusive right, title and ownership interest in and to the VeriSign Software and in any and all related patents, trademarks, copyrights and proprietary and trade secret rights.

## 3. LICENSE FEES -----

3.1 LICENSE FEES. In consideration of VeriSign's grant to Customer of the  
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limited license rights hereunder, Customer shall pay to VeriSign the amounts specified on Exhibit "A."

3.2 TAXES. All taxes, duties, fees and other governmental charges of any  
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kind (including sales and use taxes, but excluding taxes based on the gross revenues or net income of VeriSign) which are imposed by or under the authority of any government or any political subdivision thereof on the License Fees or any aspect of this Agreement shall be borne by Customer and shall not be considered a part of, a deduction from or an offset against License Fees.

3.3 TERMS OF PAYMENT. License Fees are due upon execution of this  
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Agreement and shall be paid by Customer to the attention of the Software Licensing Department at VeriSign's address set forth above.

3.4 U.S. CURRENCY. All payments hereunder shall be made in lawful United  
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States currency.

4. SUPPORT AND MAINTENANCE; DEVELOPMENT  
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4.1 OPTIONAL MAINTENANCE. For the year commencing upon the date of this  
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Agreement and for each year thereafter commencing on the anniversary of such expiration, Customer may elect to purchase annual maintenance, as described in Section 4.3, by paying the then-current annual maintenance fee. Such amount shall be payable for the first year upon the execution of this Agreement and for each subsequent year in advance of the commencement of such year. VeriSign may cease to offer maintenance for future maintenance terms by notice delivered to Customer ninety (90) days or more before the end of the then current maintenance term.

4.2 ADDITIONAL CHARGES. In the event VeriSign is required to take actions  
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to correct a difficulty or defect which is traced to Customer errors, modifications, enhancements, software or hardware, then Customer shall pay to VeriSign its time and materials charges at VeriSign's rates then in effect. In the event VeriSign's personnel must travel to perform maintenance or on-site support, Customer shall reimburse VeriSign for any reasonable

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 5

out-of-pocket expenses incurred, including travel to and from Customer's sites, lodging, meals and shipping, as may be necessary in connection with duties performed under this Section 4 by VeriSign.

4.3 MAINTENANCE PROVIDED BY VERISIGN. For periods for which Customer has  
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paid an annual maintenance fee, VeriSign will provide Customer with the following services:

4.3.1 TELEPHONE SUPPORT. VeriSign will provide telephone support to  
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Customer during VeriSign's normal business hours. VeriSign may provide on-site support reasonably determined to be necessary by VeriSign at Customer's location specified on page 1 hereof. VeriSign shall provide the support specified in this Section 4.3.1 to Customer's employees responsible for developing Customer Products and maintaining Customer Products. VeriSign will provide the name of an employee who will serve as a single point of contact for support to Customer. VeriSign may change the name at any time by providing written notice to Customer. On VeriSign's request, Customer will provide a list with the names of the employees designated to receive support from VeriSign. Customer may change the names on the list at any time by providing written notice to VeriSign.

4.3.2 ERROR CORRECTION. In the event Customer discovers an error in  
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the Licensed Software which causes the Licensed Software not to operate in material conformance to VeriSign's published specifications therefor, Customer shall submit to VeriSign a written report describing such error in sufficient detail to permit VeriSign to reproduce such error. Upon receipt of any such

written report, VeriSign will use its reasonable business judgment to classify a reported error as either: (i) a "Level 1 Severity" error, meaning an error that causes the Licensed Software to fail to operate in a material manner or to produce materially incorrect results and for which there is no workaround or only a difficult workaround; or (ii) a "Level 2 Severity" error, meaning an error that produces a situation in which the Licensed Software is usable but does not function in the most convenient or expeditious manner, and the use or value of the Licensed Software suffers no material impact. VeriSign will acknowledge receipt of a conforming error report within two (2) business days and (A) will use its continuing best efforts to provide a correction for any Level 1 Severity error to Customer as early as practicable; and (B) will use its reasonable efforts to include a correction for any Level 2 Severity error in the next release of the VeriSign Software. In the event that VeriSign fails to comply with the Service Level Agreement attached as Exhibit B to this Exhibit J, and VeriSign is unable to cure the problem within a reasonable period specified in Exhibit B, Customer shall have the right to obtain release of the source code for the Licensed Software from escrow. Customer's rights to the source code released from escrow shall be limited to use for the purpose of Customer's operation of the Private Label Certificate System, and Customer may not resell, sublicense or otherwise permit the use of such source code by any third party unless VeriSign gives prior written authorization on mutually agreeable terms and conditions.

4.3.3 NEW RELEASES AND NEW VERSIONS. VeriSign will provide Customer  
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information relating to New Releases and New Versions of the VeriSign Software during the term of this Agreement. New Releases will be provided at no additional charge. New Versions will be provided at VeriSign's standard upgrade charges in effect at the time. Any New Releases or New Versions acquired by Customer shall be governed by all of the terms and provisions of this Agreement.

4.4 LAPSED MAINTENANCE. In the event Customer has not purchased optional  
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maintenance with respect to any Licensed Software, Customer may obtain a license of a New Release of such Licensed Software or any service which is provided as a part of maintenance by paying the maintenance fees which would otherwise have been due from the expiration of maintenance provided pursuant to Section 4.1 to the date such New Release is licensed or such service is provided.

4.5 DEVELOPMENT. If Customer requests that VeriSign make modifications or  
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enhancements to the Licensed Software, VeriSign agrees to perform work on such modifications or enhancements at its lowest time and materials rates then in effect for a similar type of consulting work.

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 6

5. MASTER COPY  
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As soon as practicable, but not later than five (5) business days after the date of execution of this Agreement, VeriSign shall deliver to Customer one (1) copy of each of the VeriSign Object Code and the User Manual in the manner designated on Exhibit "A" together with the CSUs and standalone server used as part of the Private Label Certificate System as operated by VeriSign.

6. ADDITIONAL OBLIGATIONS OF CUSTOMER

6.1 CUSTOMER PRODUCT MARKETING. Customer is authorized to represent  
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Subscribers only such facts about the VeriSign Software as VeriSign states in its published product descriptions, advertising and promotional materials or as may be stated in other non-confidential written material furnished by VeriSign.

6.2 CUSTOMER SUPPORT. Customer shall, at its expense, provide all support  
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for the Licensed Software, and Customer Products to Subscribers.

6.3 CONFIDENTIALITY; PROPRIETARY RIGHTS.  
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6.3.1 CONFIDENTIALITY. Customer acknowledges that in VeriSign's



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performance of its duties hereunder VeriSign will communicate to Customer (or its designees) certain confidential and proprietary information concerning the VeriSign Software, and know-how, technology, techniques or marketing plans related thereto (collectively, the "Know-How") all of which are confidential and proprietary to, and trade secrets of, VeriSign. Customer agrees to hold all the VeriSign Know-How within its own organization and shall not, without specific written consent of VeriSign or as expressly authorized herein, utilize in any manner, publish, communicate or disclose any part of the VeriSign Know-How to third parties. This Section 6.4.1 shall impose no obligation on Customer with respect to any Know-How which: (i) is in the public domain at the time disclosed by VeriSign; (ii) enters the public domain after disclosure other than by breach of Customer's obligations hereunder or by breach of another party's confidentiality obligations; or (iii) is shown by documentary evidence to have been known by Customer prior to its receipt from VeriSign. Customer will take such steps as are consistent with Customer's protection of its own confidential and proprietary information (but will in no event exercise less than reasonable care) to ensure that the provisions of this Section 6.4.1 are not violated by Customer's employees, agents or any other person.

6.3.2 PROPRIETARY MARKINGS; COPYRIGHT NOTICES. Customer agrees not

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to remove or destroy any proprietary, trademark or copyright markings or notices placed upon or contained within the VeriSign Object Code, User Manuals or any related materials or documentation. Customer further agrees to insert and maintain: (i) within every Customer Product and any related materials or documentation a copyright notice in the name of Customer; and (ii) within the splash screens, user documentation, printed product collateral, product packaging and advertisements for the Customer Product, a statement that the Customer Product contains the VeriSign Software. Customer shall not take any action which might adversely affect the validity of VeriSign's proprietary, trademark or copyright markings or ownership by VeriSign thereof, and shall cease to use the markings, or any similar markings, in any manner on the expiration or other termination of the license rights granted pursuant to Section 2.

6.3.3 PROHIBITED ACTIVITIES. Customer shall not modify, translate,

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reverse engineer, decompile or disassemble the VeriSign Software or any part thereof.

6.3.4 NO PUBLICATION. The placement of a copyright notice on any of

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the VeriSign Software shall not constitute publication or otherwise impair the confidential or trade secret nature of the VeriSign Software .

6.3.5 INJUNCTIVE RELIEF. Customer acknowledges that the

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restrictions contained in this Section 6.4 are reasonable and necessary to protect VeriSign's legitimate interests and that any violation of these restrictions

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 7

will cause irreparable damage to VeriSign within a short period of time and Customer agrees that VeriSign will be entitled to injunctive relief against each violation.

6.4 FEDERAL GOVERNMENT SUBLICICENSE. Any sublicense of a Customer Product

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acquired from Customer under a United States government contract shall be subject to restrictions as set forth in subparagraph (c)(1)(ii) of Defense Federal Acquisition Regulations Supplement (DFARS) Section 252.227-7013 for Department of Defense contracts and as set forth in Federal Acquisition Regulations (FARS) Section 52.227-19 for civilian agency contracts or any successor regulations. Customer agrees that any such sublicense shall set forth all of such restrictions and the tape or diskette label for the Customer Product and any documentation delivered with the Customer Product shall contain a restricted rights legend conforming to the requirements of the current, applicable DFARS or FARS.

6.5 NOTICES. Customer shall immediately advise VeriSign of any legal

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notices served on Customer which might affect VeriSign or the VeriSign Software.

6.6 INDEMNITY. CUSTOMER EXPRESSLY INDEMNIFIES AND HOLDS HARMLESS  
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VERISIGN, ITS SUBSIDIARIES, AGENTS AND AFFILIATES FROM: (i) ANY AND ALL LIABILITY OF ANY KIND OR NATURE WHATSOEVER TO CUSTOMER'S SUBSCRIBERS AND THIRD PARTIES WHICH MAY ARISE FROM ACTS OF CUSTOMER OR FROM THE LICENSE OF CUSTOMER PRODUCTS BY CUSTOMER OR ANY DOCUMENTATION, SERVICES OR ANY OTHER ITEM FURNISHED BY CUSTOMER TO ITS SUBSCRIBERS, OTHER THAN LIABILITY ARISING FROM THE VERISIGN OBJECT CODE OR THE USER MANUALS OR FROM THE ACTS OF VERISIGN; AND (ii) ANY LIABILITY ARISING IN CONNECTION WITH AN UNAUTHORIZED REPRESENTATION OR ANY MISREPRESENTATION OF FACT MADE BY CUSTOMER OR ITS AGENTS OR EMPLOYEES TO ANY PARTY WITH RESPECT TO THE VERISIGN SOFTWARE OR ANY CUSTOMER PRODUCTS .

7. LIMITED WARRANTY; DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY;  
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INTELLECTUAL PROPERTY INDEMNITIES  
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7.1 LIMITED WARRANTY. During the initial ninety (90)-day term of this  
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Agreement VeriSign warrants that the Licensed Software specified in this Agreement will operate in material conformance to VeriSign's published specifications for such Licensed Software. VeriSign does not warrant that the VeriSign Software or any portion thereof is error-free. Customer's exclusive remedy, and VeriSign's entire liability in tort, contract or otherwise, shall be correction of any warranted nonconformity as provided in Section 4.3.2. This limited warranty and any obligations of VeriSign under Section 4.1 shall terminate immediately if Customer makes any modification to the VeriSign Software.

7.2 DISCLAIMER. EXCEPT FOR THE EXPRESS LIMITED WARRANTY PROVIDED IN  
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SECTION 7.1, THE VERISIGN SOFTWARE IS PROVIDED "AS IS" WITHOUT ANY WARRANTY WHATSOEVER. VERISIGN DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO ANY MATTER WHATSOEVER, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT OF THIRD PARTY RIGHTS. VERISIGN DISCLAIMS ANY WARRANTY OR REPRESENTATION TO ANY PERSON OTHER THAN CUSTOMER WITH RESPECT TO THE VERISIGN SOFTWARE. CUSTOMER SHALL NOT, AND SHALL TAKE ALL MEASURES NECESSARY TO INSURE THAT ITS AGENTS AND EMPLOYEES DO NOT, MAKE OR PASS THROUGH ANY SUCH WARRANTY ON BEHALF OF VERISIGN TO ANY THIRD PARTY.

7.3 LIMITATION OF LIABILITY. IN NO EVENT WILL VERISIGN BE LIABLE TO  
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CUSTOMER (OR TO ANY PERSON CLAIMING RIGHTS DERIVED FROM CUSTOMER) FOR INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO LOST PROFITS, BUSINESS INTERRUPTION OR LOSS OF BUSINESS INFORMATION,

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 8

EVEN IF VERISIGN HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. UNDER NO CIRCUMSTANCES SHALL VERISIGN'S TOTAL LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT EXCEED THE TOTAL AMOUNT PAID BY CUSTOMER TO VERISIGN HEREUNDER, REGARDLESS OF WHETHER ANY ACTION OR CLAIM IS BASED ON WARRANTY, CONTRACT, TORT OR OTHERWISE.

7.4 PROPRIETARY RIGHTS INFRINGEMENT BY VERISIGN.  
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7.4.1 OBLIGATION TO DEFEND. Subject to the limitations set forth  
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below and in Section 7.3, VeriSign, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against Customer on the basis of infringement or misappropriation of any United States, copyright or trade secret in the field of cryptography by the Licensed Software as delivered by VeriSign or any claim that VeriSign has no right to license the Licensed Software hereunder; and (ii) pay any final judgment entered or settlement against Customer on such issue in any such suit or proceeding defended by VeriSign. VeriSign shall have no obligation to Customer pursuant to this Section 7.4.1 unless: (A) Customer gives VeriSign prompt written notice of the claim;

(B) VeriSign is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (C) the claim is based on Customer's use of the most recent version or the immediately preceding version of the Licensed Software in accordance with this Agreement.

7.4.2 VERISIGN OPTIONS. If VeriSign receives notice of an alleged  
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infringement, VeriSign shall have the right, at its sole option, to obtain the right to continue use of the Licensed Software or to replace or modify the Licensed Software so that it is no longer infringing. If neither of the foregoing options is reasonably available to VeriSign, then the license rights granted pursuant to Section 2 may be terminated at the option of either party hereto without further obligation or liability except as provided in Sections 7.4.1 and 8.3 and in the event of such termination, VeriSign shall refund the License Fees paid by Customer hereunder less depreciation for use assuming straight line depreciation over a five (5)-year useful life.

7.4.3 EXCLUSIVE REMEDIES. THE RIGHTS AND REMEDIES SET FORTH IN  
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SECTIONS 7.4.1 AND 7.4.2 CONSTITUTE THE ENTIRE OBLIGATION OF VERISIGN AND THE EXCLUSIVE REMEDIES OF CUSTOMER CONCERNING VERISIGN'S PROPRIETARY RIGHTS INFRINGEMENT.

7.5 PROPRIETARY RIGHTS INFRINGEMENT BY CUSTOMER.  
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7.5.1 OBLIGATION TO DEFEND. Subject to the limitations set forth  
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below, Customer, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against VeriSign on the basis of infringement or misappropriation of any United States, copyright or trade secret by any Customer Product (excluding the unmodified VeriSign Software); and (ii) pay any final judgment entered or settlement against VeriSign on such issue in any such suit or proceeding defended by Customer. Customer shall have no obligation to VeriSign pursuant to this Section 7.5.1 unless: (A) VeriSign gives Customer prompt written notice of the claim; and (B) Customer is given the right to control and direct the investigation, preparation, defense and settlement of the claim.

7.5.2 EXCLUSIVE REMEDIES. THE RIGHTS AND REMEDIES SET FORTH IN  
-----

SECTION 7.5.1 CONSTITUTE THE ENTIRE OBLIGATION OF CUSTOMER AND THE EXCLUSIVE REMEDIES OF VERISIGN CONCERNING CUSTOMER'S PROPRIETARY RIGHTS INFRINGEMENT.

8. TERM AND TERMINATION  
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8.1 TERM. The license rights granted pursuant to Section 2 shall be  
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effective as of the date hereof and shall continue in full force and effect for each item of Licensed Software for the period set forth on Exhibit "A" unless sooner terminated pursuant to the terms of this Agreement. Either party shall be entitled to terminate all the

license rights granted pursuant to this Agreement at any time on written notice to the other in the event of a default by the other party and a failure to cure such default within a period of thirty (30) days (five (5) days if the default involves the payment of money) following receipt of written notice specifying that a default has occurred.

8.2 INSOLVENCY. Upon the institution of any proceedings by or against  
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either party seeking relief, reorganization or arrangement under any laws relating to insolvency, or upon any 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 upon the liquidation, dissolution or winding up of either party's business, then and in any such events all the license rights granted pursuant to this Agreement may immediately be terminated by the other party upon giving written notice.

8.3 DISPOSITION OF VERISIGN SOFTWARE AND USER MANUALS ON TERMINATION.  
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Upon the expiration or termination pursuant to this Section 8 of the license rights granted pursuant to Section 2, the remaining provisions of this Agreement shall remain in full force and effect, and Customer shall cease making copies of, using or licensing the VeriSign Software, User Manual and Customer Products, excepting only such copies of Customer Products necessary to fill orders placed with Customer prior to such expiration or termination. Customer shall destroy all copies of the VeriSign Software, User Manual and Customer Products and all information and documentation provided by VeriSign to Customer (including all Know-How), other than such copies of the VeriSign Object Code, the User Manual and the Customer Products as are necessary to enable Customer to perform its continuing support obligations in accordance with Section 6.2, if any.

9. MISCELLANEOUS PROVISIONS  
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9.1 GOVERNING LAWS. THE LAWS OF THE STATE OF CALIFORNIA, U.S.A.  
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(IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT. THE PARTIES AGREE THAT ANY SUIT TO ENFORCE ANY PROVISION OF THIS AGREEMENT OR ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE BUSINESS RELATIONSHIP BETWEEN THE PARTIES SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR THE SUPERIOR OR MUNICIPAL COURT IN AND FOR THE COUNTY OF SANTA CLARA, CALIFORNIA, U.S.A. Each party agrees that such courts shall have exclusive in personam jurisdiction and venue with respect to such party, and each party submits to the exclusive in personam jurisdiction and venue of such courts.

9.2 BINDING UPON SUCCESSORS AND ASSIGNS. Except as otherwise provided  
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herein, this Agreement shall be binding upon, and inure to the benefit of, the successors, representatives, administrators and assigns of the parties hereto. This Agreement shall not be assignable by Customer, by operation of law or otherwise, without the prior written consent of VeriSign, which shall not be unreasonably withheld; provided, however, that VeriSign may withhold its consent to the assignment of this Agreement if it provides for a fully paid-up License Fee. Any such purported assignment or delegation without VeriSign's written consent shall be void and of no effect.

9.3 SEVERABILITY. If any provision of this Agreement is found to be  
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invalid or unenforceable, the remainder of this Agreement shall be interpreted so as best to reasonably effect the intent of the parties hereto. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS AGREEMENT WHICH PROVIDES FOR A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES IS INTENDED BY THE PARTIES TO BE SEVERABLE AND INDEPENDENT OF ANY OTHER PROVISION AND TO BE ENFORCED AS SUCH.

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 10

9.4 ENTIRE AGREEMENT. This Agreement and the exhibits and schedules  
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hereto constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations and understandings between the parties.

9.5 AMENDMENT AND WAIVERS. Any term or provision of this Agreement may be  
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amended, and the observance of any term of this Agreement may be waived, only by a writing signed by the party to be bound.

9.6 ATTORNEYS' FEES. The prevailing party in any action or proceeding to  
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enforce or interpret any part of this Agreement shall be entitled to recover its reasonable attorneys' fees (including fees on any appeal).

9.7 NOTICES. Any notice, demand, or request with respect to this  
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Agreement shall be in writing and shall be effective only if it is delivered by hand or mailed, certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate party at its address set forth on page 1. Such communications shall be effective when they are received by the addressee; but if sent by certified or registered mail in the manner set forth above, they shall be effective not later than ten (10) days after being deposited in the mail. Any party may change its address for such communications by giving notice to the other party in conformity with this Section.

9.8 FOREIGN RESHIPMENT LIABILITY. THIS AGREEMENT IS EXPRESSLY MADE  
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SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF THE VERISIGN SOFTWARE OR CUSTOMER PRODUCTS OR OF INFORMATION ABOUT THE VERISIGN SOFTWARE OR CUSTOMER PRODUCTS WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, CUSTOMER SHALL NOT EXPORT OR REEXPORT, DIRECTLY OR INDIRECTLY, ANY VERISIGN SOFTWARE OR CUSTOMER PRODUCTS OR INFORMATION PERTAINING THERETO TO ANY COUNTRY FOR WHICH SUCH GOVERNMENT OR ANY AGENCY THEREOF REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENTAL APPROVAL AT THE TIME OF EXPORT OR REEXPORT WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

9.9 TRADEMARKS. By reason of this Agreement or the performance hereof,  
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Customer shall acquire no rights of any kind in any VeriSign trademark, trade name, logo or product designation under which the VeriSign Software was or is marketed and Customer shall not make any use of the same for any reason except as expressly authorized by this Agreement or otherwise authorized in writing by VeriSign.

9.10 PUBLICITY. Neither party will disclose to third parties, other than  
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its agents and representatives on a need-to-know basis, the terms of this Agreement or any exhibits hereto (including without limitation any License/Product Schedule) without the prior written consent of the other party, except (i) either party may disclose such terms to the extent required by law; (ii) either party may disclose the existence of this Agreement; and (iii) VeriSign shall have the right to disclose that Customer is an Customer of the VeriSign Software and that any publicly-announced Customer Product incorporates the VeriSign Software. Customer shall provide to VeriSign, solely for VeriSign's display purposes, one (1 ) working copy of each Customer Product which consists solely of computer software and one (1 ) working or non-working unit of any hardware product in which is incorporated a Customer Product which consists of an integrated circuit or other hardware.

9.11 REMEDIES NON-EXCLUSIVE. Except as otherwise expressly provided, any  
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remedy provided for in this Agreement is deemed cumulative with, and not exclusive of, any other remedy provided for in this Agreement or otherwise available at law or in equity. The exercise by a party of any remedy shall not preclude the exercise by such party of any other remedy.

VeriSign, Inc.  
Custom Certificate System License Agreement  
Page 11

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of the last signature below, unless a different effective date is specified on the first page of this Agreement.

CUSTOMER:

VISA INTERNATIONAL SERVICE ASSOCIATION

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

VERISIGN, INC.

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

VeriSign Private Label Agreement

EXHIBIT "K"

SERVICE LEVEL SPECIFICATION

CHIP CARD PAYMENT SERVICE  
(CCPS) & STORED VALUE  
CARD (SVC) CERTIFICATION  
AUTHORITY

Chip Card Certification  
AUTHORITY (CCCA)  
SERVICE LEVEL AGREEMENT  
VISA INTERNATIONAL / VERISIGN

Version 1.1  
OCTOBER 1996

TABLE OF CONTENTS

OVERVIEW..... 1

CCCA SYSTEM DESCRIPTION..... 1

SCOPE..... 2

    WITHIN SCOPE..... 2

    OUTSIDE OF SCOPE..... 2

DEFINITION..... 2

CCCA SERVICE LEVELS..... 3

SERVICE AVAILABILITY..... 3

    Definition..... 3

    Measurement..... 4

    Minimum Service Level Requirement..... 4

RESPONSE TIME..... 4

    Definition..... 4

    Measurement..... 4

    Minimum Service Level Requirement..... 5

DATA MANAGEMENT..... 6

    Definition..... 6

    Measurement..... 6

    Minimum Service Level Requirement..... 6

SYSTEM MONITORING AND OUTAGE REPORTING..... 6

    Definition..... 6

    Measurement..... 7

    Minimum Service Level Requirement..... 7

SCHEDULED DOWN TIME..... 7

    Definition..... 8

    Measurement..... 8

    Minimum Service Level Requirement..... 8

BACKUP..... 8

    Definition..... 8

    Measurement..... 8

    Minimum Service level Requirement..... 8

KEY COMPROMISE..... 9

CONTINGENCY OPERATIONS / RECOVERY.....	9
Definition.....	9
Measurement.....	9
Minimum Service Level Requirement.....	9
REPORTING.....	9
PENALTIES.....	9
VERISIGN CCCA CUSTOMER SUPPORT SERVICE LEVELS.....	10
AVAILABILITY.....	10
RESPONSE TIME.....	10
CUSTOMER SUPPORT CALLBACK SMEFRAMES AND DEFINITION..	10

## OVERVIEW

This Service Level Agreement (SLA) between Visa International (Visa) and VeriSign, Inc. (VeriSign) details the terms for the supply of services by VeriSign to Visa for the operation of the Visa Chip Card Certification Service (CCCA). It specifically addresses the service levels that will be in effect for the pilot phases of the CCPS and SVC Diamond projects. Additional service levels may be implemented after the commencement of either of these two pilots.

This SLA is comprised of two components. The first addresses service levels for CCCA. The second addresses service levels for VeriSign CCCA customer support.

### CCCA SYSTEM DESCRIPTION

A logical depiction of the CCCA system is presented below:

[DRAWING OF TWO RECTANGLES LABELED "ISSUER" AND "VISA"  
WITH CONNECTING HORIZONTAL BARS]

### SCOPE

VeriSign will be developing and operating a Certificate Authority on behalf of Visa

#### WITHIN SCOPE

The following components of CCCA are addressed within the scope of this service level agreement:

- Brand Certificate Authority (Brand CA)
  - Acceptance of Issuer Public Key from Visa
  - Generation of Issuer Public Key Certificates
  - Reconveyance of Issuer Public Key Certificate to Visa

#### OUTSIDE OF SCOPE

The following components of CCCA are not addressed within the scope of this service level agreement:

- Visa system infrastructure
- Deployment of Visa Scheme Public Keys
- Issuer to Visa key management processes
- Establishment of trust between Issuers and Visa
- Conveying of Issuer Public Key Certificate to Issuer

### DEFINITION

#### Brand Certificate Authority

The Brand CA issues EMV compliant Issuer Public Key Certificates to Brand members (i.e., Issuers) that wish to use the Visa Chip Card Payment Systems (CCPS) and/or Stored Value Card (SVC) products.

For CCPS the Brand CA generates Issuer Public Key Certificates to enable Issuers to utilize Static Data Authentication for their customer needs.

For SVC the Brand CA generates Issuer Public Key Certificates to enable Issuers to utilize Dynamic Data Authentication for their customer needs.

### CCCA SERVICE LEVELS

For the purpose of this SLA, CCCA is considered to have one major operational component:

1. Certification Processing Service

This is the ability to process the certificate transaction (i.e., certificate request, certificate generation, certificate response) and return an appropriate signed response to the requester.

SERVICE AVAILABILITY

Definition

Initially, for the pilot phases of the projects covered by this SLA, the Brand Certificate Authority (Brand CA) operations require manual procedures. These are performed off-line and need the presence of authorized Visa and VeriSign personnel. To maintain multiple controls over the use of the Visa Brand Private Keys, three (3) of five (5) key custodians must be present to enable the generation of any Issuer Public Key Certificate. At least one designated key custodian must be present from Visa and at least one designated key custodian must be present from VeriSign to perform this service, i.e., the three key custodians must not all be representatives from one organization. The designation of the key custodians from each organization is not a part of this SLA, but all key custodians must be approved by Visa.

The Brand certificate authority must be available during the normal hours of operation, as well as after hours by prior arrangement.

Normal hours of operation for the Brand CA are 0800 - 1700 PT, 5 days a week, 52 weeks a year. Visa will normally provide VeriSign with one working day advance notice of any required Brand CA operation.

In the event of extreme conditions, such as disaster recovery or key compromise, Visa may require Brand CA operations outside of the normal operating periods. Under such circumstances, Visa shall provide VeriSign with a two (2) day advance notice of the required Brand CA operations.

Measurement

The measurement for service availability is the amount of time that the CA is capable of receiving, processing and responding to incoming certificate transactions from the requesting entity (i.e., the Issuer through Visa). Nonavailability is the amount of time that the CA is not capable of receiving, processing and responding to incoming certificate transactions from the requesting entity.

Minimum Service Level Requirement

The Brand CA must be available to process 99% of the certificate requests and perform necessary administrative functions.

RESPONSE TIME

Definition

There are two components of response time for the Brand CA.

-2-

1. The amount of time that it takes VeriSign to respond to a Visa request for Brand CA operations.

VeriSign must respond to a Visa request for Brand CA operations within one working day during normal operating hours. Under extreme conditions, VeriSign must respond to a Visa request for Brand CA operations within one (1) hour during normal operating hours.

2. The amount of time that the actual Brand CA operation requires. All Brand CA operations must be processed and validated within 8 hours of the start of the operation. If the validation process is extended by



factors out of VeriSign's control, VeriSign will not be penalized.

#### Measurement

The measurement for response to requests for Brand CA operations is based upon the time elapsed from when Visa contacts VeriSign to inform them of the intent to perform a Brand CA operation until VeriSign confirms their availability to perform a Brand CA operation.

The measurement for performing Brand CA operations is based upon the time elapsed from when Visa staff arrives at VeriSign to begin the operation until the operation is completed and verified.

#### Minimum Service Level Requirement

For the Brand CA, 99% of the requests for Brand CA operations must be responded to within the required time and 99% of the Brand CA operations must be performed within the required time.

#### DATA MANAGEMENT

##### Definition

CCCA data, which includes system logs, transaction history, certificate registration data and certificates, must be available to support various legal, billing and customer service requirements. The archive retention and retrieval requirements for the CCCA data will vary by data type as described below:

##### Registration data and certificates

This data will be kept available for immediate review for 90 days prior to being archived. Archived data will be maintained for the length of the one year pilot and must be retrievable within 24 hours of request. At the end of the pilot project, all archived data will be returned to VISA.

-3-

##### System logs and transaction history

This data will be kept available for immediate review for 90 days prior to being archived. Archived data will be maintained for the length of the one year pilot and must be retrievable within 24 hours of request. At the end of the pilot project, all archived data will be returned to VISA.

#### Measurement

The measurement for data management is based upon the data being available, within the periods specified above.

#### Minimum Service Level Requirement

The data management requirements must be met 99% of the time.

#### SYSTEM MONITORING AND OUTAGE REPORTING

##### Definition

##### Monitoring

The key storage units for all of the CAs must be checked for tampering on a daily basis. The applications and/or systems for the Certification Processing Service must be monitored continually and a status check taken every 24 hours.

##### Outage Reporting

All CCCA hardware and/or software faults shall be logged, tracked and reported using a suitable computer-based system and provided to Visa within two (2) hours of occurrence.

All CCCA system hardware, network, and software failures, their impact on CCCA operations and any actions taken to correct the problem, including an event log shall be reported to Visa on a monthly basis. In addition, Visa shall be notified within one hour of any major failure that affects the normal operation of CCCA.

#### Measurement

The status checks must be recorded on a status log and signed by the VeriSign system operator. This status log must be available for review by Visa at any time.

Problem / event logs and system logs will record outages and causes (if known). These also must be made available to Visa for review at any time.

-4-

#### Minimum Service Level Requirement

Compliance with the monitoring, logging and reporting requirements must be 99%.

#### SCHEDULED DOWN TIME

##### Definition

There will be a scheduled down time period weekly to perform maintenance, backup and upgrade functions for the CAs. This period will not exceed 12 hours and will be at the same time each week as agreed to by Visa and VeriSign. If a longer down time window is needed, it must be agreed to in advance by Visa and VeriSign.

##### Measurement

The measurement for scheduled down time for any CA is based on the time elapsed from when the CA is not capable of performing operations until it becomes available for performing operations. Daily system logs will indicate scheduled system down time and can be used to track outages.

##### Minimum Service Level Requirement

99% of the down times must be within the required period.

#### BACKUP

##### Definition

At a minimum, all data related to the Brand CAs, including application files and databases, system tables, log files, etc., will be backed up on a scheduled, daily basis. In addition, the Brand CA application and all system components will be backed up on a monthly basis. All backups must be done non disruptively without adversely impacting normal CCCA operations. The backup files must be stored in a secure off-site facility as agreed upon by VeriSign and Visa.

##### Measurement

Daily system logs will indicate time and location of backup files, backup media identification and any other relevant information needed for recovery of backup files.

##### Minimum Service Level Requirement

The backup requirements must be met 99% of the time.

-5-

#### KEY COMPROMISE

The management of key compromise, CRL processing, replacement of Visa Scheme keys and the re-generation of Issuer Public Key Certificates will not be a provided service for the pilot phases of CCCA.

CONTINGENCY OPERATIONS/RECOVERY

Definition

If any single component of the Brand CA fails, the component shall be recovered to the point of failure within five (5) calendar days.

In the event of a total Brand CA failure, a complete recovery must occur within five (5) calendar days and normal operations should begin with recovery to the point of failure for all systems and files. In the interim period before normal operations have begun, Access to Service must be available to receive certificate transactions, queue the transactions for future processing and provide an appropriate signed response to the requesting entity.

Measurement

The measurement for recovery of an CCCA system component or a total system outage will be the length of time between the point that the outage occurs and the point that a full recovery to normal operations has been completed.

The ability to satisfy the recovery and/or contingency operations requirements will be demonstrated through periodic scheduled tests.

Minimum Service Level Requirement

The recovery and contingency operations requirements must be met 99% of the time.

REPORTING

VeriSign shall provide Visa with reporting on a scheduled basis. This will include both service level and activity reporting and may be either on hard copy or electronic (i.e., report or data files) form as agreed to by Visa and VeriSign.

PENALTIES

All service levels are calculated, and penalties assessed, on a monthly basis.

VERISIGN CCCA CUSTOMER SUPPORT SERVICE LEVELS

VeriSign will provide support to Visa as described in the customer support requirements section of the contract. The VeriSign interface for customer support will be limited to designated individuals within Visa.

AVAILABILITY

VeriSign Customer Service must be available to accept and respond to problem calls from Visa 0800 - 1700 PT, 5 days a week, 52 weeks a year, (i.e., a standard financial Industry schedule).

RESPONSE TIME

Normal Hours of Operation

Between 0800 and 1700 PT, a human VeriSign Customer Support representative should respond immediately (i.e., answer the telephone within a queue time of 120 seconds).

CUSTOMER SUPPORT CALLBACK TIMEFRAMES AND DEFINITIONS

VeriSign Customer Support will, at a minimum, initiate a return telephone call to Visa to establish if the problem has been corrected based on the following call reporting criteria:

Problem Severity	Definition	Callback Frequency
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In every case, if the problem has not been corrected within the callback frequency, VeriSign Customer Support will monitor the problem to determine if any corrective work has begun. If it has, then VeriSign Customer Support will continue to monitor the situation and provide status to Visa until the problem is resolved to the satisfaction of Visa. If not corrective work has begun, VeriSign Customer Support will escalate the problem to the next support level.

-7-

VeriSign Private Label Agreement

EXHIBIT "L"

SUPPORT LEVELS

1. SECOND-LEVEL SUPPORT FOR MEMBERS

VeriSign will provide second level telephone support for any problem concerning a Certificate issued to a Member during the times set forth in Section 2 below. In the event that a Member problem is not resolved by the first level good-faith efforts of VISA Member Support, VeriSign will provide second level telephone support for a reasonable volume of calls from VISA Member Support. Upon VISA Member Support's providing VeriSign with a clear description of the unresolved problem, VeriSign will verify the problem's existence and determine the conditions under which the problem may recur. After such verification and determination, VeriSign will, at its option,

1.1 use its best efforts to provide an immediate fix for the problem;

1.2 use its best efforts to provide a temporary solution of or workaround to the problem;

1.3 provide a statement that the problem will be corrected in a future release;

1.4 provide a statement that more information about the problem is required (however, after sufficient information, in VeriSign's opinion, is provided to VeriSign, VeriSign will provide to Customer one of the other four support alternatives contained in this Section 1); or

1.5 provide a statement that the Private Label Certificate System operates as described in VeriSign's then current user documentation or that the problem arises when such Private Label Certificate System is used other than in a manner for which it was designed.

In the case of such second-level support, VeriSign will not contact a Member directly for more information about the problem unless VISA Member Support so requests.

The following chart summarizes telephone support provided in this Section:

Type of Certificate	Entity Supported	First Level	Second Level	Third Level
VISA Chipcard CA	Issuers,	VISA Member Support	VeriSign	N/A

2. TIMES TELEPHONE SUPPORT IS PROVIDED

VeriSign will accept and log all second level support requests received from Customer on a twenty-four (24) hour per day, seven (7) day per week basis, including national holidays. VeriSign will provide regular telephone support for

both second level on Monday through Friday 8:00 a.m. to 5:00 p.m., local time, and will provide critical corrective support after hours (outside the hours of 8:00 a.m. to 5:00 p.m., local time) and on national holidays. A problem is considered critical when the Private Label Certificate System will not operate or the Customer cannot perform its business function due to a Private Label Certificate System problem.

### 3. CUSTOMER RESPONSIBILITIES FOR TELEPHONE SUPPORT

Customer will (i) identify, document and report to VeriSign each problem with the Private Label Certificate System necessitating telephone support, (ii) supply VeriSign with all documentation and assistance necessary to demonstrate and allow VeriSign to diagnose the problem, and (iii) install each solution to such problem

VeriSign Private Label Agreement

provided by VeriSign. If Customer requests corrective changes to the Private Label Certificate System and VeriSign determines that the reported malfunction is not related to the Private Label Certificate System, VeriSign may charge Customer for its diagnostic services on a time and materials basis.

Customer will assure the proper use, management and supervision of any application programs, audit controls, operating methods and office procedures necessary for the intended use of the Private Label Certificate System.

Customer will provide the first-level support to Members through VISA Member Support as provided in Section 1 above.