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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from to

Commission File Number: 000-23593

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

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

Class	Shares Outstanding June 30, 2007
Common stock, $.001 par value	243,838,287

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EXPLANATORY NOTE

In this Form 10-Q, we are restating our condensed consolidated balance sheet as of December 31, 2005, the related consolidated statements of income for the three and six months ended June 30, 2005, and condensed consolidated statements of cash flows for the six months ended June 30, 2005. In our Form 10-K for the year ended December 31, 2006 to be filed with the SEC (the “2006 Form 10-K”), we are restating our consolidated balance sheet as of December 31, 2005 and the related consolidated statements of income, stockholders’ equity, comprehensive income and cash flows for the years ended December 31, 2005 and 2004, and the related quarters for 2005.

This Form 10-Q also reflects the restatement of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 for the three and six months ended June 30, 2005. The decision to restate was based on the results of an independent review (the “Review”) into our historical stock option granting practices that was conducted under the direction of an ad hoc group of our independent directors who had not served on our Compensation Committee before 2005 (“Ad Hoc Group”).

Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

We first learned of the potential issues associated with our past stock option grants from a May 16, 2006 article published by the Center for Financial Research and Analysis (“CFRA”) in which we were referenced as one of 15 public companies with one or two stock grants between 1997 and 2002 that the CFRA suggested were timed at, or close to, 40-day lows in the applicable company’s stock price or preceding a material change in stock price. Promptly after learning of the CFRA article, and prior to receiving the grand jury subpoena or the informal SEC request described below, the Ad Hoc Group, with the assistance of independent outside counsel, Cleary Gottlieb Steen & Hamilton LLP (“Cleary Gottlieb”), began reviewing the facts and circumstances of the timing of our historical stock option grants for the period January 1998 to May 2006 (“relevant period”). We believe that the analysis was properly limited to the relevant period. In addition to Cleary Gottlieb, the Ad Hoc Group was assisted in its Review by independent forensic accountants (collectively the “Review Team”).

On June 27, 2006, we announced that we had received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to our stock option grants and practices dating back to January 1, 1995, and had received an informal request for information from the Securities and Exchange Commission (“SEC”) related to our stock option grants and practices. On February 9, 2007, we subsequently received a formal order of investigation from the SEC. We are fully cooperating with the U.S. Attorney’s investigation and the SEC investigation.

On November 21, 2006, we announced that the Ad Hoc Group had determined the need to restate our historical financial statements to record additional non-cash, stock-based compensation expense related to past stock option grants.

On March 30, 2007, we requested guidance from the Office of the Chief Accountant of the SEC (the “OCA”) concerning certain accounting issues relating to the restatement of our historical financials and the Review. On June 25, 2007, we concluded our discussions with the OCA regarding these accounting issues.

On May 29, 2007, we announced that Stratton Sclavos, our then-current Chairman and Chief Executive Officer, had resigned from his position with us. Following Mr. Sclavos' resignation, the Board elected director William A. Roper, Jr. as our President and CEO and Edward Mueller as our Chairman of the Board of Directors.

On July 10, 2007, Ms. Dana L. Evan our then-current Executive Vice President of Finance and Administration and Chief Financial Officer resigned from the Company.

On July 5, 2007 and July 12, 2007 the Board of Directors appointed Albert E. Clement as the Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively, of the Company.

The Review Team tested grants made on 239 dates, incurred 21,800 person-hours, searched more than 11 million pages of physical and electronic documents and conducted 75 interviews of 33 current and former directors, officers, employees, and advisors. We announced on January 31, 2007 that the Ad Hoc Group's Review was substantially completed and that, based on a review of the totality of evidence and the applicable law, the Review did not find intentional wrongdoing by any current member of the senior management team or the former CEO. The Ad Hoc Group's Review concluded that we failed to implement appropriate processes and controls for granting, accounting for, and reporting stock option grants and that corporate records in certain circumstances were incomplete or inaccurate.

The Review Team examined all grants to Section 16 officers and directors during the relevant period, as well as 7 annual performance grants to rank and file employees and 179 acquisition, new hire and promotion, and other grants to rank and file employees on 239 dates from January 1998 through January 2006.

The Review Team identified 8,164 stock option grants made on 41 dates during the relevant period for which measurement dates were incorrectly determined. The measurement dates required revision because the stated date either preceded or was subsequent to the proper measurement date and the stock price on the stated date was generally lower than the price on the proper measurement date. In several instances, the Review Team also determined that the stock price assigned on the initial grant dates was subsequently modified, without being given the required accounting and disclosure treatment.

As part of the restatement, the grants during the relevant period were organized into categories based on grant type and process by which the grant was finalized. The evidence related to each category of grant was analyzed including, but not limited to, electronic and physical documents, document metadata, and witness interviews. Based on the relevant facts and circumstances, and consistent with the accounting literature and recent guidance from the SEC, the controlling accounting standards were applied to determine, for every grant within each category, the proper measurement date. If the measurement date was not the originally assigned grant date, accounting adjustments were made as required, resulting in stock-based compensation expense and related income tax effects.

Measurement Date Hierarchy

We have adopted the following framework for determining the measurement dates of our stock option grants and have applied this framework to each grant based on the facts, circumstances and availability of documentation.

- We reviewed the date of the minutes of the Board of Directors or Compensation Committee meetings for grants made at such meetings when the number of options and exercise price for each recipient had been clearly approved. Where the Review Team determined that the meeting date was not the measurement date, the Review Team determined the actual date of approval of the grant via other documentary evidence and interviews.
- When a grant was approved by unanimous written consent ("UWC"), the measurement date was the date of the Compensation Committee's approval of the UWC as established by available evidence, such as receipt of signature pages of the UWC, contemporaneous telephone and/or e-mail communications.
- If a grant was approved by the CEO under authority delegated by the Compensation Committee, the measurement date was the date on which the CEO communicated approval to the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.

- If a grant was approved by the CEO based on the mistaken belief that he had delegated authority to do so (de facto or “substantive” authority), the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- In the event the date on which the CEO communicated approval was not evident from the approval forms, the measurement date was the date on which other available evidence, such as the surrounding e-mail communications, established the date the CEO approved the grant.
- In the event the date of CEO approval could not be established by reviewing other available evidence, such as e-mails, the measurement date was the date on which the number of options and exercise price were entered into our option tracking database (Equity Edge).
- Except for grants to Section 16 officers which require Compensation Committee approval, for new hire grants and promotion grants , prior to March 13, 1998, the measurement date was the date the Compensation Committee approved the grant (as described above). For new hire grants and promotion grants after March 13, 1998 and prior to September 2000 and after September 30, 2002, the measurement date was the 15th day or the last day of the month (or the prior business day if that day was not a business day) following the actual and documented start date or promotion date of the respective employee receiving the grant. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval. For new hire grants and promotion grants in the period September 1, 2000 through September 30, 2002, the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price. If that date could not be determined, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge.

After determining the measurement date through the steps in the above Measurement Date Hierarchy, we then determined if there were any changes to the individual recipients, exercise prices or amount of shares granted after such measurement date. If there were no changes following such measurement date, then that date would be used. If we identified changes following such measurement date, then we would evaluate whether the changes should delay the measurement date for the entire list of grants on that date, result in a repricing, or result in separate accounting for specific grants.

Director Grants

Required Granting Actions: Grants to directors under the 1998 Director Plan (the “Director Plan”) were automatic and non-discretionary; the Director Plan did not require the CEO, the Board or the Compensation Committee to review or approve director grants. Each new director received an initial grant of a specified number of options on the date of his or her appointment and annually on the anniversary of the initial grant to be priced on the appointment or anniversary date, respectively. Directors serving before the Director Plan was adopted received an annual grant on the anniversary of their previous grant.

Method for Determining Proper Measurement Dates: For the initial grant, the measurement date was the date the director was appointed to the Board, as reflected in Board minutes. In the absence of Board minutes, the measurement date was the date specified in the proxy statement or, if not clear, the date of the first Board meeting attended by the new director. For anniversary grants, the measurement date was the annual anniversary of the initial grant (or the next business day if such date was not a business day).

Executive Grants

Required Granting Actions: The Compensation Committee is required to approve all grants to executive officers. For grants to the former CEO, the Review Team concluded that, in all but three cases (including the February 2002 grant described below), the Compensation Committee or the Board of Directors approved the grant on the stated grant date, resulting in a correct measurement date.

Method for Determining Proper Measurement Dates: For grants other than the February/May 2002 grant described below, including the other two grants to the former CEO referred to above, please refer to the Measurement Date Hierarchy above.

Acquisition Grants

Required Granting Actions: CEO authorization required. The Board of Directors implicitly delegated to the CEO authority to approve grants to employees from acquisitions when the Board approved an acquisition.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Annual Refresh Grants

Required Granting Actions: The Compensation Committee was required to approve all annual refresh grants through and including the 2004 annual refresh grant. In 2005, the Compensation Committee delegated to the CEO the authority to approve rank and file annual refresh grants.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Extended Grants

Required Granting Actions: The Compensation Committee or the Board of Directors is required to approve all extensions of grants.

Method for Determining Proper Measurement Dates: Extended grants are a modification of a previous award. Available documentation was used to establish the modification date and to measure the additional compensation charge.

Retention and Off-Cycle Grants

Required Granting Actions: The Compensation Committee is required to approve all retention and off-cycle grants.

Method for Determining Proper Measurement Dates: Refer to the Documentation Hierarchy above. For the February/May 2002 retention grant described below, the former CEO approved the grants to rank and file employees.

New Hire and Promotion Grants

Required Granting Actions: New hire grants and promotion grants made after March 13, 1998 and prior to September 2000 and those made after September 30, 2002 were automatic and did not require the CEO, the Board or the Compensation Committee review or approval. Prior to March 13, 1998, the Compensation Committee was required to approve all new hire and promotion grants. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

The 8,164 grants previously identified as having incorrectly determined measurement dates were classified into the following six categories: (1) 27 grants on 11 dates to persons elected or appointed as members of the Board of Directors (“Director Grants”); (2) 33 grants to executive officers (“Executive Grants”); (3) 2,908 grants to employees issued after an acquisition, newly hired employees and promoted employees under the new hire and promotion grants program described below (“New Hire and Promotion Grants Program”), and other grants to a large number of non-executives; (4) 4,226 grants made in broad-based awards to large numbers of employees, usually on an annual basis (“Annual Refresh Grants”); (5) 964 off-cycle performance grants; and (6) 6 grants whereby the expiration dates were extended ("Extended Grants"). All references to the number of option shares, option exercise prices, and share prices have been adjusted for all subsequent stock splits.

As discussed below, it was determined that the originally assigned grant dates for 8,164 grants were not ascribed the proper measurement dates for accounting purposes. Accordingly, after accounting for forfeitures, stock-based compensation expense of $171.4 million on a pre-tax basis was recognized over the respective awards' vesting terms for the periods from 1998 to 2006. As noted below, we also considered alternative measurement dates for eight grant dates which, if applied, would have resulted in additional stock-based compensation expense of approximately $25.7 million. The adjustments made to reflect the proper measurement dates for accounting purposes and the financial statement impact of the alternative measurement dates considered by us, were determined by category as follows:

Director Grants: 64 director grants were made on 36 dates during the relevant period. Of the 64 grants, there were 27 grants to directors for which it was determined that the originally determined grant dates preceded or succeeded the measurement dates, 11 grants were in excess of plan parameters, and some of the dates were selected in hindsight based on an advantageous share price. Of the 27 grants with measurement date issues, 26 of the grants involved periods of 5 days or less and resulted in a stock-based compensation expense of less than $100,000 in the aggregate. Revisions to measurement dates for Director grants were made where the wrong date was selected based on the requirements of the Director plan and where incorrect start dates were used for the date the Director joined the Board of Directors. The excess grants have been historically honored by us. As a result, $0.3 million of stock-based compensation expense was recognized.

Executive Officer Grants: It was determined that for 33 of the grants to executive officers, the originally determined grant dates preceded the measurement dates or the grant dates and exercise prices were subsequently changed. Some of these dates were selected in hindsight based on an advantageous share price. As the stock prices on the originally determined grant dates were lower than the stock prices on the proper measurement date, $28.1 million of stock-based compensation expense was recognized. The revised measurement dates for various executive officer grants were based on Compensation Committee meeting dates, signed UWCs, delayed CEO approval, and for one date the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. We also considered an alternative measurement date for one grant date which would have increased the compensation expense by approximately $130,000 for that grant. The authority for 21 grants, which have been historically honored by us, is based on the CEO's presumed authority.

New Hire and Promotion Grants Program: We concluded that the new hire and promotion grants made pursuant to the New Hire and Promotion Grants Program within the pre-established guidelines did not require an adjustment, with the exception of the grants made from September 1, 2000 to September 30, 2002. For the 1,728 grants made during that time period, management concluded that the measurement dates occurred only on the dates of the CEO approval. Due to practical difficulties in ascertaining the actual dates of the CEO approval for many new hire and promotion grants in that time period, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The incremental stock-based compensation expense associated with the New Hire and Promotion Grants during the relevant period was $11.9 million.

Acquisition Grants: After the consummation of certain acquisitions, we granted stock options to employees of the acquired entities. It was determined that the measurement dates for 1,180 option grants required revision because the stated grant dates preceded the proper measurement dates and the approval authority was based on CEO approval. Some of these dates were chosen in hindsight based on an advantageous share price. Of the 1,180 grants, 1,048 grants were extinguished as part of our exchange program which commenced in November 2002. Due to issues associated with the measurement dates for the acquisition grants, $36.2 million of additional stock-based compensation expense was recognized during the relevant period. We also considered an alternative measurement date for three different acquisition grant dates which, if they had been used, would have increased the compensation expense by approximately $675,000.

Annual Refresh Grants: During the relevant period, 3,782 broad-based grants were made to employees under an annual program (the "Refresh Grants") for which the originally assigned grant dates were not the proper measurement dates. Some of these dates were chosen in hindsight based on an advantageous share price, and the authority for some of the Refresh Grants was the CEO's presumed authority. For one of the annual Refresh Grants which occurred in August 2000, there was conflicting documentation and inconclusive evidence with respect to the measurement date. It was determined that the most appropriate measurement date, due to the lack of affirmative evidence otherwise, was the date on which the number of options and exercise price were entered into Equity Edge, and based on that date, $19.2 million of stock-based compensation expense was recognized in the period 2000 to 2002. These grants were extinguished in December 2002 as part of our exchange program which commenced in November 2002. We did not approve or process any stock option grants to existing employees during the period of the tender offer or agree or imply that we would compensate employees for any increases in the market price during the tender period. The Review also determined that the annual refresh grants for the years 1999, 2001, 2004, and a portion of the 2003 grant had a measurement date that was later than the date that was originally used. In these cases, where the measurement dates were revised, the authority for the grants varied and included new dates based on UWCs by the Compensation Committee or approvals by the CEO. Where approval was not determinable based on the above, we utilized the date on which the number of options and exercise price were entered into Equity Edge. Due to the errors in measurement dates associated with the annual refresh grants, stock-based compensation expense of $55.1 million was recognized. We also considered alternative measurement dates for two Refresh Grants which did not create additional compensation charge where one alternative measurement date had a lower price than the original grant date and the options for the second alternative measurement date were cancelled prior to the one-year cliff vesting date.

Off-Cycle Performance Grants: There were 964 performance grants made to employees on March 15, 2001 and October 1, 2003. These dates were chosen in hindsight based on an advantageous share price, and the authority for these grants was the CEO's de facto authority. The revised measurement dates were based on the dates of the UWC for the March 15, 2001 grant and e-mail correspondence for the October 1, 2003 grant. Due to the errors in measurement dates associated with the off-cycle performance grants, stock-based compensation expense of $5.6 million was recognized. We also considered an alternative measurement date for the October 1, 2003 grant which, if it had been used, would have decreased the compensation expense by approximately $100,000 for that grant.

Extended Grants: During the relevant period, there were 6 stock option extensions (including one to the former CEO described below) whereby an option was extended beyond its expiration or termination date and for which a compensation charge had not been recorded. As a result, $2.1 million of stock-based compensation expense was recognized.

The former CEO received certain options from Network Solutions, Inc. ("NSI") in his capacity as a NSI director prior to our acquisition of NSI. Upon receiving legal advice, management extended the term of those options beyond their original expiration date. The former CEO exercised those options on May 24, 2002. The Ad Hoc Group reviewed the extension of these options and determined that the legal advice was incorrect and that the options should not have been extended. Upon learning of this determination in January 2007, the former CEO voluntarily paid $174,425 to us, reflecting the after-tax net profit he received from the exercise of those options.

2002 Retention Grants: Between February and May 2002, the Compensation Committee considered special option grants as a retention incentive for executive officers and other executives and key employees, since in many cases the exercise prices of options previously granted to these individuals were significantly above the then current market price for shares of our common stock. These retention grants are summarized as follows:

Grants to Executive Officers and Other Executives: We determined that 68 grants of options for a total of 4,631,000 shares to executive officers and other executives were finalized on April 10, 2002 rather than the stated grant date of February 21, 2002. The Review Team was unable, after review of detailed documentation, including multiple draft versions of the February 12, 2002 Compensation Committee minutes, approval forms (which were undated) and email correspondence, to affirmatively determine when the grants to executive officers and other executives were approved. In accordance with our measurement date hierarchy for grants described above, we determined that April 10, 2002 was the correct measurement date because that was the date that other grants, including certain executive grants, were entered into Equity Edge. The grant price as of the measurement date was $23.74, the closing market price of our stock on April 10, 2002. Because the stated exercise price of the grants was set based on the closing market price on February 21, 2002 of $22.71 and preceded the measurement date, an incremental $1.3 million of stock-based compensation expense was recognized.

We also determined that the Compensation Committee repriced 1,870,000 of these options on May 24, 2002, with an exercise price of $10.08, the closing market price of our stock on May 24, 2002. We determined that these grants were a reprice based on a UWC of the Compensation Committee. The accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. In accordance with FIN 44 and after applying variable accounting, we recognized incremental stock-based compensation expense of approximately $15.8 million, net of reversals, for the periods between 2002 and 2006. Had we considered an alternative measurement date between the periods from February 13, 2002 through April 25, 2002, compensation expense would have increased by up to $25.0 million for these grants.

Grants to Employees: Broad-based employee grants were also considered during the February to May 2002 period. The Review Team determined that the CEO, under his presumed authority, approved 305 broad-based employee grants on or about March 20, 2002 with a grant price of $26.42, the closing market price of our stock on that date. These awards were communicated shortly thereafter to the employees. We determined that March 20, 2002 was a definitive measurement date for the awards to the employees.

The grants to employees previously approved by the CEO on March 20, 2002 were submitted for approval to the Compensation Committee as evidenced in a UWC dated May 24, 2002. The Compensation Committee approved the 305 employee grants with an exercise price of $10.08, the market value of our common stock on May 24, 2002. Therefore the employee awards were re-priced on that date. Although the awards had been communicated to the employees and disclosed in our Form 10-Q for the first quarter of 2002, the accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $6.6 million, net of reversals of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Retention Grants to our former CEO: In the February 12, 2002 Compensation Committee meeting, the Committee considered the number and vesting period of a proposed option award to the CEO. The Review Team found multiple draft versions of the minutes for the February 12, 2002 meeting of the Compensation Committee and concluded that the signed minutes were inaccurate. Attendees at the meeting have different recollections of the business conducted. One draft, unapproved version of those minutes, stated the number of options to be awarded to the CEO was 1,200,000, while the signed version of the minutes approved by the members of the Compensation Committee in late May 2002 stated that the number of options to be awarded was 600,000. Both versions of the minutes stated that the grant date and the exercise price was February 21, 2002 and $22.71. The minutes of a Board meeting held on February 12, 2002, after the Compensation Committee meeting, also indicate that the CEO was awarded 1,200,000 options at the February 12, 2002 Compensation Committee meeting.

We have determined that the measurement date for the 1,200,000 options to the CEO was February 12, 2002 with a grant price of $26.31, the closing market price of our stock on that date, and that the options were repriced on February 21, 2002 with a grant price of $22.71, the closing market price of our stock on that date. Subsequently, 600,000 options of the 1,200,000 options were repriced on May 24, 2002 with a grant price of $10.08, the closing market price of our stock on that date. The accounting impact of the repricings was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately

$7.5 million, net of reversals, of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Actions Taken by the Board with respect to Grants: As part of the Review, the Board of Directors confirmed all option grants (including those to our former CEO and CFO) that the Review Team concluded had authority issues as legally binding and enforceable obligations of ours as of the date of such grant. In addition, the Board of Directors decided to modify the following grants to the former CEO and CFO in 2007 and no reversal of compensation expense was recorded for these negative modifications in the financial statements.

Former CEO: An option grant to the former CEO of 100,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CEO: The February 2002 option grant to the former CEO of 600,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $26.31.

Former CFO: An option grant to the CFO of 25,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CFO: An option grant to the CFO of 125,000 shares originally dated August 1, 2000 at an exercise price of $151.25 was modified to a new exercise price of $165.22.

Former CFO: An option grant to the CFO of 40,000 shares originally dated March 15, 2001 at an exercise price of $34.438 was modified to a new exercise price of $42.26. The CFO's 409A tax election described below modified 1,667 of these options and the Board of Directors determined to modify the remaining 38,333 options.

Former CFO: A grant to the CFO of 90,000 shares originally dated September 6, 2001 at an exercise price of $34.16 was modified to a new exercise price of $38.30. The CFO's 409A tax election described below modified 11,250 of these options and the Board of Directors determined to modify the remaining 78,750 options.

Former CFO: The February 2002 option grant to the CFO of 100,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $23.74.

Other: We and the Review Team also determined that the former CEO received an option grant in October 1998 for 100,000 shares (95,928 non-qualified stock options ("NQSOs") and 4,072 incentive stock options ("ISOs"), which split to options for 200,000 shares in May 1999 and then split again to options for 400,000 shares in November 1999 when we announced a stock split during those respective periods. The account statements and monthly reporting statements for November 1 and December 1, 2000 showed that the former CEO held options for 400,000 shares at the split-adjusted price of $7.67. However, the Ad Hoc Group determined that sometime between December 1, 2000 and January 1, 2001, we erroneously changed the former CEO's options to reflect the pre-split amount of 100,000 shares instead of 400,000 shares, but at the post-split price of $7.67. The error was never subsequently corrected. Therefore, the former CEO did not receive the benefit of the additional 300,000 options arising from the two stock splits, which expired in 2005. Based on a determination by the Board of Directors after the Ad Hoc Group's Review in May 2007, we have agreed to pay the former CEO $5,459,430, reflecting the gain he would have realized from the exercise of these options prior to their expiration, based on the weighted-average price of stock options exercised by the former CEO in August 2005.

The other principal factual findings of the Review included the following:

- The human resources, accounting, and legal departments failed to implement appropriate processes and controls. During 2000 through 2003, the option grant process was characterized by a high degree of informality and relatively little oversight.
- The Review found no evidence that accounting personnel were aware of the deficient practices used in selecting grant dates.

- The Review found instances of incomplete and inaccurate corporate records, including two sets of Committee minutes that were inaccurate.
- The Review found no evidence of fictitious individuals being granted options.
- Options found to be misdated, have a date chosen in hindsight based on an advantageous share price, repriced, or unauthorized with a stated exercise price lower than the share price at the actual approval date will result in adverse tax consequences to the recipients and us.
- In light of the Review’s other findings, our disclosures related to option grants were inaccurate in some respects.

The principal recommendations of the Ad Hoc Group’s Review included the following:

- The Board or the Compensation Committee should approve all grants that the Review found to be unauthorized, with the exception of certain grants made to our former CEO and CFO. The Board or the Compensation Committee should consider whether to cancel or request forfeiture of any options granted to the former CEO and CFO that were determined to be unauthorized, misdated, have a date chosen in hindsight based on an advantageous share price, or repriced, and then should consider the appropriate equity compensation for these officers for the periods covered by the Review.
- We should develop and implement detailed written grant policies.
- We should designate individuals in the legal and accounting departments to oversee the documentation of and accounting for option grants.
- We should develop and implement improved training and controls relating to option granting practices to ensure that all personnel involved in the granting and administration of stock options understand the relevant option plans and accounting, tax, and disclosure requirements.
- We should award regular grants (new hire, promotion, and annual performance) at predetermined dates and with all approvals documented and finalized on those dates.

The Board has adopted all of the Review’s findings and recommendations. We, under the direction of the Audit Committee and the Compensation Committee, and with the assistance of PricewaterhouseCoopers LLP, have implemented or are in the process of implementing the recommendations.

Based on the results of the Review, we has recorded additional non-cash stock-based compensation expense (benefit) net of related income tax effects related to past stock option grants of $1.5 million for the first quarter ended March 31, 2006, ($21.6 million) and $36.9 million in fiscal years 2005 and 2004, respectively. These adjustments were recorded based on the evidence and findings from the Ad Hoc Group’s review, including analysis of the measurement dates for the 8,164 stock option grants made on 41 dates during the relevant period that the Review determined were incorrect.

The incremental impact from recognizing stock-based compensation expense resulting from the Ad Hoc Group's Review of past stock option grants is as follows (dollars in thousands):

Fiscal Year	As Restated	As Previously Reported	Pre-Tax Expense (Income) Adjustments	After Tax (Income) Expense Adjustments
1998	$ 1,288	$ 1,280	$ 8	$ 8
1999	7,057	104	6,953	6,953
2000	24,814	1,722	23,092	23,092
2001	42,500	7,803	34,697	34,697
2002	70,066	18,956	51,110	51,110
2003	35,010	7,389	27,621	27,621
Total 1998 – 2003 impact	180,735	37,254	143,481	143,481
2004	46,835	3,136	43,699	36,873
2005 (2)	(10,588)(2)	6,312	(17,670)	(21,560)
2006 (1)	66,285	64,438	1,847(1)	1,532(1)
Total	$ 283,267	$ 111,140	$ 171,357	$ 160,326

(1) Pre-tax expense adjustments are through March 31, 2006 and represent amounts being reported pursuant to FAS123R whereas all other amounts are reported pursuant to APB 25.
(2) Includes $0.8 million of other stock-based compensation adjustments that were unrelated to past stock option grants.

Additionally, the pro forma expense under SFAS No. 123 in Note 1 in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q has been restated to reflect the impact of these adjustments for the three and six months ended June 30, 2005.

As noted above we considered alternative measurement dates for eight grants which, if applied, would have resulted in additional stock-based compensation of approximately $25.7 million. With the exception of these eight grants, there was no uncertainty on the measurement date for option grants. The table below shows what the incremental impact to stock-based compensation expense would have been by category of grant had these alternative measurement dates been applied (in thousands):

Category	Pre-Tax Expense (Income)
Director Grants	$ —
Executive Grants	100
Acquisition Grants	675
Annual Refresh Grants	—
Extended Grants	—
Retention and Off-Cycle Grants	(100)
New Hire and Promotion Grants	—
2002 Retention Grants	25,000
Total	$25,675

Tax Implications

We evaluated the impact of the restatements on our global tax provision and have determined that a portion of the tax benefit relating to stock-based compensation expense formerly associated with stock option deductions is attributable to continuing operations. We identified deferred tax assets totaling $16.3 million at December 31, 2005 which reflect the benefit of tax deductions from future employee stock option exercises. We have not realized this or any other deferred tax asset relating to taxing jurisdictions within the United States as of

December 31, 2005. See Note 15 of Notes to Condensed Consolidated Financial Statements regarding our realization of United States-based deferred tax assets.

We also believe that we should not have taken a tax deduction under Internal Revenue Code (IRC) Section 162(m) in prior years for stock option related amounts pertaining to certain executives. Section 162(m) limits the deductibility of compensation above certain thresholds. As a result, our tax net operating losses associated with the stock option intra-period allocation have decreased by $12.6 million. We continue to apply a valuation allowance to our tax net operating losses relating to stock options exercised prior to the adoption of SFAS No. 123R, *"Share-Based Payment."* Pursuant to Footnote 82 of SFAS No. 123R, we recognize financial statement benefit of these tax net operating losses when such losses reduce cash taxes paid.

Section 409A of the Internal Revenue Code ("Section 409A") imposes significant penalties on individual income taxpayers who were granted stock options that were unvested as of December 31, 2004 and that have an exercise price of less than the fair market value of the stock on the date of grant ("Affected Options"). These tax consequences include income tax at vesting, an additional 20% tax and interest charges. In addition, the issuer of Affected Options must comply with certain reporting and withholding obligations under Section 409A.

These adverse tax consequences may be avoided for unexercised Affected Options if the exercise price of the Affected Option is adjusted to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). Under Treasury regulations, Affected Options held by executive officers or directors were to be amended on or before December 31, 2006 to avoid the adverse tax consequences of Section 409A; holders of Affected Options who are not executive officers or directors of us have until December 31, 2007 to amend their Affected Options to avoid the adverse tax consequences of Section 409A. Four of our current and former executive officers and a current director holding Affected Options elected to increase the exercise price of their Affected Options to the market price on December 31, 2006. Effective December 31, 2006, the exercise prices of Affected Options held by D. James Bidzos, a current board member, Dana Evan, former Chief Financial Officer, Robert Korzeniewski, Executive Vice President of Corporate Development, Judy Lin, former Executive Vice President of Security Services and Mark McLaughlin, Executive Vice President of Products, Marketing and Customer Support, were adjusted so that these options will not be subject to Section 409A. We are currently considering actions to avoid or alleviate certain of the adverse tax consequences associated with Affected Options for employees who are not executive officers of ours and whether to offer compensation to the executive officers and director who elected to increase the exercise price of their Affected Options as of December 31, 2006. Should we decide to take actions to avoid or alleviate these adverse tax consequences associated with current and former employees' outstanding Affected Options, we estimate the related compensatory payments would be approximately $11.6 million. In June 2007, we made payments of approximately $0.9 million on behalf of current and former employees who exercised Affected Options in 2006 under the IRS and California Franchise Tax Board 409A Compliance Resolution Programs. We estimate the cost to participate in these compliance resolution programs, including a gross-up payment to the affected employees will be approximately $1.9 million.

PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

VERISIGN, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2006 Unaudited	December 31, 2005 As Restated (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 426,425	$ 476,826
Short-term investments	256,538	378,006
Accounts receivable, net of allowance for doubtful accounts at $18,084 and $11,559 at June 30, 2006 and December 31, 2005, respectively	297,036	279,766
Prepaid expenses and other current assets	226,111	78,008
Deferred tax assets	127,660	15,907
Current assets of discontinued operations	6,397	5,295
Total current assets	1,340,167	1,233,808
Property and equipment, net	583,328	558,272
Goodwill	1,343,866	1,068,963
Other intangible assets, net	328,945	225,302
Restricted cash and investments	51,482	50,972
Long-term note receivable	—	26,419
Long-term deferred tax assets	188,256	—
Other assets, net	22,581	16,985
Total long-term assets	2,518,458	1,946,913
Total assets	$ 3,858,625	$ 3,180,721
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 668,358	$ 567,848
Accrued restructuring costs	5,360	7,440
Deferred revenue	417,580	371,566
Short-term debt	174,000	—
Deferred tax liabilities	1,975	—
Current liabilities of discontinued operations	4,034	6,822
Total current liabilities	1,271,307	953,676
Long-term deferred revenue	144,507	127,175
Long-term accrued restructuring costs	2,693	10,876
Other long-term liabilities	5,841	4,995
Long-term deferred tax liabilities	25,694	19,072
Total long-term liabilities	178,735	162,118
Total liabilities	1,450,042	1,115,794
Commitments and contingencies		
Minority interest in subsidiaries	46,846	41,485
Stockholders' equity:		
Preferred stock—par value $.001 per share		
Authorized shares: 5,000,000		
Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share		
Authorized shares: 1,000,000,000		
Issued and outstanding shares: 242,890,145 and 246,418,940 (excluding 35,427,686 and 28,981,444 shares held in treasury at June 30, 2006 and December 31, 2005, respectively)	243	246
Additional paid-in capital	23,286,439	23,368,460
Unearned compensation	—	(24,199)
Accumulated deficit	(20,915,239)	(21,308,512)
Accumulated other comprehensive loss	(9,706)	(12,553)
Total stockholders' equity	2,361,737	2,023,442
Total liabilities and stockholders' equity	$ 3,858,625	$ 3,180,721

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
Revenues	$ 390,690	$ 434,221	$ 763,508	$ 822,333
Costs and expenses:				
Cost of revenues	147,149	134,430	286,183	256,796
Sales and marketing	93,036	137,164	183,846	262,667
Research and development	31,041	25,234	59,321	44,976
General and administrative	59,381	50,935	119,896	85,730
Restructuring, impairment and other reversals, net	(7,604)	(133)	(4,195)	(4,358)
Amortization of other intangible assets	31,832	24,821	59,832	47,661
Acquired in-process research and development	4,600	4,300	15,500	4,300
Total costs and expenses	359,435	376,751	720,383	697,772
Operating income	31,255	57,470	43,125	124,561
Non-operating income:				
Minority interest	(758)	(1,048)	(1,405)	(2,176)
Other income, net	5,227	13,792	34,103	28,895
Income from continuing operations before income taxes	35,724	70,214	75,823	151,280
Income tax (benefit) expense	(340,972)	34,284	(316,550)	61,480
Net income from continuing operations	376,696	35,930	392,373	89,800
Net income from discontinued operations, net of tax	91	4,310	900	8,409
Net income	$ 376,787	$ 40,240	$ 393,273	$ 98,209
Basic net income per share from:				
Continuing operations	$ 1.54	$ 0.13	$ 1.60	$ 0.35
Discontinued operations	—	0.02	—	0.03
	$ 1.54	$ 0.15	$ 1.60	$ 0.38
Diluted net income per share from:				
Continuing operations	$ 1.52	$ 0.13	$ 1.59	$ 0.34
Discontinued operations	—	0.02	—	0.03
	$ 1.52	$ 0.15	$ 1.59	$ 0.37
Shares used in per share computation:				
Basic	244,744	263,268	245,171	258,694
Diluted	247,252	271,173	247,745	266,427

(1) See Note 2, “Restatement of Condensed Consolidated Financial Statements,” of the Notes to Condensed Consolidated Financial Statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005 As Restated (1)
Cash flows from operating activities:		
Net income	$ 393,273	$ 98,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	49,925	42,582
Amortization of other intangible assets	59,832	47,661
Acquired in-process research and development	15,500	4,300
Provision for doubtful accounts	652	2,489
Stock-based compensation and other	32,825	(3,704)
Restructuring, impairment and other reversals, net	(4,195)	(4,358)
Net gain on sale and impairment of investments	(21,246)	(96)
Minority interest	1,405	2,176
Tax benefit associated with stock options	—	16,337
Deferred income taxes	(295,788)	(7,025)
Loss on disposal of property and equipment	—	186
Changes in operating assets and liabilities:		
Accounts receivable	43,359	(82,065)
Prepaid expenses and other current assets	(91,495)	(56,953)
Accounts payable and accrued liabilities	(6,781)	99,825
Deferred revenue	61,040	60,780
Net cash provided by operating activities	238,306	220,344
Cash flows from investing activities:		
Purchases of investments	(536,063)	(204,065)
Proceeds from maturities and sales of investments	656,142	178,091
Purchases of property and equipment	(103,569)	(52,238)
Cash paid in business combinations, net of cash acquired	(422,787)	(26,218)
Net proceeds received on long-term note receivable	47,786	17,213
Other assets	(2,851)	(3,313)
Net cash used in investing activities	(361,342)	(90,530)
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	39,424	35,898
Change in net assets of subsidiary	247	165
Repurchase of common stock	(135,000)	(42,432)
Proceeds from drawdown of credit facility, net	174,000	—
Debt issuance costs	(3,381)	—
Repayment of long-term liabilities	(1,680)	(1,100)
Net cash provided by (used in) financing activities	73,610	(7,469)
Effect of exchange rate changes on cash and cash equivalents	1,149	(3,407)
Net (decrease) increase in cash and cash equivalents	(48,277)	118,938
Cash and cash equivalents at beginning of period	478,660	330,641
Cash and cash equivalents at end of period	430,383	449,579
Cash and cash equivalents of discontinued operations	(3,958)	(1,863)
	$ 426,425	$ 447,716
Cash flows from discontinued operations:		
Net cash provided by operating activities	$ 2,124	$ 11,583
Supplemental cash flow disclosures:		
Cash paid for income taxes, net of refunds received	$ 11,702	$ 14,849

(1) See Note 2, “Restatement of Condensed Consolidated Financial Statements,” of the Notes to Condensed Consolidated Financial Statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying condensed consolidated financial statements have been prepared by VeriSign, Inc. and its subsidiaries ("VeriSign" or the "Company") in accordance with the instructions for Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative, nor comparable to the results of operations for any other interim period or for a full fiscal year. These condensed consolidated financial statements and the accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2006 included in the 2006 Annual Report on Form 10-K to be filed with the SEC (the "2006 Form 10-K).

Reclassifications

VeriSign accounted for the November 2005 sale of its payment gateway business as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144, ("SFAS 144"), *Accounting for the Impairment or Disposal of Long Lived Assets*. Accordingly, the condensed consolidated financial statements have been reclassified for all periods presented to reflect its payment gateway business as discontinued operations. Unless noted otherwise, discussions in the Notes to condensed consolidated financial statements pertain to continuing operations.

Stock-based Compensation

Prior to January 1, 2006, VeriSign accounted for stock-based awards under the intrinsic value method, which followed the recognition and measurement principles of Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees* and related interpretations. The intrinsic value method of accounting resulted in compensation expense for restricted stock awards at fair value on date of grant based on the number of shares granted and the quoted price of the Company's common stock, and for stock options to the extent option exercise prices were set below market prices on the date of grant. To the extent stock awards were forfeited prior to vesting, the corresponding previously recognized expense was reversed as an offset to operating expenses.

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R ("SFAS 123R"), *Share-Based Payment*. SFAS 123R replaced SFAS No. 123 ("SFAS 123"), *Accounting for Stock-Based Compensation* and superseded APB 25. VeriSign elected the modified prospective application method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. For stock-based awards granted on or after January 1, 2006, the Company will amortize stock-based compensation expense on a straight-line basis over the requisite service period, which is the vesting period. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period under the pro forma provisions of SFAS 123.

VeriSign recognized incremental stock-based compensation expense of $12.6 million and $23.1 million during the three and six months ended June 30, 2006, respectively, as a result of the adoption of SFAS 123R. See Note 3, "Stock-Based Compensation" for further information regarding stock-based compensation assumptions and expenses.

The Financial Accounting Standards Board's ("FASB") Staff Position No. 123R-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards* ("FSP 123R-3"), provides an elective method for calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R. FSP 123R-3 provides that an entity may make a one-time election to adopt the transition method. An entity may take up to one year from its initial adoption of SFAS 123R to make the election. During the second quarter of 2006 VeriSign elected the short-cut transition method described in FSP 123R-3, and analyzed its effect on the Company's Condensed Consolidated Financial Statements for the periods presented. The election of the transition method did not have a material impact on VeriSign's Condensed Consolidated Financial Statements.

The following table illustrates the effect on net income and net income per share on the Company's Condensed Consolidated Statements of Income, if VeriSign had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Three months ended June 30, 2005 As Restated (1)	Six months ended June 30, 2005 As Restated (1)
	(In thousands, except per share data)	
Net income, as reported	$ 40,240	$ 98,209
Add (deduct): Amortization of (credit for) stock-based compensation, net of tax	2,236	(2,928)
Deduct: Stock-based compensation determined under the fair value method for all awards, net of tax	(17,996)	(35,544)
Pro forma net income	$ 24,480	$ 59,737
Earnings per share:		
Basic:		
As reported	$ 0.15	$ 0.38
Pro forma stock-based compensation	(0.06)	(0.15)
Pro forma net income per share	$ 0.09	$ 0.23
Diluted:		
As reported	$ 0.15	$ 0.37
Pro forma stock-based compensation	(0.06)	(0.15)
Pro forma net income per share	$ 0.09	$ 0.23

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Critical accounting policies and significant management estimates

The Company's Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. Management bases its estimates and judgments on historical experience, market trends, and other factors that are believed to be reasonable under the circumstances. These estimates form the basis for judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from what the Company anticipates, and different assumptions or estimates about the future could change its reported results. Management believes critical accounting policies as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2006 reflect the more significant judgments and estimates used in preparation of its financial statements.

Note 2. Restatement of Condensed Consolidated Financial Statements

In this Form 10-Q, the Company is restating its condensed consolidated balance sheet as of December 31, 2005, the related consolidated statements of income for the three and six months ended June 30, 2005, and condensed consolidated statements of cash flows for the six months ended June 30, 2005. In the Company's Form 10-K for the year ended December 31, 2006 to be filed with the Securities and Exchange Commission (the "2006 Form 10-K"), the Company is restating its consolidated balance sheet as of December 31, 2005 and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for the years ended December 31, 2005 and 2004, and the related quarters for 2005.

The decision to restate was based on the results of an independent review (the "Review") into the Company's historical stock option granting practices that was conducted under the direction of an ad hoc group of VeriSign's independent directors who had not served on the Company's Compensation Committee before 2005 ("Ad Hoc Group").

Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

On June 27, 2006, the Company announced that it had received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to VeriSign's stock option grants and practices dating back to January 1, 1995, and had received an informal request for information from the Securities and Exchange Commission ("SEC") related to VeriSign's stock option grants and practices. On February 9, 2007, the Company subsequently received a formal order of investigation from the SEC.

On November 21, 2006, VeriSign announced that the Ad Hoc Group had determined the need to restate VeriSign's historical financial statements to record additional non-cash, stock-based compensation expense related to past stock option grants.

On March 30, 2007, the Company requested guidance from the Office of the Chief Accountant of the SEC (the "OCA") concerning certain accounting issues relating to the restatement of its historical financials and the Review. On June 25, 2007, the OCA and the Company concluded their discussions regarding these accounting issues.

The Ad Hoc Group with the assistance of Cleary Gottleib began reviewing the facts and circumstances of the timing of VeriSign's historical stock option grants for the period from January 1998 through May 2006. The Company announced on January 31, 2007 that the Ad Hoc Group's Review was substantially completed and that, based on a review of the totality of evidence and the applicable law, the Review's report did not find intentional wrongdoing by any current member of the senior management team or the former CEO. The Ad Hoc Group's Review concluded that the Company failed to implement appropriate processes and controls for granting, accounting for, and reporting stock option grants and that corporate records in certain circumstances were incomplete or inaccurate.

The Review Team examined all grants to Section 16 officers and directors during the relevant period, as well as 7 annual performance grants to rank and file employees and 179 acquisition, new hire and promotion, and other grants to rank and file employees on 239 dates from January 1998 through January 2006.

The Review Team identified 8,164 stock option grants made on 41 dates during the relevant period for which measurement dates were incorrectly determined. The measurement dates required revision because the stated date either preceded or was subsequent to the proper measurement date and the stock price on the stated date was generally lower than the price on the proper measurement date. In several instances, the Review Team also determined that the stock price assigned on the initial grant dates was subsequently modified, without being given the required accounting and disclosure treatment.

As part of the restatement, the grants during the relevant period were organized into categories based on grant type and process by which the grant was finalized. The evidence related to each category of grant was analyzed including, but not limited to, electronic and physical documents, document metadata, and witness interviews. Based on the relevant facts and circumstances, and consistent with the accounting literature and recent guidance from the SEC, the controlling accounting standards were applied to determine, for every grant within each category, the proper measurement date. If the measurement date was not the originally assigned grant date, accounting adjustments were made as required, resulting in stock-based compensation expense and related income tax effects.

Measurement Date Hierarchy

The Company has adopted the following framework for determining the measurement dates of its stock option grants and has applied this framework to each grant based on the facts, circumstances and availability of documentation.

- The Company reviewed the date of the minutes of the Board of Directors or Compensation Committee meetings for grants made at such meetings when the number of options and exercise price for each recipient had been clearly approved. Where the Review Team determined that the meeting date was not the measurement date, the Review Team determined the actual date of approval of the grant via other documentary evidence and interviews.
- When a grant was approved by unanimous written consent (“UWC”), the measurement date was the date of the Compensation Committee’s approval of the UWC as established by available evidence, such as receipt of signature pages of the UWC, contemporaneous telephone and/or e-mail communications.
- If a grant was approved by the CEO under authority delegated by the Compensation Committee, the measurement date was the date on which the CEO communicated approval to the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- If a grant was approved by the CEO based on the mistaken belief that he had delegated authority to do so (de facto or “substantive” authority), the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- In the event the date on which the CEO communicated approval was not evident from the approval forms, the measurement date was the date on which other available evidence, such as the surrounding e-mail communications, established the date the CEO approved the grant.
- In the event the date of CEO approval could not be established by reviewing other available evidence, such as e-mails, the measurement date was the date on which the number of options and exercise price were entered into the Company’s option tracking database (Equity Edge).
- Except for grants to Section 16 officers which require Compensation Committee approval, for new hire grants and promotion grants , prior to March 13, 1998, the measurement date was the date the Compensation Committee approved the grant (as described above). For new hire grants and promotion grants after March 13, 1998 and prior to September 2000 and after September 30, 2002, the measurement date was the 15th day or the last day of the month (or the prior business day if that day was not a business day) following the actual and documented start date or promotion date of the respective employee receiving the grant. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval. For new hire grants and promotion grants in the period September 1, 2000 through September 30, 2002, the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price. If that date could not be determined, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge.

After determining the measurement date through the steps in the above Measurement Date Hierarchy, the Company then determined if there were any changes to the individual recipients, exercise prices or amount of shares granted after such measurement date. If there were no changes following such measurement date, that date would be used. If the Company identified changes following such measurement date, then the Company would evaluate whether the changes should delay the measurement date for the entire list of grants on that date, result in a repricing, or result in separate accounting for specific grants.

Director Grants

Required Granting Actions: Grants to directors under the 1998 Director Plan (the "Director Plan") were automatic and non-discretionary; the Director Plan did not require the CEO, the Board or the Compensation Committee to review or approve director grants. Each new director received an initial grant of a specified number of options on the date of his or her appointment and annually on the anniversary of the initial grant to be priced on the appointment or anniversary date, respectively. Directors serving before the Director Plan was adopted received an annual grant on the anniversary of their previous grant.

Method for Determining Proper Measurement Dates: For the initial grant, the measurement date was the date the director was appointed to the Board, as reflected in Board minutes. In the absence of Board minutes, the measurement date was the date specified in the proxy statement or, if not clear, the date of the first Board meeting attended by the new director. For anniversary grants, the measurement date was the annual anniversary of the initial grant (or the next business day if such date was not a business day).

Executive Grants

Required Granting Actions: The Compensation Committee is required to approve all grants to executive officers. For grants to the former CEO, the Review Team concluded that, in all but three cases (including the February 2002 grant described below), the Compensation Committee or the Board of Directors approved the grant on the stated grant date, resulting in a correct measurement date.

Method for Determining Proper Measurement Dates: For grants other than the February/May 2002 grant described below, including the other two grants to the former CEO referred to above, please refer to the Measurement Date Hierarchy above.

Acquisition Grants

Required Granting Actions: CEO authorization required. The Board of Directors implicitly delegated to the CEO authority to approve grants to employees from acquisitions when the Board approved an acquisition.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Annual Refresh Grants

Required Granting Actions: The Compensation Committee was required to approve all annual refresh grants through and including the 2004 annual refresh grant. In 2005, the Compensation Committee delegated to the CEO the authority to approve rank and file annual refresh grants.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Extended Grants

Required Granting Actions: The Compensation Committee or the Board of Directors is required to approve all extensions of grants.

Method for Determining Proper Measurement Dates: Extended grants are a modification of a previous award. Available documentation was used to establish the modification date and to measure the additional compensation charge.

Retention and Off-Cycle Grants

Required Granting Actions: The Compensation Committee is required to approve all retention and off-cycle grants.

Method for Determining Proper Measurement Dates: Refer to the Documentation Hierarchy above. For the February/May 2002 retention grant described below, the former CEO approved the grants to rank and file employees.

New Hire and Promotion Grants

Required Granting Actions: New hire grants and promotion grants made after March 13, 1998 and prior to September 2000 and those made after September 30, 2002 were automatic and did not require the CEO, the Board or the Compensation Committee review or approval. Prior to March 13, 1998, the Compensation Committee was required to approve all new hire and promotion grants. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

The 8,164 grants previously identified as having incorrectly determined measurement dates were classified into the following six categories: (1) 27 grants on 11 dates to persons elected or appointed as members of the Board of Directors (“Director Grants”); (2) 33 grants to executive officers (“Executive Grants”); (3) 2,908 grants to employees issued after an acquisition, newly hired employees and promoted employees under the new hire and promotion grants program described below (“New Hire and Promotion Grants Program”), and other grants to a large number of non-executives; (4) 4,226 grants made in broad-based awards to large numbers of employees, usually on an annual basis (“Annual Refresh Grants”); (5) 964 off-cycle performance grants; and (6) 6 grants whereby the expiration dates were extended (“Extended Grants”). All references to the number of option shares, option exercise prices, and share prices have been adjusted for all subsequent stock splits.

As discussed below, it was determined that the originally assigned grant dates for 8,164 grants were not ascribed the proper measurement dates for accounting purposes. Accordingly, after accounting for forfeitures, stock-based compensation expense of $171.4 million on a pre-tax basis was recognized over the respective awards’ vesting terms for the periods from 1998 to 2006. The adjustments made to reflect the proper measurement dates for accounting purposes were determined by category as follows:

Director Grants: 64 director grants were made on 36 dates during the relevant period. Of the 64 grants, there were 27 grants to directors for which it was determined that the originally determined grant dates preceded or succeeded the measurement dates, 11 grants were in excess of plan parameters, and some of the dates were selected in hindsight based on an advantageous share price. Of the 27 grants with measurement date issues, 26 of the grants involved periods of 5 days or less and resulted in a stock-based compensation expense of less than $100,000 in the aggregate. Revisions to measurement dates for director grants were made where the wrong date was selected based on the requirements of the Director Plan and where incorrect start dates were used for the date the director joined the Board of Directors. The excess grants have been historically honored by the Company. As a result, $0.3 million of stock-based compensation expense was recognized.

Executive Officer Grants: It was determined that for 33 of the grants to executive officers, the originally determined grant dates preceded the measurement dates or the grant dates and exercise prices were subsequently changed. Some of these dates were selected in hindsight based on an advantageous share price. As the stock prices on the originally determined grant dates were lower than the stock prices on the proper measurement date, $28.1 million of stock-based compensation expense was recognized. The revised measurement dates for various executive officer grants were based on Compensation Committee meeting dates, signed UWCs, delayed CEO approval, and for one date the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The authority for 21 grants, which have been historically honored by the Company, is based on the CEO's presumed authority.

New Hire and Promotion Grants Program: The Company concluded that the new hire and promotion grants made pursuant to the New Hire and Promotion Grants Program within the pre-established guidelines did not require an adjustment, with the exception of the grants made from September 1, 2000 to September 30, 2002. For the 1,728 grants made during that time period, management concluded that the measurement dates occurred only on the dates of the CEO approval. Due to practical difficulties in ascertaining the actual dates of the CEO approval for many new hire and promotion grants in that time period, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The incremental stock-based compensation expense associated with the New Hire and Promotion Grants during the relevant period was $11.9 million.

Acquisition Grants: After the consummation of certain acquisitions, the Company granted stock options to employees of the acquired entities. It was determined that the measurement dates for 1,180 option grants required revision because the stated grant dates preceded the proper measurement dates and the approval authority was based on CEO approval. Some of these dates were chosen in hindsight based on an advantageous share price. Of the 1,180 grants, 1,048 grants were extinguished as part of the Company's exchange program which commenced in November 2002. Due to issues associated with the measurement dates for the acquisition grants, $36.2 million of additional stock-based compensation expense was recognized during the relevant period.

Annual Refresh Grants: During the relevant period, 3,782 broad-based grants were made to employees under an annual program (the "Refresh Grants") for which the originally assigned grant dates were not the proper measurement dates. Some of these dates were chosen in hindsight based on an advantageous share price, and the authority for some of the Refresh Grants was the CEO's presumed authority. For one of the annual Refresh Grants which occurred in August 2000, there was conflicting documentation and inconclusive evidence with respect to the measurement date. It was determined that the most appropriate measurement date, due to the lack of affirmative evidence otherwise, was the date on which the number of options and exercise price were entered into Equity Edge, and based on that date, $19.2 million of stock-based compensation expense was recognized in the period 2000 to 2002. These grants were extinguished in December 2002 as part of the Company's exchange program which commenced in November 2002. The Company did not approve or process any stock option grants to existing employees during the period of the tender offer or agree or imply that it would compensate employees for any increases in the market price during the tender period. The Review also determined that the annual refresh grants for the years 1999, 2001, 2004, and a portion of the 2003 grant had a measurement date that was later than the date that was originally used. In these cases, where the measurement dates were revised, the authority for the grants varied and included new dates based on UWCs by the Compensation Committee or approvals by the CEO. Where approval was not determinable based on the above, the Company utilized the date on which the number of options and exercise price were entered into Equity Edge. Due to the errors in measurement dates associated with the annual refresh grants, stock-based compensation expense of $55.1 million was recognized.

Off-Cycle Performance Grants: There were 964 performance grants made to employees on March 15, 2001 and October 1, 2003. These dates were chosen in hindsight based on an advantageous share price, and the authority for these grants was the CEO's de facto authority. The revised measurement dates were based on the dates of the UWC for the March 15, 2001 grant and e-mail correspondence for the October 1, 2003 grant. Due to the errors in measurement dates associated with the off-cycle performance grants, stock-based compensation expense of $5.6 million was recognized.

Extended Grants: During the relevant period, there were 6 stock option extensions (including one to the former CEO described below) whereby an option was extended beyond its expiration or termination date and for which a compensation charge had not been recorded. As a result, $2.1 million of stock-based compensation expense was recognized.

The former CEO received certain options from Network Solutions, Inc. (“NSI”) in his capacity as a NSI director prior to VeriSign’s acquisition of NSI. Upon receiving legal advice, management extended the term of those options beyond their original expiration date. The former CEO exercised those options on May 24, 2002. The Ad Hoc Group reviewed the extension of these options and determined that the legal advice was incorrect and that the options should not have been extended. Upon learning of this determination in January 2007, the former CEO voluntarily paid $174,425 to VeriSign, reflecting the after-tax net profit he received from the exercise of those options.

2002 Retention Grants: Between February and May 2002, the Compensation Committee considered special option grants as a retention incentive for executive officers and other executives and key employees, since in many cases the exercise prices of options previously granted to these individuals were significantly above the then current market price for shares of VeriSign’s common stock. These retention grants are summarized as follows:

Grants to Executive Officers and Other Executives: The Company determined that 68 grants of options for a total of 4,631,000 shares to executive officers and other executives were finalized on April 10, 2002 rather than the stated grant date of February 21, 2002. The Review Team was unable, after review of detailed documentation, including multiple draft versions of the February 12, 2002 Compensation Committee minutes, approval forms (which were undated) and email correspondence, to affirmatively determine when the grants to executive officers and other executives were approved. In accordance with the Company’s measurement date hierarchy for grants described above, the Company determined that April 10, 2002 was the correct measurement date because that was the date that other grants, including certain executive grants, were entered into Equity Edge. The grant price as of the measurement date was $23.74, the closing market price of the Company’s stock on April 10, 2002. Because the stated exercise price of the grants was set based on the closing market price on February 21, 2002 of $22.71 and preceded the measurement date, an incremental $1.3 million of stock-based compensation expense was recognized.

The Company also determined that the Compensation Committee repriced 1,870,000 of these options on May 24, 2002, with an exercise price of $10.08, the closing market price of the Company’s stock on May 24, 2002. The Company determined that these grants were repriced based on a UWC of the Compensation Committee. The accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. In accordance with FIN 44 and after applying variable accounting, the Company recognized incremental stock-based compensation expense of approximately $15.8 million, net of reversals, for the periods between 2002 and 2006.

Grants to Employees: Broad-based employee grants were also considered during the February to May 2002 period. The Review Team determined that the CEO, under his presumed authority, approved 305 broad-based employee grants on or about March 20, 2002 with a grant price of $26.42, the closing market price of the Company’s stock on that date. These awards were communicated shortly thereafter to the employees. The Company determined that March 20, 2002 was a definitive measurement date for the awards to the employees.

The grants to employees previously approved by the CEO on March 20, 2002 were submitted for approval to the Compensation Committee as evidenced in a UWC dated May 24, 2002. The Compensation Committee approved the 305 employee grants with an exercise price of $10.08, the market value of the Company’s common stock on May 24, 2002. Therefore the employee awards were re-priced on that date. Although the awards had been communicated to the employees and disclosed in the Company’s Form 10-Q for the first quarter of 2002, the accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $6.6 million, net of reversals of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Retention Grants to our former CEO: In the February 12, 2002 Compensation Committee meeting, the Committee considered the number and vesting period of a proposed option award to the CEO. The Review Team found multiple draft versions of the minutes for the February 12, 2002 meeting of the Compensation Committee and concluded that the signed minutes were inaccurate. Attendees at the meeting have different recollections of the business conducted. One draft, unapproved version of those minutes, stated the number of options to be awarded to the CEO was 1,200,000, while the signed version of the minutes approved by the members of the Compensation Committee in late May 2002 stated that the number of options to be awarded was 600,000. Both versions of the minutes stated that the grant date and the exercise price was February 21, 2002 and $22.71. The minutes of a Board meeting held on February 12, 2002, after the Compensation Committee meeting, also indicate that the CEO was awarded 1,200,000 options at the February 12, 2002 Compensation Committee meeting.

The Company has determined that the measurement date for the 1,200,000 options to the CEO was February 12, 2002 with a grant price of $26.31, the closing market price of the Company's stock on that date, and that the options were repriced on February 21, 2002 with a grant price of $22.71, the closing market price of the Company's stock on that date. Subsequently, 600,000 options of the 1,200,000 options were repriced on May 24, 2002 with a grant price of $10.08, the closing market price of the Company's stock on that date. The accounting impact of the repricings was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $7.5 million, net of reversals, of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Actions Taken by the Board with respect to Grants: As part of the Review, the Board of Directors confirmed all option grants (including those to our former CEO and CFO) that the Review Team concluded had authority issues as legally binding and enforceable obligations of the Company as of the date of such grant. In addition, the Board of Directors has decided to modify the following grants to the former CEO and CFO in 2007 and no reversal of compensation expense was recorded for these negative modifications in the financial statements.

Former CEO: An option grant to the former CEO of 100,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CEO: The February 2002 option grant to the former CEO of 600,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $26.31.

Former CFO: An option grant to the CFO of 25,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CFO: An option grant to the CFO of 125,000 shares originally dated August 1, 2000 at an exercise price of $151.25 was modified to a new exercise price of $165.22.

Former CFO: An option grant to the CFO of 40,000 shares originally dated March 15, 2001 at an exercise price of $34.438 was modified to a new exercise price of $42.26. The CFO's 409A tax election described below modified 1,667 of these options and the Board of Directors determined to modify the remaining 38,333 options.

Former CFO: A grant to the CFO of 90,000 shares originally dated September 6, 2001 at an exercise price of $34.16 was modified to a new exercise price of $38.30. The CFO's 409A tax election described below modified 11,250 of these options and the Board of Directors determined to modify the remaining 78,750 options.

Former CFO: The February 2002 option grant to the CFO of 100,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $23.74.

Other: The Company and the Review Team also determined that the former CEO received an option grant in October 1998 for 100,000 shares (95,928 non-qualified stock options ("NQSOs") and 4,072 incentive stock options ("ISOs"), which split to options for 200,000 shares in May 1999 and then split again to options for 400,000 shares in November 1999 when the Company announced a stock split during those respective periods.

The account statements and monthly reporting statements for November 1 and December 1, 2000 showed that the former CEO held options for 400,000 shares at the split-adjusted price of $7.67. However, the Ad Hoc Group determined that sometime between December 1, 2000 and January 1, 2001, the Company erroneously changed the former CEO's options to reflect the pre-split amount of 100,000 shares instead of 400,000 shares, but at the post-split price of $7.67. The error was never subsequently corrected. Therefore, the former CEO did not receive the benefit of the additional 300,000 options arising from the two stock splits, which expired in 2005. Based on a determination by the Board of Directors after the Ad Hoc Group's Review in May 2007, the Company has agreed to pay the former CEO $5,459,430, reflecting the gain he would have realized from the exercise of these options prior to their expiration, based on the weighted-average price of stock options exercised by the former CEO in August 2005.

The other principal factual findings of the Review's report included the following:

- The human resources, accounting, and legal departments failed to implement appropriate processes and controls. During 2000 through 2003, the option grant process was characterized by a high degree of informality and relatively little oversight.
- The Review found no evidence that accounting personnel were aware of the deficient practices used in selecting grant dates.
- The Review found instances of incomplete and inaccurate corporate records, including two sets of Committee minutes that were inaccurate.
- The Review found no evidence of fictitious individuals being granted options.
- Options found to be misdated, have a date chosen in hindsight based on an advantageous share price, repriced, or unauthorized with a stated exercise price lower than the share price at the actual approval date will result in adverse tax consequences to the recipients and the Company.
- In light of the Review's other findings, the Company's disclosures related to option grants were inaccurate in some respects.

Based on the results of the Review, the Company has recorded additional non-cash stock-based compensation expense (benefit) net of related income tax effects related to past stock option grants of $1.5 million for the first quarter ended March 31, 2006, ($21.6 million) and $36.9 million in fiscal years 2005 and 2004, respectively. These adjustments were recorded based on the evidence and findings from the Ad Hoc Group's review, including analysis of the measurement dates for the 8,164 stock option grants made on 41 dates during the relevant period that the Review determined were incorrect.

The incremental impact from recognizing stock-based compensation expense resulting from the Ad Hoc Group's Review of past stock option grants is as follows (dollars in thousands):

Fiscal Year	As Restated	As Previously Reported	Pre-Tax Expense (Income) Adjustments	After Tax (Income) Expense Adjustments
1998	$ 1,288	$ 1,280	$ 8	$ 8
1999	7,057	104	6,953	6,953
2000	24,814	1,722	23,092	23,092
2001	42,500	7,803	34,697	34,697
2002	70,066	18,956	51,110	51,110
2003	35,010	7,389	27,621	27,621
Total 1998 – 2003 impact	180,735	37,254	143,481	143,481
2004	46,835	3,136	43,699	36,873
2005 (2)	(10,588)(2)	6,312	(17,670)	(21,560)
2006 (1)	66,285	64,438	1,847(1)	1,532(1)
Total	$ 283,267	$ 111,140	$ 171,357	$ 160,326

(1) Pre-tax expense adjustments are through March 31, 2006 and represent amounts being reported pursuant to FAS123R whereas all other amounts are reported pursuant to APB25.
(2) Includes $0.8 million of other stock-based compensation adjustments that were unrelated to past stock option grants.

Additionally, the pro forma expense under SFAS 123 in Note 1 in the Notes to Condensed Consolidated Financial Statements of this Form 10-Q has been restated to reflect the impact of these adjustments for the three and six months ended June 30, 2005.

Tax Implications

VeriSign evaluated the impact of the restatements on its global tax provision and has determined that a portion of the tax benefit relating to stock-based compensation expense formerly associated with stock option deductions is attributable to continuing operations. VeriSign identified deferred tax assets totaling $16.3 million at December 31, 2005 which reflect the benefit of tax deductions from future employee stock option exercises. VeriSign has not realized this or any other deferred tax asset relating to taxing jurisdictions within the United States as of December 31, 2005. See Note 15 of Notes to Condensed Consolidated Financial Statements regarding VeriSign's realization of United States-based deferred tax assets.

VeriSign also believes that it should not have taken a tax deduction under Internal Revenue Code (IRC) Section 162(m) in prior years for stock option related amounts pertaining to certain executives. Section 162(m) limits the deductibility of compensation above certain thresholds. As a result, VeriSign's tax net operating losses associated with the stock option intra-period allocation have decreased by $12.6 million. VeriSign continues to apply a valuation allowance to its tax net operating losses relating to stock options exercised prior to the adoption of SFAS 123R, "*Share-Based Payment*." Pursuant to Footnote 82 of SFAS 123R, VeriSign recognizes financial statement benefit of these tax net operating losses when such losses reduce cash taxes paid.

Section 409A of the Internal Revenue Code ("Section 409A") imposes significant penalties on individual income taxpayers who were granted stock options that were unvested as of December 31, 2004 and that have an exercise price of less than the fair market value of the stock on the date of grant ("Affected Options"). These tax consequences include income tax at vesting, an additional 20% tax and interest charges. In addition, the issuer of Affected Options must comply with certain reporting and withholding obligations under Section 409A.

These adverse tax consequences may be avoided for unexercised Affected Options if the exercise price of the Affected Option is adjusted to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). Under Treasury regulations, Affected Options held by an executive officer or directors of VeriSign were to be amended on or before December 31, 2006 to avoid the adverse tax consequences of Section 409A; holders of Affected Options who are not executive officers or directors of VeriSign have until December 31, 2007 to amend their Affected Options to avoid the adverse tax consequences of Section 409A.

Other Matters

As part of the restatement, the Company made other adjustments to previously issued financial statements back to 2002. These adjustments include corrections to revenue, expenses, other income and related income tax adjustments. The adjustments are in addition to the recognition of additional stock compensation expense resulting from the stock option investigation and are fully described in the following restated condensed consolidated balance sheet as of December 31, 2005 and the condensed consolidated statements of income and cash flows for the three and six months ended June 30, 2005.

The following table presents the impact of the financial statement adjustments on the Company's previously reported Condensed Consolidated Balance Sheet as of December 31, 2005:

	December 31, 2005		
	Previously Reported	Adjustments	As Restated (1)
	(In thousands, except share data)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 476,826	$ —	$ 476,826
Short-term investments	378,006	—	378,006
Accounts receivable, net	271,883	7,883(A)	279,766
Prepaid expenses and other current assets	80,079	(2,071)(A)	78,008
Deferred tax assets	16,186	(279)(D)	15,907
Current assets of discontinued operations	5,295	—	5,295
Total current assets	1,228,275	5,533	1,233,808
Property and equipment, net	553,036	5,236(B)	558,272
Goodwill	1,071,910	(2,947)(B)	1,068,963
Other intangible assets, net	225,302	—	225,302
Restricted cash and investments	50,972	—	50,972
Long-term note receivable	26,419	—	26,419
Other assets, net	16,985	—	16,985
Total long-term assets	1,944,624	2,289	1,946,913
Total assets	$ 3,172,899	$ 7,822	$ 3,180,721
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 555,458	$ 12,390(C)	$ 567,848
Accrued restructuring costs	7,440	—	7,440
Deferred revenue	368,413	3,153(A)	371,566
Current liabilities of discontinued operations	6,822	—	6,822
Total current liabilities	938,133	15,543	953,676
Long-term deferred revenue	127,175	—	127,175
Long-term accrued restructuring costs	10,876	—	10,876
Other long-term liabilities	4,995	—	4,995
Long-term deferred tax liabilities	18,560	512(C)	19,072
Total long-term liabilities	161,606	512	162,118
Total liabilities	1,099,739	16,055	1,115,794
Commitments and contingencies			
Minority interest in subsidiaries	41,485	—	41,485
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	246	—	246
Additional paid-in capital	23,205,261	163,199(D)	23,368,460
Unearned compensation	(13,911)	(10,288)(D)	(24,199)
Accumulated deficit	(21,147,368)	(161,144)(D,E)	(21,308,512)
Accumulated other comprehensive loss	(12,553)	—	(12,553)
Total stockholders' equity	2,031,675	(8,233)	2,023,442
Total liabilities and stockholders' equity	$ 3,172,899	$ 7,822	$ 3,180,721

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(A) Adjustment to accounts receivable due to the error related to not properly accounting for insurance revenues after Jamba was acquired. Adjustment to prepaid expenses and other assets was due to the error related to not accounting for software maintenance contracts correctly.

(B) The increase in fixed assets was due to the error in proper accounting treatment for software maintenance contracts. The decrease in goodwill was a result from the understatement of deferred compensation for a 2005 acquisition.

(C) Accounts payable and accrued liabilities increased primarily due to the restatement entries impact from a decrease in income taxes payable which was offset by an increase due to additional liabilities related to the correction of the error with the software maintenance contracts.

(D) The increase additional paid-in-capital was primarily due to the impact of prior period changes to stock-based compensation expenses. The increase to accumulated deficit was primarily due to the impact of prior period changes to stock-based compensation expenses.

(E) Includes prior year's income statement impact of other matters and stock-based compensation.

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The following tables present the impact of the financial statement adjustments on the Company's previously reported Condensed Consolidated Statements of Income:

	Three Months Ended June 30, 2005			Six Months Ended June 30, 2005		
	As Previously Reported	Adjustments	As Restated (1)	As Previously Reported	Adjustments	As Restated (1)
	(In thousands, except share and per share amounts)					
Revenues	$ 430,408	3,813(A)	$ 434,221	$ 817,675	4,658(A)	$ 822,333
Costs and expenses:						
Cost of revenues	134,232	198(B)	134,430	256,620	176(B)	256,796
Sales and marketing	137,203	(39)(B)	137,164	263,384	(717)(B)	262,667
Research and development	24,832	402(B)	25,234	45,031	(55)(B)	44,976
General and administrative	49,675	1,260(B)	50,935	91,774	(6,044)(B)	85,730
Restructuring, impairments, and other reversals	(133)	—	(133)	(2,008)	(2,350)(B)	(4,358)
Amortization of other intangible assets	24,821	—	24,821	47,661	—	47,661
Acquired in-process research and development	4,300	—	4,300	4,300	—	4,300
Total costs and expenses	374,930	1,821	376,751	706,762	(8,990)	697,772
Operating income	55,478	1,992	57,470	110,913	13,648	124,561
Non-operating income Minority interest	(1,048)	—	(1,048)	(2,176)	—	(2,176)
Other income, net	14,084	(292)(C)	13,792	29,361	(466)(C)	28,895
Income from continuing operations before income taxes	68,514	1,700	70,214	138,098	13,182	151,280
Income tax expense	31,568	2,716	34,284	55,992	5,488	61,480
Net income from continuing operations	36,946	(1,016)	35,930	82,106	7,694	89,800
Net income from discontinued operations	4,349	(39)(D)	4,310	8,364	45(D)	8,409
Net income	$ 41,295	(1,055)	$ 40,240	$ 90,470	7,739	$ 98,209
Basic net income per share from:						
Continuing operations	$ 0.14		$ 0.13	$ 0.32		$ 0.35
Discontinued operations	0.02		0.02	0.03		0.03
Net income	$ 0.16		$ 0.15	$ 0.35		$ 0.38
Diluted net income per share from:						
Continuing operations	$ 0.14		$ 0.13	$ 0.31		$ 0.34
Discontinued operations	0.02		0.02	0.03		0.03
Net income	$ 0.15		$ 0.15	$ 0.34		$ 0.37
Shares used in per share computation:						
Basic	263,538		263,268	258,018		258,694
Diluted	272,888		271,173	266,871		266,427

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(A) To properly record $3.8 million in insurance revenues that was incorrectly recorded in the fourth quarter of 2005. Recognition of previously unrecognized revenue related to our Jamba business in EMEA.

(B) A reversal of $2.3 million to restructuring expense was recorded in 2005 to correct a charge that should have been recorded in 2003. The charge was properly recorded in 2003. A net reversal of approximately $6.9 million in stock compensation expense as a result of the restatement. Additional expenses include deferred stock-based compensation for the understatement of expense relating to assumed options from the LightSurf acquisition and additional expenses to correct an accounting error related to software maintenance amortization which was partially offset with a benefit for payroll taxes as a result of the restatement.

(C) Primarily due to a foreign exchange loss that resulted from revenue adjustments to our Jamba business in EMEA.

(D) Additional stock-based compensation expense related to our stock option investigation allocated to discontinued operations and change in the effective tax rate.

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The following tables present the impact of the financial statement adjustments on the Company's previously reported Condensed Consolidated Statements of Cash Flows**:**

	Six Months Ended June 30, 2005		
	As Previously Reported	Adjustments	As Restated (1)
Cash flows from operating activities:			
Net income	$ 90,470	$ 7,739	$ 98,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	42,582		42,582
Amortization of other intangible assets	47,661		47,661
Acquired in-process research and development	4,300		4,300
Provision for doubtful accounts	2,489		2,489
Stock-based compensation expense and other	2,722	(6,426)	(3,704)
Non-cash restructuring, impairments, and other charges (reversals)	146	(2,350)	(2,204)
Net gain on sale and impairment of investments	(96)		(96)
Minority interest	2,176		2,176
Tax benefit associated with stock options	16,337		16,337
Deferred income taxes	(7,115)	90	(7,025)
Loss on disposal of property and equipment	186		186
Changes in operating assets and liabilities:			
Accounts receivable	(77,227)	(4,838)	(82,065)
Prepaid expenses and other current assets	(54,048)	(2,905)	(56,953)
Accounts payable and accrued liabilities	83,386	14,285	97,671
Deferred revenue	59,957	823	60,780
Net cash provided by operating activities	213,926	6,418	220,344
Cash flows from investing activities:			
Purchases of investments	(204,065)		(204,065)
Proceeds from maturities and sales of investments	178,091		178,091
Purchases of property and equipment	(45,820)	(6,418)	(52,238)
Cash paid in business combinations, net of cash acquired	(26,218)		(26,218)
Net proceeds received on long-term note receivable and investment	17,213		17,213
Other assets	(3,268)	(45)	(3,313)
Net cash used in investing activities	(84,067)	(6,463)	(90,530)
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	35,898		35,898
Change in net assets of subsidiary	165		165
Repurchase of common stock	(42,477)	45	(42,432)
Repayment of long-term liabilities	(1,100)		(1,100)
Net cash used in financing activities	(7,514)	45	(7,469)
Effect of exchange rate changes on cash and cash equivalents	(3,407)		(3,407)
Net (decrease) increase in cash and cash equivalents	118,938		118,938
Cash and cash equivalents at beginning of period	330,641		330,641
Cash and cash equivalents at end of period	449,579		449,579
Cash and cash equivalents of discontinued operations	(1,863)		(1,863)
	$ 447,716		$ 447,716
Cash flows from discontinued operations:			
Net cash provided by operating activities	$ 11,583		$ 11,583

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Note 3. Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS 123R. See Note 1 for a description of VeriSign’s adoption of SFAS 123R.

Stock Option Plans

The majority of VeriSign’s stock-based compensation expense relates to stock options. Historically, stock options have been granted to broad groups of employees at most levels on a discretionary basis. In the second quarter of 2006, the Compensation Committee, in consultation with other members of the Company’s Board of Directors, resolved to grant restricted stock units ("RSUs") instead of stock options to employees below the director level. Employees at or above the director level continue to be eligible to receive stock options as well as RSUs. As of June 30, 2006, a total of 61,422,240 shares of common stock were reserved for issuance upon the exercise of stock options and for the future grant of stock options or awards under VeriSign’s equity incentive plans.

On May 26, 2006, the stockholders of VeriSign approved the 2006 Equity Incentive Plan (“2006 Plan”). The 2006 Plan replaces VeriSign’s 1998 Directors Plan, 1998 Equity Incentive Plan, and 2001 Stock Incentive Plan. The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, restricted stock units, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisors. Options may be granted at an exercise price not less than 100% of the fair market value of VeriSign’s common stock on the date of grant. The 2006 Plan is administered by the Compensation Committee of the Board of Directors which may delegate to a committee of one or more members of VeriSign's Board of Directors or VeriSign officers the ability to grant awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. All options have a term of not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over 4 years. The Compensation Committee of the Board of Directors, however, may authorize grants with a different vesting schedule in the future. 27,000,000 shares are authorized and reserved for issuance under the 2006 Plan.

The 2001 Stock Incentive Plan (“2001 Plan”) was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 2001 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 2001 Plan authorized the award of non-qualified stock options and restricted stock awards to eligible employees, officers who are not subject to Section 16 reporting requirements, contractors and consultants. As of June 30, 2006, no restricted stock awards have been made under the 2001 Plan. Options were granted at an exercise price not less than 100% of the fair market value of VeriSign’s common stock on the date of grant. All options were granted at the discretion of the Board and have a term not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. No further options can be granted under the 2001 Plan.

The 1998 Equity Incentive Plan (“1998 Plan”) was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 1998 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 1998 Plan authorized the award of options, restricted stock awards, restricted stock units and stock bonuses. Options were granted at an exercise price not less than 100% of the fair market value of VeriSign’s common stock on the date of grant for incentive stock options and 85% of the fair market value for non-qualified stock options. All options were granted at the discretion of the Board and have a term not greater than 7 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. No further options can be granted under the 1998 Plan.

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

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

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

1998 Employee Stock Purchase Plan

As of June 30, 2006, VeriSign has reserved 17,589,449 shares for issuance under the 1998 Employee Stock Purchase Plan ("Purchase Plan"). Eligible employees may purchase common stock through payroll deductions by electing to have between 2% and 15% of their compensation withheld. Each participant is granted an option to purchase common stock on the first day of each 24-month offering period and this option is automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period and the last day of the applicable purchase period. Offering periods begin on February 1 and August 1 of each year. On January 1 of each year, the number of shares available for grant under the Purchase Plan will automatically be increased by an amount equal to 1% of the outstanding common shares on the immediately preceding December 31.

Stock-based Compensation

On March 29, 2005, the SEC published Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views on a variety of matters relating to stock-based payments. SAB 107 requires stock-based compensation to be classified in the same expense line items as cash compensation. The following table sets forth the total stock-based compensation recognized for the periods presented:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005 As Restated (1)	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005 As Restated (1)
	(In thousands, except per share data)			
Stock-based compensation:				
Cost of revenue	$ 3,411	$ 426	$ 7,310	$ 469
Sales and marketing	3,683	602	7,182	33
Research and development	2,596	866	4,842	439
General and administrative	5,604	1,563	12,498	(5,283)
Total stock-based compensation	$15,294	$ 3,457	$31,832	$ (4,342)
Tax benefit (expense) associated with stock-based compensation expense	3,242	1,200	7,512	(1,541)
Net effect of stock-based compensation expense on net income	$12,052	$ 2,257	$24,320	$ (2,801)
Net effect of stock-based compensation expense on net income per share:				
Basic	$ 0.05	$ 0.01	$ 0.10	$ (0.01)
Diluted	$ 0.05	$ 0.01	$ 0.10	$ (0.01)

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Prior to the adoption of SFAS 123R, the Company presented unearned compensation as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123R, on January 1, 2006 VeriSign reclassified the balance in unearned compensation to additional paid-in capital on its balance sheet.

As of June 30, 2006, total unrecognized compensation cost related to unvested stock options and restricted stock awards was $93.4 million and $9.1 million, respectively, and is expected to be recognized over a weighted-average period of 2.6 years and 3.0 years, respectively. Stock-based compensation cost capitalized as part of property and equipment was $0.4 million and $0.8 million for the three and six months ended June 30, 2006, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Stock options:				
Volatility	36%	64%	37%	71%
Risk-free interest rate	5.03%	3.73%	4.79%	3.67%
Expected term	3.2 years	3.1 years	3.1 years	3.1 years
Dividend yield	zero	zero	zero	zero
Employee Stock Purchase Plan options:				
Volatility	n/a	n/a	39%	47%
Risk-free interest rate	n/a	n/a	4.44%	2.24%
Expected term	n/a	n/a	1.25 years	1.25 years
Dividend yield	n/a	n/a	zero	zero

Under SFAS 123R, VeriSign's expected volatility is based on the combination of historical volatility of the Company's common stock over the period commensurate with the expected life of the options and the mean historical implied volatility from traded options. The risk-free interest rates are derived from the average U.S. Treasury constant maturity rates during the period, which approximate the rate in effect at the time of grant for the respective expected term. The expected terms are based on the observed and expected time to post-vesting exercise and/or cancellation of options. VeriSign does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero. Under SFAS 123R, VeriSign estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest.

General Option Information

The following table summarizes stock option activity for the six months ended June 30, 2006 and for the years ended December 31, 2005 and 2004:

	Six Months Ended June 30, 2006		2005		2004	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	35,638,232	$ 31.51	32,878,169	$ 33.74	31,999,664	$ 36.87
Assumed in business combinations	797,306	1.48	1,645,508	3.71	687,659	4.79
Granted	3,006,413	23.02	10,053,156	25.95	9,156,123	20.20
Exercised	(2,284,963)	12.71	(5,343,504)	11.48	(4,391,205)	11.04
Forfeited	(2,245,956)	49.32	(2,919,635)	35.84	(3,971,347)	46.19
Expired	(511,843)	28.85	(675,462)	126.32	(602,725)	44.62
Outstanding at end of period	34,399,189	30.20	35,638,232	31.51	32,878,169	33.74
Exercisable at end of period	24,415,529	35.14	26,404,992	41.36	17,085,569	48.19
Weighted-average fair value of options granted during the period		$ 7.08		$ 10.80		$ 11.91
Total intrinsic value of options exercised during the period (in thousands)		$ 24,177		$ 78,731		$ 49,580

The following table summarizes information about stock options outstanding as of June 30, 2006:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
$ 0.09 – $ 9.99	2,084,598	4.22 years	$ 3.92	1,060,983	$ 5.17
$ 10.00 – $ 13.78	3,095,619	3.43 years	11.76	2,366,945	11.42
$ 13.79	2,287,961	2.66 years	13.79	2,053,676	13.79
$ 13.80 – $ 19.99	5,393,001	4.30 years	17.14	2,344,089	17.04
$ 20.00 – $ 24.99	6,151,969	4.57 years	22.80	1,224,961	22.68
$ 25.00 – $ 29.99	8,252,821	4.24 years	26.75	8,231,655	26.75
$ 30.00 – $ 39.99	3,095,910	2.41 years	35.03	3,095,910	35.03
$ 40.00 – $ 59.99	1,659,393	4.26 years	53.99	1,659,393	53.99
$ 60.00 – $ 99.99	778,215	1.21 years	81.68	778,215	81.68
$100.00 – $253.00	1,599,702	1.01 years	154.83	1,599,702	154.83
	34,399,189	3.74 years	30.20	24,415,529	35.14

Intrinsic value is calculated as the difference between the market value as of June 30, 2006 and the exercise price of the stock options. The closing price of VeriSign's stock was $23.17 on June 30, 2006, as reported by the NASDAQ Global Select Market. The aggregate intrinsic value of stock options outstanding and stock options exercisable with an exercise price below $23.17 as of June 30, 2006 was $132.8 million and $81.2 million, respectively. The weighted-average remaining contractual life for stock options exercisable at June 30, 2006 was 3.34 years.

The following table summarizes unvested restricted stock award activity for the six months ended June 30, 2006 and for the years ended December 31, 2005 and 2004:

	Six Months Ended June 30, 2006		2005		2004	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Unvested at beginning of period	322,433	$ 27.97	275,000	$ 22.20	150,000	$ 12.88
Granted	83,117	22.69	222,683	25.26	125,000	33.38
Released	(3,126)	33.38	(166,250)	14.88	—	—
Forfeited	(22,903)	26.35	(9,000)	26.40	—	—
Unvested at end of period	379,521	26.87	322,433	27.97	275,000	22.20

Upon exercise of stock options or vesting of restricted stock awards, VeriSign will issue common stock. To cover the minimum statutory tax withholding requirements, the Company will place a sufficient portion of vested restricted stock awards into treasury and make a cash payment to the Internal Revenue Service and state tax authorities to cover the applicable withholding taxes.

Stock Option Acceleration

On December 29, 2005, the Board of Directors of VeriSign approved the acceleration of the vesting of unvested and "out-of-the-money" stock options that had an exercise price per share in excess of $24.99, all of which were previously granted under VeriSign's stock option plans and that were outstanding on December 29, 2005. Options to purchase approximately 8.8 million shares of common stock or 47% of the total outstanding unvested options on December 29, 2005 were subject to the acceleration. The options accelerated included certain options previously granted to executive officers and directors of VeriSign.

The acceleration was accompanied by restrictions imposed on any shares purchased through the exercise of accelerated options. Those restrictions will prevent the sale of any such shares prior to the date such shares would have originally vested had the optionee been employed on such date (whether or not the optionee is actually an employee at that time).

The purpose of the accelerated vesting was to enable the Company to reduce compensation expense associated with these options in future periods, beginning with the first quarter of 2006, in its condensed consolidated financial statements, pursuant to SFAS 123R. The acceleration of the vesting of these options did not result in a charge to expenses in 2005.

Note 4. Business Combinations

m-Qube

On May 1, 2006, VeriSign completed its acquisition of m-Qube, Inc. ("m-Qube"), a Watertown, Massachusetts-based privately held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services. VeriSign's purchase price of $269.2 million for all of the outstanding capital stock and vested options of m-Qube consisted of approximately $266.0 million in cash consideration and $2.4 million in direct transaction costs. VeriSign also assumed $0.8 million of unvested stock options of m-Qube. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. m-Qube's results of operations have been included in the Condensed As a result of the acquisition of m-Qube, VeriSign recorded goodwill of $160.0 million and other intangible assets of $98.2 million, which have been assigned to the Communications Services Group segment.

The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to provide an end-to-end technology platform, carrier relationships and value-added services to consumer facing companies and their service providers to use wireless broadband as a content delivery, marketing and communications channel. None of the goodwill for m-Qube is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of m-Qube is 5.3 years. These identified intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the m-Qube acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of m-Qube was as follows:

	May 1, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 76,061	—
Long-term assets	4,304	—
Goodwill	159,978	—
Carrier relationships	36,300	7
Existing technology	35,700	5
Non-compete agreement	10,600	2
Content provider relationship	8,000	5
In-process research and development	4,600	—
Trade name	3,000	1
Total assets acquired	338,543	
Liabilities assumed	(69,353)	
Net assets acquired	$ 269,190	

Kontiki

On March 14, 2006, VeriSign completed its acquisition of Kontiki, Inc. (“Kontiki”), a Sunnyvale, California-based provider of broadband content services. VeriSign’s purchase price of $59.6 million for all of the outstanding capital stock and vested options of Kontiki consisted of approximately $57.1 million in cash consideration and $2.3 million in direct transaction costs. VeriSign also assumed $0.2 million of unvested stock options of Kontiki. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Kontiki’s results of operations have been included in the Condensed Consolidated Financial Statements from the date of acquisition. As a result of the acquisition of Kontiki, VeriSign recorded goodwill of $23.6 million and other intangible assets of $33.5 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to expedite large file downloads on the Internet. None of the goodwill for Kontiki is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of Kontiki is 6.4 years. These identified intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the Kontiki acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of Kontiki was as follows:

	March 14, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 3,368	—
Long-term assets	1,648	—
Goodwill	23,562	—
Customer relationships	6,100	8
Existing technology	7,000	7
Core technology	3,000	7
In-process research and development	10,000	—
Non-compete agreement	1,600	2
Trade name	5,400	5
Customer contracts	400	1
Total assets acquired	62,078	
Liabilities assumed	(2,433)	
Net assets acquired	$ 59,645	

3united Mobile Solutions

On February 28, 2006, VeriSign completed its acquisition of 3united Mobile Solutions ag (“3united”), a Vienna, Austria-based provider of wireless application services. VeriSign’s purchase price of $71.2 million for approximately 99.8% of the outstanding capital stock of 3united consisted of approximately $70.1 million in cash consideration, and $1.1 million in direct transaction costs. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. 3united’s results of operations have been included in the Condensed Consolidated Financial Statements from the date of acquisition. As a result of the acquisition of 3united, VeriSign recorded goodwill of $48.3 million and other intangible assets of $26.7 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to bundle different applications to engage and drive consumers to higher value services such as content, chat or mCommerce. Under Austrian tax law a portion of the goodwill is deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of 3united is 6.6 years. These identified intangible assets will be amortized on a straight-line basis over their useful lives.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of 3united was as follows:

	February 28, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 8,365	—
Long-term assets	372	—
Goodwill	48,316	—
Customer relationships	5,050	7
Existing technology	9,720	6
Core technology	8,200	8
Development contracts	2,810	6
Non-compete agreement	450	2
Trade name	160	1
Order backlog	340	1
Total assets acquired	83,783	
Liabilities assumed	(12,606)	
Net assets acquired	$ 71,177	

CallVision

On January 24, 2006, VeriSign completed its acquisition of CallVision, Inc. ("CallVision"), a Seattle, Washington-based privately held provider of online analysis applications for mobile communications customers. VeriSign's purchase price of $38.7 million for all of the outstanding capital stock and vested options of CallVision consisted of approximately $38.1 million in cash consideration and $0.5 million in direct transaction costs. VeriSign also assumed $0.1 million of unvested stock options of CallVision. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. CallVision's results of operations have been included in the Condensed Consolidated Financial Statements from the date of acquisition. As a result of the acquisition of CallVision, VeriSign recorded goodwill of $18.0 million and other intangible assets of $12.5 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to provide online customer self-service with a single view of billing across multiple systems and vendors. None of the goodwill for CallVision is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of CallVision is 6.3 years. These identified intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the CallVision acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of CallVision was as follows:

	January 24, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 10,737	—
Long-term assets	1,045	—
Goodwill	18,015	—
Customer relationships	4,700	8
Existing technology	2,290	4
Core technology	2,600	8
Non-compete agreement	620	2
In-process research and development	500	—
Customer contracts	1,800	4
Total assets acquired	42,307	
Liabilities assumed	(3,600)	
Net assets acquired	$ 38,707	

Other Acquisitions

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

All of the Company's 2006 acquisitions results of operations for periods prior to the date of acquisition were not material on an individual basis or in the aggregate when compared with VeriSign's consolidated results.

Note 5. Discontinued Operations

On November 18, 2005, the Company completed the sale of certain assets related to its payment gateway business pursuant to an Asset Purchase Agreement, dated October 10, 2005 (the "Agreement"), among PayPal, Inc., PayPal International Limited (collectively, "PayPal"), a wholly owned subsidiary of eBay Inc. Under the Agreement, PayPal acquired certain assets related to VeriSign's payment gateway business and assumed certain liabilities related thereto for $370 million in cash. The payment gateway business was part of the Internet Services Group segment.

The Company determined that the disposed payment gateway business should be accounted for as discontinued operations in accordance with SFAS 144, "*Accounting for the Disposal of or Impairment of Long-Lived Assets*". Consequently, the results of operations of the payment gateway business have been excluded from the Company's results from continuing operations for all periods presented and have instead been presented as discontinued operations.

In connection with the sale of the payment gateway business, the Company entered into a Transitional Service Agreement ("TSA") with PayPal to provide certain transitional network and customer support services. The related fees are recorded as a direct reduction to the respective costs and expenses included in discontinued operations. The expected cash flows under the TSA do not represent a significant continuation of the direct cash flows of the disposed payment gateway business. In April 2006, PayPal elected to terminate the customer support services provided by VeriSign under the TSA.

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The following table represents revenues from the disposed payment gateway business and the components of earnings from discontinued operations for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands)			
Revenues (2)	$ 80	$ 14,422	$ 31	$ 28,146
Income from disposed payment gateway business (3)	91	6,448	900	12,579
Income tax expense	—	(2,138)	—	(4,170)
Net income from discontinued operations, net of tax	$ 91	$ 4,310	$900	$ 8,409

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.
(2) Revenues for the six months ended June 30, 2006, compared to the three months ended June 30, 2006, are lower due to net returns for the first three months of 2006.
(3) Fees paid by PayPal for certain transitional network and other services provided by VeriSign are recorded as an offset to the respective costs and expenses for the three and six months ended June 30, 2006.

The following table presents the carrying amounts of major classes of assets and liabilities relating to the payment gateway business at June 30, 2006 and December 31, 2005:

	June 30, 2006	December 31, 2005
	(In thousands)	As Restated (1)
Assets:		
Cash and cash equivalents	$3,958	$ 1,834
Accounts receivable, net	2,439	1,931
Prepaid expenses and other current assets	—	1,530
Total current assets of discontinued operations	$6,397	$ 5,295
Liabilities:		
Accounts payable and accrued liabilities	$4,034	$ 6,822
Total current liabilities of discontinued operations	$4,034	$ 6,822

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Note 6. Restructuring, Impairment, and Other Charges (Reversals), net

2003 Restructuring Plan

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

2002 Restructuring Plan

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

To date, VeriSign has recorded $161.2 million in restructuring, impairment and other charges (reversals), net under its 2003 and 2002 restructuring plans.

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Consolidated net restructuring, impairment and other charges (reversals) associated with the restructuring plans for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands)			
Workforce reduction	$ —	$ —	$ (107)	$ (1)
Excess facilities	(7,603)	(174)	(6,024)	(4,307)
Exit costs	(1)	33	(13)	(23)
Subtotal	(7,604)	(141)	(6,144)	(4,331)
Impairment, and other charges (reversals)	—	8	1,949	(27)
Net restructuring, impairment and other charges (reversals)	$(7,604)	$ (133)	$(4,195)	$ (4,358)

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

During the six months ended June 30, 2006, VeriSign recorded a net reversal of approximately $4.2 million primarily due to an unexpected early termination agreement of an existing facility in which VeriSign had previously estimated a significant vacancy period in its projection of sublease income. The early termination resulted in a $7.5 million reversal in the three months ended June 30, 2006. In addition, VeriSign wrote off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer.

During the six months ended June 30, 2005, VeriSign recorded a net reversal of $4.4 million, related to excess facilities, primarily in connection with a decision to utilize and build a facility that VeriSign had treated as abandoned and for which it had previously recorded a restructuring charge.

At June 30, 2006, the accrued restructuring costs associated with the 2003 and 2002 restructuring plans were $8.1 million and consisted of the following:

	Accrued Restructuring Costs at December 31, 2005 As Restated (1)	Reversals and Adjustments to Restructuring Charges	Non-Cash Additions to the Accrual	Cash Payments	Accrued Restructuring Costs at June 30, 2006
			(In thousands)		
Workforce reduction	$ 107	$ (107)	$ —	$ —	$ —
Excess facilities	18,054	(6,024)	15	(4,136)	7,909
Exit costs	134	(13)	16	—	137
Subtotal	18,295	(6,144)	31	(4,136)	8,046
Other charges (reversals)	21	(1)	—	(13)	7
Total accrued restructuring costs	$ 18,316	(6,145)	$ 31	$ (4,149)	$ 8,053
Included in current portion of accrued restructuring costs	$ 7,440				$ 5,360
Included in long-term portion of accrued restructuring costs	$ 10,876				$ 2,693

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Cash payments totaling approximately $8.3 million related to the abandonment of excess facilities under both restructuring plans will be paid over the respective lease terms, the longest of which extends through April 2008. The present value of future cash payments related to lease terminations due to the abandonment of excess facilities is expected to be as follows:

	Contractual Lease Payments	Anticipated Sublease Income	Net
	(In thousands)		
2006 (remaining 6 months)	$ 3,427	$ (62)	$3,365
2007	3,648	(39)	3,609
2008	935	—	935
	$ 8,010	$ (101)	$7,909

Note 7. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill as allocated to the Company's operating segments during the six months ended June 30, 2006:

	Internet Services Group	Communications Services Group	Total
		(In thousands)	
Balance at December 31, 2005 (As Restated)	$ 304,060	$ 764,903	$1,068,963
CallVision acquisition	—	18,015	18,015
3united acquisition	—	48,316	48,316
Kontiki acquisition	—	23,562	23,562
m-Qube acquisition	—	159,978	159,978
Other acquisitions and adjustments	24,124	908	25,032
Balance at June 30, 2006	$ 328,184	$ 1,015,682	$1,343,866

Goodwill related to other acquisitions and adjustments was primarily due to $18.9 million related to two acquisitions that occurred in the six months ended June 30, 2006. The two acquisitions were not material on an individual basis or in the aggregate. The additional $6.1 million in adjustments was related to acquisitions that occurred in 2005. These adjustments are primarily a result of income tax adjustments, other additions or reductions that were determined after the initial purchase, and foreign exchange fluctuations.

Purchased goodwill is not amortized but is subject to testing for impairment on at least an annual basis. VeriSign performed its most recent annual impairment test as of June 30, 2006. The fair value of VeriSign's reporting units is determined using either the income or the market valuation approach or a combination thereof. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life. Under the market approach, the value of the reporting unit is based on an analysis that compares the value of the reporting unit to values of publicly traded companies in similar lines of business. In the application of the income and market valuation approaches, VeriSign is required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates. There were no impairment charges to goodwill from the annual impairment tests conducted as of June 30, 2006 or 2005.

VeriSign's other intangible assets are comprised of:

	As of June 30, 2006		
	Gross Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value
		(In thousands)	
Customer relationships	$ 423,254	$ (301,795)	$ 121,459
Technology in place	236,805	(128,765)	108,040
Carrier relationships	64,000	(10,444)	53,556
Non-compete agreement	23,601	(7,749)	15,852
Trade name	28,424	(7,543)	20,881
Other	10,298	(1,141)	9,157
Total other intangible assets	$ 786,382	$ (457,437)	$ 328,945

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	As of December 31, 2005		
	Gross Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value
		As Restated (1)	
		(In thousands)	
Customer relationships	$421,707	$ (293,312)	$128,395
Technology in place	166,355	(114,650)	51,705
Carrier relationships	27,700	(7,271)	20,429
Non-compete agreement	20,828	(12,679)	8,149
Trade name	19,870	(4,856)	15,014
Other	1,950	(340)	1,610
Total other intangible assets	$658,410	$ (433,108)	$225,302

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Fully amortized other intangible assets are not included in the above tables. For the three months ended June 30, 2006 and 2005, amortization of other intangible assets was $31.8 million and $24.8 million, respectively. Amortization of other intangible assets was $59.8 million and $47.7 million for the six months ended June 30, 2006 and 2005, respectively.

Estimated future amortization expense related to other intangible assets at June 30, 2006 is as follows:

	(In thousands)
2006 (remaining 6 months)	$ 60,347
2007	110,119
2008	50,123
2009	42,199
2010	30,880
2011	17,194
Thereafter	18,083
	$ 328,945

Note 8. Other Balance Sheet Items

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2006	December 31, 2005
		As Restated (1)
	(In thousands)	
Prepaid expenses	$ 75,197	$ 55,836
Other current assets	70,914	22,172
Securities litigation receivable (2)	80,000	—
Prepaid expenses and other current assets	$226,111	$ 78,008

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(2) A corresponding amount of $80.0 million is also included in accounts payable and accrued liabilities in the accompanying Condensed Consolidated Balance Sheets, as of June 30, 2006. VeriSign recorded the $80.0 million receivable from the insurers related to reimbursement for the settlement of the Securities Litigation and Derivative Litigation. Under terms of the settlement, the Company and its directors and officers will pay $80.0 in settlement of the lawsuits.

Property and Equipment

The following table presents the detail of property and equipment:

	June 30, 2006	December 31, 2005 As Restated (1)
	(In thousands)	
Land	$ 222,516	$ 222,516
Buildings	79,711	74,467
Computer equipment and purchased software	638,819	573,536
Office equipment, furniture and fixtures	28,158	26,831
Leasehold improvements	85,360	84,468
	1,054,564	981,818
Less accumulated depreciation and amortization	(471,236)	(423,546)
Property and equipment, net	$ 583,328	$ 558,272

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30, 2006	December 31, 2005 As Restated (1)
	(In thousands)	
Accounts payable	$ 43,388	$ 68,293
Employee compensation	81,271	89,871
Customer deposits	78,314	27,822
Taxes payable and other tax liabilities	224,797	229,770
Other accrued liabilities	160,588	152,092
Securities litigation payable (2)	80,000	—
	$668,358	$ 567,848

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(2) A corresponding amount of $80.0 million is also included in other current assets in the accompanying Condensed Consolidated Balance Sheets, as of June 30, 2006. VeriSign recorded the $80.0 million payable to account for the settlement of the Securities Litigation and Derivative Litigation. Under terms of the settlement, the Company and its directors and officers will pay $80.0 in settlement of the lawsuits, and will be reimbursed by its insurers.

Note 9. Restricted Cash and Investments

As of June 30, 2006 and December 31, 2005, restricted cash and investments included $45.0 million of cash related to a trust established during 2004 for VeriSign's director and officer liability self-insurance coverage. Additionally, as of June 30, 2006 and December 31, 2005, VeriSign has pledged approximately $6.5 million and $6.0 million, respectively, as collateral for standby letters of credit that guarantee certain of its contractual obligations, primarily relating to its real estate lease agreements, the longest of which is expected to mature in 2014.

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Note 10. Comprehensive Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands)			
Net income	$376,787	$ 40,240	$393,273	$ 98,209
Change in unrealized gain on investments, net of tax	585	1,421	658	(879)
Foreign currency translation adjustments	1,157	(318)	2,189	(1,690)
Comprehensive income	$378,529	$ 41,343	$396,120	$ 95,640

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Note 11. Credit Facility

On June 7, 2006, VeriSign entered into a credit agreement (the "Credit Agreement") with a syndicate of banks and other financial institutions related to a $500 million senior unsecured revolving credit facility (the "Facility"), under which VeriSign, or certain designated subsidiaries may be borrowers. As of June 30, 2006, $174.0 million was borrowed under the Facility.

Loans bear interest at a rate per annum equal to, at the election of VeriSign, the Adjusted LIBOR Rate, plus a margin of between 0.50% and 1.025%, depending on VeriSign's ratio of funded indebtedness to EBITDA as calculated pursuant to the Credit Agreement (the "Leverage Ratio"), or the higher of the prime rate, as announced from time to time by Bank of America, N.A., and the Federal Funds rate plus 0.50%. If the company elects the Adjusted LIBOR Rate, interest is payable at maturity. If the company elects the higher of the prime rate and the Federal Funds rate plus 0.50%, interest is payable quarterly. In addition, VeriSign is required to pay the lenders under the Credit Agreement a commitment fee at a rate per annum of between 0.125% and 0.225%, depending on the Leverage Ratio, payable quarterly in arrears. The interest rate at June 30, 2006 was 5.65%.

The Credit Agreement contains certain affirmative and negative covenants. Affirmative covenants include, among others, financial and other reporting obligations, maintenance of existence, payment of obligations, maintenance of properties, maintenance of insurance, compliance with laws, maintenance of books and records, and maintenance of approvals and authorizations. Negative covenants include, among others, limitations on incurrence of liens, limitations on investments, limitations on incurrence of additional indebtedness, limitations on mergers and acquisitions, limitations on asset sales, limitations on dividends, share redemptions and other restricted payments, limitations on changing its business, limitations on entering into certain types of burdensome agreements and limitations on transactions with affiliates. The Credit Agreement includes two financial covenants, including maintaining the ratio of consolidated EBITDA to consolidated interest charges above 2.50:1.00 for any four fiscal quarters, and maintaining the Leverage Ratio below 3.00:1.00 at any time during any period of four fiscal quarters. As of the date of the filing of this report, VeriSign is not in compliance with certain covenants. However, the required Lenders have waived the Company's compliance with these requirements through July 13, 2007.

The Facility terminates on June 7, 2011 at which time outstanding borrowings under the Facility are due. VeriSign may optionally prepay loans under the Credit Agreement other than Competitive Bid Loans at any time, without penalty, subject to reimbursement of certain costs in the case of LIBOR borrowings.

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Note 12. Calculation of Net Income Per Share

Basic net income per share is computed by dividing net income (numerator) by the weighted-average number of shares of common stock outstanding (denominator) during the period. Diluted net income per share gives effect to dilutive common equivalent shares, including unvested stock options, employee stock purchases, unvested restricted awards, and warrants using the treasury stock method.

The following table represents the computation of basic and diluted net income per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands, except per share data)			
Net income:				
Net income from continuing operations	$376,696	$ 35,930	$392,373	$ 89,800
Net income from discontinued operations	91	4,310	900	8,409
Net income	$376,787	$ 40,240	$393,273	$ 98,209
Weighted-average shares:				
Weighted-average common shares outstanding	244,744	263,268	245,171	258,694
Weighted-average potential common shares outstanding:				
Stock options	2,433	7,648	2,408	7,300
Unvested restricted stock awards	7	111	5	106
Other	68	146	161	327
Shares used to compute diluted net income per share	247,252	271,173	247,745	266,427
Net income per share:				
Basic:				
Net income from continuing operations	$ 1.54	$ 0.13	$ 1.60	$ 0.35
Net income from discontinued operations	—	0.02	—	0.03
	$ 1.54	$ 0.15	$ 1.60	$ 0.38
Diluted:				
Net income from continuing operations	$ 1.52	$ 0.13	$ 1.59	$ 0.34
Net income from discontinued operations	—	0.02	—	0.03
	$ 1.52	$ 0.15	$ 1.59	$ 0.37

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Weighted-average potential common shares do not include stock options with an exercise price that exceeded the average fair market value of VeriSign's common stock for the period. The following table sets forth the weighted-average potential common shares that were excluded from the computation of diluted net income per share as their effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands, except per share data)			
Stock options	21,992	8,760	23,806	9,641
Weighted-average exercise price…	$ 39.96	$ 75.11	$ 38.96	$ 73.57

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Note 13. Commitments and Contingencies

Legal proceedings

VeriSign is engaged in complaints, lawsuits and investigations arising in the ordinary course of business. VeriSign believes that it has adequate legal defenses and that the ultimate outcome of these actions will not have a material effect on VeriSign's Condensed Consolidated Financial Position and Results of Operations.

Indemnification

VeriSign enters into indemnification agreements with many of its customers and certain other business partners in the ordinary course of business. These agreements include provisions for indemnifying the customer against claims brought by third-parties that allege a VeriSign product infringes a patent, copyright or trademark, misappropriates a trade secret, or violates other proprietary rights of that third-party. These indemnification obligations are generally subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. To date, VeriSign has not incurred significant costs to defend lawsuits or settle claims related to indemnification agreements. VeriSign has not recorded any liabilities for these indemnification agreements at June 30, 2006 or December 31, 2005.

At the Company's discretion and in the ordinary course of business, VeriSign subcontracts the performance of certain services. VeriSign enters into indemnification agreements that indemnify customers against damage caused by VeriSign's employees and subcontractors. These indemnification obligations are generally subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. The Company maintains insurance policies that may enable VeriSign to recover a portion of any such claim. VeriSign has not incurred significant costs to defend lawsuits or settle claims related to these indemnification agreements. VeriSign has not recorded any liabilities for these indemnification agreements at June 30, 2006 or December 31, 2005.

Note 14. Segment Information

Description of segments

VeriSign operates its business in two reportable segments: the Internet Services Group and the Communications Services Group.

The Internet Services Group consists of the Security Services business and Information Services business. The Security Services business provides products and services to enterprises and organizations that want to establish and deliver secure Internet-based services for their customers and business partners, including the following types of services: enterprise security services, including VeriSign's managed security and authentication services, and e-commerce services, including Web trust services. The Information Services business provides registry services as the exclusive registry of domain names in the *.com* and *.net* gTLDs and certain ccTLDs, as well as providing certain value added services.

The Communications Services Group provides specialized managed communications services to wireline and wireless telecommunications carriers, cable companies and enterprise customers. VeriSign's managed communications service offerings include network services, intelligent database and directory services, application services, content distribution and messaging services, and billing and payment services.

The segments were determined based primarily on how the chief operating decision maker ("CODM") views and evaluates VeriSign's operations. VeriSign's Chief Executive Officer has been identified as the CODM as defined by SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information.* Other factors, including customer base, homogeneity of products, technology and delivery channels, were also considered in determining the reportable segments. Additionally, the performance of the Internet Services Group

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and the Communications Services Group is the measure used by the CODM for purposes of making decisions about allocating resources between the segments.

The following table reflects the results of VeriSign's reportable segments:

	Internet Services Group	Communications Services Group	Unallocated Corporate Expenses	Total Segments
		(In thousands)		
Three months ended June 30, 2006:				
Revenues	$ 184,421	$ 206,269	$ —	$ 390,690
Cost of revenues	38,703	96,701	11,745	147,149
Gross margin	$ 145,718	$ 109,568	$ (11,745)	$ 243,541

	Internet Services Group As Restated (1)	Communications Services Group As Restated (1)	Unallocated Corporate Expenses As Restated (1)	Total Segments As Restated (1)
		(In thousands)		
Three months ended June 30, 2005:				
Revenues	$ 153,744	$ 280,477	$ —	$ 434,221
Cost of revenues	32,281	93,335	8,814	134,430
Gross margin	$ 121,463	$ 187,142	$ (8,814)	$ 299,791

	Internet Services Group	Communications Services Group	Unallocated Corporate Expenses	Total Segments
		(In thousands)		
Six months ended June 30, 2006:				
Revenues	$ 359,993	$ 403,515	$ —	$ 763,508
Cost of revenues	77,043	186,020	23,120	286,183
Gross margin	$ 282,950	$ 217,495	$ (23,120)	$ 477,325

	Internet Services Group As Restated (1)	Communications Services Group As Restated (1)	Unallocated Corporate Expenses As Restated (1)	Total Segments As Restated (1)
		(In thousands)		
Six months ended June 30, 2005:				
Revenues	$ 299,102	$ 523,231	$ —	$ 822,333
Cost of revenues	64,714	174,776	17,307	256,796
Gross margin	$ 234,388	$ 348,455	$ (17,307)	$ 565,537

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Geographic information

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005 As Restated (1)	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005 As Restated (1)
	(In thousands)			
Americas:				
United States	$ 269,236	$ 269,306	$ 530,424	$ 483,418
Other (2)	9,954	4,581	18,869	10,047
Total Americas	279,190	273,887	549,293	493,465
EMEA (3)	80,066	137,194	157,847	284,268
APAC (4)	31,434	23,140	56,368	44,600
Total revenues	$ 390,690	$ 434,221	$ 763,508	$ 822,333

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(2) Canada and Latin America

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

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

VeriSign operates in the United States, Canada, Latin America, Europe, Japan, Australia, South Africa, and India. In general, revenues are attributed to the country in which the contract originated. However, revenues from all digital certificates issued from the Mountain View, California facility and domain names issued from the Dulles, Virginia facility are attributed to the United States because it is impracticable to determine the country of origin.

The following table shows a comparison of property and equipment, net of accumulated depreciation by geographic region for the periods presented:

	June 30, 2006	December 31, 2005 As Restated (1)
	(In thousands)	
Americas:		
United States	$555,903	$ 534,648
Other	1,898	670
Total Americas	557,801	535,318
EMEA	8,836	8,389
APAC	16,691	14,565
Property and equipment, net	$583,328	$ 558,272

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Assets are not tracked by segment and the CODM does not evaluate segment performance based on asset utilization.

Note 15. Income Taxes

For the three and six months ended June 30, 2006, VeriSign recorded income tax benefits of $341.0 million and $316.6 million, respectively. For the three and six months ended June 30, 2005, VeriSign recorded income tax expense of $34.3 million and $61.5 million, respectively.

In previous fiscal years, the Company provided a tax valuation allowance on its federal and state deferred tax assets based on its evaluation that realizability of such assets was not "more likely than not" as required by GAAP accounting standards. The Company continuously evaluated additional facts representing positive and negative evidence in the determination of the realizability of the deferred tax assets. Such deferred tax assets consisted primarily of net operating loss carryforwards, temporary differences on tax-deductible goodwill and intangibles, and temporary differences on deferred revenue. In the quarter ended June 30, 2006, based on additional evidence regarding its past earnings, scheduling of deferred tax liabilities and projected future taxable income from operating activities, the Company determined that it is more likely than not that the deferred assets would be realized. Accordingly, the Company released its valuation allowance of $236.4 million from its deferred tax assets resulting in a credit to its Condensed Consolidated Statements of Income.

The Company continues to assess the future realization of net deferred tax assets and believe that it is more likely than not that forecasted income, tax effects of deferred tax liabilities and projected future taxable income from operating activities will be sufficient to support future realization of net deferred tax assets.

However, the Company continues to apply a valuation allowance on certain tax assets which the Company does not believe are more likely than not that they would be realized. The Company continues to apply a valuation allowance on the deferred tax assets relating to capital loss carryforwards and to book write-downs of investments, due to the limited carryforward period and character of such tax attributes. The amount of this deferred tax asset which continues to be subject to a valuation allowance was $44.5 million as of June 30, 2006, the date on which the Company released its valuation allowance on federal and state deferred tax assets.

In the quarter ended June 30, 2006, the Company was granted relief from the IRS for an uncertainty regarding a tax benefit resulting from a prior divestiture. As a result, the Company recorded an income tax benefit of $113.4 million, increased its deferred tax asset for net operating losses from continuing operations $51.8 million, and reduced income taxes payable $61.6 million.

Note 16. Network Solutions

During the first quarter of 2006, Network Solutions repaid in full all amounts outstanding under the Secured Senior Promissory Note dated November 25, 2003. In addition, Network Solutions redeemed VeriSign's 15% equity interest in Network Solutions. VeriSign received total payments from Network Solutions in the amount of $47.8 million, which included $26.0 million to reduce the principal balance of the note receivable, $0.1 million of interest income related to the note receivable and the difference of $21.7 million was recorded as a gain on investment in other income. As a result of the redemption of the membership interests, the Company no longer owns equity interests in any Internet domain name registrars.

Note 17. Repurchase of Common Stock

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

In 2001, VeriSign and the Board of Directors authorized the repurchase of up to $350 million of the Company's common stock in open market, negotiated or block transactions. This stock repurchase program was completed in the third quarter of 2005. In 2005, the Board of Directors of VeriSign authorized a new stock repurchase program to repurchase up to $500 million of the Company's common stock in open market, negotiated or block transactions. This stock repurchase was completed in the second quarter of 2006. On May 16, 2006, the Board of Directors of VeriSign authorized a new $1 billion stock repurchase program to purchase shares of VeriSign's common stock on the open market, or in negotiated or block trades. As of June 30, 2006, the Company has approximately $984.7 million available under the 2006 stock repurchase program.

The following table sets forth the stock purchases made under the stock repurchase programs during the three and six months ended June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005
	(In thousands)	
Three months ended:		
Shares repurchased	2,769	1,553
Aggregate purchase price	$ 60,000	$ 42,432
Six months ended:		
Shares repurchased	6,416	1,553
Aggregate purchase price	$ 135,000	$ 42,432

During the six months ended June 30, 2006, VeriSign settled its $250 million and $75 million Accelerated Share Repurchase ("ASR") agreements. As a result of settling the respective ASR agreements, VeriSign received an additional 482,459 shares and 10,609 shares of its common stock.

During the three months ended June 30, 2006, VeriSign entered into a new $60.0 million ASR agreement to purchase approximately 2.8 million shares of its common stock at a price per share of approximately $21.75. On July 25, 2006, VeriSign settled this ASR and received an additional 7,338 shares of its common stock.

Note 18. Other Income, Net

The following table presents the components of other income, net for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 As Restated (1)	2006	2005 As Restated (1)
	(In thousands)			
Interest income	$ 6,775	$ 8,725	$14,398	$ 15,734
Interest expense	(1,826)	—	(1,826)	—
Net gain (loss) on sale of investments, net of impairments	(28)	(108)	21,246	(96)
Other, net	306	5,175	285	13,257
Total other income, net	$ 5,227	$ 13,792	$34,103	$ 28,895

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Interest income is derived principally from the investment of VeriSign's surplus cash balances. Interest expense is derived from borrowings under VeriSign's credit facility as described in Note 11. Net gain on sale of investment for the six months ended June 30, 2006 includes approximately $21.3 million of gain on sale of VeriSign's remaining equity stake in Network Solutions that was previously written off. During the six months ended June 30, 2005, VeriSign recorded approximately $6.0 million of other income related to a litigation settlement with a telecommunications carrier and approximately $5.3 million of net foreign currency gains.

Note 19. Recent Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets or Financial Liabilities* ("SFAS 159"), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement 157. VeriSign is currently evaluating the effect of SFAS 159 and the impact it will have on its financial position and results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. VeriSign is currently evaluating the effect of SFAS 157 and the impact it will have on its financial position and results of operations.

In September 2006, the U.S. Securities and Exchange Commission released Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 provides transition guidance for correcting errors and requires registrants to quantify misstatements using both the balance-sheet and income-statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. In the year of adoption only, if the effect is determined to be material, SAB 108 allows registrants to record the effect as a cumulative-effect adjustment to beginning-of-year retained earnings. SAB 108 does not change the requirements within SFAS No. 154, *Accounting Changes and Error Corrections* for the correction of an error on financial statements. Further, SAB 108 does not change the Staff's previous guidance in Staff Accounting Bulletin 99 on evaluating the materiality of misstatements. SAB 108 is effective for the Company's fiscal 2006. VeriSign has evaluated the effect of SAB 108, and believes the impact will be immaterial on its financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN48"). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. We are required to adopt FIN 48 in the first quarter of 2007. The differences between the amounts recognized in the financial statements prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. VeriSign has evaluated the effect of FIN 48, and believes that adoption of this accounting principle will result in a decrease to accumulated deficit in the first quarter of 2007 of $38.6 million, an increase to noncurrent deferred tax assets of $28.7 million, and a decrease to income taxes payable of $9.9 million.

In June 2006, the FASB issued Emerging Issues Task Force Issue No. 06-3, *How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* (“EITF 06-3”). EITF 06-3 provides guidance on an entity's disclosure of its accounting policy regarding the gross or net presentation of certain taxes and provides that if taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of EITF 06-3 are those that are imposed on and concurrent with a specific revenue-producing transaction. The guidance is effective for interim and annual periods beginning after December 15, 2006. VeriSign has evaluated the effect of EITF 06-3, and believes the impact will be immaterial on its financial position and results of operations.

Note 20. Subsequent Events

On July 7 and August 7, 2006, VeriSign repaid $50.0 million each, totaling $100.0 million, of the $174.0 million borrowed under the Facility. In addition, on August 31, 2006, VeriSign drew down $125 million on the Facility, which was used in connection with the acquisition of GeoTrust, Inc., that was completed on September 1, 2006. On February 28, 2007, VeriSign repaid the then-outstanding balance under the Facility of $199.0 million.

On August 9, 2006, the Company suspended stock option exercises (the “Restriction”) because it was unable to file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. Under various stock option plans, option holders must exercise their vested stock options within a certain time period following termination of employment (typically, thirty (30), sixty (60) or ninety (90) days, depending on the plan). Due to the Restriction, certain terminated employees have been unable to exercise their stock options prior to the expiration of this time period following termination of employment. As a result, VeriSign’s Board of Directors approved the following: (i) if the period to exercise the participant’s stock options upon termination of employment has expired prior to the expiration of the Restriction, then such participant’s period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days after the date the Restriction expires; and (ii) if the period remaining to exercise the participant’s stock options is less than forty five (45) days after the Restriction expires, then such participant’s period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days minus the days remaining to exercise his/her stock options after the date the Restriction expires. During the third quarter of 2006, VeriSign recognized $2.2 million of stock-based compensation expense in connection with this extension of time for option exercise in accordance with FAS 123R. In addition, VeriSign recognized $2.3 million of expenses classified as restructuring charges for effected option holders associated with the Company’s restructuring activities in the first quarter of 2007.

On September 1, 2006, VeriSign completed its acquisition of GeoTrust, Inc., a Needham, Massachusetts-based supplier of SSL and other solutions to secure e-business transactions. The Company paid approximately $125.0 million in cash for the acquisition.

On September 18, 2006, PayPal terminated the transition services agreement pursuant to which VeriSign provided certain transition services in connection with the sale of VeriSign’s payment gateway business to PayPal that was completed in November 2005.

On November 30, 2006, VeriSign completed its acquisition of inCode Telecom Group, Inc. (“inCode”), a San Diego, California-based wireless and technology consulting company. VeriSign’s purchase price of $41.8 million consisted of approximately $40.2 million in cash consideration and $1.6 million in direct transaction costs. Immediately upon closing, VeriSign paid $21.7 million of inCode’s outstanding principal debt and assumed liabilities.

On November 30, 2006, the Department of Commerce approved the new *.com* agreement that extends VeriSign's contract with the Internet Corporation for Assigned Names and Numbers (“ICANN”) to operate the *.com* registry through 2012, effective March 1, 2006.

On January 25, 2007, VeriSign announced a restructuring plan to replace its previous business unit structure with a functional organization consisting of a combined worldwide sale and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities, disposals of property and equipment, and other charges. In the first quarter of 2007, VeriSign recorded $26.9 million in restructuring charges under its 2007 restructuring plan.

On January 31, 2007, VeriSign finalized two joint venture agreements with Fox Entertainment ("Fox"), a subsidiary of News Corporation, and various subsidiaries of VeriSign and Fox, and entered into a formation agreement under which VeriSign contributed its Jamba “business to consumer” business and Fox contributed its Fox Mobile Entertainment assets to two joint ventures to provide mobile entertainment to consumers on a global basis. One of the joint ventures is based in the Netherlands, and the other is based in the United States. VeriSign and Fox entered into a joint venture agreement on January 31, 2007. Under the agreement, Fox (through a subsidiary) will own a 51% interest in the joint venture, Netherlands Mobile Holdings, C.V., and VeriSign (through a subsidiary) will own a 49% interest in the joint venture. The parties entered into a substantially similar joint venture agreement with respect to the U.S. based mobile entertainment business. Fox paid VeriSign approximately $192.4 million in cash for its contribution of the Jamba “business to consumer” and VeriSign paid Fox approximately $4.9 million in cash for its contribution of Fox Mobile Entertainment assets.

In the first quarter of 2007, VeriSign decided to sell its wholly-owned Jamba Services GmbH subsidiary. In accordance with SFAS 144, the associated assets and liabilities of Jamba Services will be classified as held for sale and its operations reported as discontinued operations, beginning in the first quarter of 2007.

On May 27, 2007, Stratton D. Sclavos, the Company’s former President, Chief Executive Officer, Chairman of the Board of Directors and member of the Board of Directors of the Company resigned from his positions. Effective May 27, 2007, the Company's Board of Directors appointed William A. Roper, Jr., to replace Mr. Sclavos as President and Chief Executive Officer, and elected Edward A. Mueller as Chairman of the Board of Directors.

On July 10, 2007, Ms. Dana L. Evan our then-current Executive Vice President of Finance and Administration and Chief Financial Officer resigned from the Company.

On July 5, 2007 and July 12, 2007 the Board of Directors appointed Albert E. Clement as the Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively, of the Company.

As of the date of the filing of this report, VeriSign is not in compliance with certain covenants under its Credit Agreement related to the Facility, described in Note 11 in the Notes to Condensed Consolidated Financial Statements that require the Company to deliver specified financial statements, compliance certificates and certain other documents to its Lenders. The required Lenders under the Facility have waived VeriSign’s compliance with these requirements through July 13, 2007.

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

Forward-Looking Statements

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

Except for historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section "Risk Factors." You should carefully review the risks described in other documents we filed with the Securities and Exchange Commission from time to time, including Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Annual Report on Form 10-K for the year ended December 31, 2006. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Report. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Financial information included in the reports on Form 10-K, Form 10-Q and Form 8-K previously filed by VeriSign, the related opinions of our independent registered public accounting firm, and all earnings press releases and similar communications issued by us, for all periods ended on or before March 31, 2006 should not be relied upon and are superseded in their entirety by the information in the Quarterly Report on Form 10-Q for the quarters ended June 30, 2006 and September 30, 2006 and Annual Report on Form 10-K for the year ended December 31, 2006.

The information below has been adjusted to reflect the restatement of the Company's financial results which is more fully described in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Condensed Consolidated Financial Statements," in Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

Overview

VeriSign, Inc. is a leading provider of intelligent infrastructure services that enable and protect billions of interactions everyday across the world's voice and data networks. Our business consists of two reportable segments: the Internet Services Group and the Communications Services Group.

The Internet Services Group consists of the Security Services business and Information Services business. The Security Services business provides products and services to enterprises and organizations that want to establish and deliver secure Internet-based services for their customers and business partners, including the following types of services: enterprise security services, including our managed security and authentication services, and e-commerce services, including Web trust services. The Information Services business provides registry services as the exclusive registry of domain names in the *.com* and *.net* gTLDs and certain ccTLDs, as well as providing certain value added services.

The Communications Services Group provides specialized managed communications services to wireline and wireless telecommunications carriers, cable companies and enterprise customers. Our managed communications service offerings include network services, intelligent database and directory services, application services, content distribution and messaging services, and billing and payment services.

During the second quarter of 2006, the growth in the Internet Services Group was primarily due to an increase in domain name registrations and renewal rates, an increase in the sale of SSL certificates and a higher demand for our managed security services. The Internet Services Group recorded revenues of $184.4 million during the second quarter, a 20% increase from the same period last year.

Communications Services Group revenues for the period were $206.3 million, down 26% from the same period last year. The decline was primarily related to Content services which recorded revenue of $101.2 million during the quarter, a 43% decline from the same period last year, primarily due to weaker demand for B-to-C mobile content from Europe. Communication and Commerce revenue was 105.1 millions, a 3% increase from the same period last year.

We derive the majority of our revenues and cash flows from a relatively small number of products and services sold primarily in the United States, Europe and Japan. In the Internet Services Group, more than 93% of the revenues during the second quarter of 2006 were derived from the sale of registry services, managed authentication and security services, and web certificates. In the Communications Services Group, approximately 76% of the revenues were derived from the sale of content services, signaling services, SS7 connectivity, billing services, and calling name services during the same period.

Acquisitions

On May 1, 2006, we completed our acquisition of m-Qube, Inc. ("m-Qube"), a Watertown, Massachusetts-based privately held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services. We paid approximately $269.2 million for all of the outstanding capital stock and vested options of m-Qube.

On March 14, 2006, we completed our acquisition of Kontiki, Inc. ("Kontiki"), a Sunnyvale, California-based provider of broadband content services. We paid approximately $59.6 million for all of the outstanding capital stock and vested options of Kontiki.

On February 28, 2006, we completed our acquisition of 3united Mobile Solutions ag ("3united"), a Vienna, Austria-based provider of wireless application services. We paid approximately $71.2 million for approximately 99.8% of the outstanding capital stock of 3united.

On January 24, 2006, we completed our acquisition of CallVision, Inc. ("CallVision"), a Seattle, Washington-based privately held provider of online analysis applications for mobile communications customers. We paid approximately $38.7 million for all of the outstanding capital stock and vested options of CallVision.

In addition to the above, we also acquired two other companies during the six months ended June 30, 2006 for an aggregate purchase price of approximately $25.4 million. These acquisitions were not material on an individual basis or in the aggregate.

Critical accounting policies and significant management estimates

The Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. Management bases its estimates and judgments on historical experience, market trends, and other factors that are believed to be reasonable under the circumstances. These estimates form the basis for judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from what we anticipate, and different assumptions or estimates about the future could change our reported results. Management believes critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006 (the "2006 Form 10-K") reflect the more significant judgments and estimates used in preparation of our financial statements.

In addition to those disclosed in the 2006 Form 10-K, we believe the following critical accounting policies affect our more significant judgments and estimates used in preparing our Condensed Consolidated Financial Statements:

Stock-based compensation

Effective January 1, 2006, we adopted the provisions of, and accounted for stock-based compensation in accordance with, the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards No. 123R , *Share-Based Payment* ("SFAS 123R"). We elected the modified prospective application method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. For stock-based awards granted on or after January 1, 2006, we will amortize stock-based compensation expense on a straight-line basis over the requisite service period, which is the vesting period. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation costs estimated for the SFAS No. 123 pro forma disclosures.

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

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

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

Stock-based compensation expense related to employee stock options, restricted stock awards and employee stock purchases recognized under SFAS 123R for the three and six months ended June 30, 2006 was $15.3 million and $31.8 million, respectively.

See Note 3 of our Notes to Condensed Consolidated Financial Statements for further information regarding the SFAS 123R disclosures.

Recent Accounting Pronouncements

In February 2007, the FASB issued Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets or Financial Liabilities* ("SFAS 159"), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently.

SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement 157. We are currently evaluating the effect of SFAS 159 and the impact it will have on our financial position and results of operations.

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In June 2006, the FASB issued Emerging Issues Task Force Issue No. 06-3, *How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* ("EITF 06-3"). EITF 06-3 provides guidance on an entity's disclosure of its accounting policy regarding the gross or net presentation of certain taxes and provides that if taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of EITF 06-3 are those that are imposed on and concurrent with a specific revenue-producing transaction. The guidance is effective for interim and annual periods beginning after December 15, 2006. We have evaluated the effect of EITF 06-3, and we believe the impact will be immaterial on our financial position and results of operations.

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Subsequent Events

On July 7 and August 7, 2006, we repaid $50 million each, totaling 100 million, of the $174 million borrowed under the Facility. In addition, on August 31, 2006, we drew down $125 million on the Facility, which was used in connection with the acquisition of GeoTrust, Inc., that was completed on September 1, 2006. On February 28, 2007, we repaid the then-outstanding balance under the Facility of $199 million.

On August 9, 2006, we suspended stock option exercises (the “Restriction”) because we were unable to file our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. Under various stock option plans, option holders must exercise their vested stock options within a certain time period following termination of employment (typically, thirty (30), sixty (60) or ninety (90) days, depending on the plan). Due to the Restriction, certain terminated employees have been unable to exercise their stock options prior to the expiration of this time period following termination of employment. As a result, our Board of Directors approved the following: (i) if the period to exercise the participant’s stock options upon termination of employment has expired prior to the expiration of the Restriction, then such participant’s period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days after the date the Restriction expires; and (ii) if the period remaining to exercise the participant’s stock options is less than forty five (45) days after the Restriction expires, then such participant’s period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days minus the days remaining to exercise his/her stock options after the date the Restriction expires. During the third quarter of 2006, we recognized $2.2 million of stock-based compensation expense in connection with this extension of time for option exercise in accordance with FAS 123R. In addition, we recognized $2.3 million of expenses classified as restructuring charges for effected option holders associated with our restructuring activities in the first quarter of 2007.

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On September 18, 2006, PayPal terminated the transition services agreement pursuant to which we provided certain transition services in connection with the sale of our payment gateway business to PayPal that was completed in November 2005.

On November 30, 2006, we completed our acquisition of inCode Telecom Group, Inc. (“inCode”), a San Diego, California-based wireless and technology consulting company. Our purchase price of $41.8 million consisted of approximately $40.2 million in cash consideration and $1.6 million in direct transaction costs. Immediately upon closing, we paid $21.7 million of inCode’s outstanding principal debt and assumed liabilities.

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In the first quarter of 2007, we decided to sell our wholly-owned Jamba Services GmbH subsidiary. In accordance with SFAS 144, the associated assets and liabilities of Jamba Services will be classified as held for sale and its operations reported as discontinued operations, beginning in the first quarter of 2007.

On May 27, 2007, Stratton D. Sclavos, our former President, Chief Executive Officer, Chairman of the Board of Directors and member of the Board of Directors resigned from his positions. Effective May 27, 2007, our Board of Directors appointed William A. Roper, Jr., to replace Mr. Sclavos as President and Chief Executive Officer, and elected Edward A. Mueller as Chairman of the Board of Directors.

On July 10, 2007, Ms. Dana L. Evan our then-current Executive Vice President of Finance and Administration and Chief Financial Officer resigned from the Company.

On July 5, 2007 and July 12, 2007 the Board of Directors appointed Albert E. Clement as the Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively, of the Company.

As of the date of the filing of this report, we are not in compliance with certain covenants under our Credit Agreement related to the $500 million senior unsecured revolving credit facility (the “Facility”), described in Note 11 of our Notes to Condensed Consolidated Financial Statements that require us to deliver specified financial statements, compliance certificates and certain other documents to our Lenders. The required Lenders under the Facility have waived our compliance with these requirements through July 13, 2007.

Results of Operations

Revenues

We have two reportable segments: the Internet Services Group and the Communications Services Group. A comparison of revenues for the three and six months ended June 30, 2006 and 2005 is presented below.

	2006	2005 As Restated (1)	Change
	(Dollars in thousands)		
Three months ended:			
Internet Services Group	$184,421	$153,744	20%
Communications Services Group	206,269	280,477	(26)%
Total revenues	$390,690	$434,221	(10)%
Six months ended:			
Internet Services Group	$359,993	$299,102	20%
Communications Services Group	403,515	523,231	(23)%
Total revenues	$763,508	$822,333	(7)%

(1) See Note 2, “Restatement of Condensed Consolidated Financial Statements,” of the Notes to Condensed Consolidated Financial Statements.

Internet Services Group

Internet Services Group revenues increased $30.7 million and $60.9 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year. Our information services revenue increased approximately $21.3 million and $40.2 million for the respective periods primarily as a result of continued growth in the number of active domain names ending in *.com* and *.net* under management. In addition, our security services revenues increased $9.4 million and $20.7 million for the respective periods, as a result of increased managed security services revenues and as a result of a higher installed base of digital certificates.

The following table compares active domain names ending in *.com* and *.net* managed by our information services business and the approximate installed base of Web site digital certificates in our commerce site services business as of June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005	% Change
Active domain names ending in *.com* and *.net*	57.5 million	44.2 million	30%
Installed base of Web site digital certificates	520,000	471,000	10%

Communications Services Group

Communications Services Group revenues decreased approximately $74.2 million and $119.7 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to a decrease in revenues of $77.3 million and $130.2 million from content services for the respective periods. Commerce revenues, which include our billing and payments services and clearing and settlement services, increased approximately $2.9 million and $6.3 million for the three and six months ended June 30, 2006, compared to the same periods last year, due to carrier subscriber growth partially offset by consolidation of certain clearing services customers and reduced pricing on contracts. Revenues from network services, database products and messaging services increased approximately $0.2 million and $4.2 million for the three and six months ended June 30, 2006, compared to the same periods last year, as a result of an overall increase in transaction volumes offset by lower prices for some services.

The following table shows a comparison of the approximate number of quarterly database queries as of June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005	% Change
Quarterly database queries	16.4 billion	14.4 billion	14%

Revenues by Geographic Region

Our revenues are broken out into three geographic regions consisting of the Americas, EMEA and APAC. The following tables show a comparison of our revenues by geographic region for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005 As Restated (1)	% Change
	(Dollars in thousands)		
Americas:			
United States	$269,236	$269,306	—
Other (2)	9,954	4,581	117%
Total Americas	279,190	273,887	2%
EMEA (3)	80,066	137,194	(42)%
APAC (4)	31,434	23,140	36%
Total revenues	$390,690	$434,221	(10)%

	Six Months Ended June 30, 2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Americas:			
United States	$530,424	$483,418	10%
Other (2)	18,869	10,047	88%
Total Americas	549,293	493,465	11%
EMEA (3)	157,847	284,268	(44)%
APAC (4)	56,368	44,600	26%
Total revenues	$763,508	$822,333	(7)%

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

(2) Canada and Latin America
(3) Europe, the Middle East and Africa ("EMEA")
(4) Australia, Japan and Asia Pacific ("APAC")

Revenues increased $5.3 million and $55.8 million in the Americas region in the three and six months ended June 30, 2006, respectively, compared to the same periods last year, primarily due to increased information services and content services revenues in the United States. Revenues in the EMEA region decreased $57.1 million and $126.4 million in the respective periods primarily due to a decrease in revenues from our content services business. APAC revenues increased $8.3 million and $11.8 million during the three and six months ended June 30, 2006, respectively, compared to the same periods last year, primarily due to growth in our content services business in the APAC region.

Cost of revenues

Cost of revenues consists primarily of content licensing costs, carrier costs for our SS7 and IP-based networks, costs related to providing digital certificate enrollment and issuance services, billing services, operational costs for the domain name registration business, customer support and training, consulting and development services, operational costs related to the management and monitoring of our clients' network security infrastructures, and costs of facilities and computer equipment used in these activities.

A comparison of cost of revenues for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
Cost of revenues	$147,149	$ 134,430	9%
Percentage of revenues	38%	31%	
Employee headcount	1,983	1,553	
Six months ended:			
Cost of revenues	$286,183	$ 256,796	11%
Percentage of revenues	37%	31%	
Employee headcount	1,983	1,553	

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Cost of revenues increased approximately $12.7 million and $29.4 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year. Salary and employee benefits increased approximately $14.5 million and $27.7 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily as a result of an increase in headcount, primarily due to new business acquisitions, and an increase in stock-based compensation expense due to the adoption of SFAS 123R. Contract and professional services expenses increased $3.9 million and $11.8 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to increased use of our third party customer support services and increased use of outside services to support new product initiatives. Equipment and software related expenses increased $1.5 million and $2.7 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to an increase in hardware maintenance costs and depreciation expense. Travel expenses increased approximately $1.5 million and $2.4 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to the increase in headcount associated with our acquisitions. These increases in expense were partially offset by a decrease in direct cost of revenues of approximately $12.8 million and $24.4 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to a decrease in our content services business revenues.

As a percentage of revenues, cost of revenues increased for the three and six months ended June 30, 2006 compared to the same periods last year primarily as a result of increase in headcount due to our business acquisitions, an increase in stock-based compensation expenses and a decline in revenue from our content services business units.

Sales and marketing

Sales and marketing expenses consist primarily of costs related to sales, marketing and policy activities. These expenses include salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees and costs of marketing programs, such as Internet, television, radio, print and direct mail advertising costs.

A comparison of sales and marketing expenses for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
Sales and marketing	$ 93,036	$137,164	(32)%
Percentage of revenues	24%	32%	
Employee headcount	918	732	
Six months ended:			
Sales and marketing	$183,846	$262,667	(30)%
Percentage of revenues	24%	32%	
Employee headcount	918	732	

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Sales and marketing expenses decreased approximately $44.1 million and $78.8 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to a decrease in advertising and marketing spending of approximately $54.6 million and $91.1 million, respectively. Salary and employee benefit costs increased approximately $8.2 million and $9.0 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to an increase in headcount as a result of business acquisitions and increase in stock-based compensation expenses due to the adoption of SFAS 123R. In addition, travel expenses increased approximately $1.8 million and $3.3 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to our business acquisitions made during the first six months of 2006.

As a percentage of revenues, sales and marketing expenses decreased for the three and six months ended June 30, 2006 compared to the same periods last year primarily due to decreased advertising and marketing spending during the first six months of 2006.

Research and development

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

A comparison of research and development expenses for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
Research and development	$31,041	$25,234	23%
Percentage of revenues	8%	6%	
Employee headcount	877	737	
Six months ended:			
Research and development	$59,321	$44,976	32%
Percentage of revenues	8%	5%	
Employee headcount	877	737	

(1) See Note 2, “Restatement of Condensed Consolidated Financial Statements,” of the Notes to Condensed Consolidated Financial Statements.

Research and development expenses increased approximately $5.8 million and $14.3 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily as a result of an increase of approximately $5.0 million and $13.3 million in salary and employee benefit costs, respectively, primarily attributable to an increase in the number of employees as a result of business acquisitions and an increase in stock-based compensation expense due to the adoption of SFAS 123R in the first quarter of 2006.

As a percentage of revenues, research and development expenses increased for the three and six months ended June 30, 2006 compared to the same periods last year primarily as a result of an increase in headcount due to our business acquisitions, an increase in stock-based compensation expenses and a decline in revenues.

General and administrative

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

A comparison of general and administrative expenses for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
General and administrative	$ 59,381	$50,935	17%
Percentage of revenues	15%	12%	
Employee headcount	862	612	
Six months ended:			
General and administrative	$119,896	$85,730	40%
Percentage of revenues	16%	10%	
Employee headcount	862	612	

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

General and administrative expenses increased approximately $8.4 million and $34.2 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year. Salary and employee benefit costs increased approximately $7.3 million and $25.1 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily as a result of an increase in headcount due to our business acquisitions and internal growth and an increase in stock-based compensation expense due to the adoption of SFAS 123R. Rent expense increased approximately $2.5 million and $5.8 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily attributable to leases on new facilities related to our business acquisitions. Outside legal expenses increased approximately $3.2 million and $3.4 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to increased litigation costs. Other expenses, which include consulting, internet and security services, payroll, accounting, audit and tax services, increased approximately $1.0 million and $4.2 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to an increase use in professional consultants and expenses associated with the independent review of historical stock option practices described in the Explanatory Note and Note 2 of our Notes to Condensed Consolidated Financial Statements contained elsewhere in this report. Equipment and software related expenses increased approximately $1.3 million and $2.5 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to increased hardware maintenance costs and an increase in depreciation and amortization expense related to hardware and software placed in service during the third and fourth quarters of 2005. Withholding and other non-income tax expenses decreased approximately $5.6 million and $5.7 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year, primarily due to the release of a tax reserve upon completion of a voluntary compliance initiative with the Internal Revenue Service for payments made to non-US vendors.

As a percentage of revenues, general and administrative expenses increased for the three and six months ended June 30, 2006 compared to the same periods last year primarily as a result of an increase in headcount due to our business acquisitions, an increase in stock-based compensation expenses and a decline in revenues.

Restructuring, impairment and other charges (reversals), net

2003 Restructuring Plan. In November 2003, we initiated a restructuring plan related to the sale of our Network Solutions business and the realignment of other business units.

2002 Restructuring Plan. In April 2002, we initiated a restructuring plan to restructure our operations to rationalize, integrate and align resources.

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Below is a comparison of the restructuring, impairment and other charges (reversals), net under both plans for the three and six months ended June 30, 2006 and 2005:

	June 30, 2006	June 30, 2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
Restructuring, impairment and other charges (reversals), net	$(7,604)	$ (133)	(5617)%
Six months ended:			
Restructuring, impairment and other charges (reversals), net	$(4,195)	$(4,358)	4%

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

During the six months ended June 30, 2006, we recorded a net reversal of approximately $4.2 million primarily due to an unexpected early termination agreement of an existing facility in which we had previously estimated a significant vacancy period in its projection of sublease income. The early termination resulted in a $7.5 million reversal in the three months ended June 30, 2006. In addition, we wrote off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer.

During the six months ended June 30, 2005, we recorded a net reversal of $4.4 million related to excess facilities primarily in connection with a decision to utilize and build a facility that we had treated as abandoned and for which it had previously recorded a restructuring charge.

Amortization of other intangible assets

A comparison of amortization of other intangible assets for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005 As Restated (1)	% Change
	(Dollars in thousands)		
Three months ended:			
Amortization of other intangible assets	$31,832	$24,821	28%
Percentage of revenues	8%	6%	
Six months ended:			
Amortization of other intangible assets	$59,832	$47,661	26%
Percentage of revenues	8%	6%	

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Amortization of other intangible assets increased approximately $7.0 million and $12.2 million for the three and six months ended June 30, 2006, respectively, as compared to the same periods last year primarily due to amortization related to intangible assets acquired in our business combinations over the past twelve months.

Impairment of goodwill and other intangible assets

SFAS No. 142 requires that purchased goodwill and certain indefinite-lived intangibles be tested for impairment on at least an annual basis. SFAS No. 144 requires that long-lived assets, including intangible assets with finite lives, be reviewed for impairment whenever events or circumstances indicate that there has been a decline in the fair value of an asset.

We completed our annual impairment testing in the second quarter of 2006. There was no impairment charge for goodwill from the annual impairment tests conducted in June 2006 and 2005.

Acquired in-process research and development

During the three and six months ended June 30, 2006, we wrote off $4.6 million and $15.5 million of in-process research and development ("IPR&D"), respectively. The IPR&D was primarily related to our acquisitions of m-Qube and Kontiki. At the dates of the respective acquisitions, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. Accordingly, these amounts were charged to expense on the acquisition date. During the three months ended June 30, 2005, we wrote-off approximately $4.3 million of in-process research and development acquired in the purchase of LightSurf.

Minority interest

Minority interest represents the portion of net income belonging to minority shareholders of our consolidated subsidiaries.

A comparison of minority interest for the three and six months ended June 30, 2006 and 2005 is presented below:

	2006	2005	% Change
	(Dollars in thousands)		
Three months ended:			
Minority interest	$ (758)	$(1,048)	28%
Six months ended:			
Minority interest	$(1,405)	$(2,176)	35%

Minority interest decreased during the three and six months ended June 30, 2006, respectively, as compared to the same periods last year primarily from decreased net income from our VeriSign Japan subsidiary for the respective periods.

Other income, net

Other income, net consists primarily of interest earned on our cash, cash equivalents, and investments, interest expense related to our borrowings, and gains and losses on the sale or impairment of equity investments.

A comparison of other income, net for the three and six months ended June 30, 2006 and 2005 is presented below:

	June 30,		% Change
	2006	2005 As Restated (1)	
	(Dollars in thousands)		
Three months ended:			
Interest income	$ 6,775	$ 8,725	(22)%
Interest expense	(1,826)	—	—
Net loss on sale of investments, net of impairments	(28)	(108)	74%
Other, net	306	5,175	(94)%
	$ 5,227	$13,792	(62)%
Six months ended:			
Interest income	$14,398	$15,734	(8)%
Interest expense	(1,826)	—	—
Net gain (loss) on sale of investments, net of impairments	21,246	(96)	22,231%
Other, net	285	13,257	(98)%
Total other income, net	$34,103	$28,895	18%

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

Other income, net decreased approximately $8.6 million for the three months ended June 30, 2006 and increased approximately $5.2 million for the six months ended June 30, 2006, as compared to the same periods last year. Net gain on sale of investments increased approximately $21.3 million for the six months ended June 30, 2006 primarily due to a gain on sale of our remaining equity stake in Network Solutions. Interest expense increased approximately $1.8 million for both the three and six months ended June 30, 2006, as compared to the same periods last year, due to interest related to our borrowings under our credit facility as described in Note 11 of our Notes to Condensed Consolidated Financial Statements. Interest income decreased approximately $2.0 million and $1.3 million for the three and six months ended June 30, 2006, respectively, primarily as a result of lower cash balances, as compared to the same periods last year. For the six months ended June 30, 2005, we recorded approximately $6.0 million of other income related to a litigation settlement with a telecommunications carrier and approximately $5.3 million of net foreign currency transaction gain.

Income tax expense

For the three and six months ended June 30, 2006, we recorded income tax benefits of $341.0 million and $316.6 million respectively, compared to income tax expense of $34.3 and $61.5 million respectively for the same periods in 2005. Excluding the two non-recurring tax benefits explained below and other immaterial non-recurring events that occurred in this quarter, the decrease in the tax expense is attributed primarily to decreased taxable income.

In previous fiscal years, we provided a tax valuation allowance on our federal and state deferred tax assets based on our evaluation that realizability of such assets was not "more likely than not." We continuously evaluated additional facts representing positive and negative evidence in the determination of the realizability of the deferred tax assets. Such deferred tax assets consisted primarily of net operating loss carryforwards, temporary differences on tax-deductible goodwill and intangibles, and temporary differences on deferred revenue. In the quarter ended June 30, 2006, based on additional evidence regarding our past earnings, scheduling of deferred tax liabilities and projected future taxable income from operating activities, we determined that it is more likely than not that the deferred assets would be realized. Accordingly, we released our valuation allowance of $236.4 million from our deferred tax assets resulting in a credit to condensed consolidated statements of income.

We continue to assess the future realization of net deferred tax assets and believe that it is more likely than not that forecasted income, tax effects of deferred tax liabilities and projected future taxable income from operating activities will be sufficient to support future realization of net deferred tax assets.

However, we continue to apply a valuation allowance on certain tax assets which we did not believe are more likely than not that they would be realized. We continue to apply a valuation allowance on the deferred tax assets relating to capital loss carryforwards and to book write-downs of investments, due to the limited carryforward period and character of such tax attributes. The amount of this deferred tax asset which continues to be subject to a valuation allowance was $44.5 million as of June 30, 2006, the date on which we released our valuation allowance on federal and state deferred tax assets.

In the quarter ended June 30, 2006, we were granted relief from the IRS for an uncertainty regarding a tax benefit resulting from a prior divestiture. As a result, we benefited income tax expense $113.4 million, increased our deferred tax asset for net operating losses from continuing operations $51.8 million, and reduced income taxes payable $61.6 million.

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Liquidity and Capital Resources

	June 30, 2006	December 31, 2005 As Restated(1)	% Change
	(Dollars in thousands)		
Cash and cash equivalents	$426,425	$ 476,826	(11)%
Short-term investments	256,538	378,006	(32)%
Subtotal	682,963	854,832	(20)%
Restricted cash and investments	51,482	50,972	1%
Total	$734,445	$ 905,804	(19)%

(1) See Note 2 "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

At June 30, 2006, our principal source of liquidity was $683.0 million of cash, cash equivalents and short-term investments, consisting principally of commercial paper, medium term investment-grade corporate notes, corporate bonds and notes, U.S. government and agency securities and money market funds.

Net cash provided by operating activities

Net cash provided by operating activities of approximately $238.3 million for the six months ended June 30, 2006 consisted of net income of $393.3 million adjusted for non-cash items totaling $161.1 million, including depreciation of property and equipment of approximately $49.9 million, amortization of other intangible assets of approximately $59.8 million, acquired in-process research and development charges of approximately $15.5 million, stock-based compensation and other of $32.8 million, restructuring, impairment and other reversals, net of $4.2 million, gain on sale of investments of approximately $21.2 million, deferred income taxes of approximately $295.8 million, and approximately $6.1 million provided by changes in operating assets and liabilities.

Net cash used in investing activities

Net cash used in investing activities of approximately $361.3 million for the six months ended June 30, 2006 was primarily attributed to net cash paid in business combinations of $422.8 million, purchases of property and equipment of $103.6 million, partially offset by net sales of investments of $120.1 million and payment received on the Network Solutions note receivable of $47.8 million.

Net cash provided by financing activities

Net cash provided by financing activities of approximately $73.6 million for the six months ended June 30, 2006 was primarily related to repurchases of common stock of $135.0 million, offset by proceeds from drawdown of the credit facility of $174.0 million and proceeds from issuance of common stock from option exercises and our employee stock purchase plan of approximately $39.4 million.

Net cash provided by discontinued operations

Net cash provided by operating activities from discontinued operations for the six months ended June 30, 2006 was primarily from net income from discontinued operations of approximately $0.9 million and changes in operating assets and liabilities of $2.4 million. Net cash provided by operating activities from discontinued operations for the six months ended June 30, 2005 was primarily from net income from discontinued operations of approximately $8.4 million and changes in operating assets and liabilities of $2.2 million.

Other Liquidity and Capital Resources Information

On June 7, 2006, we entered into a $500 million senior unsecured revolving credit facility (the “Facility”), as described in Note 11 of our Notes to Condensed Consolidated Financial Statements. Borrowings under the Facility will be used for working capital, capital expenditures, permitted acquisitions and repurchases of our common stock and other lawful corporate purposes. As of the date of the filing of this report, we are not in compliance with certain covenants under our Credit Agreement that requires us to deliver specified financial statements, compliance certificates and certain other documents to our Lenders. The required Lenders under the Facility have waived our compliance with these requirements through July 13, 2007.

In addition, in order to manage our working capital needs, we may enter into transactions under repurchase agreements with financial institutions. These repurchase agreements are collateralized short-term loans for which the collateral may be a Treasury security or federal agency security held by us. On April 25, 2006, we entered into such a transaction for approximately $74 million, which was repaid in June 2006 using funds borrowed under the Facility.

Our property and equipment expenditures were approximately $103.6 million during the six months ended June 30, 2006, primarily for computer and communications equipment and computer software within all areas of the Company. Our most significant expenditures will be focused on productivity, cost improvement and market development initiatives for the Internet Services Group and the Communications Services Group. Other property and equipment expenditures will be for productivity and cost improvement initiatives for corporate services.

Future operating lease payments include payments related to leases on excess facilities included in our restructuring plans. The restructuring liability is included on the balance sheet as accrued restructuring costs. Cash payments totaling approximately $ 8.3 million related to the lease terminations due to the abandonment of excess facilities will be paid over the respective lease terms, the longest of which extends through April 2008. See Note 6 of our Notes to Condensed Consolidated Financial Statements.

On May 16, 2006, our Board of Directors authorized a $1 billion stock repurchase program to repurchase shares of our common stock on the open market, or in negotiated or block trades. During the three months ended June 30, 2006, 702,859 shares were repurchased at an aggregate cost of $15.3 million. At June 30, 2006, approximately $984.7 million shares remained available for future repurchases under this program.

On August 2, 2005, our Board of Directors authorized a stock repurchase program to use up to $500.0 million to repurchase our common stock on the open market, or in negotiated or block trades. During the six months ended June 30, 2006, 5,713,387 shares were repurchased at an aggregate cost of $119.7 million. We completed our 2005 stock repurchase program during the second quarter of 2006.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk profile has not changed significantly from that described in its annual report on Form 10-K for the fiscal year ended December 31, 2005.

Equity investments

We invest in debt and equity securities of technology companies for investment purposes. In most instances, we invest in the equity and debt securities of private companies for which there is no public market, and therefore, carry a high level of risk. These companies are typically in the early stage of development and are expected to incur substantial losses in the near-term. Therefore, these companies may never become publicly traded. Even if they do, an active trading market for their securities may never develop and we may never realize any return on these investments. During the three months ended June 30, 2006 and 2005, we determined that there were no other-than-temporary declines in the value of our non-public equity investments. Due to the inherent risks associated with investments, we may incur future losses on the sale or impairment of our investments.

Interest rate sensitivity

The primary objective of our cash and investment management activities is to preserve principal with the additional goals of maintaining appropriate liquidity and driving after-tax returns. Some of the securities that we have invested in may be subject to interest rate risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the value of our investment will probably decline. To minimize interest rate risk, we maintain our portfolio of cash equivalents, short-term investments and long-term investments in a variety of securities, including commercial paper, medium-term notes, corporate bonds and notes, U.S. government and agency securities and money market funds. In general, money market funds are not considered to be subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of June 30, 2006, 57% of our investments subject to interest rate risk mature in less than one year. If market interest rates were to increase immediately and uniformly by 10 percent from levels at June 30, 2006, this would not materially change the fair market value of our portfolio.

The following table presents the amounts of our cash equivalents and short-term investments that are subject to interest rate risk by range of expected maturity and weighted-average interest rates as of June 30, 2006. This table does not include money market funds because those funds are not considered to be subject to interest rate risk.

	Maturing in				
	Six Months or Less	Six Months to One Year	More than One Year	Total	Estimated Fair Value
		(In thousands)			
Included in cash and cash equivalents	$ 3,611	$ —	$ —	$ 3,611	$ 3,611
Weighted-average interest rate	4.07%	—	—		
Included in short-term investments	$ 48,581	$ 124,048	$ 87,732	$ 260,361	$ 256,538
Weighted-average interest rate	3.53%	4.11%	4.07%		
Included in restricted cash	$ —	$ —	$ 51,482	$ 51,482	$ 51,482
Weighted-average interest rate	—	—	4.00%		

On June 7, 2006, we entered into a $500 million senior unsecured revolving credit facility (the "Facility"), under which we, or certain designated subsidiaries may be borrowers. As of June 30, 2006, $174.0 million of the Facility was used to refinance our borrowings under a credit agreement that expired in July 2006. Any other borrowings under the Facility will be used for working capital, capital expenditures, permitted acquisitions and repurchases of our common stock and other lawful corporate purposes.

Loans bear interest at a rate per annum equal to, at our election, the Adjusted LIBOR Rate, plus a margin of between 0.50% and 1.025%, depending on our ratio of funded indebtedness to EBITDA as calculated pursuant to the credit agreement, or the higher of the prime rate, as announced from time to time by Bank of America, N.A., and the Federal Funds rate plus 0.50%. The Facility terminates on June 7, 2011 at which time outstanding borrowings under the Facility are due. We may optionally prepay loans under the credit agreement other than Competitive Bid Loans at any time, without penalty, subject to reimbursement of certain costs in the case of LIBOR borrowings.

Our interest expense will fluctuate as the interest rate for the Facility fluctuates based on the LIBOR rate, the bank's prime rate or the Federal Funds rate. As of June 30, 2006, the weighted average annual interest rate on the Facility was 5.65%. If the LIBOR rates were to increase immediately and uniformly by 10 percent from levels at June 30, 2006, the increase in interest expense would not be material.

Foreign exchange risk management

We conduct business throughout the world and transact in multiple foreign currencies. As we continue to expand our international operations we are increasingly exposed to currency exchange rate risks. In the fourth quarter of 2003, we initiated a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities of our operations that are denominated in non-functional currencies. The primary objective of this hedging program is to minimize the gains and losses resulting from fluctuations in exchange rates. We do not enter into foreign currency transactions for trading or speculative purposes, nor do we hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts and, in each case, these contracts are limited to a duration of less than 12 months.

At June 30, 2006, we held forward contracts in notional amounts totaling approximately $93.6 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. All forward contracts are recorded at fair market value. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with high-quality financial institutions.

ITEM 4. CONTROLS AND PROCEDURES

Note: This disclosure is intended to be current as of the date of the filing of this report.

As discussed in the Explanatory Note at the beginning of this report, the Ad Hoc Group of independent directors of the Board of Directors conducted a review of our historical stock option granting practices for the period January 1998 through May 2006. During the course of the review, the Ad Hoc Group identified stock option grants with incorrect measurement dates, without required documentation, or with initial grant dates and exercise prices that were subsequently modified. Consequently, we have recorded additional non-cash stock-based compensation expense and related tax effects with regard to past stock option grants. In this Form 10-Q, we are restating our consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income for the three and six months ended June 30, 2005, and cash flows for the six months ended June 30, 2005.

Details of the restatement and its underlying circumstances are discussed in the Explanatory Note at the beginning of this report and in Note 2 of Notes to Condensed Consolidated Financial Statements in Item 1 of this report.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of June 30, 2006. We determined that our disclosure controls and procedures were not effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC because of the material weakness in our internal control over financial reporting. Our management, based upon the substantial work performed during the preparation of this report and the related restatement of historical financial information, has concluded that our consolidated financial statements for the periods covered by and included in this report are prepared in accordance with the instruction for Form 10-Q pursuant to the rules and regulations of the SEC and are a fair presentation of our financial position, results of operations and cash flows for each of the periods presented herein.

Changes in Internal Control over Financial Reporting

Subsequent to June 30, 2006, our Board of Directors approved additional internal control policies and procedures intended to remediate the material weakness. As of the date of this filing, we have implemented or are in the process of implementing the following corrective actions:

- Develop and implement detailed equity-based grant policies and procedures and related compensation and human resources practices, including procedures to ensure accurate and timely communication of Compensation Committee actions.
- Validation of critical stock administration data fields including employee termination dates and stock option cancellation dates.
- Designation of individuals in the legal and accounting departments to oversee the documentation of, and accounting for, equity-based grants.
- Additional training for our finance, human resource, stock administration, and legal personnel concerning the equity grant process and the accounting and financial reporting for equity awards and modifications of such awards.
- Awarding equity-based grants (new hire, promotion, and annual performance) at pre-determined dates, with all required approvals documented and finalized on or before those dates.

- Improving the coordination and communication among the human resources, accounting and legal departments to identify, in advance, accounting issues relating to equity-based awards, and to ensure that those awards are properly accounted for under generally accepted accounting principles.

Additionally, we are investing in ongoing efforts to continuously improve the Company's internal control over financial reporting and have committed considerable resources to the improvement of the design, implementation, documentation, testing and monitoring of our internal controls.

As of the date of this filing, we believe that we have made substantial progress in the implementation of the corrective actions noted above and toward remediation of the material weakness.

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Note: The following description of pending legal proceedings is intended to be current as of June 30, 2007.

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the United States District Court for the District of Arizona asserting infringement of U.S. patent Nos. 5,822,737 and 5,963,917. NetMoneyIN amended its complaint on October 15, 2002, alleging infringement by VeriSign and several other defendants of a third U.S. patent (No. 6,381,584) in addition to the two patents previously asserted. On August 27, 2003, NetMoneyIN filed a third amended complaint alleging direct infringement of the same three patents by VeriSign and several other previously-named defendants. NetMoneyIN dropped its claim of active inducement of infringement by VeriSign. Some of the other current defendants include IBM, BA Merchant Services, Wells Fargo Bank, Cardservice International, InfoSpace, E-Commerce Exchange and Paymentech. VeriSign filed an answer denying any infringement and asserting that the three asserted patents are invalid and later filed an amended answer asserting, in addition, that the asserted patents are unenforceable due to inequitable conduct before the U.S. Patent and Trademark Office. The complaint alleged that VeriSign's Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of the '584 patent and the Court has dismissed with prejudice all claims of infringement of the '584 patent. In its ruling on the claim construction issues, the Court found four of the five claims asserted against VeriSign, claims 1, 13 and 14 of the '737 patent and claim 1 of the '917 patent, invalid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Thus, only claim 23 of the '737 patent remains in the case. The Court granted the defendants' motion to strike certain of the Plaintiff's assertions of infringement, including all charges of infringement under the so-called "doctrine of equivalents." The Court recently granted the defendants' motion for summary judgment of no inducement and no contributory infringement. Fact and expert witness discovery are completed. On September 29, 2006, VeriSign filed a Motion for Summary Judgment on Non-Infringement. On October 20, VeriSign filed a Motion for Summary Judgment on Invalidity. On November 1, 2006, NetMoneyIN filed a Motion for Summary Judgment on Infringement. On July 9, 2007, the Court is scheduled to hear oral argument on the pending motions for summary judgment. While we cannot predict the outcome of this lawsuit, VeriSign believes that the allegations are without merit.

Beginning in May of 2002, several class action complaints were filed against VeriSign and certain of its current and former officers and directors in the United States District Court for the Northern District of California. These actions were consolidated under the heading In re VeriSign, Inc. Securities Litigation, Case No. C-02-2270 JW(HRL), on July 26, 2002. The consolidated action seeks unspecified damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, on behalf of a class of persons who purchased VeriSign stock from January 25, 2001 through April 25, 2002. An amended consolidated complaint was filed on November 8, 2002. On April 14, 2003, the court granted in part and denied in part the defendants' motion to dismiss the amended and consolidated complaint. On May 5, 2004, plaintiffs filed a second amended complaint that was substantially identical to the amended consolidated complaint except that it purported to add a claim under Sections 11 and 15 of the Securities Act of 1933 on behalf of a subclass of persons who acquired shares of VeriSign pursuant to the registration statement and prospectus filed October 10, 2001 and amended October 26, 2001 for the acquisition of Illuminet Holdings, Inc. by VeriSign. Plaintiffs' second amended class action complaint was dismissed by the court on November 2, 2005 for failure to adequately plead loss causation. Plaintiffs were given leave to file an amended complaint. Plaintiffs filed a third amended class action Complaint on December 22, 2005. Defendants filed a motion to dismiss the third amended complaint. On April 6, 2006, that motion was granted in part and denied in part. Plaintiffs filed a fourth amended complaint on May 12, 2006. Plaintiffs' request for reconsideration of the April 6, 2006 order was granted on June 5, 2006. Plaintiffs filed a fifth amended complaint on June 30, 2006. VeriSign moved to dismiss the fifth amended complaint. Parallel derivative actions have also been filed against certain of VeriSign's current and former officers and directors in state courts in California and Delaware. VeriSign is named as a nominal defendant in these actions. Several of these derivative actions were filed in Santa Clara County Superior Court of California and these actions have since been consolidated under the heading In re VeriSign, Inc. Derivative Litigation, Case No. CV807719.

The consolidated derivative action seeks unspecified damages for alleged breaches of fiduciary duty and violations of the California Corporations Code. Defendants' demurrer to these claims was granted with leave to amend on February 4, 2003. Plaintiffs have indicated their intention to file an amended complaint. Another derivative action was filed in the Court of Chancery New Castle County, Delaware, Case No. 19700-NC, alleging similar breaches of fiduciary duty. Defendants' motion to dismiss these claims was granted by the Court of Chancery with prejudice on September 30, 2003.

On April 24, 2007, the District Court entered Final Judgment and Order dismissing the Securities Litigation with prejudice based on final approval of the parties settlement of the Securities Litigation and the Derivative Litigation. On May 15, 2007, the State Court entered a final Stipulation and Proposed of Dismissal with Prejudice of the Derivative Litigation. Under the terms of the settlement, liability insurers for the Company and its directors and officers paid $80 million in settlement of the lawsuits, within applicable insurance limits. The time for appeal in both matters has now passed.

On August 27, 2004, VeriSign filed a lawsuit against ICANN in the Superior Court of the State of California Los Angeles County. The lawsuit alleges that ICANN breached its *.com* Registry Agreement with VeriSign, including, without limitation, by overstepping its contractual authority and improperly attempting to regulate our business. The complaint seeks, among other things, specific performance of the *.com* Registry Agreement, an injunction prohibiting ICANN from improperly regulating VeriSign, and monetary damages. On November 12, 2004, ICANN filed an answer denying VeriSign's claims and a cross-complaint against VeriSign for declaratory relief and breach of the .com Registry Agreement, alleging that VeriSign's introduction of new services breached the .com Agreement. ICANN seeks a declaration from the court that it has acted in compliance with the parties' contractual obligations with regard to the .com registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the *.com* registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. On December 28, 2004, VeriSign filed an answer denying the claims in ICANN's cross-complaint and a cross-complaint against ICANN for breach of contract, violation of the unfair competition laws, and declaratory relief, alleging, among other things, that ICANN's accreditation of "thread" registrars is improper and causes direct injury to VeriSign. On February 14, 2005, ICANN filed an answer to VeriSign's cross-complaint denying VeriSign's allegations.

On or about November 12, 2004, ICANN filed a Request for Arbitration before the International Chamber of Commerce International Court of Arbitration (the "ICC") alleging that VeriSign violated its 2001 *.net* Registry Agreement with ICANN when, among other things, VeriSign operated the SiteFinder service without ICANN approval. ICANN seeks a declaration from the ICC that it has acted in compliance with the parties' contractual obligations with regard to the .net registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the .net registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. ICANN also seeks a declaration that, in evaluating VeriSign's bid to become the "successor" registry operator for the .net top level domain after the term of the 2001 agreement expires on or about June 30, 2005, ICANN is entitled to consider VeriSign's alleged breaches of the existing agreement. VeriSign cannot predict the outcome of this action or the affect this lawsuit will have on our relationship with ICANN.

On January 18, 2005, VeriSign filed a request for arbitration before the ICC against ICANN regarding the process by which ICANN solicited and reviewed bids from companies, including VeriSign, to become the "successor" registry operator for the .net top level domain after the 2001 Registry Agreement expired on or about June 30, 2005. VeriSign alleges that the "request for proposal" ("RFP") process constitutes a breach of the 2001 .net registry agreement because, among other things, the RFP process fails to constitute an open and transparent process by which ICANN can reasonably select the best qualified successor to operate the .net registry and does not constitute a valid "consensus policy" as defined in the 2001 .net agreement. ICANN has not yet responded to our arbitration request. On June 8, 2005, ICANN announced that it had selected VeriSign as the "successor" registry operator for the .net top level domain, and ICANN and VeriSign have entered into a contract to confirm that selection. VeriSign anticipates that its selection as the .net registry operator will resolve its request for arbitration.

In October 2005, the Company and ICANN announced a proposed settlement of the various claims between them. The settlement was conditioned upon, among other things, approval of the agreement by the United States Department of Commerce. On November 29, 2006, the United States Department of Commerce approved the new .com Registry Agreement. With that approval, the settlement is finalized and implemented. Accordingly, pending litigation with ICANN was dismissed.

On February 14, 2005, Southeast Texas Medical Associates, LLP filed a putative class action lawsuit in the Superior Court of California, alleging violations of the unfair competition laws, breach of express warranty and unjust enrichment relating to our Secure Site Pro SSL certificates. The complaint is brought on behalf of a class of persons who purchased the Secure Site Pro certificate from February 2001 to present. On April 17, 2006, the class was certified and class notice was issued on May 21, 2007. VeriSign disputes these claims. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On March 8, 2005, plaintiff Charles Ford filed a putative class action lawsuit in the Superior Court of California, County of San Diego, alleging fraud, negligent misrepresentation, false advertising, and violations of the California Consumers Legal Remedies Act and unfair competition laws relating to marketing and advertising of mobile phone "ringtones" and other content by VeriSign's subsidiaries, Jamster International Sarl and Jamba! GmbH. The complaint is brought on behalf of classes of persons who responded to advertising by sending a text message on their mobile phones or registered over the Internet to purchase ringtone or other content. On April 18, 2005, VeriSign removed the action to the federal district court for the Southern District of California. VeriSign disputes the claims in this action. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the U.S. District Court for the District of Delaware alleging that VeriSign's "Go Secure suite of application and related hardware and software products and its Unified Authentication solution and related hardware and software products, including the VeriSign Identity Protection ("VIP") product" infringe U.S. Patent No. 6,516,416, entitled "Subscription Access System for Use With an Untrusted Network." Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys' fees and costs. Prism Technologies has also named RSA Security, Inc., Netegrity, Inc. Computer Associates International, Inc and Johnson & Johnson as co -defendants. VeriSign responded on June 6, 2005 by filing a counterclaim for declaratory relief and an answer denying any infringement and asserting that the patent is invalid. On November 9, 2006, the Court held a Markman claim construction hearing. On February 9, 2007, Plaintiff withdrew its claim against Go Secure, leaving claims against Unified Authentication and VIP. On April 2, 2007, the Court issued a ruling from the Markman claim construction hearing. On April 13, 2007, the Court granted Defendants' Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the Markman claim construction ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal to the Federal Circuit Court of Appeals. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 2, 2005, the Company received an access letter from the U.S. Federal Trade Commission for information to determine whether VeriSign, using the trade name Jamster, was engaging in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act in its advertising, offering and billing for content services and products. The Company also received civil investigative demands from the Illinois State Attorney General (dated June 30, 2005) and from the Florida State Attorney General (dated October 6, 2005). Each of these letters requested information related to the marketing of Jamster ringtone and other downloadable content services.

In August 2005 and October 2005, respectively, VeriSign received two additional similar putative class action lawsuits, one in state court in Arkansas (short title, Page v. VeriSign), alleging claims for fraud, unjust enrichment, and violation of the Arkansas Deceptive Trade Practices Act, and one in federal district court for the Southern District of California (short title, Herrington v. VeriSign), alleging claims for fraud, negligence and negligent misrepresentation, unjust enrichment, quantum meruit, breach of contract, breach of warranty, false advertising, and unfair competition. These lawsuits relate to the marketing and advertising of mobile phone “ringtones” and other mobile phone content by VeriSign and its subsidiary Jamster International Sarl. VeriSign disputes the claims in these actions. On April 14, 2006 the Judicial Panel on Multidistrict Litigation coordinated and consolidated pretrial proceedings in the Ford, Page, and Herrington actions (short title, In Re Jamster Marketing Litigation). On June 16, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred one additional similar putative class action lawsuit, alleging violations of the Illinois Consumer Fraud Act and Illinois Automatic Contract Renewal Act (short title, Harmon v. VeriSign), from the federal district court for the Northern District of Illinois to the federal district court for the Southern District of California, where it will be coordinated with the Ford matter for pretrial proceedings. Similarly, on September 14, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred another similar putative class action lawsuit, alleging violations of Florida’s Deceptive and Unfair Trade Practices Act (short title, Edwards v. VeriSign), from the federal district court for the Southern District of Florida to the federal district court for the Southern District of California, where it will likely be coordinated with the Ford matter for pretrial proceedings. While we cannot predict the outcome of these matters, VeriSign believes the allegations are without merit.

On February 24, 2006, GEMA, the German music authors collecting society, submitted an application to the Schiedsstelle, an arbitration board responsible for copyright matters at the German Patent and Copyright Office, requesting arbitration of GEMA’s claim for alleged underpaid royalties in connection with Jamba! GmbH’s sale of ringtones as downloadable content for mobile phones. Jamba! is a wholly owned subsidiary of VeriSign, Inc. Jamba! pays royalties to GEMA on a “per download” basis for ringtones. GEMA claims that Jamba! should also pay royalties for all GEMA-represented ringtones made available to Jamba! customers, regardless of whether or not the content represented by GEMA has been downloaded by a Jamba! customer. On April 11, 2006, the Schiedsstelle notified Jamba! that it will conduct an arbitration of GEMA’s claim. Jamba! submitted a response to GEMA’s application on May 22, 2006. GEMA submitted an answer to Jamba!’s response on August 6, 2006. Jamba! submitted a reply to GEMA’s answer on or about October 23, 2006. Arbitration has not yet been scheduled. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On June 26, 2006, VeriSign received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to VeriSign's stock option grants and practices. VeriSign also received an informal inquiry from the Securities and Exchange Commission (“SEC”) requesting documents related to VeriSign's stock option grants and practices. On February 9, 2007, VeriSign received a formal order of investigation from the SEC. VeriSign is cooperating fully with the U.S. Attorney's investigation and the SEC investigation.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in federal court (Port Authority v. Bidzos, et al., and VeriSign), and one in state court (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. VeriSign is named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Motions to stay the state court action are pending.

On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in state court naming the Company and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned VeriSign common stock between April 3, 2002 and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin defendants from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The matter was removed to federal court on June 25, 2007. VeriSign and the individual defendants dispute all of these claims.

On November 7, 2006, a judgment was entered against VeriSign by an Italian trial court in the matter of Penco v. VeriSign, Inc., for Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. VeriSign was granted a stay on execution of the judgment. VeriSign has appealed the lower court's ruling on the merits and the hearing on the appeal is likely to be scheduled in May 2008. VeriSign believes the claims are without merit.

On November 30, 2006, Freedom Wireless, Inc. filed a complaint against VeriSign and other defendants alleging that VeriSign infringes certain patents by making, using, selling or supplying products, methods or services relating to supplying prepaid wireless telephone services to telecommunications companies. VeriSign filed an answer to the complaint on January 25, 2007. The lawsuit is pending in the United States District Court for the Eastern District of Texas. No scheduling conference has been set. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On January 31, 2007, VeriSign and News Corporation finalized a joint venture giving News Corporation a controlling interest in VeriSign’s wholly owned Jamba subsidiary. Accordingly, effective January 31, 2007, VeriSign transferred to the joint venture direction and control of all litigation relating to Jamba! GmbH and Jamster International Sarl. Litigation and other legal matters covered by that transfer include, but are not limited to, In Re Jamster Marketing Litigation (Ford, Page, Herrington, Harmon and Edwards), the Federal Trade Commission access letter, the Illinois Attorney General Civil Investigative Demand, the Florida Attorney General Subpoena Duces Tecum, and the GEMA application for arbitration.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "Deal or No Deal" to incur premium text message charges in order to participate in an interactive television promotion called "Lucky Case Game." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "The Apprentice" to incur premium text message charges in order to participate in an interactive television promotion called "Get Rich With Trump." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 7, 2007, plaintiffs Michael and Michele Hardin, on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc. and other defendants alleging that defendants collectively operate various "gambling games" in violation of Georgia state law. Plaintiffs allege that interactive television promotions contained in various broadcasts, including NBC's "Deal or No Deal," wrongly permit participants to incur premium text message charges in order to participate in the promotions to win a prize. The lawsuit is pending in the United States District Court for the Northern District of Georgia, Gainesville Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in our opinion will harm its business. VeriSign cannot assure that it will prevail in any litigation. Regardless of the outcome, any litigation may require VeriSign to incur significant litigation expense and may result in significant diversion of management attention.

ITEM 1A. RISK FACTORS

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

Note: The following risk factors are intended to be current as of the date of the filing of this report.

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

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

- the long sales and implementation cycles for, and potentially large order sizes of, some of our security and communications services and the timing and execution of individual customer contracts;
- volume of domain name registrations and customer renewals in our naming services business;
- the mix of all our services sold during a period;
- our success in marketing and market acceptance of our services by our existing customers and by new customers;
- changes in marketing expenses related to promoting and distributing our services;
- customer renewal rates and turnover of customers of our services;
- continued development of our direct and indirect distribution channels for our security services and communications services, both in the U.S. and abroad;
- changes in the level of spending for information technology-related products and services by enterprise customers;
- our success in assimilating the operations, products, services and personnel of any acquired businesses;
- the timing and execution of individual customer contracts, particularly large contracts;
- the impact of price changes in our communications services and security services or our competitors' products and services;
- the impact of Statement of Financial Accounting Standards No. 123R that will require us to record a charge to earnings for stock-based compensation; and
- general economic and market conditions as well as economic and market conditions specific to the telecommunications and Internet industries.

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

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

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

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

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

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

Our limited operating history under our current business structure may result in significant fluctuations of our financial results.

We have acquired many companies, a number of which operated in different businesses from our then-current business. Therefore, we have only a limited operating history on which to base an evaluation of our consolidated business and prospects. Our success will depend on many factors, many of which are not entirely under our control, including, but not limited to, the following:

- the successful integration of acquired companies;
- the use of the Internet and other Internet Protocol (“IP”) networks for electronic commerce and communications;
- the extent to which digital certificates and domain names are used for electronic commerce or communications;
- growth in the number of Web sites;
- growth in wireless networks and communications;
- growth in demand for our services;
- the continued evolution of electronic and mobile commerce as a viable means of conducting business;
- the competition for any of our services;
- the perceived security of electronic commerce and communications over the Internet and other IP networks;
- the perceived security of our services, technology, infrastructure and practices;
- the significant lead times before a new product or service begins generating revenues;
- the varying rates at which telecommunications companies, telephony resellers and Internet service providers use our services;
- the success in marketing and overall demand for our content services to consumers and businesses;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services; and
- our continued ability to maintain our current, and enter into additional, strategic relationships.

To address these risks we must, among other things:

- successfully market our services to new and existing customers;

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

The internal review of our historical stock option granting practices, the restatement of certain of our historical consolidated financial statements, investigations by the SEC and related events have had, and will continue to have, an adverse effect on us.

As discussed in the Explanatory Note at the beginning of this Form 10-Q, the Ad Hoc Group of independent directors of the Board of Directors conducted a review of our historical stock option granting practices for the period January 1998 through May 2006. During the course of the review, the Ad Hoc Group identified stock option grants with incorrect measurement dates, without required documentation, or with initial grant dates and exercise prices that were subsequently modified. Consequently, we have recorded additional non-cash stock-based compensation expense and related tax effects with regard to past stock option grants. We are restating previously filed financial statements in the quarterly reports on Form 10-Q for June 30, 2006 and September 30, 2006 and in our annual report on Form 10-K for the year ended December 31, 2006. Details of the restatement and its underlying circumstances are discussed in the Explanatory Note at the beginning of this Form 10-Q and in Note 2 of Notes to Condensed Consolidated Financial Statements.

As a result of the events described above, we have become subject to a number of significant risks, each of which, could have an adverse effect on our business, financial condition and results of operations, including:

- we are subject to significant pending civil litigation, including shareholder class action lawsuits and derivative claims made on behalf of us, the defense of which will require us to devote significant management attention and to incur significant legal expense and which litigation, if decided against us, could require us to pay substantial judgments, settlements or other penalties;
- we are subject to a continuing formal order of investigation from the SEC and a grand jury subpoena from the U.S. Attorney for the Northern District of California which could require significant management time and attention and cause us to incur significant accounting and legal expense and which could require us to pay substantial fines or other penalties;
- we are subject to the risk of additional litigation and regulatory proceedings or actions; and
- many members of our senior management team and our Board of Directors have been and will be required to devote a significant amount of time on matters relating to the continuing formal order of investigation from the SEC and a grand jury subpoena from the U.S. Attorney for the Northern District of California, remedial efforts and related litigation.

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

Our management has identified a material weakness in our internal control over financial reporting as of December 31, 2006 arising from a combination of control deficiencies in our stock administration policies and practices, as discussed in Item 4, “Controls and Procedures”. In addition, due to the identification of a material weakness in internal control over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2006 our disclosure controls and procedures were not effective.

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

Through the six month period ended June 30, 2006, we expended significant resources in connection with the Section 404 process. In future periods, we will likely continue to expend substantial amounts in connection with the Section 404 process and with ongoing evaluation of, and improvements and enhancements to, our internal control over financial reporting. These expenditures may make it difficult for us to control or reduce the growth of our general and administrative and other expenses, which could adversely affect our results of operations and the price of our securities.

If our cost reduction and restructuring efforts are ineffective, our revenues and profitability may be hurt.

In the first quarter of 2007, we have undertaken various cost reduction and restructuring activities that replaced our previous business unit structure with a functional organization consisting of a combined worldwide sale and services team and an integrated marketing and product development organization. The restructuring, impairment and other charges are estimated to be approximately $26.9 million in 2007; however, if we incur additional restructuring related charges, our financial condition and results of operations may suffer. In addition, the cost reduction and restructuring activities may not produce the full efficiencies and benefits we expect or the efficiencies and benefits might be delayed. There can be no assurance that these efforts, as well as any potential future cost reduction and restructuring activities, will not adversely affect our business, operations or customer perceptions, or result in additional future charges. In addition, we have recently experienced changes in our management, which together with these cost reduction and restructuring activities, could also cause our remaining employees to leave or result in reduced productivity by our remaining employees, which in turn may affect our revenue and other operating results in the future.

We have faced difficulties assimilating, and may incur costs associated with, acquisitions or dispositions.

We made numerous acquisitions and dispositions in the last six years and will pursue additional acquisitions and dispositions in the future. We have experienced difficulty in, and in the future may face difficulties, integrating the personnel, products, technologies or operations of companies or businesses we acquire or divest. Assimilating acquired businesses and dispositions involves a number of other risks, including, but not limited to:

- the potential disruption of our ongoing business;
- the potential impairment of relationships with our employees, customers and strategic partners;
- the need to manage more geographically-dispersed operations, such as our offices in the states of Georgia, Kansas, Illinois, Massachusetts, New York, Rhode Island, Texas, Virginia, and Washington, and globally in Australia, Europe, India, Japan, South Africa and South America
- greater than expected costs and/or lower than expected revenues and the assumption of unknown liabilities;
- the diversion of management's attention from our other businesses in identifying, completing and integrating acquisitions;
- the inability to retain the key employees of the acquired businesses;

- adverse effects on the existing customer relationships of acquired companies;
- our inability to incorporate acquired technologies successfully into our operations infrastructure;
- the difficulty of assimilating the operations and personnel of the acquired businesses;
- the potential incompatibility of business cultures;
- additional regulatory requirements;
- any perceived adverse changes in business focus;
- entering into markets and acquiring technologies in areas in which we have little experience;
- the need to incur debt, which may reduce our cash available for operations and other uses, or issue equity securities, which may dilute the ownership interests of our existing stockholders; and
- the inability to maintain uniform standards, controls, procedures and policies.

If we are unable to successfully address any of these risks for future acquisitions or dispositions, our business could be harmed.

Additionally, there is risk that we may incur additional expenses associated with an impairment of a portion of goodwill and other intangible assets due to changes in market conditions for acquisitions and dispositions. Under generally accepted accounting principles, we are required to evaluate goodwill for impairment on an annual basis and to evaluate other intangible assets as events or circumstances indicate that such assets may be impaired. These evaluations could result in further impairments of goodwill or other intangible assets.

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

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

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

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

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

The expansion of our international operations subjects our business to additional economic risks that could have an adverse impact on our revenues and business.

We intend to expand our international operations and international sales and marketing activities. For example, we expect to expand our operations and marketing activities throughout Asia, Europe, Latin America and South America. We have approximately 1,870 employees outside the United States. Expansion in these international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our other services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the United States. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violations of them. Violations of laws or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business. In addition, there are risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability and compliance with foreign laws;
- export and import restrictions on cryptographic technology and products incorporating that technology;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- currency fluctuations, as our international revenues from Europe, South Africa, Japan, South America and Australia are not denominated in U.S. Dollars;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- the necessity of developing foreign language portals and products for our services;
- difficulty of authenticating customer information for digital certificates and other purposes;
- political instability;

- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity; and
- potentially adverse tax consequences.

Our failure to manage past and future growth in our business could harm our business.

Between December 31, 1995 and December 31, 2006, we grew from 26 to 5,331 employees. This was achieved through internal growth, as well as acquisitions. During this time period, we opened new sales offices and significantly expanded our U.S. and non-U.S. operations. To successfully manage past growth and any future growth, we will need to continue to implement additional management information systems, continue the development of our operating, administrative, financial and accounting systems and controls and maintain close coordination among our executive, engineering, accounting, finance, marketing, sales and operations organizations. Any failure to manage growth effectively could harm our business.

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

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

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

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

Competition in Managed Security Services. Consulting companies or professional services groups of other companies with Internet expertise are current or potential competitors to our managed security services. These companies include large systems integrators and consulting firms, such as Accenture, IBM Global Services, Getronics and Lucent NetCare. We also compete with security product companies that offer managed security services in addition to other security services, such as Symantec and ISS, as well as a number of providers such as CyberTrust and BT Counterpane that offer managed security services. Telecommunications providers, such as Verizon Business, a provider of managed security services, are also potential competitors. In addition, we compete with some companies that have developed products that automate the management of IP addresses and name maps throughout enterprise-wide intranets, and with companies with internally developed systems integration efforts.

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

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

Competition in Content Services. The market for content services is extremely competitive. Competitors include developers of content and entertainment products and services in a variety of domestic and international markets, such as Infospace, Itouch, Arvato mobile, Monstermob, and Motricity This business also faces competition from mobile network operators such as Cingular, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, O_2, Orange, E-Plus and Telefónica, as well as Internet portal operators such as Yahoo!, AOL, T-Online and Google. Additional competitors are handset manufacturers such as Nokia and software providers such as Microsoft and Apple. As the market for wireless data, including information and entertainment data, matures, new categories of competitors, such as mobile phone companies, broadcasters, music publishers, other content providers or others have begun to develop competing products or services.

Competition in Naming Services. We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the *.mobi*, *.biz*, *.name*, *.pro*, *.aero*, *.museum* and *.coop* gTLDs and registries offering services related to ccTLDs. There are currently 16 gTLD registries and over 240 ccTLD registries.

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

Competition in Intelligent Supply Chain Services. There are a number of companies that provide intelligent supply chain services. For point-of-sale data, we face competition from IRI and AC Nielsen, as well as smaller software companies. For consulting services, we face competition from traditional consulting firms.

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

Competition in Digital Brand Management Services. We face competition from companies providing services similar to some of our Digital Brand Management Services. In the monitoring services, registration and domain name asset management area of our business, our competition comes primarily from ICANN accredited registrars and various smaller companies providing similar services.

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

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

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

Our future growth in our communications services business depends, in part, on the commercial success and reliability of our SS7 network. Our SS7 network is a vital component of our intelligent network services and has been a significant source of revenues for our Communications Services Group. Our communications services business will suffer if our target customers do not use our SS7 network. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced SS7-based services. We are not certain that our target customers will choose our particular SS7 network solution or continue to use our SS7 network. In the future, we may not be successful in marketing our SS7 network or any new or enhanced services.

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

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

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

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

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

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

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

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

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

Our business depends on the continued growth of the Internet and adoption and continued use of IP networks.

Our future success depends, in part, on continued growth in the use of the Internet and IP networks. If the use of, and interest in, the Internet and IP networks does not grow, our business would be harmed. To date, many businesses and consumers have been deterred from utilizing the Internet and IP networks for a number of reasons, including, but not limited to:

- potentially inadequate development of network infrastructure;
- security concerns, particularly for online commerce, including the potential for merchant or user impersonation and fraud or theft of stored data and information communicated over IP networks;
- privacy concerns, including the potential for third parties to obtain personally identifiable information about users or to disclose or sell data without notice to or the consent of such users;
- other security concerns such as attacks on popular Web sites by “hackers”;
- inconsistent quality of service;
- inability to integrate business applications on IP networks;
- the need to operate with multiple and frequently incompatible products;
- limited bandwidth access; and
- government regulation.

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

A number of states, as well as the U.S. Congress, have been considering various initiatives that could permit sales and use taxes on Internet sales. If any of these initiatives are adopted, it could substantially impair the growth of electronic commerce and therefore hinder the growth in the use of the Internet and IP networks, which could harm our business.

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

We target our security services at the market for trusted and secure electronic commerce and communications over IP and other networks. Our Information Services business unit is developing managed services designed to work with the EPCglobal Network and radio frequency identification (“RFID”), technology, point-of-sale data services and real-time publisher services. These are rapidly evolving markets that may not continue to grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services is very uncertain. The factors that may affect market acceptance of our services include the following:

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

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

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

The growth and development of the Internet has led to new laws and regulations, as well as the application of existing laws to the Internet and wireless communications. Application of these laws can be unclear. The costs of complying or failure to comply with these laws and regulations could limit our ability to operate in our markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation.

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

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

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

The emerging nature of the Internet, other communication networks, content, digital certificate, and domain name registration markets, and their rapid evolution, require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings. In particular, the market for entertainment and information is characterized by changing technology, developing industry standards, changing customer preferences and trends (which also vary from country to country), and the constant introduction of new products and services. In order to remain competitive, we must continually improve our access technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and customer preferences. When entertainment products are placed on the market, it is difficult to predict whether they will become popular.

The communications network services industry is also characterized by rapid technological change and frequent new product and service announcements. Significant technological changes could make our technologies obsolete and other changes in our markets could result in some of our other products and services losing market share. Accordingly, we must continually improve the responsiveness, reliability and features of our services and develop new features, services and applications to meet changing customer needs in our target markets. For example, we sell our SS7 network services primarily to traditional telecommunications companies that rely on traditional voice networks. Many emerging companies are providing convergent Internet protocol-based network services. Our future success could also depend upon our ability to provide products and services to these Internet protocol-based telephony providers, particularly if IP-based telephony becomes widely accepted. We cannot assure that we will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. Our failure to do so would adversely affect our ability to compete and retain customers or market share.

New products and services developed or introduced by us may not result in any significant revenues.

We must commit significant resources to develop new products and services before knowing whether our investments will result in products and services the market will accept. The success of new products and services depends on several factors, including proper new definition and timely completion, introduction and market acceptance. For example, our selection in January 2004 by EPCglobal, a not-for-profit standards organization, to operate the Object Naming Service as the root directory for the EPCglobal Network, may not increase our revenues in the foreseeable future. There can be no assurance that we will successfully identify new product and service opportunities, develop and bring new products and services to market in a timely manner, or achieve market acceptance of our products and services, or that products, services and technologies developed by others will not render our products, services or technologies obsolete or noncompetitive. Our inability to successfully market new products and services may harm our business.

Issues arising from our agreements with ICANN and the Department of Commerce could harm our registry business.

The U.S. Department of Commerce ("DOC") has adopted a plan for the phased transition of the DOC's responsibilities for the domain name system to the Internet Corporation for Assigned Names and Numbers ("ICANN"). As part of this transition, as the exclusive registry of domain names within the *.com* and *.net* generic top-level domains ("gTLDs"), we have entered into agreements with ICANN and with the DOC.

We face risks from the transition of the DOC's responsibilities for the domain name system to ICANN, including the following:

- ICANN could adopt or promote policies, procedures or programs that are unfavorable to us as the registry operator of the *.com* and *.net* gTLDs or that are inconsistent with our current or future plans;

- the DOC or ICANN could terminate our agreements to be the registry for the *.com* or *.net* gTLDs under the circumstances described elsewhere in this report;
- if the *.com* and *.net* Registry Agreements are terminated, it could have a material adverse impact on our business;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- the DOC could revoke its recognition of ICANN, as a result of which the DOC could take the place of ICANN for purposes of our agreements with ICANN, and could take actions that are harmful to us;
- the U.S. Government could refuse to transfer certain responsibilities for domain name system administration to ICANN due to security, stability or other reasons, resulting in fragmentation or other instability in domain name system administration; and
- our registry business could face legal or other challenges resulting from our activities or the activities of registrars.

Challenges to ongoing privatization of Internet administration could harm our domain name registry business.

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

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

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

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

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

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

Most of our systems are located at, and most of our customer information is stored in, our facilities in Mountain View, California and Kawasaki, Japan, both of which are susceptible to earthquakes, Providence, Rhode Island; Dulles, Virginia; Lacey, Washington; Overland Park, Kansas, Melbourne, Australia and Berlin, Hamburg and Verl, Germany. Any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage and business interruption, we do not carry insurance or financial reserves for interruptions or potential losses arising from earthquakes or terrorism.

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

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

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

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

Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, and attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability and customers could be reluctant to use our services. Such an occurrence could also result in adverse publicity and therefore, adversely affect the market’s perception of the security of electronic commerce and communications over IP networks as well as of the security or reliability of our services.

The reliance of our network connectivity and interoperability services and content services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

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

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

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

Capacity limits on our technology and network hardware and software may be difficult to project and we may not be able to expand and upgrade our systems to meet increased use.

If traffic from our telecommunication and content customers through our network increases, we will need to expand and upgrade our technology and network hardware and software. We may not be able to expand and upgrade, in a timely manner, our systems and network hardware and software capabilities to accommodate increased traffic on our network. If we do not appropriately expand and upgrade our systems and network hardware and software, we may lose customers and revenues.

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

We currently administer and operate only two of the thirteen root zone servers. The others are administered and operated by independent operators on a volunteer basis. Because of the importance to the functioning of the Internet of these root zone servers, our registry services business could be harmed if these volunteer operators fail to maintain these servers properly or abandon these servers, which would place additional capacity demands on the two root zone servers we operate.

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

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

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

Services offered by our Internet Services Group rely on public key cryptography technology that may compromise our system's security.

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

Some of our security services have lengthy sales and implementation cycles.

We market many of our security services directly to large companies and government agencies and we market our communications services to large telecommunication carriers. The sale and implementation of our services to these entities typically involves a lengthy education process and a significant technical evaluation and commitment of capital and other resources. This process is also subject to the risk of delays associated with customers' internal budgeting and other procedures for approving large capital expenditures, deploying new technologies within their networks and testing and accepting new technologies that affect key operations. As a result, the sales and implementation cycles associated with certain of our services can be lengthy, potentially lasting from three to nine months. Our quarterly and annual operating results could be materially harmed if orders forecasted for a specific customer for a particular quarter are not realized.

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

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

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

Our success depends on our internally developed technologies, patents and other intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the United States. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation, regardless of its outcome, could result in substantial costs and diversion of management and technical resources.

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

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

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

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

We must establish and maintain strategic and other relationships.

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

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

Furthermore, our ability to achieve future growth will also depend on our ability to continue to establish direct seller channels and to develop multiple distribution channels. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

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

We depend on the performance of our senior management team and other key employees. Our success also depends on our ability to attract, integrate, train, retain and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad. In addition, our stringent hiring practices for some of our key personnel, which consist of background checks into prospective employees' criminal and financial histories, further limit the number of qualified persons for these positions.

We have no employment agreements with any of our key executives that prevent them from leaving VeriSign at any time. In addition, we do not maintain key person life insurance for any of our officers or key employees. The loss of the services of any of our senior management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

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

The Sarbanes-Oxley Act mandates, among other things, that companies adopt new corporate governance measures and imposes comprehensive reporting and disclosure requirements, sets stricter independence and financial expertise standards for audit committee members and imposes increased civil and criminal penalties for companies, their chief executive officers and chief financial officers and directors for securities law violations. For example, Section 404 of the Sarbanes-Oxley Act requires companies to do a comprehensive and costly evaluation of their internal controls. In addition, the NASDAQ Global Select Market has adopted additional comprehensive rules and regulations relating to corporate governance. These laws, rules and regulations have increased the scope, complexity and cost of our corporate governance, reporting and disclosure practices, and our compliance efforts have required significant management attention. It has become more difficult and more expensive for us to obtain director and officer liability insurance, and we have been required to accept reduced coverage and incur substantially higher costs to obtain the reduced level of coverage. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

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

Our amended and restated certificate of incorporation and bylaws contain provisions that could make it more difficult for a third-party to acquire us without the consent of our board of directors. These provisions include:

- our stockholders may take action only at a meeting and not by written consent;
- our board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;
- we currently have a classified board of directors, with the board being currently divided into three classes that serve staggered three-year terms, although we intend to declassify our board commencing in connection with our 2007 Annual Meeting of Stockholders;
- vacancies on our board may be filled until the next annual meeting of stockholders only by majority vote of the directors then in office; and

- special meetings of our stockholders may be called only by the chairman of the board, the president or the board, and not by our stockholders.

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

- The rights will become exercisable only upon the occurrence of certain events specified in the plan, including the acquisition of 20% of VeriSign's outstanding common stock by a person or group.
- Each right entitles the holder, other than an "acquiring person," to acquire shares of VeriSign's common stock at a 50% discount to the then-prevailing market price.
- VeriSign's Board of Directors may redeem outstanding rights at any time prior to a person becoming an "acquiring person," at a price of $0.001 per right. Prior to such time, the terms of the rights may be amended by VeriSign's Board of Directors without the approval of the holders of the rights.

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

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

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 1 – 30, 2006	—	—	—	44.7 million
May 1 – 31, 2006	10,609	23.68	10,609	1.04 billion
June 1 – 30, 2006	2,758,621	21.75	2,758,621	984.7 million
Total	2,769,230		2,769,230	

On May 16, 2006, the Board of Directors of VeriSign authorized a new stock repurchase program to repurchase up to $1 billion of VeriSign's common stock on the open market, or in negotiated or block trades.

During the six months ended June 30, 2006, VeriSign settled its $250 million and $75 million Accelerated Share Repurchase ("ASR") agreements. As a result of settling the respective ASR agreements, VeriSign received an additional 482,459 shares and 10,609 shares of its common stock.

During the three months ended June 30, 2006, VeriSign entered into a new $60.0 million ASR agreement to purchase approximately 2.8 million shares of its common stock at a price per share of approximately $21.75. On July 25, 2006, VeriSign settled this ASR and received an additional 7,338 shares of its common stock.

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

The 2006 Annual Meeting of Stockholders was held on May 26, 2006 at our corporate offices, located at 487 East Middlefield Road, Mountain View, California. Three proposals were voted on at the meeting. The results of each proposal are as follows.

Proposal No. 1 to elect three (3) Class II directors to serve for a three-year term expiring at the Annual Meeting of Stockholders in 2009 was approved by the stockholders. The nominees received the following votes:

	For	Withheld
Michelle Guthrie	201,134,760	16,113,755
Roger H. Moore	201,090,191	16,158,324
Edward A. Mueller	201,160,328	16,088,187
William A. Roper, Jr.	201,166,796	16,081,719

In Proposal No. 2, stockholders approved the 2006 Equity Incentive Plan to replace the 1998 Directors Stock Option Plan, the 1998 Equity Incentive Plan and the 2001 Stock Incentive Plan. This proposal received the following votes:

	Votes
For	114,846,157
Against	69,659,647
Abstain	1,474,365

In Proposal No. 3, stockholders ratified the appointment of KPMG LLP as independent auditors of VeriSign for the fiscal year ending December 31, 2006. This proposal received the following votes:

	Votes
For	215,328,241
Against	639,898
Abstain	1,280,376

Abstentions and broker non-votes were included in the determination of the number of shares represented at the meeting for purposes of determining the presence of a quorum at the Annual Meeting of Stockholders. Abstentions had the same effect as a vote against Proposal No. 2.

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ITEM 6. EXHIBITS

(a) Index to Exhibits

Exhibit Number	Exhibit Description	Filed Herewith
10.01	Transition Services and General Release Agreement between the Registrant and James M. Ulam dated May 18, 2006.	X
10.02	Registrant's 2006 Equity Incentive Plan, as adopted 05/26/06	X
10.03	Registrant's 2006 Equity Incentive Plan, form of Stock Option Agreement.	X
10.04	Registrant's 2006 Equity Incentive Plan, form of Employee Restricted Stock Unit Agreement.	X
10.05	Registrant's 2006 Equity Incentive Plan, form of Non-Employee Director Restricted Stock Unit Agreement.	X
10.06	Summary of Director's Compensation Benefits.	X
31.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a - 14(a).	X
31.02	Certification of Executive Vice President, Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).	X
32.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a - 14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).*	X
32.02	Certification of Executive Vice President, Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).*	X

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

SIGNATURES

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

VERISIGN, INC.

Date: July 12, 2007	By:	/s/ WILLIAM A. ROPER, JR.
		William A. Roper Jr. **President and Chief Executive Officer** **(Principal Executive Officer)**
Date: July 12, 2007	By:	/s/ ALBERT E. CLEMENT
		Albert E. Clement **Executive Vice President, Finance** **and Chief Financial Officer** **(Principal Financial and Accounting Officer)**

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EXHIBITS

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

Exhibit Number	Exhibit Description
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VeriSign®

May 18, 2006

Re: Transition Services & General Release Agreement (the "Agreement")

Dear Jim:

This will confirm that, provided you sign and return this Agreement to me, your employment with VeriSign, Inc. ("VeriSign") will terminate effective March 3, 2007, unless terminated sooner in accordance with the terms and conditions of this Agreement (the "Termination Date"). In light of what VeriSign anticipates will be a continuing need for your expertise during a transition period, in an effort to ensure an amicable and smooth separation, and in consideration for your execution of this Agreement, VeriSign is prepared to offer you a severance package under the following terms and conditions:

1. <u>Transition Services</u>

A. You agree to continue in your role as General Counsel on a full-time basis until September 3, 2006, unless your employment is terminated for cause before that time pursuant to Section 3 below.

B. Until September 3, 2006, you agree to assist VeriSign, as may be reasonably requested, with (1) its search for a successor General Counsel and (2) the transition of your duties to a successor General Counsel. In the event that a successor General Counsel is fully transitioned into his/her role before September 3, 2006, you will remain employed on a full-time basis until September 3, 2006, with responsibilities to be mutually agreed upon.

C. From September 4, 2006 through March 3, 2007, you will remain employed on a part-time basis as an employee consultant. During this time, you agree to provide legal services for the company on matters on an as-needed as-available basis for up to forty (40) hours per month.

D. Upon the termination of your employment, you agree to sign a General Release Agreement in the form attached as Exhibit A to this Agreement.

2. <u>Consideration from VeriSign</u>.

A. <u>Salary</u>. From the Effective Date of this Agreement through September 3, 2006, VeriSign agrees to pay you a salary in the same amount as the salary it paid to you immediately before the Effective Date of this Agreement, less standard withholdings and deductions. Such payments shall be made according to VeriSign's standard salary payments schedule.

B. <u>Monthly Retainer</u>. From September 2006 through February 2007, VeriSign will pay you a monthly retainer of Ten Thousand Dollars ($10,000), less standard withholdings and deductions (the "Monthly Retainer"), provided you remain employed by VeriSign during that time and provide legal services for the company on an as-needed as-available basis for up to forty (40) hours per month if requested by VeriSign.

C. <u>Hourly Fee</u>. From September 4, 2006 through March 3, 2007, VeriSign also will pay you at an hourly rate of $250 per hour (the "Hourly Fee") for your legal services. In order for VeriSign to have the necessary information to pay you the appropriate Hourly Fee for your services, you agree to submit to VeriSign a written summary of your hours worked for the month within thirty (30) days of the end of the month in which the hours were worked.

D. <u>Benefits</u>. From the Effective Date of this Agreement until the Termination Date, you will be provided health insurance, dental insurance and life insurance benefits for yourself and your family all at the same level and rates as you received immediately before the Effective Date of this Agreement. After September 3, 2006, you will no longer accrue paid time off ("PTO").

E. Vesting of Stock Options. For the purpose of clarification, from the Effective Date of this Agreement until the Termination Date your unvested VeriSign, Inc. stock options will continue to vest in accordance with the terms and conditions of the applicable stock option plan.

F. Option Acceleration. In the event that VeriSign is acquired before the Termination Date, you will receive the acceleration of vesting of fifty percent (50%) of your then unvested options just as you would have received if you were a Senior Vice President at the time of such an acquisition.

G. Accrued PTO. On or about the Termination Date, you will receive a paycheck for any PTO that you have accrued but not used as of the Termination Date.

H. Travel & Related Expenses. For the purpose of clarification, during the time you are providing services as an employee consultant you will be eligible to receive reimbursement of any VeriSign work related travel costs and related expenses in accordance with the terms and conditions of the VeriSign Travel and Expense Reimbursement Policy.

I. Except as expressly provided for above, you shall not be entitled to any other or further compensation, remuneration, reimbursement, payments, bonuses, options, stock, or other equity issue of or from VeriSign.

3. Termination. VeriSign may only terminate your employment before March 3, 2007 for cause (“Cause”). For the purposes of this Agreement, “Cause” shall include, but is not limited to: willful misconduct, gross negligence, theft, fraud or other illegal conduct, refusal to perform your job duties, unlawful harassment, and breach of any term of this Agreement. In the event that VeriSign becomes aware of information that would justify terminating your employment for Cause then VeriSign may terminate your employment for Cause at any time effective immediately. In the event that VeriSign terminates your employment for Cause then VeriSign shall pay you the amount due to you as of your Termination Date but thereafter shall have no further payment obligations to you.

You may terminate your employment before March 3, 2007 for any reason upon thirty (30) days prior notice. In the event you terminate your employment, VeriSign shall have no further payment obligations to you.

4. Nonsolicitation. During the term of your employment with VeriSign and for one year after the Termination Date, you agree that you will not solicit, encourage or induce any VeriSign employee to terminate his/her employment with VeriSign for the purpose of either working for you or any other entity. Notwithstanding the foregoing, nothing in this Agreement shall prohibit any entity from hiring any VeriSign employee who seeks employment on his/her own initiative with such entity.

5. Severability. Should any provision of this Agreement be declared or determined by a court of competent jurisdiction to be invalid or otherwise unenforceable, the remaining parts, terms and provisions shall continue to be valid, legal and enforceable, and will be performed and enforced to the fullest extent permitted by law.

6. Employee Acknowledgements. You acknowledge that the amounts to be paid by VeriSign under this Agreement are adequate consideration for your execution of this Agreement. Your signing this Agreement will acknowledge that you are advised to consult with legal counsel, if you so desire. This Agreement will be binding on your heirs, administrators, representatives, executors, successors and assigns and will inure to the benefit of VeriSign and its successors and assigns. Your signature below will indicate that you are entering into this Agreement freely and with a full understanding of its terms.

7. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. This Agreement may be signed via facsimile.

8. Entire Agreement. This Agreement contains the entire agreement between you and VeriSign and supersedes all prior agreements or understandings between you and VeriSign, or any entity that has been acquired

by VeriSign, concerning your employment with VeriSign and the other subject matters of this Agreement, with the exception of any confidentiality agreement you may have entered into that protects VeriSign's confidential information or any agreement you may have entered into that assigns ownership of intellectual property to VeriSign. No changes to this Agreement will be valid unless in writing and signed by both you and an authorized representative of VeriSign.

Please indicate your acceptance of the foregoing by signing below and returning the signed agreement to me.

Yours very truly,

/s/ R. George Haddad

George Haddad
SVP, Human Resources

I, JAMES ULAM, HAVE READ AND UNDERSTAND THIS AGREEMENT, AND I ENTER INTO IT VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS EFFECT.

/s/ James M. Ulam	05/18/06
Signature	Date
/s/ Frances Jennings	05/18/06
Witness	Date

EXHIBIT A – GENERAL RELEASE AGREEMENT

Dear Jim:

This will confirm that your employment with VeriSign, Inc., ("VRSN"), will terminate effective ________________ (the "Termination Date"). The benefits package being offered to you in an effort to ensure an amicable and smooth separation is detailed in this Agreement between you and VRSN.

1. In consideration for the covenants and promises herein, and provided you sign this Agreement, you will be provided with the following benefits:

1.1 VRSN will make payment to you in an amount equivalent to two months' COBRA premium (consistent with your current coverage levels), less standard withholding and deductions, assuming you are eligible for COBRA through the VRSN Medical, Dental and/or Vision Plans.

1.2 After the Termination Date, any remaining continuation and/or conversion rights to health insurance benefits will be as provided by applicable law and will follow under separate letter.

1.3 Except as provided for above, you shall not be entitled to any other or further compensation, remuneration, reimbursement payments, options, stock, or other equity issue of or from VRSN.

2. In consideration for the above benefits and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, your signature below indicates your agreement as follows:

2.1 In keeping with our intent to allow for an amicable separation, and as part of our accord, and deeming this Agreement to be fair, reasonable, and equitable, and intending to be legally bound hereby, you agree to and hereby do, for yourself and for each of your heirs, executors, administrators and assigns, forever and irrevocably fully release and discharge VRSN (including any subsidiary or affiliated entities, and all of their respective officers, directors, employees, agents, attorneys, representatives, shareholders, predecessors, successors, purchasers, assigns, and representatives) (collectively the "VRSN Parties") from any and all grievances, liens, suits, judgments, claims, demands, debts, defenses, actions or causes of action, obligations, damages, and liabilities whatsoever which you now have, have had, or may have, whether the same be known or unknown, at law, in equity, or mixed, in any way arising out of or relating in any way to any matter, act, occurrence, or transaction that occurred before or as of the Effective Date of this Agreement, including but not limited to your employment with VRSN and your separation from VRSN. **This is a General Release.** You expressly acknowledge that this General Release includes, but is not limited to, your release of any tort and contract claims, arbitration claims, claims under any local, state or federal law, wage and hour law, wage collection law or labor relations law, and any claims of discrimination on the basis of age, race, sex, sexual orientation, religion, disability, national origin, ancestry, citizenship, retaliation or any other claim of employment discrimination or retaliation, and any claims under the Civil Rights Acts of 1964 and 1991 as amended (42 U.S.C. §§ 2000e et seq.), the Age Discrimination In Employment Act (29 U.S.C. §§ 621 et seq.), the Americans With Disabilities Act (42 U.S.C. §§ 12101 et seq.), the Rehabilitation Act of 1973 (29 U.S.C. §§ 701 et seq.), the Family and Medical Leave Act (29 U.S.C. §§ 2601 et seq.), the Fair Labor Standards Act (29 U.S.C. §§ 201 et seq.), and any other claim under any law prohibiting employment discrimination or relating to employment. You acknowledge that you are waiving and releasing any rights you may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. You further acknowledge that you have been advised by this writing that: (i) You are advised that you may consult with an attorney prior to executing this Agreement; (ii) You have up to twenty-one (21) days within which to consider this Agreement; (iii) You have seven (7) days following the execution of this Agreement to revoke the Agreement; and (iv) this Agreement shall not be effective until the revocation period has expired. You acknowledge that the consideration given for this waiver and release Agreement is in addition to anything of value to which you were already entitled and is not an employment benefit. You acknowledge that the amounts to be paid by VRSN under this Agreement are adequate consideration for your execution of this Agreement and for any and all outstanding obligations that may be owed to you by VRSN.

You hereby knowingly waive any and all rights you have or may have under Section 1542 of the California Civil Code. Section 1542 provides as follows:

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

Notwithstanding Section 1542 of the Civil Code of California, you expressly consent that this Agreement shall be given full force and effect according to each and all of its expressed terms and provisions, including as well those relating to unknown claims, charges, demands, suits, actions, causes of action and debts, if any. You acknowledge that you understand the significance and consequence of this specific waiver of Section 1542. You understand that this Agreement is not an admission of liability under any statute or otherwise by VRSN, and that VRSN does not admit but denies any violation of your legal rights.

2.2 You represent that you have no lawsuits, claims, or actions pending in your name, or on behalf of any other person or entity, against VRSN or any VRSN Party. You also represent that you do not intend to bring any claims on your own behalf or on behalf of any other person or entity against VRSN or any other VRSN Party.

2.3 You represent that you are not aware of any possible claims by you other than the claims that you have waived and released by this Agreement. You acknowledge that you have been advised of your right to consult with legal counsel and expressly agree to waive any rights you may have to any claims, whether the facts or basis for any cause of action are known or unknown as of the Effective Date of this Agreement, and acknowledge such waiver under any common law principle or statute which may govern waivers of such claims.

2.4 You agree that you will not counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against VRSN and/or any VRSN Party, unless under a subpoena or other court order to do so. You further agree both to immediately notify VRSN upon receipt of any court order, subpoena, or any legal discovery device that seeks or might require the disclosure or production of the existence or terms of this Agreement, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or legal discovery device to VRSN. You agree to make yourself available upon reasonable notice from VRSN or its attorneys to provide testimony through declarations, affidavits, depositions or at a hearing or trial, and to work with VeriSign in preparation for such event, and to cooperate with any other reasonable request by VRSN in connection with the defense or prosecution of any lawsuit to which VRSN is a party currently pending or filed after the Termination Date.

2.5 You agree to keep confidential and not to use any trade secret, confidential business or proprietary information which you acquired during your employment with VRSN, including, but not limited to, any VRSN marketing, finance, technology, or sales information, plans, or strategies. This is intended to cover any information of a nature not normally disclosed by VRSN to the general public. You agree that every term of this Agreement, including, but not limited to, the fact that an agreement has been reached and the amount paid, shall be treated by you as strictly confidential, and expressly covenant not to display, publish, disseminate, or disclose the terms of this Agreement to any person or entity.

2.6 You agree that from the date you receive this Agreement through the Termination Date you will cooperate in performing work related tasks that may be requested of you by VRSN and you acknowledge that, in its discretion, VRSN may relieve you from performing all work related tasks even before the Termination Date.

2.7 You agree to return to VRSN either on the Termination Date or on any earlier date specified by VRSN any and all property of VRSN, including any files and any documents prepared for or by VRSN, your computer, your ID badge and any other property or equipment issued to you by VRSN.

2.8 You agree to refrain from making any derogatory or disparaging remarks, statements or communications about VRSN.

2.9 Should any provision of this Agreement be declared or determined by a court of competent jurisdiction to be invalid or otherwise unenforceable, the remaining parts, terms and provisions shall continue to be valid, legal and enforceable, and will be performed and enforced to the fullest extent permitted by law.

2.10 You agree that this Agreement contains the entire agreement between you and VRSN and supersedes all prior or contemporaneous agreements or understandings between you and VRSN, or any entity that has been acquired by VRSN, on the subject matters of this Agreement, except this Agreement does not supersede any portion of any agreements you may have entered into that (i) provides greater protection to VRSN's confidential or proprietary information, or (ii) assigns ownership to VRSN or any of its subsidiaries of inventions, developments, patents, trademarks, copyrights, trade secrets or any other intellectual property.

3. Please read this Agreement carefully. We will hold this offer open for twenty-one (21) days, although we would hope to conclude this matter as quickly as possible. Your signing this Agreement will acknowledge that you are advised to consult with legal counsel, if you so desire. Your signature below also will indicate that you are entering into this Agreement freely and with a full understanding of its terms. If the terms stated above are acceptable, please confirm your acceptance and agreement by signing your name below in front of a witness, and then return to me the original Agreement signed by you. Please also have the witness sign where indicated. Of course, you can make a copy of the Agreement for yourself. You may revoke your acceptance of this Agreement at any time within seven (7) days after you have returned this signed Agreement to me. Revocation shall be made by delivering written notice of revocation to *Human Resources, 487 E. Middlefield Road, Mountain View, CA 94043*, and must be received no later than the seventh day after you return the signed Agreement. This Agreement shall not become effective or enforceable until the date on which the revocation period expires (the "Effective Date") and only provided you have not exercised your right to revocation. No changes to this Agreement will be valid unless in writing and signed by both you and an authorized member of VRSN's Human Resources department.

I thank you for your service to VRSN and wish you the best of luck in your future endeavors. If you have any questions, or if there is anything that I can do to help you, please feel free to contact me.

Very truly yours,

George Haddad
SVP Human Resources

I, JAMES ULAM, HAVE READ AND UNDERSTAND THIS AGREEMENT, AND I ENTER INTO IT VOLUNTARILY, WITH FULL KNOWLEDGE OF ITS EFFECT.

Signature Date

Witness Date

VeriSign, Inc.
2006 Equity Incentive Plan

(adopted May 26, 2006)

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries, by offering them an opportunity to participate in the Company's future performance through the grant of Awards. Capitalized terms not defined in the text are defined in Section 27.

2. SHARES SUBJECT TO THE PLAN.

2.1 *Number of Shares Available*. Subject to Sections 2.2 and 21.2, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of May 26, 2006, is 27,000,000 Shares. Subject to Sections 2.2 and 21.2 hereof, Shares subject to Awards, and Shares issued upon exercise of Awards, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (i) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (ii) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; or (iii) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued. The aggregate number of Shares granted pursuant to Awards, other than with respect to Options and Stock Appreciation Rights, shall not exceed forty percent (40%) of the total number of Shares reserved and available for grant and issuance pursuant to this Plan. SARs to be settled in shares of the Company's Common Stock shall be counted in full against the number of Shares available for award under this Plan, regardless of the number of Shares issued upon settlement of the SAR. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options granted under this Plan and all other outstanding but unvested Options granted under this Plan.

2.2 *Adjustment of Shares*. In the event that the number or type of outstanding shares of the Company's Common Stock is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number and class of Shares reserved for issuance under this Plan, (b) the Exercise Prices of outstanding Options and SARs, (c) the number of Shares subject to outstanding Options and SARs, and (d) the maximum number of Shares that may be granted pursuant to Section 3 may, upon approval of the Board in its discretion, be proportionately adjusted in compliance with applicable securities laws; *provided*, *however*, that fractions of a Share will not be issued.

3. ELIGIBILITY. ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards 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. No person will be eligible to receive more than one million five hundred thousand (1,500,000) Shares in any calendar year under this Plan pursuant to the grant of Awards hereunder, other than new employees of the Company or of a Parent or Subsidiary of the Company (including new employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company), who are eligible to receive up to a maximum of three million (3,000,000) Shares in the calendar year in which they commence their employment. A person may be granted more than one Award under this Plan.

4. ADMINISTRATION.

4.1 *Committee Authority*. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. The Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

(i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(j) determine whether an award has been earned; and

(k) make all other determinations necessary or advisable for the administration of this Plan.

4.2 *Committee Discretion*. Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or the Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one (1) or more officers or directors of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company. Notwithstanding any provision of the Plan to the contrary, administration of the Plan shall at all times be limited by the requirement that any administrative action or exercise of discretion shall be void (or suitably modified when possible) if necessary to avoid the application to any Participant of taxation under Section 409A of the Code.

5. OPTIONS. The Committee may grant Options to eligible persons and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("***ISOs***") or Nonqualified Stock Options ("***NQSOs***"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 *Form of Option Grant*. Each Option granted under this Plan will be evidenced by an Option Agreement or other evidence of grant which will expressly identify the Option as an ISO or an NQSO ("***Stock Option Agreement***"), and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 *Date of Grant*. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered or otherwise made available to the Participant within a reasonable time after the granting of the Option. The Stock Option Agreement, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5.3 *Exercise Period*. Options may be exercisable within the times or upon the conditions or events determined by the Committee as set forth in the Stock Option Agreement governing such Option (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors); *provided*, *however*, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 *Exercise Price*. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of an ISO will be not less than 100% of the Fair Market Value of the Shares on the date of grant; (ii) the Exercise Price of any ISO granted to a Ten Percent Shareholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant; and (iii) the Exercise Price of an NQSO will not be less than 100% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 12.

5.5 *Method of Exercise*. Options may be exercised only by delivery to the Company of a stock option exercise notice or agreement (the "***Exercise Agreement***") in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding the Participant's investment intent and access to information and other matters, if any, as may be required by or desirable to the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased. The Exercise Agreement may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5.6 *Termination*. Notwithstanding the exercise periods set forth in the Stock Option Agreement, the exercise of an Option will always be subject to the following:

(a) If the Participant is Terminated for any reason except the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the Termination Date no later than three (3) months after the Termination Date (or such shorter time period not less than thirty (30) days or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(b) If the Participant is Terminated because of Participant's death (or the Participant dies within three (3) months after a Termination other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant's legal representative or authorized assignee no later than twelve (12) months after the Termination Date (or such shorter time period not less than six (6) months or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death, or (b) twelve (12) months after the Termination Date when the Termination is for the Participant's death, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(c) If the Participant is Terminated because of Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date, with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's Disability, or (b) twelve (12) months after the Termination Date when the Termination is for the Participant's Disability, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(d) If the Participant is terminated for Cause (as determined by the Committee or the Company, in its sole discretion), then Participant's Options shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee.

5.7 *Limitations on Exercise*. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 *Limitations on ISOs*. The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary of the Company) will not exceed $100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds $100,000, then the Options for the first $100,000 worth of Shares to become exercisable in such calendar year will be ISOs and the Options for the amount in excess of $100,000 that become exercisable in such calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 *Modification, Extension or Renewal*. Subject to Section 18, the Committee may modify, extend or renew outstanding Options, or authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; *provided*, *however*, that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 5.4 for Options granted on the date the action is taken to reduce the Exercise Price.

5.10 *No Disqualification*. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. GRANTS TO OUTSIDE DIRECTORS.

6.1 *Types of Awards*. Outside Directors are eligible to receive any type of Award, except ISOs, offered under this Plan and subject to this Section 6.

6.2 *Eligibility*. Awards subject to this Section 6 shall be granted only to Outside Directors. An Outside Director who is elected or reelected as a member of the Board will be eligible to receive an Award under this Section 6.

6.3 *Discretionary Grant*. The Board may make discretionary grants to any Outside Director (a "***Discretionary Grant***").

6.4 *Vesting and Exercisability*. Except as set forth in Section 21.4, Discretionary Grants shall vest and be exercisable as determined by the Board.

6.5 *Exercise Price*. The exercise price of an Option or a SAR granted to an Outside Director shall be the Fair Market Value of the Shares at the time that the Option or SAR is granted.

7. RESTRICTED STOCK AWARDS.

7.1 *Awards of Restricted Stock*. A Restricted Stock Award is an offer by the Company to sell to a Participant Shares that are subject to restrictions ("*Restricted Stock*"). The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

7.2 *Restricted Stock Purchase Agreement*. All purchases under a Restricted Stock Award will be evidenced by a Restricted Stock Purchase Agreement, which will be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. A Participant accepts a Restricted Stock Award by signing and delivering to the Company a Restricted Stock Purchase Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Restricted Stock Purchase Agreement was delivered to the Participant. If the Participant does not accept the Restricted Stock Award within thirty (30) days, then the offer of the Restricted Stock Award will terminate, unless the Committee determines otherwise. The Restricted Stock Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

7.3 *Purchase Price*. The Purchase Price for a Restricted Stock Award will be determined by the Committee and, may be less than Fair Market Value (but not less than the par value of the Shares when required by law) on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 12 of the Plan and the Restricted Stock Purchase Agreement, and in accordance with any procedures established by the Company, as communicated and made available to Participants.

7.4 *Terms of Restricted Stock Awards*. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of the performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Restricted Stock Purchase Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment for Shares to be purchased under any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

7.5 *Termination During Performance Period*. Except as may be set forth in the Participant's Restricted Stock Purchase Agreement, vesting ceases on such Participant's Termination Date.

8. STOCK BONUS AWARDS.

8.1 *Awards of Stock Bonuses*. A Stock Bonus Award is an award to an eligible person of Shares (which may consist of Restricted Stock or Restricted Stock Units) for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All Stock Bonus Awards shall be made pursuant to a Stock Bonus Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. No payment will be required for Shares awarded pursuant to a Stock Bonus Award.

8.2 *Terms of Stock Bonus Awards*. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. If the Stock Bonus Award is to be earned upon the satisfaction of performance goals, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the issuance of any Shares or other payment to a Participant pursuant to a Stock Bonus Award, the Committee will determine the extent to which the Stock Bonus Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to a Stock Bonus Award to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

8.3 *Form of Payment to Participant*. The Stock Bonus Award will be paid to the Participant currently. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment.

8.4 *Termination of Participant*. In the event of a Participant's Termination during a Performance Period or vesting period, for any reason, then such Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Stock Bonus Award only to the extent earned as of the date of Termination in accordance with the Stock Bonus Agreement, unless the Committee determines otherwise.

9. STOCK APPRECIATION RIGHTS.

9.1 *Awards of SARs*. A Stock Appreciation Right ("*SAR*") is an award to an eligible person that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to the value determined by multiplying the difference between the Fair Market Value on the date of exercise over the Exercise Price and the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in a SAR Agreement). The SAR may be granted for services to be rendered or for past services already rendered to the Company, or any Parent or Subsidiary. All SARs shall be made pursuant to a SAR Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

9.2 *Terms of SARs*. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares deemed subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the treatment of each SAR in the event of the Participant's Termination. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted and, will not be less than 100% of the Fair Market Value of the Shares on the date of grant. A SAR may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's individual SAR Agreement. If the SAR is being earned upon the satisfaction of performance goals, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Prior to settlement of any SAR earned upon the satisfaction of performance goals pursuant to a SAR Agreement, the Committee shall determine the extent to which such SAR has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different performance goals and other criteria.

9.3 *Exercise Period and Expiration Date*. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the SAR Agreement governing such SAR. The SAR Agreement shall set forth the expiration date; provided that no SAR will be exercisable after the expiration of seven years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines.

9.4 *Form and Timing of Settlement*. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

10. RESTRICTED STOCK UNITS.

10.1 *Awards of Restricted Stock Units*. A Restricted Stock Unit ("*RSU*") is an award to an eligible person covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock) for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All RSUs shall be made pursuant to a RSU Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan.

10.2 *Terms of RSUs*. The Committee will determine the terms of a RSU including, without limitation: (a) the number of Shares deemed subject to the RSU; (b) the time or times during which the RSU may be exercised; (c) the consideration to be distributed on settlement, and the treatment of each RSU in the event of the Participant's Termination. A RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's individual RSU Agreement. If the RSU is being earned upon satisfaction of performance goals, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Prior to settlement of any RSU earned upon the satisfaction of performance goals pursuant to a RSU Agreement, the Committee shall determine the extent to which such SAR has been earned. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the RSUs to take into account changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

10.3 *Form and Timing of Settlement*. The portion of a RSU being settled shall be paid currently. To the extent permissible under law, the Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

11. PERFORMANCE SHARES.

11.1 *Awards of Performance Shares*. A Performance Share Award is an award to an eligible person denominated in Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). Grants of Performance Shares shall be made pursuant to a Performance Share Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan.

11.2 *Terms of Performance Shares*. The Committee will determine, and each Performance Share Agreement shall set forth, the terms of each award of Performance Shares including, without limitation: (a) the number of Shares deemed subject to such Award; (b) the Performance Factors, if any, and Performance Period, if any, that shall determine the time and extent to which each award of Performance Shares shall be settled; (c) the consideration to be distributed on settlement, and the treatment of each award of Performance Shares in the event of the Participant's Termination. If applicable, in establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) select from among the Performance Factors to be used; and (z) determine the number of Shares deemed subject to the award of Performance Shares. Prior to settlement the Committee shall determine the extent to which Performance Shares have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Shares that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the applicable performance goals to take into account changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

11.3 *Form and Timing of Settlement*. The portion of an award of Performance Shares being settled shall be paid currently.

12. PAYMENT FOR SHARE PURCHASES.

12.1 *Payment*. Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares that either: (1) have been owned by the Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by the Participant in the public market;

(c) by waiver of compensation due or accrued to the Participant for services rendered to the Company or a Parent or Subsidiary of the Company;

(d) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's Common Stock exists:

(i) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(ii) through a "margin" commitment from the Participant and an NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company;

(e) by any combination of the foregoing; or

(f) by any other method approved by the Board.

13. WITHHOLDING TAXES.

13.1 *Withholding Generally*. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

13.2 *Stock Withholding*. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may in its sole discretion allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose will be made in accordance with the requirements established by the Committee and be in writing in a form acceptable to the Committee.

14. TRANSFERABILITY.

14.1 *General Rule*. Except as otherwise provided in this Section 14, no Award and no interest therein, shall be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution, and no Award may be made subject to execution, attachment or similar process.

14.2 *All Awards other than NQSOs*. All Awards other than NQSOs shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after the Participant's death, by the legal representative of the Participant's heirs or legatees.

14.3 *NQSOs*. Unless otherwise restricted by the Committee, an NQSO shall be exercisable: (i) during the Participant's lifetime only by (A) the Participant, (B) the Participant's guardian or legal representative, (C) a Family Member of the Participant who has acquired the NQSO by "permitted transfer;" and (ii) after the Participant's death, by the legal representative of the Participant's heirs or legatees. "***Permitted transfer***" means, as authorized by this Plan and the Committee with respect to an NQSO, any transfer effected by the Participant during the Participant's lifetime of an interest in such NQSO but only such transfers which are made pursuant to a binding domestic relations order.

15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

15.1 *Voting and Dividends*. No Participant will have any of the rights of a shareholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; *provided*, that if such Shares are restricted stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the restricted stock; *provided*, *further*, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Exercise Price pursuant to Section 15.2.

15.2 *Restrictions on Shares*. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "***Right of Repurchase***") a portion of or all Unvested Shares held by a Participant following such Participant's Termination at any time within one hundred and eighty (180) days after the later of the Participant's Termination Date and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Exercise Price, as the case may be.

16. CERTIFICATES. All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

17. ESCROW. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates.

18. EXCHANGE AND BUYOUT OF AWARDS. The Committee may not, without prior stockholder approval, reduce the Exercise Price of any outstanding Option or SAR or cancel outstanding Options or SARs in exchange for the re-grant of new Options or SARs having exercise prices lower than the cancelled Options or SARs. The Committee may, at any time or from time to time authorize the Company, in the case of an Option or SAR exchange with stockholder approval, and with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), to pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

20. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

21. CORPORATE TRANSACTIONS.

21.1 *Assumption or Replacement of Awards by Successor*. In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the

Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation (if any) refuses to assume or substitute Awards, as provided above, pursuant to a transaction described in this Subsection 21.1, or if there is no successor corporation due to a dissolution or liquidation of the Company, such Awards will expire on such transaction at such time and on such conditions as the Committee will determine. Notwithstanding anything in this Section 21.1 to the contrary, the Committee may, in its sole discretion, provide that the vesting of any or all Awards granted pursuant to this Plan will accelerate in the event of the occurrence of any transaction described in this Section 21.1. If the Committee exercises such discretion with respect to Awards, such Awards will become vested and exercisable in full prior to the consummation of such event at such time and on such conditions as the Committee determines, and if such Awards are not exercised prior to the consummation of the corporate transaction, they shall terminate at such time as determined by the Committee.

21.2 *Other Treatment of Awards*. Subject to any greater rights granted to Participants under the foregoing provisions of this Section 21, in the event of the occurrence of any transaction described in Section 21.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, or sale of assets.

21.3 *Assumption of Awards by the Company*. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Award rather than assuming an existing award, such new Award may be granted with a similarly adjusted Exercise Price, as applicable.

21.4 *Outside Directors Options*. Notwithstanding any provision to the contrary, in the event of a corporate transaction described in Section 21.1, the vesting of all Awards granted to Outside Directors pursuant to Section 6 of this Plan will accelerate and such Awards will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Committee determines, and must be exercised, if at all, within six (6) months of the consummation of said event. Any Award not exercised within such six-month period shall expire.

22. ADOPTION AND SHAREHOLDER APPROVAL. This Plan shall be submitted for the approval of the Company's shareholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board and upon receiving approval of the Company's shareholders shall become effective (the "***Effective Date***").

23. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the Effective Date. This Plan and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of California.

24. AMENDMENT OR TERMINATION OF PLAN. Except as otherwise provided in this Plan, the Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; *provided*, *however*, that the Board will not, without the approval of the shareholders of the Company, amend this Plan in any manner that requires such shareholder approval; provided further, that a Participant's Award shall be governed by the version of this Plan then in effect at the time such Award was granted, except as otherwise agreed to by the Participant and the Company.

25. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the shareholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. INSIDER TRADING POLICY. Each Participant who receives an Award shall comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by employees, officers and/or directors of the Company.

27. DEFINITIONS. As used in this Plan, the following terms will have the following meanings:

"***Award***" means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit, award of Performance Shares or other form of award as may be approved by the Board from time to time.

"***Award Agreement***" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"***Board***" means the Board of Directors of the Company.

"***Cause***" means (a) the commission of an act of theft, embezzlement, fraud, dishonesty, (b) a breach of fiduciary duty to the Company or a Parent or Subsidiary of the Company, or (c) a failure to materially perform the customary duties of employee's employment.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Committee***" means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

"***Company***" means VeriSign, Inc. or any successor corporation.

"***Disability***" means a disability, whether temporary or permanent, partial or total, as determined by the Committee.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Exercise Price***" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

"***Fair Market Value***" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the NASDAQ Global Select Market, its closing price on the NASDAQ Global Select Market on the date of determination (or if there are no sales for such date, then the last preceding business day on which there were sales) as reported in *The Wall Street Journal*;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal*;

(c) if such Common Stock is publicly traded but is not quoted on the NASDAQ Global Select Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal*;

(d) in the case of an Option made on the Effective Date, the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(e) if none of the foregoing is applicable, by the Committee in good faith.

"***Family Member***" includes any of the following:

(f) child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Participant, including any such person with such relationship to the Participant by adoption;

(g) any person (other than a tenant or employee) sharing the Participant's household;

(h) a trust in which the persons in (a) and (b) have more than fifty percent of the beneficial interest;

(i) a foundation in which the persons in (a) and (b) or the Participant control the management of assets; or

(j) any other entity in which the persons in (a) and (b) or the Participant own more than fifty percent of the voting interest.

"***Insider***" means an executive officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

"***Option***" means an award of an option to purchase Shares pursuant to Section 5.

"***Option Agreement***" means, with respect to each Option, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Option.

"***Outside Director***" means a member of the Board who is not an employee of the Company or any Parent or Subsidiary.

"***Parent***" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"***Participant***" means a person who receives an Award under this Plan.

"***Performance Factors***" means the factors selected by the Committee from among the following measures (whether or not in comparison to other peer companies) to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

- Net revenue and/or net revenue growth;
- Earnings per share and/or earnings per share growth;
- Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;
- Operating income and/or operating income growth;
- Net income and/or net income growth;
- Total stockholder return and/or total stockholder return growth;
- Return on equity;
- Operating cash flow return on income;
- Adjusted operating cash flow return on income;
- Economic value added;
- Individual business objectives; and
- Company specific operational metrics.

"***Performance Period***" means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for the Award.

"***Performance Share***" means an Award granted pursuant to Section 11 of the Plan.

"***Performance Share Agreement***" means an agreement evidencing a Performance Share Award granted pursuant to Section 11 of the Plan.

"***Plan***" means this VeriSign, Inc. 2006 Equity Incentive Plan.

"***Purchase Price***" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option.

"***Restricted Stock Award***" means an award of Shares pursuant to Section 7 of the Plan.

“***Restricted Stock Purchase Agreement***” means an agreement evidencing a Restricted Stock Award granted pursuant to Section 7 of the Plan.

“***Restricted Stock Unit***” means an Award granted pursuant to Section 10 of the Plan.

“***RSU Agreement***” means an agreement evidencing a Restricted Stock Unit Award granted pursuant to Section 10 of the Plan.

“***SAR Agreement***” means an agreement evidencing a Stock Appreciation Right granted pursuant to Section 9 of the Plan.

“***SEC***” means the Securities and Exchange Commission.

“***Securities Act***” means the Securities Act of 1933, as amended.

“***Shares***” means shares of the Company’s Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 21, and any successor security.

“***Stock Appreciation Right***” means an Award granted pursuant to Section 9 of the Plan.

“***Stock Bonus***” means an Award granted pursuant to Section 8 of the Plan.

“***Stock Bonus Agreement***” means an agreement evidencing a Stock Bonus Award granted pursuant to Section 8 of the Plan.

“***Subsidiary***” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“***Termination***” or “***Terminated***” means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by the Committee; *provided*, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Parent or Subsidiary of the Company as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the “***Termination Date***”).

“***Unvested Shares***” means “Unvested Shares” as defined in the Award Agreement.

EXHIBIT 10.03

No.______________

VERISIGN, INC.

2006 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

This Stock Option Agreement (this "***Agreement***") is made and entered into as of the Date of Grant set forth below (the "***Date of Grant***") by and between VeriSign, Inc., a Delaware corporation (the "***Company***"), and the Optionee named below ("***Optionee***"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 2006 Equity Incentive Plan (the "***Plan***").

Optionee:	______________________________
Total Option Shares:	______________________________
Exercise Price per Share:	______________________________
Date of Grant:	______________________________
First Vesting Date:	First anniversary of the Date of Grant
Expiration Date:	______________________________ (unless earlier terminated under Section 3 hereof)
Type of Stock Option:	Nonqualified Stock Option (***"NQSO"***)

1. Grant of Option. The Company hereby grants to Optionee a nonqualified stock option (this "***Option***") to purchase up to the total number of shares of Common Stock of the Company set forth above as Total Option Shares (collectively, the "***Shares***") at the Exercise Price Per Share set forth above (the "***Exercise Price***"), subject to all of the terms and conditions of this Agreement and the Plan.

2. Vesting; Exercise Period.

2.1 Vesting of Shares. This Option shall be exercisable as it vests. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest and become exercisable as to portions of the Shares as follows: (a) this Option shall not be exercisable with respect to any of the Shares until the First Vesting Date set forth above; (b) if Optionee has continuously provided services to the Company, or any Parent or Subsidiary of the Company, then on the First Vesting Date, this Option shall become exercisable as to 25% of the Shares; and (c) thereafter this Option shall become exercisable as to an additional 6.25% of the Shares on each quarterly anniversary of the First Vesting Date, provided that Optionee has continuously provided services to the Company, or any Parent or Subsidiary of the Company, at all times during the relevant quarter. This Option shall cease to vest upon Optionee's Termination and Optionee shall in no event be entitled under this Option to purchase a number of shares of the Company's Common Stock greater than the "Total Option Shares."

2.2 Vesting of Options. Shares that are vested pursuant to the schedule set forth in Section 2.1 hereof are "Vested Shares." Shares that are not vested pursuant to the schedule set forth in Section 2.1 hereof are "Unvested Shares."

2.3 Expiration. This Option shall expire on the Expiration Date set forth above and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is earlier terminated in accordance with the provisions of Section 3 hereof.

3. Termination.

3.1 Termination for Any Reason Except Death, Disability or Cause. If Optionee is Terminated for any reason except Optionee's death, Disability or Cause, then this Option, to the extent (and only to the extent) that it is vested in accordance with the schedule set forth in Section 2.1 hereof on the Termination Date, may be exercised by Optionee no later than three (3) months after the Termination Date, but in any event no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee is Terminated because of death or Disability of Optionee (or the Optionee dies within three (3) months after Termination other than for Cause or because of Disability), then this Option, to the extent that it is vested in accordance with the schedule set forth in Section 2.1 hereof on the Termination Date, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date, but in any event no later than the Expiration Date. Any exercise after three (3) months after the Termination Date when the Termination is for any reason other than Optionee's death or disability, within the meaning of Code Section 22(e)(3), shall be deemed to be the exercise of a nonqualified stock option.

3.3 Termination for Cause. If Optionee is Terminated for Cause, this Option will expire on the Optionee's date of Termination.

3.4 No Obligation to Employ. Nothing in the Plan or this Agreement shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. Manner of Exercise.

4.1 Stock Option Exercise. To exercise this Option, Optionee (or in the case of exercise after Optionee's death, Optionee's executor, administrator, heir or legatee, as the case may be) must activate her/his E*Trade VeriSign Employee Stock Plan account (***"E*Trade"***) at https://us.etrade.com/e/t/user/login_sp . Once the E*Trade VeriSign Employee Stock Plan account has been activated, the exercise(s) can be executed on-line with E*Trade (the "***Online Exercise Agreement***") or by following such other procedures as may be approved by the Company from time to time. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise.

4.3 Payment. The Online Exercise Agreement (or other forms approved by the Company) shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or where permitted by law:

(a) by cancellation of indebtedness of the Company to the Optionee;

(b) by surrender of shares of the Company's Common Stock that either: (1) have been owned by Optionee for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Optionee in the open public market; and (3) are clear of all liens, claims, encumbrances or security interests;

(c) by waiver of compensation due or accrued to Optionee for services rendered to the Company;

(d) provided that a public market for the Company's Common Stock exists: (1) through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "***NASD Dealer***") whereby Optionee irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (2) through a "margin" commitment from Optionee and an NASD Dealer whereby Optionee irrevocably elects to exercise this Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(e) by any combination of the foregoing.

4.4 Tax Withholding. Prior to the issuance of the Shares upon exercise of this Option, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company. If the Committee permits, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld. In such case, the Company shall issue the net number of Shares to the Optionee by deducting the Shares retained from the Shares issuable upon exercise.

4.5 Issuance of Shares. Provided that the exercise and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares to Optionee's E*Trade VeriSign Employee Stock Plan account, Optionee's authorized assignee, or Optionee's legal representative or shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. Compliance with Laws and Regulations. The exercise of this Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

6. Nontransferability of Option. This Option may not be transferred in any manner other than under the terms and conditions of the Plan or by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

7. Tax Consequences. Set forth below is a brief summary as of the date the Board adopted the Plan of some of the federal tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISOR BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

7.1 Exercise of Nonqualified Stock Option. There may be a regular federal income tax liability upon the exercise of this Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. The Company may be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

7.2 Disposition of Shares. The sale of any shares received pursuant to the exercise of the NQSO is generally treated as capital gain or loss. If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NQSO, any gain or loss realized on disposition of the Shares will be treated as long-term capital gain or loss.

8. Privileges of Stock Ownership. Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

9. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

10. Entire Agreement. The Plan is incorporated herein by reference. This Agreement and the Plan and the exercise process constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

11. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at the participant's Company email address, the address of record or to such other address as Participant may designate in writing from time to time to the Company or may be posted on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), (iii) one (1) business day after transmission by fax or telecopier, (iv) upon receipt if sent by the Company to the Participant's email address at the Company, or (v) upon posting on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com.

12. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflict of law.

14. Acceptance. Optionee hereby acknowledges receipt of a copy of the Plan and this Agreement. Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that the Company recommends that Optionee should consult a tax advisor prior to such exercise or disposition.

EXHIBIT 10.04

No. __________

VERISIGN, INC.

2006 EQUITY INCENTIVE PLAN

EMPLOYEE RESTRICTED STOCK UNIT AGREEMENT

The Board of Directors of VeriSign, Inc. has approved a grant to you (the "***Participant***" named below) Restricted Stock Units ("***RSUs***") pursuant to the VeriSign, Inc. 2006 Equity Incentive Plan (the "***Plan***"), as described below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Participant:	____
Number of RSUs:	____
Date of Grant:	____
Expiration Date:	The date on which settlement of all RSUs granted hereunder occurs, with earlier expiration upon the Termination Date.
Vesting Schedule:	The RSUs will vest as follows:

(a). 25% on the later to occur of (i) the first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(b). 25% on the later to occur of (i) the second anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(c). 25% on the later to occur of (i) the third first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(d). 25% on the later to occur of (i) the fourth anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

1. Settlement. Settlement of vested RSUs shall be made within 30 days following the applicable date of vesting under the above vesting schedule (provided that if at the time of settlement Participant is a "specified employee" of the Company under Section 409A, and settlement would be treated as a payment made on separation of service, then if required to avoid the taxes imposed by Section 409A settlement shall be delayed by six (6) months or such other period of time as is then required to avoid such taxes). Settlement of vested RSUs shall be in Shares or cash (or some combination thereof), as determined by the Committee in its discretion at the time of payment. The Participant shall pay to the Company the aggregate par value of the Shares issued prior to their issuance (par value being $0.001 per Share) with such payment deemed to have been made for each Share, by Participant's services from the Date of Grant to the first applicable vesting date. Participant agrees that, if necessary due to applicable law, Participant shall pay to the Company each affected Share's par value by making appropriate payroll deductions from funds due the Participant.

2. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to vote such Shares, subject to the terms, conditions and restrictions described in the Plan and herein.

3. Dividend Equivalents. Any dividends paid in cash on Shares of the Company shall be credited to the Participant as additional RSUs as if the RSUs previously held by the Participant were outstanding Shares (in such number as determined by the Committee), as follows: such credit shall be made in whole and/or fractional RSUs and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional RSUs shall be subject to the same vesting requirements applicable to the RSUs in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the vested RSUs to which they are related.

4. No Transfer. The RSUs and any interest therein: (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (ii) shall, if the Participant's continuous employment with the Company or any of its affiliates shall terminate for any reason (except as otherwise provided in the Plan or herein), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate.

5. Termination. In the event of Termination by the Company or the Participant, the Committee shall settle, in Shares, the value of any vested RSUs (based on the then Fair Market

Value of Shares deemed allocated to such vested RSUs on the date of such Termination) as soon as practicable thereafter. In case of any dispute as to whether Termination has occurred, the Committee shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination.

6. <u>Acknowledgement</u>. The Company and the Participant agree that the RSUs are granted under and governed by this Restricted Stock Unit Agreement and by the provisions of the Plan (incorporated herein by reference). The Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that the Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan.

7. <u>Tax Consequences</u>. The Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith and that the Company recommends that Participant should consult a tax adviser prior to such settlement or disposition. In particular, Participant must make arrangements, satisfactory to the Company, for satisfaction of any applicable foreign, federal, state or local income tax withholding requirements or social security requirements related to the grant of the RSUs or Participant's receipt of Shares in settlement thereof, including, in either case, any dividend paid in respect thereof. In the event settlement of the RSUs is made in Shares, Participant shall pay the minimum statutory withholding tax obligation by withholding a certain number of Shares otherwise deliverable from the total number of Shares deliverable to the Participant upon settlement in accordance with rules and procedures established by the Committee. The Committee may require, in its discretion, that some portion of vested Shares be retained by (or returned to) the Company to satisfy such withholding requirements. In the absence of such arrangements Participant hereby authorizes the Company to withhold the required minimum amount from Participant's other sources of compensation from the Company or any Parent or Subsidiary.

8. <u>Compliance with Laws and Regulations</u>. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

9. <u>Successors and Assigns</u>. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

10. <u>Governing Law; Severability</u>. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

11. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at the participant's Company email address, the address of record or to such other address as Participant may designate in writing from time to time to the Company or may be posted on the Participant's E*Trade VeriSign employee stock plan account at *www.etrade.com*. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), (iii) one (1) business day after transmission by fax or telecopier, (iv) upon receipt if sent by the Company to the Participant's email address at the Company, or (v) upon posting on the Participant's E*Trade VeriSign employee stock plan account at *www.etrade.com*.

12. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

13. Headings. The captions and headings of this Agreement are included for ease of reference only and are to be disregarded in interpreting or construing this Agreement.

14. Entire Agreement. The Plan and this Restricted Stock Unit Agreement for these RSUs constitute the entire agreement and understanding of the parties with respect to the subject matter herein and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof.

Please sign your name in the space provided below on this Restricted Stock Unit Agreement and return an executed copy to: Stock Administration, Attn: Linda Hart, VeriSign, Inc., 487 East Middlefield Road, Mountain View, CA 94043.

VERISIGN, INC.	**PARTICIPANT**
By: ____________________	____________________
	Signature
Its: ____________________	

EXHIBIT 10.05

No. __________

VERISIGN, INC.

2006 EQUITY INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AGREEMENT

The Board of Directors of VeriSign, Inc. has approved a grant to you (the "***Participant***" named below) [______] Restricted Stock Units ("***RSUs***") pursuant to the VeriSign, Inc. 2006 Equity Incentive Plan (the "***Plan***"), as described below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Participant:	______________________________
Number of RSUs:	______________________________
Date of Grant:	______________________________
Expiration Date:	The date on which settlement of all RSUs granted hereunder occurs, with earlier expiration upon the Termination Date.
Vesting Schedule:	The RSUs will vest as follows:

(a). 25% on the later to occur of (i) the first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act).

(b). 25% on the later to occur of (i) the second anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act).

(c). 25% on the later to occur of (i) the third first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act).

(d). 25% on the later to occur of (i) the fourth anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act).

1. <u>Settlement</u>. Settlement of vested RSUs shall be made within 30 days following the applicable date of vesting under the above vesting schedule (provided that if at the time of settlement Participant is a "specified employee" of the Company under Section 409A, and settlement would be treated as a payment made on separation of service, then if required to avoid the taxes imposed by Section 409A settlement shall be delayed by six (6) months or such other period of time as is then required to avoid such taxes). Settlement of vested RSUs shall be in Shares or cash (or some combination thereof), as determined by the Committee in its discretion at the time of payment. The Participant shall pay to the Company the aggregate par value of the Shares issued prior to their issuance (par value being $0.001 per Share) with such payment deemed to have been made for each Share, by Participant's services from the Date of Grant to the first applicable vesting date. Participant agrees that, if necessary due to applicable law, Participant shall pay to the Company each affected Share's par value by making appropriate payroll deductions from funds due the Participant.

2. <u>No Stockholder Rights</u>. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to vote such Shares, subject to the terms, conditions and restrictions described in the Plan and herein

3. <u>Dividend Equivalents</u>. Any dividends paid in cash on Shares of the Company shall be credited to the Participant as additional RSUs as if the RSUs previously held by the Participant were outstanding Shares (in such number as determined by the Committee), as follows: such credit shall be made in whole and/or fractional RSUs and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional RSUs shall be subject to the same vesting requirements applicable to the RSUs in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the vested RSUs to which they are related.

4. <u>No Transfer</u>. The RSUs and any interest therein: (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (ii) shall, if the Participant's continuous service with the Company or any of its affiliates shall terminate for any reason (except as otherwise provided in the Plan or herein), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate.

5. <u>Termination</u>. In the event of Termination by the Company or the Participant, the Committee shall settle, in Shares, the value of any vested RSUs (based on the then Fair Market Value of Shares deemed allocated to such vested RSUs on the date of such Termination) as soon as practicable thereafter. In case of any dispute as to whether Termination has occurred, the Committee shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination.

6. Acknowledgement. By their signatures below, the Company and the Participant agree that the RSUs are granted under and governed by this Restricted Stock Unit Agreement and by the provisions of the Plan (incorporated herein by reference). The Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that the Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan.

7. Tax Consequences. The Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith and that the Company recommends that Participant should consult a tax adviser prior to such settlement or disposition. In particular, Participant must make arrangements, satisfactory to the Company, for satisfaction of any applicable foreign, federal, state or local income tax withholding requirements or social security requirements related to the grant of the RSUs or Participant's receipt of Shares in settlement thereof, including, in either case, any dividend paid in respect thereof. In the event settlement of the RSUs is made in Shares, Participant shall pay the minimum statutory withholding tax obligation by withholding a certain number of Shares otherwise deliverable from the total number of Shares deliverable to the Participant upon settlement in accordance with rules and procedures established by the Committee. The Committee may require, in its discretion, that some portion of vested Shares be retained by (or returned to) the Company to satisfy such withholding requirements. In the absence of such arrangements Participant hereby authorizes the Company to withhold the required minimum amount from Participant's other sources of compensation from the Company or any Parent or Subsidiary.

8. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

9. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

10. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

11. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at such address as Participant may designate in writing from time to time to the Company. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), or (iii) one (1) business day after transmission by fax or telecopier.

12. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

13. Headings. The captions and headings of this Agreement are included for ease of reference only and are to be disregarded in interpreting or construing this Agreement.

14. Entire Agreement. The Plan and this Restricted Stock Unit Agreement for these RSUs constitute the entire agreement and understanding of the parties with respect to the subject matter herein and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof.

Please sign your name in the space provided below on this Restricted Stock Unit Agreement and return an executed copy to: Stock Administration, Attn: Linda Hart, VeriSign, Inc., 487 East Middlefield Road, Mountain View, CA 94043.

VERISIGN, INC.	**PARTICIPANT**
By: ____________________	____________________
	Signature
Its: ____________________	

EXHIBIT 10.06

SUMMARY OF DIRECTOR COMPENSATION BENEFITS

CASH COMPENSATION

- Each director shall receive an annual retainer of $37,500.
- Directors who serve on the Compensation or Audit Committees will receive and additional annual retainer of $20,000. Directors who serve on committees other than the Compensation or Audit Committees will receive an additional annual retainer of $10,000.
- Compensation and Audit Committee Chairpersons will receive an additional annual retainer of $10,000. The additional annual retainer for a committee Chairperson other than the Compensation or Audit Committees will be $5,000.
- The Director who serves as the Lead Independent Director will receive an additional retainer of $10,000 per quarter.
- There will be no meeting fees for director attendance of the five scheduled Board meetings per year. For each Special Meeting of the Board called pursuant to proper notice, in person or by telephone, beyond the five scheduled Board meetings per year, each director in attendance will receive a meeting fee of $2,000. There will be no meeting fees for any special committee meetings.

STOCK OPTIONS

- Under the 2006 Equity Incentive Plan (“2006 Plan”), all director equity awards are discretionary. From time to time, the Compensation Committee will review the status of Board compensation in relation to other similarly situated U.S. public companies.

EXHIBIT 31.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William A. Roper Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of VeriSign, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: July 12, 2007

By: /s/ WILLIAM A. ROPER JR.

William A. Roper, Jr.

President and Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Albert E. Clement, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VeriSign, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: July 12, 2007

By: /s/ ALBERT E. CLEMENT

Albert E. Clement
Executive Vice President, Finance and Chief Financial Officer

EXHIBIT 32.01

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, William A. Roper, Jr., President and Chief Executive Officer of VeriSign, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2006, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12, 2007

/s/ WILLIAM A. ROPER, JR.

William A. Roper Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Albert E. Clement, Executive Vice President, Finance and Chief Financial Officer of VeriSign, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2006, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12, 2007

/s/ ALBERT E. CLEMENT

Albert E. Clement
Executive Vice President, Finance,
and Chief Financial Officer
(Principal Financial Officer)