

Device	IP	MAC	Vendor	Model	OS	Version	Uptime	Config	Logs
Core1	10.1.1.1	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core2	10.1.1.2	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core3	10.1.1.3	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core4	10.1.1.4	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core5	10.1.1.5	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core6	10.1.1.6	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core7	10.1.1.7	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core8	10.1.1.8	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core9	10.1.1.9	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core10	10.1.1.10	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK

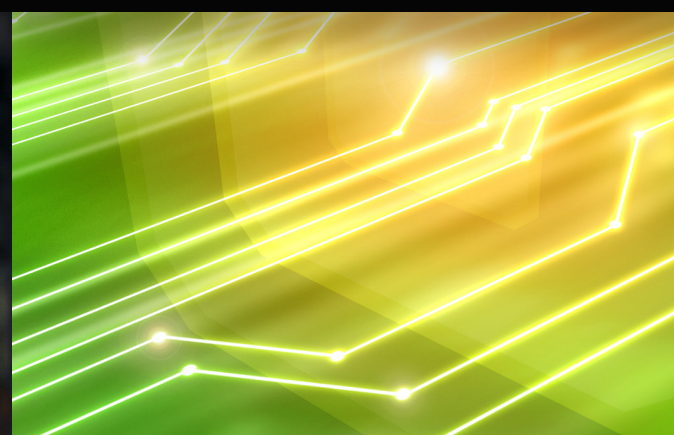
Device	IP	MAC	Vendor	Model	OS	Version	Uptime	Config	Logs
Core1	10.1.1.1	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core2	10.1.1.2	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core3	10.1.1.3	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core4	10.1.1.4	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
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Core7	10.1.1.7	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
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Core3	10.1.1.3	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core4	10.1.1.4	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
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Core8	10.1.1.8	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core9	10.1.1.9	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK
Core10	10.1.1.10	0800.0000.0000	H3C	H3C S7700	VR	VR5000	1000000000	OK	OK

# ANNUAL REPORT 2015



VERISIGN®



# DEAR VERISIGN STOCKHOLDERS:



## OUR MISSION

Enable the world to connect online with reliability and confidence, anytime, anywhere

## OUR VALUES

- We are stewards of the internet and our Company
- We are passionate about the pursuit of technology and innovation
- We take responsibility for our actions
- We respect others and exhibit integrity in our actions

We concluded 2015 marking more than five years, since completing the divestitures in 2010, of growing revenues, operating income and earnings while providing more than 18 years of uninterrupted availability of the Verisign DNS for .com and .net. Significant achievements of 2015 include:

- Revenues totaled \$1,059 million for 2015, marking the fifth straight year of revenue expansion while steadily growing our margins and free cash flow.
- The domain name base for .com and .net names ended 2015 with 139.8 million names, up by 8.3 million net new names which represents a 6% increase over the base at the end of the prior year.
- During 2015, we repurchased 9.3 million shares, returning \$622 million to our stockholders.
- Our balance sheet remained strong with year-end cash, cash equivalents and marketable securities at \$1.9 billion.

In 2016 we look forward to maintaining our focus on protecting, growing and managing our business while returning value to our stockholders.

I would like to extend my thanks to our stockholders, customers, and employees for your ongoing support.

A handwritten signature in black ink that reads "Jim Bidzos". The signature is written in a cursive, flowing style.

Jim Bidzos  
Executive Chairman,  
President and Chief Executive Officer  
April 2016



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

**FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2015**

**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)

**12061 Bluemont Way, Reston, Virginia**

(Address of principal executive offices)

**94-3221585**

(I.R.S. Employer  
Identification No.)

**20190**

(Zip Code)

**Registrant's telephone number, including area code: (703) 948-3200**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock \$0.001 Par Value Per Share	NASDAQ Global Select Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 30, 2015, was \$3.0 billion based upon the last sale price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant's Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, \$0.001 par value, outstanding as of the close of business on February 12, 2016: 109,468,547 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III

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For purposes of this Annual Report, the terms “Verisign”, “the Company”, “we”, “us”, and “our” refer to VeriSign, Inc. and its consolidated subsidiaries.

## PART I

### ITEM 1. BUSINESS

#### Overview

We are a global provider of domain name registry services and Internet security, enabling Internet navigation for many of the world’s most recognized domain names and providing protection for websites and enterprises around the world (“Registry Services”). Our Registry Services ensure the security, stability, and resiliency of key Internet infrastructure and services, including the .com and .net domains, two of the Internet’s root servers, and operation of the root-zone maintainer functions for the core of the Internet’s Domain Name System (“DNS”). Our product suite also includes Security Services, which was formerly known as Network Intelligence and Availability, or NIA Services, consisting of Distributed Denial of Service (“DDoS”) Protection Services, Verisign iDefense Security Intelligence Services (“iDefense”) and Managed Domain Name System (“Managed DNS”) Services.

We have one reportable segment, which consists of Registry Services and Security Services. We have operations inside as well as outside the United States (“U.S.”). For certain additional information about our segment, including a geographic breakdown of revenues and changes in revenues, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and Note 8, “Geographic and Customer Information” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 12061 Bluemont Way, Reston, Virginia 20190. Our telephone number at that address is (703) 948-3200. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. VERISIGN, the VERISIGN logo, and certain other product or service names are registered or unregistered trademarks in the U.S. and other countries. Other names used in this Form 10-K may be trademarks of their respective owners. Our primary website is [Verisign.com](http://Verisign.com). The information available on, or accessible through, this website is not incorporated in this Form 10-K by reference.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, on the Investor Relations section of our website as soon as is reasonably practicable after filing such reports with the Securities and Exchange Commission (the “SEC”). The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [sec.gov](http://sec.gov).

Pursuant to our agreements with the Internet Corporation for Assigned Name and Numbers (“ICANN”), we make available on our website (at [www.Verisign.com/zone](http://www.Verisign.com/zone)) files containing all active domain names registered in the .com and .net registries. At the same website address, we make available a summary of the active zone count registered in the .com and .net registries and the number of .com and .net domain names in the domain name base. The domain name base is the active zone plus the number of domain names that are registered but not configured for use in the respective top level domain zone file plus the number of domain names that are in a client or server hold status. These files and the related summary data are updated at least once per day. The update times may vary each day. The number of domain names provided in this Form 10-K are as of midnight of the date reported. Information available on, or accessible through, our website is not incorporated herein by reference.

We announce material financial information to our investors using our investor relations website <https://investor.verisign.com>, SEC filings, investor events, news and earnings releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our investors and the public about our company, our products and services, and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the social media channels listed below. This list may be updated from time to time on our investor relations website.

<https://www.facebook.com/Verisign>  
<https://www.twitter.com/Verisign>  
<https://www.Linkedin.com/company/Verisign>  
<https://www.youtube.com/user/Verisign>  
<https://www.Verisign.com>  
<https://blogs.Verisign.com>

The contents of these websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file, and any references to these websites are intended to be inactive textual references only.

### *Registry Services*

Registry Services operates the authoritative directory of all *.com*, *.net*, *.cc*, *.tv*, and *.name* domain names, among others and the back-end systems for all *.gov*, *.jobs*, and *.edu* domain names, among others. Registry Services allows individuals and organizations to establish their online identities, while providing the secure, always-on access they need to communicate and transact reliably with large-scale online audiences.

We are the exclusive registry of domain names within the *.com*, *.net*, and *.name* generic top-level domains (“gTLDs”) under agreements with ICANN and also, with respect to the *.com* agreement, the U.S. Department of Commerce (“DOC”). As a registry, we maintain the master directory of all second-level domain names in these gTLDs (e.g., johndoe.com and janedoe.net). Our global constellation of domain name servers provides Internet Protocol (“IP”) address information in response to queries, enabling the use of browsers, email systems, and other systems on the Internet. In addition, we own and maintain the shared registration system that allows all registrars to enter new second-level domain names into the master directory and to submit modifications, transfers, re-registrations and deletions for existing second-level domain names (“Shared Registration System”).

Separate from our agreements with ICANN, we have agreements to be the exclusive registry for the *.tv* and *.cc* country code top-level domains (“ccTLDs”) for Tuvalu and Cocos (Keeling) Islands, respectively, and to operate the back-end registry systems for the *.gov*, *.jobs*, and *.edu* gTLDs, among others. These TLDs are also supported by our global constellation of domain name servers and Shared Registration System.

With our existing gTLDs and ccTLDs, we also provide internationalized domain name (“IDN”) services that enable Internet users to access websites in characters representing their local language. Currently, IDNs may be registered in as many as 350 different native languages and scripts.

Domain names can be registered for between one and 10 years, and the fees charged for *.com*, *.net* and *.name* may only be increased according to adjustments prescribed in our agreements with ICANN over the applicable term. With respect to *.com*, price increases require prior approval by the DOC according to the terms of Amendment 32 of the Cooperative Agreement, as amended, between the DOC and Verisign (“Cooperative Agreement”). Revenues for *.cc* and *.tv* domain names are based on a similar fee system and registration system, though the fees charged are not subject to the same pricing restrictions as those imposed by ICANN. The fees received from operating the *.gov* registry are based on the terms of Verisign’s agreement with the U.S. General Services Administration. The fees received from operating the *.jobs* registry infrastructure are based on the terms of Verisign’s agreement with the registry operator of *.jobs*. No fees are received from operating the *.edu* registry infrastructure.

Historically, we have experienced higher domain name growth in the first quarter of the year compared to other quarters. Our quarterly revenue does not reflect these seasonal patterns because the preponderance of our revenue for each quarterly period is provided by the ratable recognition of our deferred revenue balance. The effect of this seasonality has historically resulted in the largest amount of growth in our deferred revenue balance occurring during the first quarter of the year compared to the other quarters. In the second half of 2015, we experienced an increase in the level of new domain name registrations in our Australia, China, India, and other Asia Pacific countries (“APAC”) region which were coming largely through registrars in China.

### *Security Services*

Security Services provides infrastructure assurance to organizations and is comprised of iDefense, Managed DNS Services, and DDoS Protection Services.

DDoS Protection Services supports online business continuity by providing monitoring and mitigation services against DDoS attacks. We help companies stay online without needing to make significant investments in infrastructure or establish internal DDoS expertise. As a cloud-based service, it can be deployed quickly and easily, with no customer premise equipment required. This saves time and money through operational efficiencies, support costs, and economies of scale to provide detection and protection against the largest DDoS attacks. Customers include financial institutions, software-as-a-service providers, e-commerce providers, and media companies. Customers pay a subscription fee that varies depending on the customer’s network requirements.

iDefense provides 24 hours a day, every day of the year, access to cyber intelligence related to vulnerabilities, malicious code, and global threats. Our teams enable companies to improve vulnerability management, incident response, fraud mitigation, and proactive mitigation of the particular threats targeting their industry or global operations. Customers include financial institutions, large corporations, and governmental and quasi-governmental organizations. Customers pay a subscription fee for iDefense.

Managed DNS Services is a hosting service that delivers DNS resolution, improving the availability of web-based systems. It provides DNS availability through a globally distributed, securely managed, cloud-based DNS infrastructure, allowing enterprises to save on capital expenses associated with DNS infrastructure deployment and reduce operational costs and complexity associated with DNS management. Managed DNS service provides full support for DNS Security Extensions (“DNSSEC”) compliance features and Geo Location traffic routing capabilities. DNSSEC is designed to protect the DNS infrastructure from man-in-the-middle attacks that corrupt, or poison, DNS data. Geo Location allows website owners to customize responses for end-users based on their physical location or IP address, giving them the ability to deliver location-specific content. Customers include financial institutions, e-commerce, and software-as-a-service providers. Customers pay a subscription fee that varies based on the amount of DNS traffic they receive.

## Operations Infrastructure

Our operations infrastructure consists of three secure data centers in Dulles, Virginia; New Castle, Delaware; and Fribourg, Switzerland as well as more than 100 resolution sites around the world. These secure data centers operate 24 hours a day, supporting our business units and services. The performance and scale of our infrastructure are critical for our business, and give us the platform to maintain our leadership position. Key features of our operations infrastructure include:

- *Distributed Servers:* We operate a large number of high-speed servers globally to support localized capacity and availability demands. In conjunction with our proprietary software, processes and procedures, this platform offers automatic failover, global and local load balancing, and threshold monitoring on critical servers.
- *Networking:* We deploy and maintain a redundant and diverse global network, maintain high-speed, redundant connections to numerous Internet service providers and maintain peering relationships globally to ensure that our critical services are readily accessible to customers at all times.
- *Security:* We incorporate architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. In addition, we employ firewalls and intrusion detection software, as well as proprietary security mechanisms at many points across our infrastructure. We perform recurring internal vulnerability testing and controls audits, and also contract with third-party security consultants who perform periodic penetration tests and security risk assessments on our systems. Verisign has engineered resiliency and diversity into how it hosts classes of products throughout its set of interconnected sites to mitigate unknown vendor defects and zero-hour security vulnerabilities. This includes different physical security silos, which themselves are separated into bulkheads, and in which servers are located. Corporate networks are in their own physical silo. Thus, the corporate networks to which personnel directly connect are separated from the silos that house production services; administration of production gear from corporate systems must go through an internal, fortified intermediary; and account credentials used within the corporate networks are not used within the production silos, nor on the fortified systems.
- *Data Integrity:* Verisign employs both phased and systemic integrity validation operations via a number of proprietary mechanisms on all internal DNS publication operations.

As part of our operations infrastructure for our Registry Services business, we operate all authoritative domain name servers that answer domain name queries for the .com and .net zones, as well as for the other TLDs for which we are the registry. We also administer and operate two of the 13 root zone servers that contain authoritative data for the very top of the DNS hierarchy. Our domain name servers provide the associated authoritative name servers and IP addresses for every .com and .net domain name on the Internet and a large number of other TLD queries, resulting in an average of over 120 billion transactions per day. These name servers are located in resolution sites which are in a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the Internet’s DNS infrastructure.

In 2014 and 2015, we continued to expand our infrastructure to meet demands to support normal and peak system load and attack volumes based on what we have experienced historically, as well as to accommodate projected Internet attack trends.

*Call Centers and Help Desk:* We provide customer support services through our phone-based call centers, email help desks and Web-based self-help systems. Our Virginia call center is staffed 24 hours a day, every day of the year to support our

businesses. All call centers have a staff of trained customer support agents and also provide Web-based support services utilizing customized automatic response systems to provide self-help recommendations.

*Operations Support and Monitoring:* Through our network operations centers, we have an extensive monitoring capability that enables us to track the status and performance of our critical database systems and our global resolution systems. Our network operations center is staffed 24 hours a day, every day of the year.

*Disaster Recovery Plans:* We have disaster recovery and business continuity capabilities that are designed to deal with the loss of entire data centers and other facilities. Our Registry Services business maintains dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity, as well as off-continent tertiary Registry Services capabilities. Our critical data services (including domain name registration and global resolution) use advanced storage systems that provide data protection through techniques such as synchronous mirroring and remote replication.

## **Marketing, Sales and Distribution**

We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. We seek to expand our existing businesses through focused marketing programs that target growth in the *.com* and *.net* domain name base, particularly in emerging international markets, and by extending our brand and serving new markets through the IDN gTLDs which we have begun launching. We market our Security Services worldwide through multiple distribution channels, including direct sales and indirect channels. We have marketing and sales offices throughout the world.

## **Research and Development**

We believe that timely development of new and enhanced services, including monitoring and visualization, registry provisioning platforms, navigation and resolution services, data services, value added services, and Security Services is necessary to remain competitive in the marketplace. During 2015, 2014 and 2013 our research and development expenses were \$63.7 million, \$67.8 million and \$70.3 million, respectively.

Our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and services, and to develop new ones. We actively investigate and incubate new concepts, and evaluate new business ideas through our innovation pipeline. In conjunction, we also continue to focus on growing our patent portfolio and consider opportunities for its strategic use. We expect that most of the future enhancements to our existing services and our new services will be the result of internal development efforts in collaboration with suppliers, other vendors, customers and the technology community. Under certain circumstances, we may also acquire or license technology from third parties.

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

## **Competition**

We compete with numerous companies in each of the Registry Services and Security Services businesses. The overall number of our competitors may increase and the identity and composition of competitors may change over time.

New technologies and the expansion of existing technologies may increase competitive pressure. 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.

**Competition in Registry 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 obtain a domain name registration and/or establish a Web presence. In addition to the three gTLDs we operate (*.com*, *.net* and *.name*), other gTLDs and ccTLDs for which we provide back-end registry services, and the IDN gTLDs that we began to launch in late 2015, there are over 840 other operational gTLD registries, over 250 Latin script ccTLD registries and more than 40 IDN ccTLD registries. Under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net* and *.name* on pricing, bundling, marketing, methods of distribution, the introduction of new registry services and use of registrars that do not apply to ccTLDs and other gTLDs and therefore may create a competitive disadvantage.

We also face competition from service providers that offer outsourced domain name registration, resolution and other DNS services to organizations that require a reliable and scalable infrastructure. Among the competitors are Neustar, Inc., Afiliac plc,



Donuts Inc., RightSide Group, Ltd., and CentralNic Ltd. In addition, to the extent end-users navigate using search engines or social media, as opposed to direct navigation, we may face competition from search engine operators such as Google, Microsoft, and Yahoo!, operators of social networks such as Facebook, and operators of microblogging tools such as Twitter. In addition, we may face competition from these social media businesses to the extent they are used to establish an online presence by end users instead of through the use of a domain name. Furthermore, to the extent end-users increase the use of web and phone applications to locate and access content, we may face competition from providers of such web and mobile applications.

**Competition in Security Services:** Several of our current and potential competitors have longer operating histories and/or 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, we may experience difficulty establishing or increasing demand for our products and services or distributing our products successfully. In addition, it may be difficult to compete against consolidation and partnerships among our competitors which create integrated product suites.

Our Security Services business faces competition from companies such as International Business Machines Corporation, Secunia ApS, Dell SecureWorks, McAfee, Inc., Akamai Technologies, Inc., AT&T Inc., Verizon Communications Inc., Dynamic Network Services, Inc., Neustar, Inc., BlueCat Networks, Infoblox Inc., Nominum, Inc., FireEye, Inc., Cyveillance, Inc., ThreatConnect, Inc., ThreatStream, Inc., RiskIQ, Inc., Level 3 Communications, Inc. and Imperva, Inc.

## Industry Regulation

**Registry Services:** Within the U.S. Government, oversight of the DNS is provided by the DOC. Effective October 1, 2009, the DOC and ICANN entered into a new agreement, known as the Affirmation of Commitments (“AOC”) which replaced the seventh amendment of the original Memorandum of Understanding and known as the Joint Project Agreement. Under the AOC, the DOC became one of several parties working together with other representative constituency members in providing an ongoing review of ICANN’s performance and accountability. The AOC sets forth a periodic review process by committees which provide for more international and multi-discipline participation. These review panels are charged with reviewing and making recommendations regarding: (i) the accountability and transparency of ICANN; (ii) the security, stability and resiliency of the DNS; (iii) the impact of new gTLDs on competition, consumer trust, and consumer choice; and (iv) the effectiveness of ICANN’s policies with respect to registrant data in meeting the legitimate needs of law enforcement and promoting consumer trust. Under the AOC, the Assistant Secretary of Communications and Information of the DOC will be a member of the “Accountability and Transparency” review panel. Individual reviews from each panel generally are to occur no less than every three to four years.

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

**.com Registry Agreement:** On November 29, 2012, we renewed our Registry Agreement with ICANN for the *.com* gTLD (the “*.com* Registry Agreement”). The *.com* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.com* gTLD through November 30, 2018. The *.com* Registry Agreement includes pricing restrictions for *.com* domain name registrations consistent with the terms of the Cooperative Agreement as set forth below. Additionally, on a quarterly basis, we pay \$0.25 to ICANN for each annual increment of a domain name registered or renewed during such quarter. See Note 12, “Commitments and Contingencies” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We are required to comply with and implement temporary specifications or policies and consensus policies, as well as other provisions pursuant to the *.com* Registry Agreement relating to handling of data and other registry operations. The *.com* Registry Agreement also provides a procedure for Verisign to propose, and ICANN to review and approve, additional registry services.

The *.com* Registry Agreement provides that it shall be renewed for successive terms unless it has been determined that Verisign has been in fundamental and material breach of certain provisions of the *.com* Registry Agreement and has failed to cure such breach. As further described below, Verisign may not enter into any renewal of the *.com* Registry Agreement, or any other extension or continuation of, or substitution for, the *.com* Registry Agreement without prior written approval by the DOC.

ICANN and Verisign submitted a proposal to the National Telecommunications and Information Administration (“NTIA”) describing how best to remove NTIA’s administrative role associated with the root zone management in a manner that maintains the security, stability and resiliency of the Internet’s domain name system. ICANN and Verisign are in the final stages of drafting the new Root Zone Maintainer agreement to perform this Root Zone Maintainer role as a commercial service for ICANN upon the successful transition of the Internet Assigned Numbers Authority (“IANA”) functions. To ensure that root operations continue to perform at the same high level during the expected 10-year term of the Root Zone Maintainer agreement, ICANN and Verisign are in discussions to extend the term of the *.com* Registry Agreement to coincide with the expected 10-year term of the Root Zone

Maintainer agreement. While ICANN and Verisign are in the final stages of preparing the Root Zone Maintainer agreement and the *.com* Registry Agreement extension documents, there are several important steps that need to occur including completing the drafting of the agreements, posting them for public comment, and obtaining approvals from ICANN's and Verisign's Boards of Directors. Additionally, under the Cooperative Agreement, we may not enter into the contemplated extension of the *.com* Registry Agreement without the prior written approval of the DOC. If the DOC does not approve the extension, then the current *.com* Registry Agreement will remain unchanged. There can be no assurance that either the Root Zone Maintainer agreement or the changes to the *.com* Registry Agreement will be approved, or, if approved, will be in the form described.

Cooperative Agreement: On November 29, 2012, Verisign and the DOC entered into Amendment Number Thirty-Two (32) ("Amendment 32") to the Cooperative Agreement between Verisign and the DOC (the "Cooperative Agreement"), which approved the renewal of the *.com* Registry Agreement on the terms and conditions described below as in the public interest. Except as modified by Amendment 32, the terms and conditions of the Cooperative Agreement, including Amendment Thirty (30) to the Cooperative Agreement, which was entered into on November 29, 2006 by the Company and the DOC, remain unchanged. Amendment 32 provides that the Maximum Price (as defined in the *.com* Registry Agreement) of a *.com* domain name shall not exceed \$7.85 for the term of the *.com* Registry Agreement, except that we are entitled to increase the Maximum Price of a *.com* domain name due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security or Stability of the DNS as described in the *.com* Registry Agreement, provided that we may not exercise such right unless the DOC provides prior written approval that the exercise of such right will serve the public interest, such approval not to be unreasonably withheld. Amendment 32 further provides that we shall be entitled at any time during the term of the *.com* Registry Agreement to seek to remove the pricing restrictions contained in the *.com* Registry Agreement if we demonstrate to the DOC that market conditions no longer warrant pricing restrictions in the *.com* Registry Agreement, as determined by the DOC. Amendment 32 also provides that the DOC's approval of the *.com* Registry Agreement is not intended to confer federal antitrust immunity on us with respect to the *.com* Registry Agreement and extends the term of the Cooperative Agreement through November 30, 2018. The Cooperative Agreement also provides that any renewal or extension of the *.com* Registry Agreement is subject to prior written approval by the DOC. Amendment 30 to the Cooperative Agreement provides that the DOC shall approve such renewal if it concludes that approval will serve the public interest in (a) the continued security and stability of the Internet DNS and the operation of the *.com* registry including, in addition to other relevant factors, consideration of Verisign's compliance with consensus policies and technical specifications, its service level agreements as set forth in the *.com* Registry Agreement, and the investment associated with improving the security and stability of the DNS, and (b) the provision of Registry Services as defined in the *.com* Registry Agreement at reasonable prices, terms and conditions. The parties have an expectancy of renewal of the *.com* Registry Agreement so long as the foregoing public interest standard is met and Verisign is not in breach of the *.com* Registry Agreement.

*.net* Registry Agreement: On June 27, 2011, we entered into a renewal of our Registry Agreement with ICANN for the *.net* gTLD (the "*.net* Registry Agreement"). The *.net* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.net* TLD through June 30, 2017. The *.net* Registry Agreement provides that it shall be renewed unless it has been determined that Verisign has been in fundamental and material breach of certain provisions of the *.net* Registry Agreement and has failed to cure such breach.

The descriptions of the *.com* Registry Agreement, Amendment 32, Amendment 30, the Cooperative Agreement, and the *.net* Registry Agreement are qualified in their entirety by the text of the complete agreements that are incorporated by reference as exhibits in this Form 10-K.

## Intellectual Property

We rely on a combination of copyrighted software, trademarks, service marks, patents, trade secrets, know-how, restrictions on disclosure and other methods to protect our proprietary assets. We also enter into confidentiality and/or invention assignment agreements with our employees, consultants and current and potential affiliates, customers and business partners. We also generally control access to and distribution of proprietary documentation and other confidential information.

We have been issued numerous patents in the U.S. and abroad, covering a wide range of our technologies. Additionally, we continue to file numerous patent applications with respect to certain of our technologies in the U.S. Patent and Trademark Office and internationally. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection. We continue to focus on growing our patent portfolio and consider opportunities for its strategic use.

We have obtained trademark registrations for the VERISIGN mark and VERISIGN logo in the U.S. and certain countries, and have pending trademark applications for the VERISIGN logo in a number of other countries. We have common law rights in other proprietary names. We take steps to enforce and police Verisign's trademarks. We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products and services.

Our principal intellectual property consists of, and our success is dependent upon, proprietary software used in our Registry Services businesses and certain methodologies (many of which are patented or for which patent applications are pending) and technical expertise and proprietary know-how we use in both the design and implementation of our current and future registry services and Internet-based products and services businesses. We own our proprietary Shared Registration System through which registrars submit second-level domain name registrations for each of the registries we operate, as well as the ATLAS distributed lookup system which processes billions of queries per day. Some of the software and protocols used in our registry services are in the public domain or are otherwise available to our competitors. Some of the software and protocols used in our business are based on open standards set by organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered “standard essential patents,” we may be required to license such patents to our competitors on reasonable and non-discriminatory terms or otherwise be limited in our ability to assert such patents.

As a result of the sale of our Authentication Services business, Symantec obtained the rights to the domain name and operation of the website [www.verisign.com](http://www.verisign.com) for a period of five years. The five year term expired in August 2015, at which time, the domain name and operation of the website [www.verisign.com](http://www.verisign.com) reverted back to us.

## Employees

The following table shows a comparison of our consolidated employee headcount, by function:

	As of December 31,		
	2015	2014	2013
Employee headcount by function:			
Cost of revenues.....	314	299	301
Sales and marketing.....	183	171	172
Research and development.....	253	318	333
General and administrative.....	269	273	273
Total.....	<u>1,019</u>	<u>1,061</u>	<u>1,079</u>

We have never had a work stoppage, and no U.S.-based employees are represented under collective bargaining agreements. Our ability to achieve our financial and operational objectives depends in large part upon our continued ability to attract, integrate, train, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel. Competition for qualified personnel in our industry and in some of our geographical locations is intense, particularly for software development personnel.

## ITEM 1A. RISK FACTORS

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

### **Risks arising from our agreements governing our Registry Services business could limit our ability to maintain or grow our business.**

We are parties to (i) a Cooperative Agreement (as amended) with the DOC with respect to the .com gTLD and certain other aspects of the DNS and (ii) Registry Agreements with ICANN for .com, .net, .name and other gTLDs including our IDN gTLDs. As substantially all of our revenues are derived from our Registry Services business, limitations in these agreements could have a material impact on our business.

*Pricing.* Under the terms of the Cooperative Agreement with the DOC and the .com Registry Agreement with ICANN, we are generally restricted from increasing the price of registrations or renewals of .com domain names except that we are entitled to increase the price up to seven percent, with the prior approval of the DOC, due to the imposition of any new Consensus Policies or documented extraordinary expense resulting from an attack or threat of attack on the security and stability of the DNS. However, it is uncertain that such circumstances will arise, or if they do, that the DOC will approve our request to increase the price for .com domain name registrations. We also have the right under the Cooperative Agreement to seek the removal of these pricing restrictions if we demonstrate that market conditions no longer warrant such restrictions. However, it is uncertain that such circumstances will arise, or if they do, that the DOC will agree to the removal of these pricing restrictions. In connection with a renewal of the .com Registry Agreement, we can seek an increase of the price for .com domain name registrations. Regardless of whether we seek such an increase, there can be no assurance of the price that DOC will approve in connection with a renewal of the .com Registry Agreement. Under the terms of the .net and .name Registry Agreements with ICANN, we are permitted to increase the price of registrations and renewals in these TLDs up to ten percent per year. Additionally, ICANN's registry agreements for other new gTLDs do not contain such pricing restrictions.

*Vertical integration.* Under the .com, .net and .name Registry Agreements with ICANN, as well as the Cooperative Agreement with the DOC, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar. Historically, all gTLD registry operators were subject to this vertical integration prohibition; however, ICANN has established a process whereby registry operators may seek ICANN's approval to remove this restriction, and ICANN has approved such removal in some instances. If we were to seek removal of the vertical integration restrictions contained in our agreements, it is uncertain whether ICANN and/or DOC approval would be obtained. Additionally, ICANN's registry agreement for new gTLDs generally permits such vertical integration, with certain limitations including ICANN's right, but not the obligation, to refer such vertical integration activities to competition authorities. Furthermore, unless prohibited by ICANN as noted above, such vertical integration restrictions do not generally apply to ccTLD registry operators. If registry operators of new or existing gTLDs, or ccTLDs, are able to obtain competitive advantages through such vertical integration, it could materially harm our business.

*Termination or non-renewal.* Under the Cooperative Agreement (as amended) the DOC must approve any renewal or extension of the .com Registry Agreement. The DOC, under certain circumstances, could refuse to grant its approval to the renewal of the .com Registry Agreement on similar terms, or at all. Any failure of the DOC to approve the renewal of the .com Registry Agreement prior to the expiration of its current term on November 30, 2018 would have a material adverse effect on our business. Under certain circumstances, ICANN could terminate or refuse to renew one or more of our Registry Agreements including for .com, .net, and our other gTLDs. See the "Industry Regulation" section in Part I, Item 1 of this Annual Report on Form 10-K for further information on these circumstances.

*Modification or amendment.* Our Registry Agreements for new gTLDs, including the Registry Agreements for our IDN gTLDs, include ICANN's right to amend the agreement without our consent, which could impose unfavorable contract obligations on us that could impact our plans and competitive positions with respect to new gTLDs. At the time of renewal of our .com or .net Registry Agreements, ICANN might also attempt to impose this same unilateral right to amend these registry agreements under certain conditions. ICANN has also included new mandatory obligations on new gTLD registry operators, including us, that may increase the risks and potential liabilities associated with operating new gTLDs. ICANN might seek to impose these new mandatory obligations in our other Registry Agreements under certain conditions.

*Legal challenges.* Our Registry Agreements have faced, and could continue to face, challenges, including possible legal challenges resulting from our activities or the activities of ICANN, registrars, registrants and others, and any adverse outcome from such challenges could have a material adverse effect on our business.



*Consensus Policies.* Our Registry Agreements with ICANN require us to implement Consensus Policies. ICANN could adopt Consensus Policies that are unfavorable to us as the registry operator of *.com*, *.net* and our other gTLDs, that are inconsistent with our current or future plans, that impose substantial costs on our business, or that affect our competitive position. Such Consensus Policies could have a material adverse effect on our business.

**Governmental regulation and the application of new and existing laws in the U.S. and overseas may slow business growth, increase our costs of doing business, create potential liability and have an adverse effect on our business.**

Application of new and existing laws and regulations in the U.S. or overseas to the Internet and communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation. For example, the government of the People's Republic of China ("PRC") has indicated that it will issue new regulations, and begin to enforce existing regulations, that will require registry operators to, among other things, obtain a government-issued license in order to provide Registry Services to registrars located in the PRC. The new regulations could impose additional costs on our provision of Registry Services in the PRC and could impact the growth or renewal rates of domain name registrations in the PRC. While we have submitted applications to the government of the PRC to obtain the licenses required by the regulations, there can be no assurance that we will obtain the licenses or obtain the licenses in a timely manner. Our failure to obtain the licenses could result in restrictions, up to and including, a prohibition on the sale of our Registry Services to registrars located in the PRC. In addition to registry operators, the regulations will require registrars to obtain a government-issued license for each TLD whose domain names they intend to sell directly to registrants. Their failure to obtain the required licenses could also impact the growth of our business in the PRC.

Foreign, federal or state laws could have an adverse impact on our business, financial condition, results of operations and cash flows, and our ability to conduct business in certain foreign countries. For example, laws designed to restrict who can register and who can distribute domain names, the online distribution of certain materials deemed harmful to children, online gambling (to the extent we provide services to this sector), counterfeit goods, and cybersquatting; laws designed to require registrants to provide additional documentation or information in connection with domain name registrations; and laws designed to promote cyber security may impose significant additional costs on our business or subject us to additional liabilities. We have contracts pursuant to which we provide services to the U.S. government and they impose compliance costs, including compliance with the Federal Acquisition Regulation, which could be significant to the Company.

Due to the nature of the Internet, it is possible that state or foreign governments 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. In addition, as we began to launch our IDN gTLDs in late 2015, we may raise our profile in certain foreign countries thereby increasing the regulatory and other scrutiny of our operations. Any such developments could increase the costs of regulatory compliance for us, affect our reputation, force us to change our business practices or otherwise materially harm our business. In addition, any such new laws could impede growth of or result in a decline in domain name registrations, as well as impact the demand for our services.

**Undetected or unknown defects in our service, security breaches, and large-scale DDoS attacks could expose us to liability and harm our business and reputation.**

Services as complex as those we offer or develop could contain undetected defects or errors. Despite testing, defects or errors may occur in our existing or new services, which could result in compromised customer data, diversion of development resources, injury to our reputation, tort or contract claims, increased insurance costs or increased service 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, more broadly, on Internet users and consumers, and third-party applications and services that utilize our services, which could result in legal claims against us, harming our business. Our failure to identify, remediate and mitigate security breaches or our 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.

In addition to undetected defects or errors, we are also subject to cyber-attacks and attempted security breaches. We retain certain customer and employee information in our data centers and various domain name 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. The Company, as an operator of critical Internet infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated forms of attacks, such as advanced persistent threat ("APT") attacks and zero-hour threats, which means that the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched, and may well target specific unidentified or unresolved vulnerabilities that exist only within the target's operating environment, making these attacks virtually impossible to anticipate and difficult to defend against. The

Shared Registration System, the root zone servers, the root zone files, TLD name servers and TLD zone files that we operate are critical hardware and software to our Registry Services operations. Despite the significant time and money expended on our security measures, we have been subject to a security breach, as disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, outages resulting from destructive malware, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. 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 data centers or domain name registration systems may cause an outage of or jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards-based compliance certifications needed for certain of our businesses, all or any of which could adversely affect our reputation and harm our business. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

Additionally, our networks have been and likely will continue to be subject to DDoS attacks. While we have adopted mitigation techniques, procedures and strategies to defend against such attacks, there can be no assurance that we will be able to defend against every attack especially as the attacks increase in size and sophistication. Any attack, even if only partially successful, could disrupt our networks, increase response time, negatively impact our ability to meet our our contracted service level obligations, and generally hamper our ability to provide reliable service to our Registry Services customers and the broader Internet community. Further, we sell DDoS protection services to Security Services customers. Although we increase our knowledge of and develop new techniques in the identification and mitigation of attacks through the protection of our Security Services customers, the DDoS protection services share some of the infrastructure used in our Registry Services business. Therefore the provision of such services might expose our critical Registry Services infrastructure to temporary degradations or outages caused by very large-scale DDoS attacks against those customers, in addition to any directed specifically against us and our networks.

#### **Changes to the present multi-stakeholder model of Internet governance could materially and adversely impact our business.**

The Internet is governed under a multi-stakeholder model comprising civil society, the private sector including for-profit and not-for-profit organizations such as ICANN, governments including the U.S. government, academia, non-governmental organizations and international organizations. Changes to the present multi-stakeholder model of Internet governance could materially and adversely impact our business.

*Role of ICANN.* ICANN plays a central coordination role in the multi-stakeholder system. ICANN is mandated by the non-binding AOC between the DOC and ICANN to uphold a private sector-led multi-stakeholder approach to Internet governance for the public benefit. If ICANN fails to uphold or significantly redefines the multi-stakeholder model, it could harm our business and our relationship with ICANN. Additionally, the AOC could be terminated or replaced with a different agreement between ICANN and some other authority which may establish new or different procedures for Internet governance that may be unfavorable to us. Also, legal, regulatory or other challenges could be brought challenging the legal authority underlying the roles and actions of ICANN.

*Role of foreign governments.* Some governments and members of the multi-stakeholder community have questioned ICANN's role with respect to Internet governance and, as a result, could seek a multilateral oversight body as a replacement. Additionally, the role of ICANN's Governmental Advisory Committee, which is comprised of representatives of national governments, could change, giving governments more control of Internet governance. For example, the AOC established several multi-party review panels and contemplates a greater involvement by foreign governments and governmental authorities in the oversight and review of ICANN. These periodic review panels may take positions that are unfavorable to us. Some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. Government and us relating to the DNS.

*Role of the U.S. Government.* The U.S. Government through the NTIA coordinates the management of important aspects of the DNS including the IANA functions and the root zone. On March 14, 2014, NTIA announced its intent to transition its oversight of the IANA function to the global multi-stakeholder community. NTIA asked ICANN to convene global stakeholders to develop a proposal to transition the current role played by NTIA in the coordination of the DNS. The NTIA is also coordinating a related and parallel transition of related root zone management functions. These related root zone management functions involve our role as Root Zone Maintainer under the Cooperative Agreement. At NTIA's request, we submitted a proposal with ICANN to NTIA as how best to remove NTIA's administrative role associated with root zone management in a manner that maintains the security, stability and resiliency of the Internet's domain name system. We have performed the Root Zone Maintainer functions as a community service spanning three decades without compensation at the request of the DOC under the Cooperative Agreement. While it is uncertain how the transition of oversight of the IANA functions and related root

zone management functions will affect our role as Root Zone Maintainer, it is anticipated that performance of the root zone management function would be conducted by us under a new root zone management agreement with ICANN once the root zone management function obligations under the Cooperative Agreement are completed. Although our Root Zone Maintainer function is separate from our Registry Agreements, there can be no assurance that the transition of the IANA functions, the transition of the related root zone management functions, and associated transition processes will not negatively impact our business.

As a result of these and other risks, Internet governance may change in ways that could materially harm our Registry Services business. For example, after the transition, if we perform the root zone management function under a new agreement, we may be subject to claims challenging the agreement and we may not have immunity from or sufficient indemnification for such claims. If another party is designated to perform the Root Zone Maintainer function, there could be new or increased risks in publishing the root zone file, which is critical to the operation of the DNS and our operation of our TLDs including *.com*. Additionally, it may become more difficult for us to introduce new services in our Registry Services business and we could also be subject to additional restrictions on how our business is conducted, or to fees or taxes applicable to this business, which may not be equally applicable to our competitors.

**We operate two root zone servers and are contracted to perform the Root Zone Maintainer function. Under ICANN's new gTLD program, we face increased risk from these operations.**

We administer and operate two of the 13 root zone servers. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and DNS configuration data necessary to locate name servers that contain authoritative data for the TLDs. These root zone servers are critical to the functioning of the Internet. Under the Cooperative Agreement, we play a key operational role in support of the IANA function as the Root Zone Maintainer. In this role, we provision and publish the authoritative data for the root zone itself multiple times daily and distribute it to all root server operators.

Under its new gTLD program, ICANN has recommended delegations into the root zone of a large number of new gTLDs. In view of our role as the Root Zone Maintainer, and as a root server operator, we face increased risks should ICANN's delegation of these new gTLDs, which represent unprecedented changes to the root zone in volume and frequency, cause security and stability problems within the DNS and/or for parties who rely on the DNS. Such risks include potential instability of the DNS including potential fragmentation of the DNS should ICANN's delegations create sufficient instability, and potential claims based on our role in the root zone provisioning and delegation process. These risks, alone or in the aggregate, have the potential to cause serious harm to our Registry Services business. Further, our business could also be harmed through security, stability and resiliency degradation if the delegation of new gTLDs into the root zone causes problems to certain components of the DNS ecosystem or other aspects of the global DNS, or other relying parties are negatively impacted as a result of domain name collisions or other new gTLD security issues, such as exposure or other leakage of private or sensitive information.

Additionally, DNSSEC enabled in the root zone and at other levels of the DNS require new preventative maintenance functions and operational practices that did not exist prior to the introduction of DNSSEC. Any failure by Verisign or the IANA functions operator to comply with stated practices, such as those outlined in relevant DNSSEC Practice Statements, introduces risk to DNSSEC relying parties and other Internet users and consumers of the DNS, which could have a material adverse impact on our business.

**The evolution of Internet practices and behaviors and the adoption of substitute technologies may impact the demand for domain names.**

Domain names and the domain name system have been used by consumers to access or disseminate information, conduct ecommerce, and develop an online identity for many years. The introduction of new technologies such as social media, mobile devices, apps and the dominance of search engines has evolved and changed the Internet practices and behaviors of consumers and businesses alike. These changes can impact the demand for domain names by those who purchase domain names for both commercial and investment reasons. Factors such as the evolving practices and preferences of Internet users and how they navigate the Internet as well the motivation of domain name registrants and how they will monetize their investment in domain names can negatively impact our business.

Some domain name registrants use a domain name to access or disseminate information, conduct ecommerce, and develop an online identity. Currently, Internet users often navigate to a website either by directly typing its domain name into a web browser, the use of an app on their smart phone or mobile device, the use of a voice recognition technology such as Siri, Cortana, or Echo, or through the use of a search engine. If (i) web browser or Internet search technologies were to change significantly; (ii) Internet users' preferences or practices continue to shift away from directly typing in web addresses through use of new and existing technologies; (iii) Internet users were to significantly decrease the use of web browsers in favor of

applications to locate and access content; or (iv) Internet users were to increasingly use third level domains or alternate identifiers, such as social networking and microblogging sites, in each case the demand for domain names could decrease. This may trigger current customers and parties in our target markets to reevaluate their need for registration or renewal of domain names.

Some domain name registrars and registrants seek to generate revenue through advertising on their websites; changes in the way these registrars and registrants are compensated (including changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google, Yahoo!, Baidu and Bing, have, and may continue to, adversely affect the market for those domain names favored by such registrars and registrants which has resulted in, and may continue to result in, a decrease in demand and/or the renewal rate for those domain names. For example, according to published reports, Google has in the past changed (and may change in the future) its search algorithm, which may decrease site traffic to certain websites and provide less pay-per-click compensation for certain types of websites. This has made such websites less profitable which has resulted in, and may continue to result in, fewer domain registrations and renewals. In addition, as a result of the general economic environment, spending on online advertising and marketing may not increase or may be reduced, which in turn, may result in a further decline in the demand for those domain names.

If any of the above factors negatively impact the renewal of domain names or the demand for new domain names, we may experience material adverse impacts on our business, operating results, financial condition and cash flows.

**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 be harmed.**

We target many new, developing and emerging markets to grow our business. These markets are rapidly evolving, and may not grow. Even if these markets grow, our services may not be widely used or accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance or adoption of our services in these markets include the following:

- regional Internet infrastructure development, expansion, penetration and adoption;
- market acceptance and adoption of products and services based upon technologies other than those we use, which are substitutes for our products and services;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile devices;
- increasing cyber threats and the associated customer need and demand for our Security Services offerings;
- government regulations affecting Internet access and availability, domain name registrations or the provision of registry services, or e-commerce and telecommunications over the Internet;
- preference by markets for the use of their own country's ccTLDs as a substitute or alternative to our TLDs; and
- increased acceptance and use of new gTLDs as substitutes for legacy gTLDs.

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

**We may face operational and other risks from the introduction of new gTLDs by ICANN and our provision of back-end registry services.**

More than 840 new gTLDs have already been delegated in this initial round of new gTLDs. ICANN plans on offering a second round of new gTLDs after the completion of the initial round, the timing of which is uncertain. As set forth in the Verisign Labs Technical Report #1130007 version 2.2: New gTLD Security and Stability Considerations released on March 28, 2013, and reiterated in our further publications since then, we continue to believe there are issues regarding the deployment of the new gTLDs that should have been addressed before any new gTLDs were delegated, and despite our and others' efforts, some of these issues have not been addressed by ICANN sufficiently, if at all. For example, domain name collisions have been reported to ICANN, which have resulted in various network interruptions for enterprises as well as confusion and usability issues that have led to phishing attacks. It is anticipated that as additional new gTLDs are delegated more domain name collisions and associated security issues will occur.

We have entered into agreements to provide back-end registry services to other applicants for new gTLDs. We may face risks regarding ICANN requirements for mitigating name collisions in the new gTLDs which we operate or for which we provide back-end registry services. For example, the possibility exists that "controlled interruption" periods may disrupt network services or that privacy or secure communications may be impacted as a result of insufficient preparedness by ICANN and the community for the launch of new gTLDs.

Our agreements to provide back-end registry services directly to other applicants and indirectly through reseller relationships expose us to operational and other risks. For example, the increase in the number of gTLDs for which we provide



registry services on a standalone basis or as a back-end service provider could further increase costs or increase the frequency or scope of targeted attacks from nefarious actors.

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

The Internet and communications network services industries are characterized by rapid technological change and frequent new product and service announcements which require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings or alternatives to our products and services. In order to remain competitive and retain our market position, we must continually improve our access to technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and our customers' and Internet users' preferences and practices, or launch entirely new products and services such as new gTLDs in anticipation of, or in response to, market trends. 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 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.

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 obtain a domain name registration and/or establish a Web presence. We have applied for new gTLDs including certain IDN gTLDs; however, there is no guarantee that such new gTLDs will be any more successful than the new gTLDs obtained by our competitors. For example, some of the new gTLDs, including our new gTLDs, may face additional universal acceptance and usability challenges in that current desktop and mobile device software does not ubiquitously recognize these new gTLDs and may be slow to adopt standards or support these gTLDs, even if demand for such products is strong. This is particularly true for IDN gTLDs, but applies to conventional gTLDs as well. As a result of these challenges, it is possible that resolution of names within some of these new gTLDs may be blocked within certain state or organizational environments, challenging universal resolvability of these strings and their general acceptance and usability on the Internet.

See the "Competition" section in Part I, Item 1 of this Annual Report on Form 10-K for further information.

**We must establish and maintain strong relationships with registrars and their resellers to maintain their focus on marketing our products and services otherwise our Registry Service business could be harmed.**

One registrar accounts for more than 30% of our revenues. All of our domain name registrations occur through registrars and their resellers. Registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names. With the introduction of new gTLDs, many of our registrars have chosen to, and may continue to choose to, focus their short or long-term marketing efforts on these new offerings and/or reduce the prominence or visibility of our products and services on their e-commerce platforms. Our registrars and resellers not only sell domain name registrations of other competing registries but also sell and support their own services for websites such as email, website hosting, as well as other services. To the extent that registrars and their resellers focus more on selling support services and less on the registration and renewal of our TLDs, our revenues could be adversely impacted. Our ability to successfully market our services to, and build and maintain strong relationships with, new and existing registrars or resellers is a factor upon which successful operation of our business is dependent. If we are unable to keep a significant portion of their marketing efforts focused on selling our TLDs as opposed to other competing TLDs or their own services, our business could be harmed.

**If we encounter system interruptions or failures, 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;
- attacks, including hacktivism, by miscreants or other nefarious actors;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control;

- risks inherent in or arising from the terms and conditions of our agreements with service providers to operate our networks and data centers;
- state suppression of Internet operations; and
- any failure to implement effective and timely remedial actions in response to any damage or interruption.

Most of the computing infrastructure for our Shared Registration System is located at, and most of our customer information is stored in, our facilities in New Castle, Delaware; Dulles, Virginia; and Fribourg, Switzerland. To the extent we are unable to partially or completely switch over to our primary alternate or tertiary sites, 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, we do not carry insurance or financial reserves for such interruptions, or for potential losses arising from terrorism.

In addition, our Registry Services business and certain of our other services depend on the efficient operation of the Internet connections to and from customers to our Shared Registration System residing in our secure data centers. 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 beyond our scope of control. In addition, if these service providers do not protect, maintain, improve, and reinvest in their networks or present inconsistent data regarding the DNS through their networks, our business could be harmed.

A failure in the operation of our TLD name servers, the domain name root zone servers, the root zone management system, or other events could result in a DNS resolution or other service outage or in the deletion of one or more domain names from the Internet for a period of time or a misdirection of a domain name to a different server. A failure in the operation of our Shared Registration System could result in the inability of one or more registrars to register and maintain domain names for a period of time. In the event that a registrar has not implemented back-up services in conformance with industry best practices, the failure could result in permanent loss of transactions at the registrar during that period. A failure in the operation or update of the root zone file or the supporting cryptographic and other operational infrastructure that we maintain could also result in the deletion of one or more TLDs from the Internet and the discontinuation of second-level domain names in those TLDs for a period of time or a misdirection of a domain name to a different server. Any of these problems or outages could create potential liability, including liability arising from a failure to meet our service level agreements in our Registry Agreements, and could decrease customer satisfaction, harming our business or resulting in adverse publicity that could adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

**Our operating results may be adversely affected as a result of unfavorable market, economic, social and political conditions.**

An unstable global economic, social and political environment, including hostilities and conflicts in various regions both inside and outside the U.S., natural disasters, currency fluctuations, and country specific operating regulations may have a negative impact on demand for our services, our business and our foreign operations. The economic, social and political environment has impacted or may negatively impact, among other things:

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

In addition, to the extent that the economic, social and political environment impacts specific industry and geographic sectors in which many of our customers are concentrated, that may have a disproportionate negative impact on our business.

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

A significant portion of our revenues is derived from customers outside the U.S. Doing business in international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We may fail to maintain our ability to conduct business, including potentially material business operations in some international locations, or

we may not succeed in expanding our services into new international markets or expand our presence in existing markets. Failure to do so could materially harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. law or regulations applicable to us. There can be no assurance that our employees, contractors and agents will not take actions in violation of such policies, procedures, laws and/or regulations. Violations of laws, regulations or internal policies and procedures by our employees, contractors or agents could result in financial reporting problems, investigations, fines, penalties, or prohibition on the importation or exportation of our products and services and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate, as well as foreign governments actively promoting ccTLDs, which we do not operate;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- currency fluctuations;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying customer information, including complying with the customer verification requirements of certain countries;
- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- potentially conflicting or adverse tax consequences;
- reliance on third parties in foreign markets in which we only recently started doing business; and
- potential concerns of international customers and prospects regarding doing business with U.S. technology companies due to alleged U.S. government data collection policies.

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

Our success depends in part on our internally developed technologies and related intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the U.S. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. Additionally, we have filed patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the U.S. Patents may not be awarded with respect to these applications and even if such patents are awarded, third parties may seek to oppose or otherwise challenge our patents, and such patents' scope may differ significantly from what was requested in the patent applications and may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce and protect 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 is inherently unpredictable and, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources. Some of the software and protocols used in our business are based on standards set by standards setting organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered "standards essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms.

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. The loss of or our inability to obtain or maintain any of these technology licenses could hinder or increase the cost of our launching new products and services, entering into new markets and/or otherwise harm our business. Some of the software and protocols used in our Registry Services business are in the public domain or may otherwise become publicly available, which means that such software and protocols are equally available to our competitors.

We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products. Dilution of the strength of our brand could harm our business. We are at risk that we will be unable to fully register, build equity in, or enforce the Verisign logo in all markets where Verisign products and services are sold. In addition, U.S. and most other countries' trademark laws currently do not permit the registration of TLDs such as .com and .net as trademarks. Accordingly, we may not be able to fully realize or maintain the value of these intellectual property assets.

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

We cannot be certain that we do not and will not infringe the intellectual property rights of others. Claims relating to infringement of intellectual property of others or other similar claims have been made against us and could be made against us in the future. It is possible that we could become subject to additional claims for infringement of the intellectual property of third parties. The international use of our logo could present additional potential risks for third party claims of infringement. Any claims, with or without merit, could be time consuming, result in costly litigation and diversion of technical and management personnel attention, cause delays in our business activities generally, or require us to develop a non-infringing logo or 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 identify and adopt an alternative non-infringing logo, develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business could be harmed.

A third party could claim that the technology we license from other parties 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.

In addition, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights in Internet-related businesses, including patents related to software and business methods, are uncertain and still evolving. Because of the growth of the Internet and Internet-related businesses, patent applications are continuously being filed in connection with Internet-related technology. There 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 could become involved in claims, lawsuits or investigations that may result in adverse outcomes.**

In addition to possible intellectual property litigation and infringement claims, we are, and may in the future, become involved in other claims, lawsuits and investigations, including with respect to the root zone maintainer agreement now under negotiation with ICANN. Such proceedings may initially be viewed as immaterial but could prove to be material. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business and may have a material adverse effect on our financial condition, results of operations and cash flows. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of management's attention and resources from other matters.

**We continue to explore new strategic initiatives, the pursuit of any of which may pose significant risks and could have a material adverse effect on our business, financial condition and results of operations.**

We are exploring a variety of possible strategic initiatives which may include, among other things, the investment in and the pursuit of new revenue streams, services or products, changes to our offerings, including the acquisition and/or launch of new gTLDs, initiatives to leverage our patent portfolio, our Security Services business, back-end registry services and IDN gTLDs.

Any such strategic initiative may involve a number of risks, including: the diversion of our management's attention from our existing business to develop the initiative, related operations and any requisite personnel; possible regulatory scrutiny or third-party claims; possible material adverse effects on our results of operations during and after the development process; our possible inability to achieve the intended objectives of the initiative; as well as damage to our reputation if we are unsuccessful in pursuing a strategic initiative. Such initiatives may result in a reduction of cash or increased costs. We may not be able to successfully or profitably develop, integrate, operate, maintain and manage any such initiative and the related operations or employees in a timely manner or at all. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net, .name and other registries, including required ICANN approval of new registry services for such TLDs. If any new initiative requires ICANN review, we cannot predict whether this process will prevent us from implementing the initiative in a timely manner or at all. Any strategic initiative to leverage our patent portfolio will likely increase litigation risks from potential licensees and we may have to resort to litigation to enforce our intellectual property rights.



**We depend on key employees to manage our business effectively, and we may face difficulty attracting and retaining qualified leaders.**

We operate in a unique competitive and highly regulated environment and we depend on the knowledge, experience, and performance of our senior management team and other key employees in this regard and otherwise. We have experienced changes in our management team during the last few years. If we are unable to attract, integrate, retain and motivate these key individuals and additional highly skilled technical, sales and marketing, and other experienced employees, and implement succession plans for these personnel, our business may suffer. For example, our service products are highly technical and require individuals skilled and knowledgeable in unique platforms and software implementation.

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

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by various tax authorities. In accordance with U.S. GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. 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.

A significant portion of our foreign earnings for the current fiscal year was earned in low tax jurisdictions. Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates.

As described further in “Note 11, Income Taxes, of our Notes to Consolidated Financial Statements” in Part IV, Item 15 of this Annual Report on Form 10-K, we claimed a worthless stock deduction on our 2013 federal income tax return and recorded, during the fourth quarter of 2013, an income tax benefit of \$375.3 million, net of valuation allowances and accrual for uncertain tax positions recorded as required under U.S. GAAP. This worthless stock deduction may be subject to audit and adjustment by the Internal Revenue Service (“IRS”), which could result in the reversal of all, part or none of the income tax benefit. If the IRS rejects or reduces the amount of the income tax benefit related to the worthless stock deduction, we may have to pay additional cash income taxes, which could adversely affect our results of operations, financial condition and cash flows. We cannot guarantee what the ultimate outcome or amount of the benefit we receive, if any, will be.

Various legislative proposals that would reform U.S. corporate tax laws have been proposed by the Obama administration as well as members of Congress, including proposals that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. We are unable to predict whether these or other proposals will be implemented. Although we cannot predict whether or in what form any proposed legislation may pass, if enacted, such legislation could have a material adverse impact on our tax expense or cash flow.

**Our foreign earnings, which are indefinitely reinvested offshore, constitute a majority of our cash, cash equivalents and marketable securities, and there is a high cost associated with a change in our indefinite reinvestment assertion or a repatriation of those funds to the U.S.**

A majority of our cash, cash equivalents and marketable securities are held by our foreign subsidiaries. Our foreign earnings are indefinitely reinvested offshore and are not available to be used in the U.S. for working capital needs, debt obligations, acquisitions, share repurchases, dividends or other general corporate purposes. In the event that funds from our foreign operations are needed in the U.S. for any purpose, we would be required to accrue and pay additional U.S. taxes in order to repatriate those funds, which could be significant. Further, if we are unable to indefinitely reinvest our foreign earnings our effective tax rate would increase. These could adversely impact our business valuation and stock price.

**Our marketable securities portfolio could experience a decline in market value, which could materially and adversely affect our financial results.**

As of December 31, 2015, we had \$1.9 billion in cash, cash equivalents, marketable securities and restricted cash, of which \$1.7 billion was invested in marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through the investment in investment grade securities. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by unusual events, such as the U.S. debt ceiling crisis and the Eurozone crisis, which affected various sectors of the financial markets and led to global credit and liquidity issues. During the 2008 financial crisis, the volatility and disruption in the global credit market reached unprecedented levels. If the global credit market deteriorates again or other events negatively impact the market for U.S. Treasury securities, our investment portfolio may be impacted and we could determine that some of our investments have experienced an other-than-temporary decline in fair value, requiring an impairment charge which could adversely impact our results of operations and cash flows.

**We are subject to the risks of owning real property.**

We own the land and building in Reston, Virginia, which constitutes our headquarters facility. Ownership of this property, as well as our data centers in Dulles, Virginia and New Castle, Delaware, may subject us to risks, including:

- adverse changes in the value of the properties, due to interest rate changes, changes in the commercial property markets, or other factors;
- ongoing maintenance expenses and costs of improvements;
- the possible need for structural improvements in order to comply with environmental, health and safety, zoning, seismic, disability law, or other requirements;
- the possibility of environmental contamination or notices of violation from federal or state environmental agencies; and
- possible disputes with neighboring owners, tenants, service providers or others.

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

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

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chairman of the board of directors, the president, our Board, or the secretary (acting as a representative of the stockholders) whenever a stockholder or group of stockholders owning at least thirty-five percent (35%) in the aggregate of the capital stock issued, outstanding and entitled to vote, and who held that amount in a net long position continuously for at least one year, so request in writing;
- our Board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;
- vacancies on our Board can be filled until the next annual meeting of stockholders by majority vote of the members of the Corporate Governance and Nominating Committee, or a majority of directors then in office if no such committee exists, or a sole remaining director; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, Section 203 of the General Corporation Law of Delaware prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns or within the last three years has owned 15% or more of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless in the same transaction the interested stockholder acquired 85% ownership of our voting stock (excluding certain shares) or the business combination is approved in a prescribed manner. Section 203 therefore may impact the ability of an acquirer to complete an acquisition of us after a successful tender offer and accordingly could discourage, delay or prevent an acquirer from making an unsolicited offer without the approval of our Board.

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

As of December 31, 2015, we had one billion authorized common shares, of which 110.1 million shares were outstanding. In addition, of our authorized common shares, 13.7 million common shares were reserved for issuance pursuant to outstanding equity and employee stock purchase plans (“Equity Plans”), and 36.4 million shares were reserved for issuance upon conversion of our 3.25% Junior Subordinated Convertible Debentures due 2037 (“Subordinated Convertible Debentures”). As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Subordinated Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

We have a significant amount of outstanding debt, and we may incur additional indebtedness in the future. Our substantial indebtedness, including any future indebtedness, requires us to dedicate a significant portion of our cash flow from operations or to arrange alternative liquidity sources to make principal and interest payments, when due, or to repurchase or settle our debt, if triggered, by certain corporate events, certain events of default, or conversion. It could also limit our flexibility in planning for or reacting to changes in our business and our industry, or make required capital expenditures and investments in our business; make it difficult or more expensive to refinance our debt or obtain new debt; trigger an event of default; and increase our vulnerability to adverse changes in general economic and industry conditions. Some of our debt contains covenants which may limit our operating flexibility, including restrictions on share repurchases, dividends, prepayment or repurchase of debt, acquisitions, disposing of assets, if we do not continue to meet certain financial ratios. Any rating assigned to our debt securities could be lowered or withdrawn by a rating agency, which could make it more difficult or more expensive for us to obtain additional debt financing in the future. The settlement amount, contingent interest, and potential recapture of income tax deductions related to our Subordinated Convertible Debentures can be substantial, and can increase significantly based on changes in our stock price. The occurrence of any of the foregoing factors could have a material adverse effect on our business, cash flows, results of operations and financial condition.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located in Reston, Virginia. We have administrative, sales, marketing, research and development and operations facilities located in the U.S., Europe, Asia, and Australia. As of December 31, 2015, we owned approximately 454,000 square feet of space, which includes facilities in Reston and Dulles, Virginia and New Castle, Delaware. As of December 31, 2015 we leased approximately 60,000 square feet of space, in Asia and Europe and to a lesser extent in the U.S. These facilities are under lease agreements that expire at various dates through 2017.

We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future. The following table lists our major locations and primary use as of December 31, 2015:

<u>Major Locations</u>	<u>Approximate Square Footage</u>	<u>Use</u>
United States:		
Reston, Virginia.....	221,000	Corporate Headquarters
New Castle, Delaware.....	105,000	Data Center
Dulles, Virginia.....	70,000	Data Center
Europe:		
Fribourg, Switzerland.....	8,000	Data Center and Corporate Services

The table above does not include approximately 58,000 square feet of space owned by us and leased to third parties, and approximately 13,000 square feet of space leased by us and subleased to third parties.

**ITEM 3. LEGAL PROCEEDINGS**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth information regarding our executive officers as of February 19, 2016:

<u>Name</u>	<u>Age</u>	<u>Position</u>
D. James Bidzos.....	60	Executive Chairman, President and Chief Executive Officer
Todd B. Strubbe.....	52	Executive Vice President, Chief Operating Officer
George E. Kilguss, III.....	55	Executive Vice President, Chief Financial Officer
Thomas C. Indelicarto.....	52	Executive Vice President, General Counsel and Secretary

**D. James Bidzos** has served as Executive Chairman since August 2009 and President and Chief Executive Officer since August 2011. He served as Executive Chairman and Chief Executive Officer on an interim basis from June 2008 to August 2009 and served as President from June 2008 to January 2009. He served as Chairman of the Board since August 2007 and from April 1995 to December 2001. He served as Vice Chairman of the Board from December 2001 to August 2007. Mr. Bidzos served as a director of VeriSign Japan from March 2008 to August 2010 and served as Representative Director of VeriSign Japan from March 2008 to September 2008. Mr. Bidzos served as Vice Chairman of RSA Security Inc., an Internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

**Todd B. Strubbe** has served as Chief Operating Officer since April 2015. From September 2009 to April 2015, he served as the President of the Unified Communications Business Segment for West Corporation, a provider of technology-driven communications services. Prior to this, he was a co-founder and Managing Partner of Arbor Capital, LLC. He has also served in executive leadership positions at First Data Corporation and CompuBank, N.A. and as an associate and then as an engagement manager with McKinsey & Company, Inc. He also served for five years as an infantry officer with the United States Army. Mr. Strubbe holds an M.B.A. degree from Harvard Business School and a B.S. degree from the United States Military Academy at West Point.

**George E. Kilguss, III** has served as Chief Financial Officer since May 2012. From April 2008 to May 2012, he was the Chief Financial Officer of Internap Network Services Corporation, an IT infrastructure solutions company. From December 2003 to December 2007, he served as the Chief Financial Officer of Towerstream Corporation, a company that delivers high speed wireless Internet access to businesses. Mr. Kilguss holds an M.B.A. degree from the University of Chicago's Graduate School of Business and a B.S. degree in Economics and Finance from the University of Hartford.

**Thomas C. Indelicarto** has served as General Counsel and Secretary since November 2014. From September 2008 to November 2014, he served as Vice President and Associate General Counsel. From January 2006 to September 2008, he served as Litigation Counsel. Prior to joining the Company, Mr. Indelicarto was in private practice as an associate at Arnold & Porter LLP and Buchanan Ingersoll (now, Buchanan Ingersoll & Rooney, PC). Mr. Indelicarto also served as a U.S. Army officer for nine years. Mr. Indelicarto holds a J.D. degree from the University of Pittsburgh School of Law and a B.S. degree from Indiana University of Pennsylvania.



## PART II

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**
**Price Range of Common Stock**

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

	Price Range	
	High	Low
Year ended December 31, 2015:		
Fourth Quarter.....	\$ 93.94	\$ 70.21
Third Quarter.....	\$ 71.82	\$ 61.42
Second Quarter.....	\$ 68.25	\$ 61.31
First Quarter.....	\$ 67.50	\$ 53.48
Year ended December 31, 2014:		
Fourth Quarter.....	\$ 61.25	\$ 52.10
Third Quarter.....	\$ 57.57	\$ 48.50
Second Quarter.....	\$ 54.47	\$ 46.45
First Quarter.....	\$ 62.96	\$ 48.55

On February 12, 2016, there were 510 holders of record of our common stock. We cannot estimate the number of beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders. On February 12, 2016, the reported last sale price of our common stock was \$76.97 per share as reported by the NASDAQ Global Select Market.

We have not declared or paid any cash dividends on our common stock or any other securities in the last four years. We continually evaluate the overall cash and investing needs of the business and consider the best uses for our cash, including investments in the strengthening of our infrastructure and growth opportunities for our business, as well as potential share repurchases.

For information regarding securities authorized for issuance under our equity compensation plans, see Note 9, "Employee Benefits and Stock-based Compensation," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

**Share Repurchases**

The following table presents the share repurchase activity during the three months ended December 31, 2015:

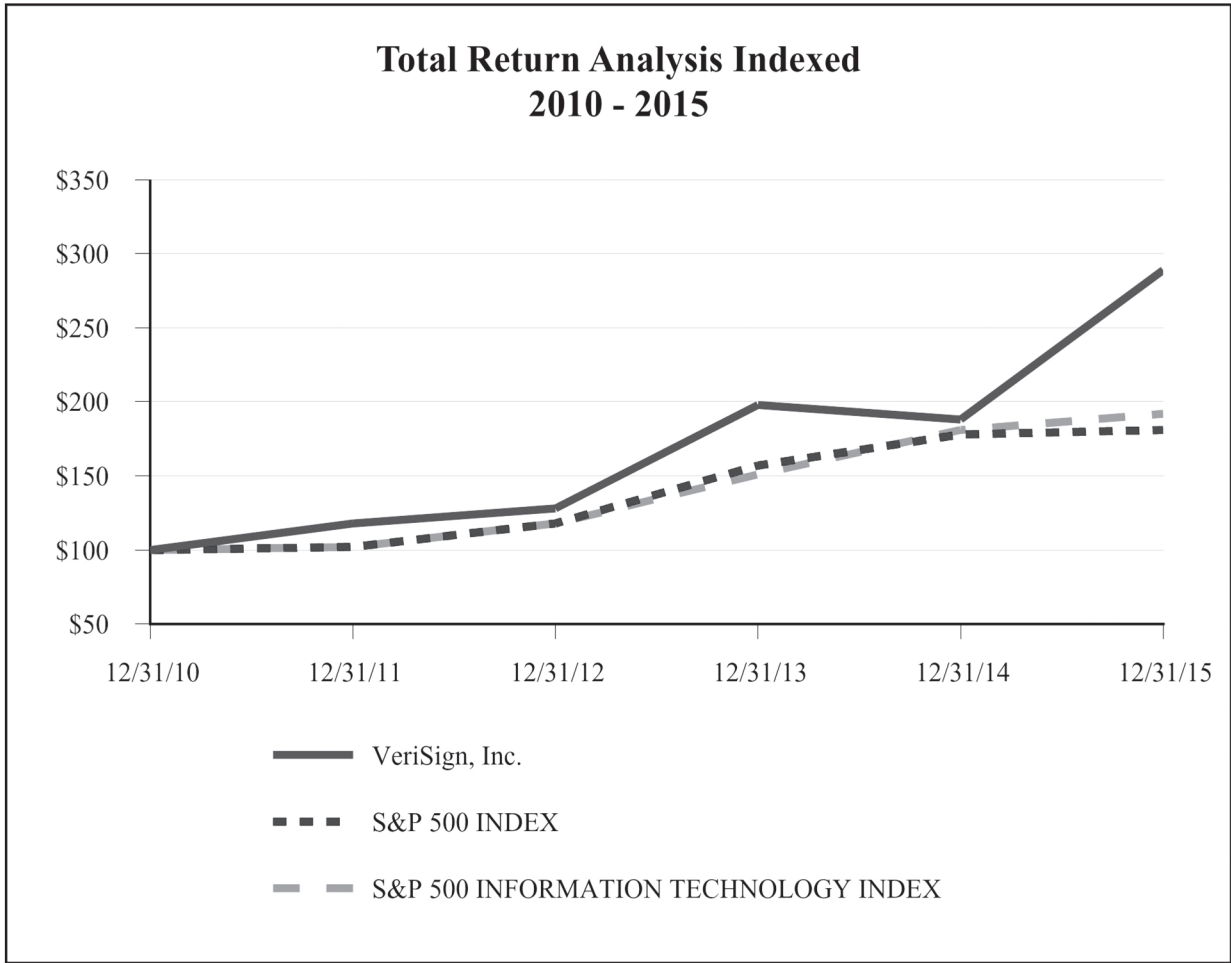
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)(2)
		(Shares in thousands)		
October 1 – 31, 2015.....	696	\$74.21	696	\$ 553.0 million
November 1 – 30, 2015.....	564	\$83.17	564	\$ 506.1 million
December 1 – 31, 2015.....	576	\$89.62	576	\$ 454.5 million
	<u>1,836</u>		<u>1,836</u>	

- On January 30, 2015, our Board authorized the repurchase of approximately \$452.9 million of our common stock, in addition to the \$547.1 million of our common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of our common stock.
- Effective February 11, 2016, our Board authorized the repurchase of approximately \$611.2 million of our common stock, in addition to the \$388.8 million of our common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of our common stock. The share repurchase program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

**Performance Graph**

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

The following graph compares the cumulative total stockholder return on our common stock, the Standard and Poor’s (“S&P”) 500 Index, and the S&P 500 Information Technology Index. The graph assumes that \$100 (and the reinvestment of any dividends thereafter) was invested in our common stock, the S&P 500 Index and the S&P 500 Information Technology Index on December 31, 2010, and calculates the return annually through December 31, 2015. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
VeriSign, Inc.....	\$ 100	\$ 118	\$ 128	\$ 198	\$ 188	\$ 289
S&P 500 Index.....	\$ 100	\$ 102	\$ 118	\$ 157	\$ 178	\$ 181
S&P 500 Information Technology Index.....	\$ 100	\$ 102	\$ 118	\$ 151	\$ 181	\$ 192

**ITEM 6. SELECTED FINANCIAL DATA**

The following table sets forth selected financial data as of and for the last five fiscal years. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, to fully understand factors that may affect the comparability of the information presented below. We have reclassified the Consolidated Balance Sheet data for all periods presented to reflect the adoption of Accounting Standards Update (“ASU”) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which are discussed in Note 1 “Description of Business and Summary of Significant Accounting Policies” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

**Selected Consolidated Statements of Comprehensive Income Data:** (in millions, except per share data)

	Year Ended December 31,				
	2015	2014 (1)	2013 (2)	2012	2011 (3)
Revenues .....	\$ 1,059	\$ 1,010	\$ 965	\$ 874	\$ 772
Operating income.....	\$ 606	\$ 564	\$ 528	\$ 457	\$ 329
Income from continuing operations .....	\$ 375	\$ 355	\$ 544	\$ 312	\$ 139
Income from continuing operations per share: .....					
Basic .....	\$ 3.29	\$ 2.80	\$ 3.77	\$ 1.99	\$ 0.84
Diluted .....	\$ 2.82	\$ 2.52	\$ 3.49	\$ 1.91	\$ 0.83
Cash dividend declared and paid per share.....	\$ —	\$ —	\$ —	\$ —	\$ 2.75

- (1) Income from continuing operations for 2014 is reduced by \$9.8 million for a non-U.S. income tax charge related to a reorganization of certain international operations and changes in estimates during 2014 for U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of funds held by foreign subsidiaries.
- (2) Income from continuing operations for 2013 includes a \$375.3 million income tax benefit related to a worthless stock deduction, net of valuation allowances, and accrual for uncertain tax positions, partially offset by \$167.1 million of income tax expense related to the repatriation of cash held by foreign subsidiaries.
- (3) Income from continuing operations for 2011 is reduced by pre-tax amounts of \$15.5 million in restructuring charges and \$100.0 million in contingent interest paid to holders of our Subordinated Convertible Debentures, as a result of the special dividend to stockholders.

**Consolidated Balance Sheet Data:** (in millions)

	As of December 31,				
	2015	2014	2013	2012	2011
Cash, cash equivalents and marketable securities (1).....	\$ 1,915	\$ 1,425	\$ 1,723	\$ 1,556	\$ 1,346
Total assets (1) .....	\$ 2,358	\$ 1,901	\$ 2,249	\$ 2,009	\$ 1,780
Deferred revenues .....	\$ 961	\$ 890	\$ 856	\$ 813	\$ 729
Subordinated Convertible Debentures, including contingent interest derivative.....	\$ 634	\$ 621	\$ 613	\$ 587	\$ 578
Long-term debt (2).....	\$ 1,235	\$ 740	\$ 739	\$ 100	\$ 100

- (1) Cash, cash equivalents and marketable securities and total assets increased from 2014 to 2015 due to the proceeds received from the issuance of \$500.0 million aggregate principal amount of 5.25% senior unsecured notes due 2025. Cash, cash equivalents and marketable securities and total assets decreased from 2013 to 2014 because of the repurchase of \$867.1 million worth of common stock under our share buyback program.
- (2) The increase in Long-term debt from 2014 to 2015 was due to the issuance of \$500.0 million aggregate principal amount of 5.25% senior unsecured notes due 2025. The increase in Long-term debt from 2012 to 2013 was due to the issuance of \$750.0 million aggregate principal amount of 4.625% senior unsecured notes due 2023, offset by the repayment of \$100.0 million of outstanding indebtedness under our unsecured credit facility.

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

### FORWARD-LOOKING STATEMENTS

*This Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part I, Item 1A of this Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.*

#### Overview

We are a global provider of domain name registry services and Internet security, enabling Internet navigation for many of the world's most recognized domain names and providing protection for websites and enterprises around the world. Our Registry Services ensure the security, stability and resiliency of key Internet infrastructure and services, including the .com and .net domains, two of the Internet's root servers, and the operation of the root zone maintainer function for the core of the Internet's DNS. Our product suite also includes Security Services, which was formerly known as Network Intelligence and Availability, or NIA Services, consisting of DDoS Protection Services, iDefense Services, and Managed DNS Services.

As of December 31, 2015, we had approximately 139.8 million domain names registered in the domain name base for .com and .net, our principal registries. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of Internet users, which is partially driven by greater availability of Internet access, as well as marketing activities carried out by us and third-party registrars. Growth in the number of domain names under our management may be hindered by certain factors, including overall economic conditions, competition from ccTLDs, the introduction of new gTLDs, and ongoing changes in the Internet practices and behaviors of consumers and businesses. Factors such as the evolving practices and preferences of Internet users, and how they navigate the Internet, as well as the motivation of domain name registrants and how they will monetize their investment in domain names, can negatively impact our business and the demand for new domain name registrations and renewals. Revenues from Security Services are not significant in relation to our consolidated revenues.

#### 2015 Business Highlights and Trends

- We recorded revenues of \$1,059.4 million in 2015, which represents an increase of 5% compared to 2014.
- We recorded operating income of \$605.9 million during 2015, which represents an increase of 7% as compared to 2014.
- We added 8.3 million net new names during 2015, ending with 139.8 million names in the domain name base for .com and .net, which represents a 6% increase over the base at the end of 2014, as calculated including domain names on hold for both periods.
- The final .com and .net renewal rate for the third quarter of 2015 was 71.9% compared with 72% for the same quarter in 2014. Renewal rates are not fully measurable until 45 days after the end of the quarter.
- We repurchased 9.3 million shares of our common stock for an aggregate cost of \$621.9 million in 2015. As of December 31, 2015, there was \$454.5 million remaining for future share repurchases under the share buyback program.
- Through February 11, 2016, we repurchased an additional 0.8 million shares for \$65.7 million under our share buyback program. Effective February 11, 2016, our Board authorized the repurchase of approximately \$611.2 million of our common stock, in addition to the \$388.8 million of our common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of our common stock.
- We generated cash flows from operating activities of \$651.5 million in 2015, which represents an increase of 8% as compared to 2014.
- On July 23, 2015, we announced an increase in the annual fee for a .net domain name registration from \$6.79 to \$7.46, which became effective February 1, 2016.



### *Critical Accounting Policies and Significant Management Estimates*

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates those estimates. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting estimate is considered critical if the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment involved, and the impact of changes in the estimates and assumptions would have a material effect on the consolidated financial statements. We believe the following critical accounting estimates and policies have the most significant impact on our consolidated financial statements:

#### *Revenue recognition*

We generate revenues by providing services over a period of time. Fees for these services are deferred and recognized as performance occurs. The majority of our revenue transactions contain standard business terms and conditions. However, at times, we enter into non-standard arrangements including multiple-element arrangements. As a result, we must evaluate (1) whether an arrangement exists; (2) how the arrangement consideration should be allocated among the deliverables; (3) when to recognize revenue on the deliverables; and (4) whether all elements of the arrangement have been delivered. Our revenue recognition policy also requires an assessment as to whether collection is reasonably assured, which requires us to evaluate the creditworthiness of our customers.

#### *Fair value of financial instruments*

Our Subordinated Convertible Debentures have a contingent interest payment provision that is identified as an embedded derivative. The embedded derivative is accounted for separately at fair value, and is marked to market at the end of each reporting period. We utilize a valuation model based on stock price, bond price, risk free interest rates, volatility, and credit spread observations to estimate the value of the derivative. Several of these inputs to the model are not observable and require management judgment.

#### *Income taxes*

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood we would realize the benefits of net operating loss carryforwards, domestic and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the rates used to measure transactions with foreign subsidiaries. To the extent recovery of deferred tax assets is not likely, we record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized.

Our operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes payable are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from U.S. federal, state, and international tax audits. We only recognize or continue to only recognize tax positions that are more likely than not to be sustained upon examination. We adjust these amounts in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities.

Deferred income taxes are not provided for any funds remaining in the foreign subsidiaries because these earnings are intended to be indefinitely reinvested. We consider the following matters, among others, in evaluating our plans for indefinite reinvestment: the forecasts, budgets and financial requirements of the parent and subsidiaries for both the long and short term; the tax consequences of a decision to reinvest; and any U.S. and foreign government programs designed to influence remittances. If factors change and as a result we are unable to indefinitely reinvest the foreign earnings, the income tax expense and payments may differ significantly from the current period and could materially adversely affect our results of operations.

*Earnings per Share*

We use the treasury stock method to calculate the impact of our Subordinated Convertible Debentures on diluted earnings per share. Under this method, only a positive conversion spread related to the Subordinated Convertible Debentures is included in the diluted earnings per share calculations. This is based on our intent and ability to settle the principal amount of the Subordinated Convertible Debentures in cash. A change in our intent and ability would require us to use the if-converted method, which could have a material impact on our diluted earnings per share.

**Results of Operations**

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

	Year Ended December 31,		
	2015	2014	2013
Revenues .....	100%	100%	100%
Costs and expenses:			
Cost of revenues.....	18	19	20
Sales and marketing.....	9	9	9
Research and development .....	6	7	7
General and administrative .....	10	9	9
Total costs and expenses.....	43	44	45
Operating income .....	57	56	55
Interest expense.....	(10)	(9)	(8)
Non-operating (loss) income, net.....	(1)	1	—
Income before income taxes .....	46	48	47
Income tax (expense) benefit .....	(11)	(13)	9
Net income .....	35%	35%	56%

**Revenues**

Revenues related to our Registry Services are primarily derived from registrations for domain names in the *.com* and *.net* domain name registries. We also derive revenues from operating domain name registries for several other TLDs which are not significant in relation to our consolidated revenues. For domain names registered with the *.com* and *.net* registries, we receive a fee from third-party registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with third-party registrars or their resellers, and the third-party registrars in turn register the domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted, by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of Internet users, as well as marketing activities carried out by us and third-party registrars. We increased the annual fee for a *.net* domain name registration from \$5.62 to \$6.18 on February 1, 2014, from \$6.18 to \$6.79 on February 1, 2015, and from \$6.79 to \$7.46 on February 1, 2016. We have the contractual right to increase the fees for *.net* domain name registrations by up to 10% each year during the term of our *.net* agreement with ICANN through June 30, 2017. The annual fee for a *.com* domain name registration is fixed at \$7.85 for the duration of the current *.com* Registry Agreement through November 30, 2018, except that prices may be raised by up to 7% each year due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security and Stability (each as defined in the *.com* Registry Agreement) of the DNS, subject to approval of the DOC. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All fees paid to us for *.com* and *.net* registrations are in U.S. dollars. Revenues from Security Services are not significant in relation to our total consolidated revenues.

A comparison of revenues is presented below:

	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
Revenues .....	\$ 1,059,366	5%	\$ 1,010,117	5%	\$ 965,087

The following table compares the domain name base for *.com* and *.net* managed by our Registry Services business:

	December 31, 2015	%	December 31, 2014	%	December 31, 2013
		Change		Change	
Domain name base for <i>.com</i> and <i>.net</i> (1) .....	139.8 million	6%	131.5 million	3%	127.6 million

(1) The domain name base for *.com* and *.net* presented above for each period, includes domain names that are in a client or server hold status. The domain names that are on a hold status were not previously included in the numbers reported in prior filings from 2014 and earlier; however, the prior period amounts reported in this Form 10-K have been adjusted to include domain names on a hold status to allow for direct comparison

**2015 compared to 2014:** Revenues increased by \$49.2 million, primarily due to a 6% increase in the number of domain names ending in *.com* and *.net* and increases in the *.net* domain name registration fees in February 2014 and 2015. Total revenue growth of 5% was slightly less than the 6% growth in the domain name base due to the timing of registrations throughout the year, as a significant portion of new registrations occurred during the third and fourth quarters of 2015.

**2014 compared to 2013:** Revenues increased by \$45.0 million, primarily due to a 3% increase in the domain name base for *.com* and *.net* and increases in the *.net* domain name registration fees in July 2013 and February 2014.

Growth in the domain name base was primarily driven by continued Internet growth and marketing activities carried out by us and third-party registrars. However, ongoing economic uncertainty, competitive pressure from ccTLDs, the introduction of new gTLDs, ongoing changes in Internet practices and behaviors of consumers and business, as well as the motivation of existing domain name registrants and how they will monetize their investment in domain names, has limited the rate of growth of the domain name base in recent years and may continue to do so in 2016 and beyond. During the third and fourth quarters of 2015 we experienced an increase in the level of new domain name registrations in our APAC region, primarily from our registrars in China. This higher volume of new registrations appears to have reverted back to a more typical pace by the end of 2015.

We expect revenues will continue to increase in 2016, as a result of the increased volume of domain registrations in 2015, continued growth in the domain name base in 2016, and increases in the *.net* domain name registration fees in February 2015 and 2016.

### **Geographic revenues**

We generate revenue in the U.S.; Europe, the Middle East and Africa (“EMEA”); APAC; and certain other countries, including Canada and Latin American countries.

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

	Year Ended December 31,				
	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
U.S.....	\$ 639,170	4 %	\$ 616,125	5 %	\$ 585,201
EMEA.....	193,623	6 %	182,897	8 %	169,767
APAC.....	151,461	13 %	133,748	3 %	129,664
Other.....	75,112	(3)%	77,347	(4)%	80,455
Total revenues.....	<u>\$ 1,059,366</u>	<u>5 %</u>	<u>\$ 1,010,117</u>	<u>5 %</u>	<u>\$ 965,087</u>

Although revenues continued to grow in the more mature markets of the U.S. and EMEA, the emerging markets in the APAC region saw the highest percentage growth rate in 2015, because of strong demand for domain names, especially in China. Revenues for our Registry Services business are attributed to the country of domicile and the respective regions in which our registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region. These factors reflect higher revenue growth in EMEA, and lower revenue growth in APAC during 2014, and declining revenue in the Other region in 2015 and 2014.

### Cost of revenues

Cost of revenues consist primarily of salaries and employee benefits expenses for our personnel who manage the operational systems, depreciation expenses, operational costs associated with the delivery of our services, fees paid to ICANN, customer support and training, consulting and development services, costs of facilities and computer equipment used in these activities, telecommunications expense and allocations of indirect costs such as corporate overhead.

A comparison of cost of revenues is presented below:

	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
Cost of revenues .....	\$ 192,788	2%	\$ 188,425	1%	\$ 187,013

**2015 compared to 2014:** Cost of revenues increased by \$4.4 million, primarily due to increases in salary and employee benefits expenses and registry fee expenses, partially offset by decreases in telecommunications expenses and depreciation expenses. Salary and employee benefits expenses increased by \$4.2 million, primarily due to an increase in average headcount and increases in salary, bonus, and allocated benefit expenses. Registry fees due to ICANN increased by \$2.7 million resulting from an increase in the volume of .com registrations and renewals. Telecommunication expenses decreased by \$1.8 million primarily due to savings on renewals of colocation agreements. Depreciation expenses decreased by \$1.6 million due to lower capital spending for equipment replacement in 2014 and 2015.

**2014 compared to 2013:** Cost of revenues increased slightly, primarily due to increases in allocated overhead expenses and depreciation expenses. Allocated overhead expenses increased by \$1.8 million, primarily due to an increase in allocable indirect costs. Depreciation expenses increased by \$1.5 million, primarily due to an increase in hardware and equipment purchases to support our network infrastructure in recent years.

We expect cost of revenues as a percentage of revenues to decrease in 2016 as compared to 2015.

### Sales and marketing

Sales and marketing expenses consist primarily of salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, gTLD application costs, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees, costs of marketing programs, such as online, television, radio, print and direct mail advertising costs, and allocations of indirect costs such as corporate overhead.

A comparison of sales and marketing expenses is presented below:

	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
Sales and marketing .....	\$ 90,184	(2)%	\$ 92,001	3%	\$ 89,337

**2015 compared to 2014:** Sales and marketing expenses decreased by \$1.8 million, primarily due to a decrease in advertising and consulting expenses, partially offset by an increase in salary and employee benefits expenses. Advertising and consulting expenses decreased by \$3.2 million, primarily due to a decrease in marketing activities and advertising agency costs. Salary and employee benefits expenses increased by \$1.4 million, primarily resulting from an increase in average headcount.

**2014 compared to 2013:** Sales and marketing expenses increased primarily due to increases in advertising and marketing expenses and stock-based compensation expenses, partially offset by a decrease in contract and professional services expenses. Advertising and marketing expenses increased by \$2.7 million primarily due to an increase in advertising expenses for product marketing initiatives promoting Registry and Security services and an increase in general corporate marketing expenses. Stock-based compensation expenses increased by \$1.8 million, primarily due to additional expense recognized for certain performance-based RSUs which was recorded based on their period-end fair value as well as an increase in expense related to higher expected attainment levels for performance-based RSUs granted in 2013 and 2014, and lower expense recognized during 2013 as a result of lower actual attainment level for performance-based RSUs granted in 2012. Contract and professional services expenses decreased by \$2.0 million, primarily due to a decrease in strategy consulting costs related to new gTLDs and other marketing research expenses.

We expect sales and marketing expenses as a percentage of revenues to remain consistent in 2016 as compared to 2015.



### Research and development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees, facilities costs, computer and communications equipment, support services used in our service and technology development, and allocations of indirect costs such as corporate overhead.

A comparison of research and development expenses is presented below:

	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
Research and development .....	\$ 63,718	(6)%	\$ 67,777	(4)%	\$ 70,297

**2015 compared to 2014:** Research and development expenses decreased by \$4.1 million, primarily due to a decrease in salary and employee benefits expenses, including stock-based compensation expenses, contractors and professional services expenses, and allocated overhead costs. Salary and employee benefits expenses, including stock-based compensation expenses decreased by \$2.1 million due to a decrease in average headcount. Contract and professional services expenses decreased due to lower consulting costs on various research and development projects. Allocated overhead costs decreased primarily due to a decrease in proportional headcount compared to other cost types.

**2014 compared to 2013:** Research and development expenses decreased primarily due to a \$1.7 million decrease in contract and professional services expenses from lower consulting costs on various development projects as we have shifted more development work to our employees.

We expect research and development expenses as a percentage of revenues to remain consistent in 2016 as compared to 2015.

### 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, costs of facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees, and bad debt expense, offset by allocations of indirect costs such as facilities and shared services expenses to other cost types.

A comparison of general and administrative expenses is presented below:

	2015	%	2014	%	2013
		Change		Change	
	(Dollars in thousands)				
General and administrative .....	\$ 106,730	9%	\$ 97,487	8%	\$ 90,208

**2015 compared to 2014:** General and administrative expenses increased by \$9.2 million, primarily due to increases in salary and employee benefits expenses, including stock-based compensation expenses, legal expenses, and miscellaneous expenses, partially offset by a decrease in contract and professional services expenses. Salary and employee benefits expenses, including stock-based compensation, increased by \$4.3 million due to annual salary increases and increased expenses related to employee benefits. Stock based compensation expense increased due to an increase in expense related to performance-based RSUs, and the impact of new RSU grants which had a higher grant date fair value due to the increase in our stock price, partially offset by additional expense recognized in 2014 for certain performance-based RSUs which were recorded based on their period-end fair value. Legal expenses increased by \$3.3 million primarily due to an increase in services performed by external legal counsel. Miscellaneous expenses increased by \$4.0 million primarily due to expenses for certain non-income related taxes in 2015, and certain expense reversals in 2014. Contract and professional services expenses decreased by \$2.6 million due to a decrease in consulting costs supporting various corporate functions.

**2014 compared to 2013:** General and administrative expenses increased primarily due to increases in salary and employee benefit expenses, stock-based compensation expenses, contract and professional services expenses, and depreciation expenses, partially offset by an increase in overhead expenses allocated to other cost types and a decrease in legal expenses. Salary and employee benefits expenses increased by \$3.8 million, primarily due to higher average headcount and increase in severance expenses. Stock-based compensation expenses increased by \$5.5 million due to additional expense recognized for certain performance-based RSUs which were recorded based on their period-end fair value as well as an increase in expense related to higher expected attainment levels for performance-based RSUs granted in 2013 and 2014, and lower expense recognized during 2013 as a result of lower actual attainment level for performance-based RSUs granted in 2012. Contract and professional services expenses increased by \$2.0 million, primarily due to increases in strategic consulting costs. Depreciation expenses increased by \$1.5 million, primarily due to the additional depreciation related to an internal use software product being placed into service in 2014. Overhead expenses allocated to other cost types increased by \$3.5 million due to an increase in total allocable indirect costs. Legal expenses decreased by \$2.7 million primarily due to a reduction in legal services related to income tax matters and our patent portfolio.

We expect general and administrative expenses as a percentage of revenues to remain consistent in 2016 as compared to 2015.

#### ***Interest expense***

See Note 5, “Debt and interest expense” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We expect interest expense to increase in 2016 as compared to 2015 due to a full year of interest expense related to the senior notes issued in March 2015.

#### ***Non-operating income, net***

See Note 10, “Non-operating income, net” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

#### ***Income tax (expense) benefit***

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Income tax (expense) benefit from continuing operations .....	\$ (112,414)	\$ (128,051)	\$ 87,679
Effective tax rate .....	23%	26%	(19)%

Our effective tax rate for 2015 was lower than the statutory federal rate of 35% primarily due to benefits from foreign income taxed at lower rates, partially offset by state income taxes.

Our effective tax rate for 2014 was lower than the statutory federal rate of 35% primarily due to benefits from foreign income taxed at lower rates, partially offset by state income taxes and net income tax expense of \$9.8 million due to a non-U.S. income tax charge in the fourth quarter of 2014 related to a reorganization of certain international operations and changes in estimates during 2014 for U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries.

During 2013, we liquidated for tax purposes one of our domestic subsidiaries, which allowed us to claim a worthless stock deduction on our 2013 federal income tax return. We recorded an income tax benefit during 2013 of \$375.3 million related to the worthless stock deduction, net of valuation allowances and accrual for uncertain tax positions. During 2013, we also recorded an income tax expense of \$167.1 million for taxable income generated in the U.S. related to the 2014 repatriation.

Our effective tax rate for 2013 was lower than the statutory federal rate of 35% primarily due to benefits from the worthless stock deduction, net of valuation allowances and accrual for uncertain tax positions and tax benefits from foreign income taxed at lower rates, partially offset by the expense related to the repatriation of cash held by foreign subsidiaries and state income taxes.

As of December 31, 2015, we had deferred tax assets arising from deductible temporary differences, tax losses, and tax credits of \$275.4 million, net of valuation allowances, but before the offset of certain deferred tax liabilities. With the exception of deferred tax assets related to capital loss carryforwards, we believe it is more likely than not that the tax effects of the deferred tax liabilities, together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets. Our deferred tax assets related to net operating loss (“NOL”) carryforwards and tax credit carryforwards decreased in 2015 as a portion of the NOL and tax credit carryforwards were utilized to offset 2015 taxable income.

We qualified for two tax holidays in Switzerland. The tax holidays provide reduced rates of taxation on certain types of income and also require certain thresholds of foreign source income. One of the tax holidays is effective through December 31, 2016, and upon expiration may be subject to renewal if certain criteria are satisfied. The other tax holiday in Switzerland which became effective in 2015, is indefinite, unless certain thresholds are no longer met. An additional tax holiday in Switzerland expired in 2014 and was not extended. These tax holidays increased our earnings per share by \$0.14, \$0.50 and \$0.18 in 2015, 2014, and 2013, respectively.

## Liquidity and Capital Resources

	As of December 31,	
	2015	2014
	(In thousands)	
Cash and cash equivalents .....	\$ 228,659	\$ 191,608
Marketable securities .....	1,686,771	1,233,076
Total .....	<u>\$ 1,915,430</u>	<u>\$ 1,424,684</u>

As of December 31, 2015, our principal source of liquidity was \$228.7 million of cash and cash equivalents and \$1.7 billion of marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist mainly of amounts invested in money market funds and U.S. Treasury bills purchased with original maturities of less than 90 days. As of December 31, 2015, all of our debt securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, "Cash, Cash Equivalents, and Marketable Securities," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

As of December 31, 2015, the amount of cash and cash equivalents and marketable securities held by foreign subsidiaries was \$1.2 billion. Our intent remains to indefinitely reinvest these funds outside of the U.S. and accordingly, we have not provided deferred U.S. taxes for these funds. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds. As of December 31, 2015, the amount of undistributed earnings of foreign subsidiaries for which deferred income taxes have not been provided was \$667.0 million.

In 2015 purchases of marketable securities net of sales and maturities were \$452.3 million. In 2014 and 2013, proceeds from sales and maturities of marketable securities, net of purchases were \$151.6 million and \$59.0 million, respectively.

In 2015, we repurchased 9.3 million shares of our common stock at an average stock price of \$66.59 for an aggregate cost of \$621.9 million under our share buyback program. In 2014, we repurchased 16.3 million shares of our common stock at an average stock price of \$53.15 for an aggregate cost of \$867.1 million. In 2013, we repurchased 21.0 million shares of our common stock at an average stock price of \$48.65 for an aggregate cost of \$1.0 billion. As of December 31, 2015, there was \$454.5 million remaining for future share repurchases under our share buyback program.

On March 27, 2015, we issued \$500.0 million of 5.25% senior unsecured notes due April 1, 2025. The proceeds are being used for general corporate purposes, including, but not limited to, the repurchase of shares under our share repurchase program. On March 31, 2015, we entered into a new \$200.0 million unsecured revolving credit facility. This facility will expire in 2020 and takes the place of our prior unsecured revolving credit facility. As of December 31, 2015, there were no borrowings outstanding under this credit facility.

As of December 31, 2015, we had \$1.25 billion principal amount outstanding of our Subordinated Convertible Debentures. The price of our common stock exceeded the conversion price threshold trigger during the fourth quarter of 2015. Accordingly, the Subordinated Convertible Debentures are convertible at the option of each holder through March 31, 2016. We do not expect a material amount of the Subordinated Convertible Debentures to be converted in the near term as the trading price of the debentures exceeds the value that is likely to be received upon conversion. However, we cannot provide any assurance that the trading price of the debentures will continue to exceed the value that would be derived upon conversion or that the holders will not elect to convert the Subordinated Convertible Debentures. If a holder elects to convert its Subordinated Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the conversion value (as defined in the Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures that holders actually elect to convert exceeds our cash on hand and cash

from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert.

We paid contingent interest of \$5.2 million in February 2015 and \$5.5 million in August 2015 in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures. In August 2015, the upside trigger on the Subordinated Convertible Debentures was met for the six month interest period from August 15, 2015 through February 15, 2016. On February 15, 2016, we paid contingent interest of \$6.5 million in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures as of February 1, 2016. In February 2016, the upside trigger on the Subordinated Convertible Debentures was met for the six month interest period from February 15, 2016 through August 14, 2016. On August 15, 2016, we will pay contingent interest of \$6.8 million in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures as of August 1, 2016. The upside trigger is met if the Subordinated Convertible Debentures' average trading price is at least 150% of par during the 10 trading days before each semi-annual interest period. The upside trigger is tested semi-annually for the following six months. The semi-annual upside contingent interest payment, for a given period, can be approximated by applying the annual rate of 0.5% to the aggregate market value of all outstanding Subordinated Convertible Debentures and dividing by two for that semi-annual period payment amount.

During 2014, we repatriated approximately \$740.9 million of cash held by foreign subsidiaries, net of foreign withholding taxes of \$28.1 million. We utilized substantially all of the remaining net operating losses generated from the 2013 worthless stock deduction to offset 2014 taxable income including the taxable income recognized in the U.S. as a result of the repatriation.

On April 16, 2013, we issued \$750.0 million aggregate principal amount of 4.625% senior unsecured notes due in May 2023. We used a portion of the net proceeds to repay the \$100.0 million of outstanding indebtedness under our unsecured credit facility. The remaining portion of the proceeds were used for general corporate purposes including the repurchase of shares under our share buyback program.

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

In summary, our cash flows for 2015, 2014, and 2013 were as follows:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Net cash provided by operating activities .....	\$ 651,482	\$ 600,949	\$ 579,397
Net cash (used in) provided by investing activities .....	(496,899)	112,688	(11,062)
Net cash used in financing activities .....	(117,778)	(859,752)	(357,333)
Effect of exchange rate changes on cash and cash equivalents .....	246	(1,500)	(2,515)
Net increase (decrease) in cash and cash equivalents .....	<u>\$ 37,051</u>	<u>\$ (147,615)</u>	<u>\$ 208,487</u>

#### ***Net cash provided by operating activities***

Our largest source of operating cash flows is cash collections from our customers. Our primary uses of cash from operating activities are for personnel related expenditures, and other general operating expenses, as well as payments related to taxes, interest and facilities.

**2015 compared to 2014:** Cash provided by operating activities increased primarily due to an increase in cash received from customers partially offset by increases in cash paid for interest. Cash received from customers increased primarily due to an increase in new and renewed domain name registrations. Cash paid for interest increased as a result of the contingent interest paid to holders of the Subordinated Convertible Debentures and the additional interest paid on the \$500.0 million senior notes issued in March 2015.

**2014 compared to 2013:** Cash provided by operating activities increased primarily due to an increase in cash received from customers partially offset by increases in cash paid for interest and cash paid to employees and vendors. Cash received from customers increased primarily due to an increase in new and renewed domain name registrations during 2014. Cash paid for interest increased due to the issuance of the senior notes in April 2013. Payments to employees and vendors increased primarily due to an increase in operating expenses.



### ***Net cash (used in) provided by investing activities***

The changes in cash flows from investing activities primarily relate to purchases, maturities and sales of marketable securities, and purchases of property and equipment.

**2015 compared to 2014:** The change in cash (used in) provided by investing activities was primarily due to a decrease in proceeds from maturities and sales of marketable securities, partially offset by a decrease in purchases of marketable securities.

**2014 compared to 2013:** The change in cash (used in) provided by investing activities was primarily due to an increase in proceeds from maturities and sales of marketable securities, net of purchases of marketable securities and a decrease in purchases of property and equipment.

### ***Net cash used in financing activities***

The changes in cash flows from financing activities primarily relate to share repurchases, proceeds from and repayment of borrowings, stock option exercises, our employee stock purchase plan ("ESPP"), and excess tax benefits from stock-based compensation.

**2015 compared to 2014:** The decrease in net cash used in financing activities was primarily due to the proceeds from the issuance of the senior notes in 2015, a decrease in share repurchases, and higher recognized excess tax benefits associated with stock-based compensation, partially offset by lower proceeds from stock option exercises and ESPP.

**2014 compared to 2013:** Net cash used in financing activities increased due to the proceeds received in 2013 from the issuance of senior notes and a decrease in proceeds from stock options exercises and ESPP as well as lower recognized excess tax benefits associated with stock-based compensation, partially offset by a decrease in share repurchases and the repayment of borrowings under our credit facility in 2013.

### ***Impact of Inflation***

We do not believe that inflation has had a significant impact on our operations in any of the periods presented.

### ***Income taxes***

We derive significant tax savings from the Subordinated Convertible Debentures. During 2015 and 2014, the interest deduction, for income tax purposes, related to our Subordinated Convertible Debentures, excluding contingent interest, was \$164.8 million and \$154.9 million, respectively, compared to coupon interest expense of \$40.6 million for each of the same periods. For income tax purposes, we deduct interest expense on the Subordinated Convertible Debentures calculated at 8.5% of the adjusted issue price, subject to adjustment for actual versus projected contingent interest. The adjusted issue price, and consequently the interest deduction for income tax purposes, grows over the term due to the difference between the interest deduction taken using a comparable yield of 8.5% on the adjusted issue price, and the coupon rate of 3.25% on the principal amount, compounded annually. Interest recognized in accordance with GAAP, which is calculated at 8.39% of the liability component of the Subordinated Convertible Debentures, will also grow over the term, but at a slower rate. This difference will result in a continuing increase in the deferred tax liability on our Consolidated Balance Sheet.

If the amount paid (in cash or stock) to settle the Subordinated Convertible Debentures (i.e., the Settlement Amount) is less than the adjusted issue price, under the Internal Revenue Code and the regulations thereunder, the difference is included in taxable income as recapture of previous interest deductions. The Settlement Amount will vary based on the stock price at settlement date. Depending on the Settlement Amount for the Subordinated Convertible Debentures at the settlement date, the amount included in taxable income as a result of this recapture could be substantial, which could adversely impact our cash flow.

We do not expect to pay U.S. federal income taxes during 2016 as a result of the interest deduction on our Subordinated Convertible Debentures, the use of foreign tax credits and research tax credits, and the remaining overpayment from prior years. We expect the amount of cash paid for non-U.S. income taxes in 2016 to decrease compared to 2015 as non-U.S. income taxes paid in 2015 included a charge related to a reorganization of certain international operations.

### ***Property and Equipment Expenditures***

Our planned property and equipment expenditures for 2016 are anticipated to be between \$40.0 million and \$50.0 million and will primarily be focused on infrastructure upgrades and enhancements to our product portfolio.

***Contractual Obligations***

See Note 12, “Commitments and Contingencies,” *Purchase Obligations and Contractual Agreements*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

***Off-Balance Sheet Arrangements***

It is not our business practice to enter into off-balance sheet arrangements. As of December 31, 2015, we did not have any significant off-balance sheet arrangements. See Note 12, “Commitments and Contingencies,” *Off-Balance Sheet Arrangements*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding off-balance sheet arrangements.

***Dilution from Subordinated Convertible Debentures, RSUs and Stock Options***

The conversion of our Subordinated Convertible Debentures may dilute the holdings of existing shareholders due to the potential number of shares that could be required to settle the Subordinated Convertible Debentures. We have the intent and ability to settle the principal amount of the Subordinated Convertible Debentures in cash, but the excess of the conversion value over the principal amount (“the conversion spread”) may be settled in shares of common stock. As of December 31, 2015, there are 36.4 million shares of common stock reserved for issuance upon conversion or repurchase of the Subordinated Convertible Debentures. Based on the if-converted value of the Subordinated Convertible Debentures as of December 31, 2015, the conversion spread could have required us to issue up to 22.1 million shares of common stock.

Grants of stock-based awards are key components of the compensation packages we provide to attract and retain certain of our talented employees and align their interests with the interests of existing stockholders. We recognize that these stock-based awards dilute existing stockholders and have sought to control the number granted while providing competitive compensation packages. As of December 31, 2015, there are a total of 2.1 million unvested RSUs which represent potential dilution of 1.9%. This maximum potential dilution will only result if all outstanding RSUs vest and are settled. In recent years, our stock repurchase program has more than offset the dilutive effect of RSU grants to employees; however, we may reduce the level of our stock repurchases in the future as we may use our available cash for other purposes.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to financial market risks, including changes in interest rates, foreign exchange rates and market risks. We have not entered into any market risk sensitive instruments for trading purposes.

**Interest rate sensitivity**

Our marketable securities consist primarily of fixed income securities which are subject to interest rate risk. As of December 31, 2015, we had \$1.7 billion of fixed income securities, which consisted of U.S. Treasury bills with maturities of less than one year. A hypothetical change in interest rates by 100 basis points would not have a significant impact on the fair value of our investments.

**Foreign exchange risk management**

We conduct business throughout the world and transact in multiple foreign currencies. Our foreign currency risk management program is designed to mitigate foreign exchange risks associated with monetary assets and liabilities of our operations that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses to income resulting from fluctuations in exchange rates. We may choose not to hedge certain foreign exchange exposures due to immateriality, prohibitive economic cost of hedging particular exposures, and limited availability of appropriate hedging instruments. We do not enter into foreign currency transactions for trading or speculative purposes, nor do we hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, which are usually placed and adjusted monthly. These foreign currency forward contracts are derivatives and are recorded at fair market value. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with financial institutions that have investment grade ratings.

As of December 31, 2015, we held foreign currency forward contracts in notional amounts totaling \$32.5 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. Gains or losses on the foreign currency forward contracts would be largely offset by the remeasurement of our foreign currency denominated assets and liabilities, resulting in an insignificant net impact to income.

A hypothetical uniform 10% strengthening or weakening in the value of the U.S. dollar relative to the foreign currencies in which our revenues and expenses are denominated would not result in a significant impact to our financial statements.

**Market risk management**

The fair market values of our Subordinated Convertible Debentures and the senior notes are subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The Subordinated Convertible Debentures are subject to market risk due to the convertible feature of the debentures. The fair market value will increase as the market price of our common stock increases, and decrease as the market price of our common stock falls. The interest and market value changes affect the fair market value of the Subordinated Convertible Debentures and the senior notes. As of December 31, 2015, the fair value of the Subordinated Convertible Debentures was approximately \$3.2 billion and the fair values of the senior notes issued in 2013 and the senior notes issued in 2015 were \$742.0 million and \$503.8 million, respectively, based on available market information from public data sources.

The fair market value of the contingent interest derivative on Subordinated Convertible Debentures is also subject to market risk and, to a lesser extent, to interest rate risk. Generally, the fair market value of the contingent interest derivative will increase or decrease with the fair market value of the Subordinated Convertible Debentures.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Financial Statements

Verisign's financial statements required by this Item are set forth as a separate section of this Form 10-K. See Item 15 for a listing of financial statements provided in the section titled "Financial Statements."

### Supplementary Data (Unaudited)

The following tables set forth unaudited supplementary quarterly financial data for the two year period ended December 31, 2015. In management's opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the data for the periods presented.

	2015					
	Quarter Ended				Year Ended	
	March 31 (1)	June 30 (2)	September 30 (3)	December 31 (4)	December 31,	
	(In thousands, except per share data)					
Revenues .....	\$ 258,422	\$ 262,539	\$ 265,780	\$ 272,625	\$ 1,059,366	
Gross Profit .....	\$ 210,069	\$ 214,318	\$ 218,562	\$ 223,629	\$ 866,578	
Operating Income .....	\$ 144,237	\$ 148,965	\$ 154,462	\$ 158,282	\$ 605,946	
Net income .....	\$ 88,238	\$ 93,011	\$ 92,457	\$ 101,530	\$ 375,236	
Earnings per share:						
Basic .....	\$ 0.75	\$ 0.80	\$ 0.82	\$ 0.92	\$ 3.29	
Diluted .....	\$ 0.66	\$ 0.70	\$ 0.70	\$ 0.76	\$ 2.82	

- Net income for the quarter ended March 31, 2015 was decreased by \$7.0 million pre-tax unrealized loss due to an increase in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures, offset by \$6.4 million lower interest expense related to the senior notes issued in March 2015 compared to other quarters in 2015.
- Net income for the quarter ended June 30, 2015 was increased by \$2.7 million pre-tax unrealized gain due to a decrease in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures.
- Net income for the quarter ended September 30, 2015 was decreased by an \$4.7 million pre-tax unrealized loss due to an increase in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures.
- Net income for the quarter ended December 31, 2015 was decreased by an \$5.1 million pre-tax unrealized loss due to an increase in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures.

	2014					
	Quarter Ended				Year Ended	
	March 31 (2)	June 30 (3)	September 30 (4)	December 31 (5)	December 31,	
	(In thousands, except per share data)					
Revenues .....	\$ 248,796	\$ 250,382	\$ 255,022	\$ 255,917	\$ 1,010,117	
Gross Profit .....	\$ 200,770	\$ 204,393	\$ 208,089	\$ 208,440	\$ 821,692	
Operating Income .....	\$ 139,585	\$ 143,121	\$ 139,500	\$ 142,221	\$ 564,427	
Net income .....	\$ 94,423	\$ 100,176	\$ 95,189	\$ 65,472	\$ 355,260	
Earnings per share (1):						
Basic .....	\$ 0.71	\$ 0.77	\$ 0.77	\$ 0.54	\$ 2.80	
Diluted .....	\$ 0.64	\$ 0.71	\$ 0.69	\$ 0.48	\$ 2.52	

- Earnings per share for the year is computed independently and does not equal the sum of the quarterly earnings per share.
- Net income for the quarter ended March 31, 2014 was increased by \$5.3 million pre-tax unrealized gain due to a decrease in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures.
- Net income for the quarter ended June 30, 2014 was increased by \$5.2 million pre-tax unrealized gain due to a decrease in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures and an additional \$5.2 million discrete tax benefit recognized due to changes in estimates of U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries.
- Net income for the quarter ended September 30, 2014 was increased by an \$11.4 million discrete income tax benefit recognized due to changes in estimates of U.S. income taxes related to the 2014 repatriation of earnings from foreign subsidiaries, partially offset by \$6.6 million pre-tax unrealized loss due to an increase in the fair value of the embedded contingent interest derivative related to our Subordinated Convertible Debentures.
- Net income for the fourth quarter of 2014 was reduced by an income tax expense of \$26.4 million due to non-U.S. income taxes related to a reorganization of certain international operations and changes in estimates of U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries.



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

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**a. Evaluation of Disclosure Controls and Procedures**

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of December 31, 2015, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**b. Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 using the criteria established in *Internal Control-Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on our evaluation under the COSO framework, management has concluded that our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

KPMG LLP, an independent registered public accounting firm, has issued a report concerning the effectiveness of our internal control over financial reporting as of December 31, 2015. See "Report of Independent Registered Public Accounting Firm" in Item 15 of this Form 10-K.

**c. Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**d. Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting**

Because of their inherent limitations, our disclosure controls and procedures and 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 effectiveness of our disclosure controls and procedures and 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.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee will be included under the captions “Proposal No. 1: Election of Directors,” “Security Ownership of Certain Beneficial Owners and Management-Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance” in our Proxy Statement related to the 2016 Annual Meeting of Stockholders and is incorporated herein by reference (“2016 Proxy Statement”).

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other senior accounting officers. This code of ethics, titled “Code of Ethics for the Chief Executive Officer and Senior Financial Officers,” is posted on our website under “Ethics and Business Conduct” at <https://investor.verisign.com/corporate-governance.cfm>, along with the “Verisign Code of Conduct” that applies to all directors, officers and employees, including the aforementioned officers. We have also adopted the “Corporate Governance Principles for the Board of Directors” which provides guidance to our directors on corporate practices that serve the best interests of the Company and its shareholders.

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the “Code of Ethics for the Chief Executive Officer and Senior Financial Officers” or, to the extent also applicable to the principal executive officer, principal financial officer, or other senior accounting officers, the “Verisign Code of Conduct-2012” by posting such information on our website, on the Web page found by clicking through to “Ethics and Business Conduct” as specified above.

**ITEM 11. EXECUTIVE COMPENSATION**

Information required by this item is incorporated herein by reference to our 2016 Proxy Statement from the discussions under the captions “Compensation of Directors,” “Non-Employee Director Retainer Fees and Equity Compensation Information” and “Non-Employee Director Compensation Table for Fiscal 2015,” and “Executive Compensation.”

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information required by this item is incorporated herein by reference from the discussions under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our 2016 Proxy Statement.

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

Information required by this item is incorporated herein by reference to our 2016 Proxy Statement from the discussions under the captions “Policies and Procedures with Respect to Transactions with Related Persons,” “Certain Relationships and Related Transactions” and “Independence of Directors.”

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information required by this item is incorporated herein by reference to our 2016 Proxy Statement from the discussions under the captions “Principal Accountant Fees and Services” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors.”

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

## (a) Documents filed as part of this report

## 1. Financial statements

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2015 and 2014
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013
- Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2015, 2014 and 2013
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013
- Notes to Consolidated Financial Statements

## 2. Financial statement schedules

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

## 3. Exhibits

*(a) Index to Exhibits*

Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), the Company has filed certain agreements as exhibits to this Form 10-K. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements prove to be inaccurate, (2) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the Company's filings or are not required to be disclosed in those filings, (3) may apply materiality standards different from what may be viewed as material to investors and (4) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof or at any other time.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.01	Agreement and Plan of Merger dated as of March 6, 2000, by and among the Registrant, Nickel Acquisition Corporation and Network Solutions, Inc.	8-K	3/8/00	2.1	
2.02	Agreement and Plan of Merger dated September 23, 2001, by and among the Registrant, Illinois Acquisition Corporation and Illuminet Holdings, Inc.	S-4	10/10/01	4.03	
2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein.	8-K	12/10/03	2.1	
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares in Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals.	10-K	3/16/05	2.04	
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto.	8-K	11/23/05	2.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.01	Fifth Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	7/24/14	3.01	
3.02	Seventh Amended and Restated Bylaws of VeriSign, Inc.	10-Q	7/24/14	3.02	
4.01	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association.	8-K/A	9/6/07	4.1	
4.02	Registration Rights Agreement dated as of August 20, 2007 between the Registrant and J.P. Morgan Securities, Inc.	8-K/A	9/6/07	4.2	
4.03	Indenture, dated as of April 16, 2013, between VeriSign, Inc., each of the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee.	8-K	4/17/13	4.1	
4.04	Form of Note (included in Exhibit 4.03).	8-K	4/17/13	4.2	
4.05	Indenture dated as of March 27, 2015 between VeriSign, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/15	4.1	
10.01	Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.	10-K	3/31/03	10.02	
10.02	409A Options Election Form and related documentation. +	8-K	1/4/07	99.01	
10.03	Registrant's 1998 Directors Stock Option Plan, as amended through May 22, 2003, and form of stock option agreement. +	S-8	6/23/03	4.02	
10.04	Registrant's 2001 Stock Incentive Plan, as amended through November 22, 2002. +	10-K	3/31/03	10.08	
10.05	Registrant's 2006 Equity Incentive Plan, as adopted May 26, 2006. +	10-Q	7/12/07	10.02	
10.06	Registrant's 2006 Equity Incentive Plan, form of Stock Option Agreement. +	10-Q	7/12/07	10.03	
10.07	Registrant's 2006 Equity Incentive Plan, form of Directors Nonqualified Stock Option Grant. +	10-Q	8/9/07	10.01	
10.08	Nonqualified Registrant's 2006 Equity Incentive Plan, amended form of Nonqualified Directors Stock Option Grant. +	S-1	11/5/07	10.15	
10.09	Registrant's 2006 Equity Incentive Plan, form of Employee Restricted Stock Unit Agreement. +	10-Q	7/12/07	10.04	
10.10	Registrant's 2006 Equity Incentive Plan, form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/12/07	10.05	
10.11	Registrant's 2006 Equity Incentive Plan, form of Performance-Based Restricted Stock Unit Agreement. +	8-K	8/30/07	99.1	
10.12	Registrant's 2007 Employee Stock Purchase Plan, as adopted August 30, 2007. +	S-1	11/5/07	10.19	
10.13	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1/A	1/29/98	10.15	
10.14	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.	S-1/A	1/29/98	10.16	
10.15	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.16	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Security, Inc.	S-1/A	1/29/98	10.17	
10.17	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.*	S-1/A	1/29/98	10.18	
10.18	Master Development and License Agreement, dated as of September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*	S-1/A	1/29/98	10.19	
10.19	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/5/99	10.30	
10.20	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between VeriSign and U.S. Department of Commerce managers.	10-K	7/12/07	10.27	
10.21	Confirmation of Accelerated Purchase of Equity Securities dated August 14, 2007 between the Registrant and J P Morgan Securities, Inc. *	S-1	11/5/07	10.44	
10.22	Limited Liability Company Agreement by and among Fox US Mobile Holdings, Inc., News Corporation, VeriSign U.S. Holdings, Inc. and US Mobile Holdings, LLC, dated January 31, 2007.*	10-Q	7/16/07	10.03	
10.23	Confirmation of Accelerated Repurchase of Common Stock dated February 8, 2008 between the Registrant and J.P. Morgan Securities, Inc., as agent to JPMorgan Chase Bank, National Association, London Branch. *	10-Q	5/12/08	10.01	
10.24	Settlement Agreement and General Release by and between VeriSign, Inc. and William A. Roper, Jr., dated June 30, 2008. +	10-Q	8/8/08	10.02	
10.25	Release and Waiver of Age Discrimination Claims by William A. Roper, Jr., dated June 30, 2008. +	10-Q	8/8/08	10.03	
10.26	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and D. James Bidzos, dated August 20, 2008.	10-Q	11/7/08	10.03	
10.27	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and Roger Moore, dated October 1, 2008.	10-Q	11/7/08	10.05	
10.28	Purchase and Termination Agreement dated as of October 6, 2008, by and among Fox Entertainment Group, Inc., Fox US Mobile Holdings, Inc., US Mobile Holdings, LLC, Fox Dutch Mobile B.V., Jamba Netherlands Mobile Holdings GP B.V., Netherlands Mobile Holdings C.V., VeriSign, Inc., VeriSign US Holdings, Inc., VeriSign Netherlands Mobile Holdings B.V., and VeriSign Switzerland S.A.	10-Q	11/7/08	10.06	
10.29	VeriSign, Inc. 2006 Equity Incentive Plan, adopted May 26, 2006, as amended August 5, 2008. +	10-Q	11/7/08	10.07	
10.30	Form of VeriSign, Inc. 2006 Equity Incentive Plan Stock Option Agreement. +	10-Q	11/7/08	10.08	
10.31	Form of VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement. +	10-Q	11/7/08	10.09	
10.32	Form of VeriSign, Inc. 2006 Equity Incentive Plan Performance Based Restricted Stock Unit Agreement. +	10-Q	11/7/08	10.10	



Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.33	Arrangement Agreement dated as of January 23, 2009 between VeriSign, Inc. and Certicom Corp.	10-K	3/3/09	10.59	
10.34	Asset Purchase Agreement between VeriSign, Inc. and Transaction Network Services, dated March 2, 2009.	10-Q	5/8/09	10.03	
10.35	Letter Agreement dated May 1, 2009 to Asset Purchase Agreement between VeriSign, Inc. and Transaction Network Services, Inc., dated March 2, 2009.	10-Q	8/6/09	10.01	
10.36	Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.A.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009. *	10-Q	11/6/09	10.05	
10.37	Letter Amendment to the Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.A.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009, by and among each of the parties thereto, dated October 2, 2009.	10-Q	11/6/09	10.06	
10.38	Letter Amendment No. 2 to the Amendment to the Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.A.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009, by and among each of the parties thereto, Syniverse Technologies Services (India) Private Limited, dated October 23, 2009.	10-Q	11/6/09	10.07	
10.39	Form of Indemnity Agreement entered into by the Registrant with each of its directors and executive officers. +	10-Q	4/28/10	10.01	
10.40	Acquisition Agreement between VeriSign, Inc., a Delaware corporation, and Symantec Corporation, a Delaware corporation, dated as of May 19, 2010. *	10-Q	8/3/10	10.01	
10.41	VeriSign, Inc. 2006 Equity Incentive Plan Form of Stock Option Agreement. +	10-Q	8/3/10	10.02	
10.42	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement. +	10-Q	8/3/10	10.03	
10.43	VeriSign, Inc. 2006 Equity Incentive Plan Form of Directors Nonqualified Stock Option Grant Agreement. +	10-Q	8/3/10	10.04	
10.44	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	8/3/10	10.05	
10.45	Deed of Lease between 12061 Bluemont Owner, LLC, a Delaware limited liability company as Landlord, and VeriSign, Inc., a Delaware corporation as Tenant, dated as of September 15, 2010.	10-Q	10/29/10	10.01	
10.46	VeriSign, Inc. Annual Incentive Compensation Plan. +	10-K	2/24/11	10.64	
10.47	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement. +	10-K	2/24/11	10.65	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.48	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into as of June 27, 2011.	8-K	6/28/11	10.01	
10.49	Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan, as amended and restated May 26, 2011. +	10-Q	7/29/11	10.02	
10.50	Form of Amended and Restated Change-in-Control and Retention Agreement. +	10-Q	7/29/11	10.03	
10.51	Amended and Restated Change-in-Control and Retention Agreement [CEO Form of Agreement]. +	10-Q	7/29/11	10.04	
10.52	Separation & General Release of Claims Agreement between VeriSign, Inc. and Kevin Werner, effective as of May 3, 2011. +	10-Q	7/29/11	10.05	
10.53	Separation & General Release of Claims Agreement between VeriSign, Inc. and Christine Brennan, effective as of July 13, 2011. +	10-Q	7/29/11	10.06	
10.54	Purchase and Sale Agreement for 12061 Bluemont Way Reston, Virginia between 12061 Bluemont Owner, LLC, a Delaware limited liability company, as Seller and VeriSign, Inc., a Delaware corporation, as Purchaser Dated August 18, 2011.	8-K	9/7/11	10.01	
10.55	Credit Agreement, dated as of November 22, 2011 among VeriSign, Inc., the borrowing subsidiaries party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent.	8-K	11/29/11	10.01	
10.56	Guarantee Agreement, dated as of November 22, 2011, among VeriSign, Inc., the other guarantors identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	11/29/11	10.02	
10.57	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement. +	10-K	2/24/12	10.75	
10.58	Employment Offer Letter between the Registrant and George E. Kilguss, III dated April 20, 2012+	10-Q	7/27/12	10.01	
10.59	Letter Agreement between the Registrant and George E. Kilguss, III dated June 28, 2012. +	10-Q	7/27/12	10.02	
10.60	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/27/12	10.03	
10.61	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on November 29, 2012.	8-K	11/30/12	10.1	
10.62	Amendment Number Thirty-Two (32) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on November 29, 2012.	8-K	11/30/12	10.2	
10.63	VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement. +	10-Q	4/25/13	10.02	
10.64	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement. +	10-Q	4/25/13	10.03	
10.65	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement. +	10-Q	4/25/13	10.04	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.66	Registration Rights Agreement, dated April 16, 2013, by and among VeriSign, Inc., VeriSign Information Services, Inc. and J.P. Morgan Securities LLC, as representative of the several initial purchasers.	8-K	4/17/13	10.01	
10.67	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement +	10-Q	4/24/14	10.01	
10.68	Registration Rights Agreement dated as of March 27, 2015 between VeriSign, Inc. and J.P. Morgan Securities LLC.	8-K	3/30/15	10.01	
10.69	Credit Agreement dated as of March 31, 2015 among VeriSign, Inc., the Lenders as defined therein, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent.	8-K	4/1/15	99.1	
10.70	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement +				X
21.01	Subsidiaries of the Registrant.				X
23.01	Consent of Independent Registered Public Accounting Firm.				X
24.01	Powers of Attorney (Included as part of the signature pages hereto).				X
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).				X
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).				X
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). **				X
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). **				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				X

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

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

+ Indicates a management contract or compensatory plan or arrangement.



### FINANCIAL STATEMENTS

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

<u>Financial Statement Description</u>	<u>Page</u>
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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company has changed its method of classification of deferred tax assets and liabilities in the Company's balance sheet, reclassifying all deferred tax assets and liabilities as noncurrent due to the adoption of Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. The Company elected to apply this change retrospectively, therefore, all prior period amounts presented have been adjusted to be comparative to the current period presentation.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VeriSign, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 19, 2016 expressed an unqualified opinion on the effectiveness of VeriSign, Inc.'s internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia  
February 19, 2016

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
VeriSign, Inc.:

We have audited VeriSign, Inc.'s (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting (Item 9A.b). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 19, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

McLean, Virginia  
February 19, 2016

**VERISIGN, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par value)

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents .....	\$ 228,659	\$ 191,608
Marketable securities .....	1,686,771	1,233,076
Accounts receivable, net .....	12,638	13,448
Other current assets .....	39,856	41,658
Total current assets .....	<u>1,967,924</u>	<u>1,479,790</u>
Property and equipment, net .....	295,570	319,028
Goodwill .....	52,527	52,527
Deferred tax assets .....	17,361	33,887
Other long-term assets .....	24,355	15,918
Total long-term assets .....	<u>389,813</u>	<u>421,360</u>
Total assets .....	<u>\$ 2,357,737</u>	<u>\$ 1,901,150</u>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities .....	\$ 188,171	\$ 190,278
Deferred revenues .....	680,483	621,307
Subordinated convertible debentures, including contingent interest derivative .....	634,326	620,620
Total current liabilities .....	<u>1,502,980</u>	<u>1,432,205</u>
Long-term deferred revenues .....	280,859	269,047
Senior notes .....	1,235,354	740,175
Deferred tax liabilities .....	294,194	244,467
Other long-term tax liabilities .....	114,797	98,722
Total long-term liabilities .....	<u>1,925,204</u>	<u>1,352,411</u>
Total liabilities .....	<u>3,428,184</u>	<u>2,784,616</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none .....	—	—
Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 322,990 at December 31, 2015 and 321,699 at December 31, 2014; Outstanding shares: 110,072 at December 31, 2015 and 118,452 at December 31, 2014 .....	323	322
Additional paid-in capital .....	17,558,822	18,120,045
Accumulated deficit .....	(18,625,599)	(19,000,835)
Accumulated other comprehensive loss .....	(3,993)	(2,998)
Total stockholders' deficit .....	<u>(1,070,447)</u>	<u>(883,466)</u>
Total liabilities and stockholders' deficit .....	<u>\$ 2,357,737</u>	<u>\$ 1,901,150</u>

See accompanying Notes to Consolidated Financial Statements.

**VERISIGN, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenues.....	\$1,059,366	\$1,010,117	\$ 965,087
Costs and expenses:			
Cost of revenues.....	192,788	188,425	187,013
Sales and marketing.....	90,184	92,001	89,337
Research and development.....	63,718	67,777	70,297
General and administrative.....	106,730	97,487	90,208
Total costs and expenses.....	453,420	445,690	436,855
Operating income.....	605,946	564,427	528,232
Interest expense.....	(107,631)	(85,994)	(74,761)
Non-operating (loss) income, net.....	(10,665)	4,878	3,300
Income before income taxes.....	487,650	483,311	456,771
Income tax (expense) benefit.....	(112,414)	(128,051)	87,679
Net income.....	375,236	355,260	544,450
Realized foreign currency translation adjustments, included in net income.....	(291)	—	81
Unrealized (loss) gain on investments.....	(519)	84	(369)
Realized (gain) loss on investments, included in net income.....	(185)	3	(2,409)
Other comprehensive (loss) income.....	(995)	87	(2,697)
Comprehensive income.....	<u>\$ 374,241</u>	<u>\$ 355,347</u>	<u>\$ 541,753</u>
Earnings per share:			
Basic.....	<u>\$ 3.29</u>	<u>\$ 2.80</u>	<u>\$ 3.77</u>
Diluted.....	<u>\$ 2.82</u>	<u>\$ 2.52</u>	<u>\$ 3.49</u>
Shares used to compute earnings per share			
Basic.....	<u>114,155</u>	<u>126,710</u>	<u>144,591</u>
Diluted.....	<u>133,031</u>	<u>140,895</u>	<u>155,786</u>

See accompanying Notes to Consolidated Financial Statements.

**VERISIGN, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
<b>Balance at December 31, 2012</b> .....	153,392	\$ 319	\$ 19,891,291	\$ (19,900,545)	\$ (388)	\$ (9,323)
Net income .....	—	—	—	544,450	—	544,450
Other comprehensive loss .....	—	—	—	—	(2,697)	(2,697)
Issuance of common stock under stock plans .....	1,636	1	20,666	—	—	20,667
Stock-based compensation .....	—	—	39,642	—	—	39,642
Net excess income tax benefits associated with stock-based compensation .....	—	—	19,320	—	—	19,320
Repurchase of common stock .....	(21,304)	—	(1,035,617)	—	—	(1,035,617)
<b>Balance at December 31, 2013</b> .....	<u>133,724</u>	<u>320</u>	<u>18,935,302</u>	<u>(19,356,095)</u>	<u>(3,085)</u>	<u>(423,558)</u>
Net income .....	—	—	—	355,260	—	355,260
Other comprehensive income .....	—	—	—	—	87	87
Issuance of common stock under stock plans .....	1,341	2	17,595	—	—	17,597
Stock-based compensation .....	—	—	46,728	—	—	46,728
Net excess income tax benefits associated with stock-based compensation .....	—	—	3,823	—	—	3,823
Repurchase of common stock .....	(16,613)	—	(883,403)	—	—	(883,403)
<b>Balance at December 31, 2014</b> .....	<u>118,452</u>	<u>322</u>	<u>18,120,045</u>	<u>(19,000,835)</u>	<u>(2,998)</u>	<u>(883,466)</u>
Net income .....	—	—	—	375,236	—	375,236
Other comprehensive loss .....	—	—	—	—	(995)	(995)
Issuance of common stock under stock plans .....	1,291	1	14,689	—	—	14,690
Stock-based compensation .....	—	—	48,793	—	—	48,793
Net excess income tax benefits associated with stock-based compensation .....	—	—	18,464	—	—	18,464
Repurchase of common stock .....	(9,671)	—	(643,169)	—	—	(643,169)
<b>Balance at December 31, 2015</b> .....	<u>110,072</u>	<u>\$ 323</u>	<u>\$ 17,558,822</u>	<u>\$ (18,625,599)</u>	<u>\$ (3,993)</u>	<u>\$ (1,070,447)</u>

See accompanying Notes to Consolidated Financial Statements



**VERISIGN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income.....	\$ 375,236	\$ 355,260	\$ 544,450
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment.....	61,491	63,690	60,655
Stock-based compensation.....	46,075	43,977	36,649
Excess tax benefit associated with stock-based compensation.....	(18,464)	(6,054)	(19,320)
Unrealized loss (gain) on contingent interest derivative on Subordinated Convertible Debentures.....	14,130	(2,249)	17,801
Payment of contingent interest.....	(10,759)	—	—
Amortization of debt discount and issuance costs.....	12,292	10,878	9,748
(Gain) loss on investments.....	(185)	5	(18,861)
Other, net.....	(1,596)	475	4,434
Changes in operating assets and liabilities			
Accounts receivable.....	661	(73)	(2,500)
Prepaid expenses and other assets.....	(1,728)	11,571	(2,694)
Accounts payable and accrued liabilities.....	21,013	45,419	19,065
Deferred revenues.....	70,988	34,518	43,254
Net deferred income taxes and other long-term tax liabilities.....	82,328	43,532	(113,284)
Net cash provided by operating activities.....	<u>651,482</u>	<u>600,949</u>	<u>579,397</u>
Cash flows from investing activities:			
Proceeds from maturities and sales of marketable securities and investments.....	2,767,027	3,428,659	3,508,569
Purchases of marketable securities.....	(3,219,329)	(3,277,096)	(3,450,068)
Purchases of property and equipment.....	(40,656)	(39,327)	(65,594)
Other investing activities.....	(3,941)	452	(3,969)
Net cash (used in) provided by investing activities.....	<u>(496,899)</u>	<u>112,688</u>	<u>(11,062)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plans.....	14,690	17,597	20,667
Repurchases of common stock.....	(643,169)	(883,403)	(1,035,617)
Proceeds from borrowings, net of issuance costs.....	492,237	—	738,297
Repayment of borrowings.....	—	—	(100,000)
Excess tax benefit associated with stock-based compensation.....	18,464	6,054	19,320
Net cash used in financing activities.....	<u>(117,778)</u>	<u>(859,752)</u>	<u>(357,333)</u>
Effect of exchange rate changes on cash and cash equivalents.....	246	(1,500)	(2,515)
Net increase (decrease) in cash and cash equivalents.....	37,051	(147,615)	208,487
Cash and cash equivalents at beginning of period.....	191,608	339,223	130,736
Cash and cash equivalents at end of period.....	<u>\$ 228,659</u>	<u>\$ 191,608</u>	<u>\$ 339,223</u>
Supplemental cash flow disclosures:			
Cash paid for interest, net of capitalized interest.....	<u>\$ 99,473</u>	<u>\$ 75,088</u>	<u>\$ 58,928</u>
Cash paid for income taxes, net of refunds received.....	<u>\$ 39,723</u>	<u>\$ 35,201</u>	<u>\$ 26,133</u>

See accompanying Notes to Consolidated Financial Statements.

**VERISIGN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015, 2014 AND 2013**

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

*Description of Business*

VeriSign, Inc. (“Verisign” or “the Company”) was incorporated in Delaware on April 12, 1995. The Company has one reportable segment, which consists of Registry Services and Security Services, which was formerly known as Network Intelligence and Availability, or NIA Services. Registry Services ensure the security, stability and resiliency of key Internet infrastructure and services, including the .com and .net domains, two of the Internet’s root servers, and operation of the root-zone maintainer functions for the core of the Internet’s Domain Name System (“DNS”). Security Services provides infrastructure assurance services consisting of Distributed Denial of Services (“DDoS”) Protection Services, Verisign iDefense Security Intelligence Services (“iDefense”) and Managed Domain Name System (“Managed DNS”).

*Basis of Presentation*

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

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

*Reclassifications - Adoption of New Accounting Standards*

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented on the balance sheet as a reduction of the related liability rather than an asset. This ASU is effective beginning in 2016. Early adoption is permitted and retrospective application is required. The Company elected to adopt this ASU effective June 30, 2015, and as a result, approximately \$25.6 million and \$20.4 million of debt issuance costs as of December 31, 2015 and 2014, respectively, are presented as a reduction of the related debt obligations.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This update requires that all deferred tax assets and liabilities are classified as noncurrent on the balance sheet. This ASU is effective beginning in 2017. Early adoption and retrospective application is permitted. The Company elected to adopt this ASU effective December 31, 2015. The Company elected to apply this ASU retrospectively, therefore, all prior period amounts presented have been adjusted to be comparative to the current period presentation. As a result of the adoption of this standard, net current deferred tax liabilities of \$477.6 million, as of December 31, 2014, were reclassified to long-term. This reclassification, and the subsequent netting of the new balances by jurisdiction, resulted in a decrease of long-term deferred tax assets of \$233.1 million and an increase in long-term deferred tax liabilities of \$244.5 million. There was no change to net income or total net deferred taxes as a result of the adoption of this standard.

***Significant Accounting Policies***

*Cash and Cash Equivalents*

Verisign considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include certain money market funds, debt securities and various deposit accounts. Verisign maintains its cash and cash equivalents with financial institutions that have investment grade ratings and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions.

**VERISIGN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**DECEMBER 31, 2015, 2014 AND 2013**

2015

*Marketable Securities*

Marketable securities primarily consist of debt securities issued by the U.S. Treasury. All marketable securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, net of taxes, are reported as a component of Accumulated other comprehensive loss. The specific identification method is used to determine the cost basis of the marketable securities sold. The Company classifies its marketable securities as current based on their nature and availability for use in current operations.

*Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of 35 to 47 years for buildings, 10 years for building improvements and three to five years for computer equipment, software, office equipment, and furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or associated lease terms. The Company capitalizes interest on facility assets under construction and on significant software development projects.

*Capitalized Software*

Software included in property and equipment includes amounts paid for purchased software and development costs for software used internally that have been capitalized. The following table summarizes the costs capitalized during 2015 and 2014, related to third-party implementation and consulting services as well as costs related to internally developed software.

	Year Ended December 31,	
	2015	2014
	(In thousands)	
Third-party implementation and consulting services .....	\$ 426	\$ 1,305
Internally developed software.....	\$ 20,061	\$ 20,039

*Goodwill and Other Long-lived Assets*

Goodwill represents the excess of purchase consideration over fair value of net assets of businesses acquired. Goodwill is not amortized, but instead tested for impairment. All of the Company's goodwill is included in the Registry Services reporting unit which has a negative carrying value. The Company performs a qualitative analysis at the end of each reporting period to determine if any events have occurred or circumstances exist that would indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors the Company reviews include, but are not limited to: (a) macroeconomic conditions; (b) industry and market considerations such as a deterioration in the environment in which an entity operates; (c) a significant adverse change in legal factors or in the business climate; (d) an adverse action or assessment by a regulator; (e) unanticipated competition; (f) loss of key personnel; (g) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; or (h) testing for recoverability of a significant asset group within a reporting unit.

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset, or asset group, to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

*3.25% Junior Subordinated Convertible Debentures Due 2037 ("Subordinated Convertible Debentures")*

Verisign separately accounts for the liability (debt) and equity (conversion option) components of the Subordinated Convertible Debentures in a manner that reflects the borrowing rate for a similar non-convertible debt. The liability component is recognized at fair value on the issuance date, based on the fair value of a similar instrument that does not have a conversion feature at issuance. The excess of the principal amount of the Subordinated Convertible Debentures over the fair value of the liability component is the equity component or debt discount. Such excess represents the estimated fair value of the conversion feature and is recorded as Additional paid-in capital. The debt discount is amortized using the Company's effective interest rate

over the term of the Subordinated Convertible Debentures as a non-cash charge to interest expense. The Subordinated Convertible Debentures also have a contingent interest payment provision that may require the Company to pay interest based on certain thresholds, and upon the occurrence of certain events, as outlined in the Indenture governing the Subordinated Convertible Debentures. The contingent interest payment provision has been identified as an embedded derivative, to be accounted for separately at fair value, and is marked to market at the end of each reporting period, with any gains and losses recorded in Non-operating (loss) income, net.

#### *Foreign Currency Remeasurement*

Verisign conducts business throughout the world and transacts in multiple currencies. The functional currency for all of Verisign's international subsidiaries is the U.S. Dollar. The Company's subsidiaries' financial statements are remeasured into U.S. Dollars using a combination of current and historical exchange rates and any remeasurement gains and losses are included in Non-operating (loss) income, net. The Company recorded a remeasurement loss of \$3.1 million in 2013. Remeasurement gains in 2014 and losses in 2015 were \$1.0 million or less.

Verisign maintains a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. The Company does not enter into foreign currency transactions for trading or speculative purposes, nor does it hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, which are usually placed and adjusted monthly. These foreign currency forward contracts are derivatives and are recorded at fair market value. The Company records gains and losses on foreign currency forward contracts in Non-operating (loss) income, net. The Company recorded gains of \$1.5 million in 2013 related to foreign currency forward contracts. The Company recorded losses related to foreign currency forward contracts of less than \$1.0 million in 2015 and 2014.

As of December 31, 2015, Verisign held foreign currency forward contracts in notional amounts totaling \$32.5 million to mitigate the impact of exchange rate fluctuations associated with certain assets and liabilities held in foreign currencies.

#### *Revenue Recognition*

Verisign recognizes revenues when the following four criteria are met:

- Persuasive evidence of an arrangement exists: It is the Company's customary practice to have a written contract, signed by both the customer and Verisign or a service order form from those customers who have previously negotiated a standard master services agreement with Verisign.
- Delivery has occurred or services have been rendered: The Company's services are usually delivered continuously from service activation date through the term of the arrangement.
- The fee is fixed or determinable: Substantially all of the Company's revenue arrangements have fixed or determinable fees.
- Collectability is reasonably assured: Collectability is assessed on a customer-by-customer basis. Verisign typically sells to customers for whom there is a history of successful collection. The majority of customers either maintain a deposit with Verisign or provide an irrevocable letter of credit in excess of the amounts owed. New customers are subjected to a credit review process that evaluates the customer's financial condition and, ultimately, their ability to pay. If Verisign determines from the outset of an arrangement that collectability is not probable based upon its credit review process, revenues are recognized as cash is collected.

Substantially all of the Company's revenue arrangements have multiple service deliverables. However, all service deliverables in those arrangements are usually delivered over the same term and, in the absence of a discernible pattern of performance, are presumed to be delivered ratably over that service term.

If the Company enters into an arrangement with multiple elements where standalone value exists for each element and the delivery of the elements occur at different times, revenue for such arrangement is allocated to the elements based on the best estimate of selling prices of the elements and recognized based on applicable service term for each element.

### Registry Services

Registry Services revenues primarily arise from fixed fees charged to registrars for the initial registration or renewal of .com, .net, and other domain names. Revenues from the initial registration or renewal of domain names are deferred and recognized ratably over the registration term, generally one year and up to ten years. Fees for renewals and advance extensions to the existing term are deferred until the new incremental period commences. These fees are then recognized ratably over the renewal term.

Verisign also offers promotional marketing programs to its registrars based upon market conditions and the business environment in which the registrars operate. Amounts payable to these registrars for such promotional marketing programs are usually recorded as a reduction of revenue. If Verisign obtains an identifiable benefit separate from the services it provides to the registrars, then amounts payable up to the fair value of the benefit received are recorded as advertising expenses and the excess, if any, is recorded as a reduction of revenue.

### Security Services

Following the revenue recognition criteria above, revenues from Security Services are usually deferred and recognized over the service term, generally one to two years.

### *Advertising Expenses*

Advertising costs are expensed as incurred and are included in Sales and marketing expenses. Advertising expenses were \$6.3 million, \$10.4 million, and \$13.2 million in 2015, 2014, and 2013, respectively.

### *Income Taxes*

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

The Company's income taxes payable is reduced by the tax benefits from employee stock option exercises and restricted stock unit ("RSU") vesting. The Company's income tax benefit related to stock options is calculated as the tax effect of the difference between the fair market value of the stock and the exercise price at the time of option exercise. The Company's income tax benefit related to RSUs is equal to the fair market value of the stock at the vesting date. If the income tax benefit at exercise or vesting date is greater than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, such excess tax benefit is recognized as an increase to Additional paid-in capital. If the income tax benefit at exercise or vesting date is less than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, the shortfall is recognized as a reduction of Additional paid-in capital to the extent of previously recognized excess tax benefits.

Verisign's global operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes payable are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from U.S. federal, state, and international tax audits. The Company may only recognize or continue to recognize tax positions that are more likely than not to be sustained upon examination. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities.

The Company's assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and character of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and character of income in future years could render the Company's current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause the Company's actual income tax obligations to differ from its estimates, thus materially impacting its financial condition and results of operations.



### *Stock-based Compensation*

The Company's stock-based compensation is primarily related to RSUs granted to employees and its employee stock purchase plan ("ESPP"). For awards that are expected to vest, after considering estimated forfeitures, stock-based compensation expense is typically recognized ratably over the requisite service period. The Company also grants RSUs which include performance conditions, and in some cases market conditions, to certain executives. The expense for these performance-based RSUs is recognized based on the probable outcome of the performance conditions. The expense recognized for awards with market conditions is based on the grant date fair value of the awards including the impact of the market conditions. The Company uses the Black-Scholes option pricing model to determine the fair value of its ESPP offerings. 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.

### *Earnings per Share*

The Company computes basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share gives effect to dilutive potential common shares, including outstanding stock options, unvested RSUs, ESPP offerings and the conversion spread related to the Subordinated Convertible Debentures using the treasury stock method.

### *Fair Value of Financial Instruments*

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company measures and reports certain financial assets and liabilities at fair value on a recurring basis, including its investments in money market funds classified as Cash and cash equivalents, marketable securities, foreign currency forward contracts, and the contingent interest derivative associated with the Subordinated Convertible Debentures.

### *Legal Proceedings*

Verisign is involved in various investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in its opinion, will have a material adverse effect on its financial condition, results of operations, or cash flows. The Company cannot assure you that it will prevail in any litigation. Regardless of the outcome, any litigation may require the Company to incur significant litigation expense and may result in significant diversion of management attention.

While certain legal proceedings and related indemnification obligations to which the Company is a party specify the amounts claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters. The Company does not believe that any such matter currently being reviewed will have a material adverse effect on its financial condition, results of operations, or cash flows.

**VERISIGN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**DECEMBER 31, 2015, 2014 AND 2013**

*Recent Accounting Pronouncements*

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will become effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

**Note 2. Cash, Cash Equivalents, and Marketable Securities**

The following table summarizes the Company's cash, cash equivalents, and marketable securities:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>(In thousands)</b>		
Cash .....	\$ 99,027	\$ 110,799
Money market funds .....	137,593	85,453
Time deposits .....	4,007	3,384
Debt securities issued by the U.S. Treasury .....	1,685,882	1,233,076
Equity securities of public companies .....	890	—
Total .....	<u>\$ 1,927,399</u>	<u>\$ 1,432,712</u>
Included in Cash and cash equivalents .....	\$ 228,659	\$ 191,608
Included in Marketable securities .....	\$ 1,686,771	\$ 1,233,076
Included in Other long-term assets (Restricted cash) .....	\$ 11,969	\$ 8,028

The fair value of the debt securities held as of December 31, 2015 was \$1.7 billion, including less than \$1.0 million of gross and net unrealized losses. All of the debt securities held as of December 31, 2015 have contractual maturities of less than one year.

**Note 3. Fair Value of Financial Instruments**

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and December 31, 2014:

	Total Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
(In thousands)				
<b>As of December 31, 2015:</b>				
Assets:				
Investments in money market funds .....	\$ 137,593	\$ 137,593	\$ —	\$ —
Debt securities issued by the U.S. Treasury .....	1,685,882	1,685,882	—	—
Equity securities of public companies .....	890	890	—	—
Foreign currency forward contracts (1) .....	230	—	230	—
Total .....	<u>\$ 1,824,595</u>	<u>\$ 1,824,365</u>	<u>\$ 230</u>	<u>\$ —</u>
Liabilities:				
Contingent interest derivative on Subordinated Convertible Debentures .....	\$ 30,126	\$ —	\$ —	\$ 30,126
Foreign currency forward contracts (2) .....	164	—	164	—
Total .....	<u>\$ 30,290</u>	<u>\$ —</u>	<u>\$ 164</u>	<u>\$ 30,126</u>
<b>As of December 31, 2014:</b>				
Assets:				
Investments in money market funds .....	\$ 85,453	\$ 85,453	\$ —	\$ —
Debt securities issued by the U.S. Treasury .....	1,233,076	1,233,076	—	—
Foreign currency forward contracts (1) .....	330	—	330	—
Total .....	<u>\$ 1,318,859</u>	<u>\$ 1,318,529</u>	<u>\$ 330</u>	<u>\$ —</u>
Liabilities:				
Contingent interest derivative on Subordinated Convertible Debentures .....	\$ 26,755	\$ —	\$ —	\$ 26,755
Foreign currency forward contracts (2) .....	169	—	169	—
Total .....	<u>\$ 26,924</u>	<u>\$ —</u>	<u>\$ 169</u>	<u>\$ 26,755</u>

- (1) Included in Other current assets
- (2) Included in Accounts payable and accrued liabilities

The fair value of the Company's investments in money market funds approximates their face value. Such instruments are classified as Level 1 and are included in Cash and cash equivalents.

The fair value of the debt securities consisting of U.S. Treasury bills is based on their quoted market prices and are classified as Level 1. Debt securities purchased with original maturities in excess of three months are included in Marketable securities.

The fair value of the equity securities of public companies is based on quoted market prices and are classified as Level 1. Investments in equity securities of public companies are included in marketable securities.

The fair value of the Company's foreign currency forward contracts is based on foreign currency rates quoted by banks or foreign currency dealers and other public data sources.

The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the Subordinated Convertible Debentures. The inputs to the model include stock price, bond price, risk free interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant

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unobservable inputs. As of December 31, 2015, the valuation of the contingent interest derivative assumed a volatility rate of approximately 29% and a credit spread of approximately 5%. The fair value of the contingent interest derivative would not have significantly changed using a volatility rate of either 24% or 34%, or a credit spread of either 4% or 6%.

The following table summarizes the change in the fair value of the Company's contingent interest derivative on Subordinated Convertible Debentures during the year ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(In thousands)	
Beginning balance.....	\$ 26,755	\$ 29,004
Unrealized loss (gain) on contingent interest derivative on Subordinated Convertible Debentures .....	14,130	(2,249)
Payment of contingent interest.....	(10,759)	—
Ending balance.....	<u>\$ 30,126</u>	<u>\$ 26,755</u>

In August 2015, the upside trigger on the Subordinated Convertible Debentures was met for the six month interest period from August 15, 2015 through February 15, 2016. On February 16, 2016, the Company paid contingent interest of \$6.5 million in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures as of February 1, 2016. The value of the contingent interest payable in February 2016 is included in the balance of the contingent interest derivative on the Subordinated Convertible Debentures as of December 31, 2015.

As of December 31, 2015, the Company's other financial instruments include cash, accounts receivable, restricted cash, and accounts payable whose carrying values approximated their fair values. The fair value of the Company's Subordinated Convertible Debentures was \$3.2 billion as of December 31, 2015. The fair values of the Company's senior notes due 2023 (the "2023 Senior Notes") and the senior notes due 2025 (the "2025 Senior Notes") were \$742.0 million and \$503.8 million, respectively, as of December 31, 2015. The fair values of these debt instruments are based on available market information from public data sources and are classified as Level 2.

**Note 4. Other Balance Sheet Items**

*Other Current Assets*

Other current assets consist of the following:

	As of December 31,	
	2015	2014
	(In thousands)	
Prepaid expenses.....	\$ 14,823	\$ 16,190
Income tax receivables .....	23,098	23,448
Other .....	1,935	2,020
Total other current assets.....	<u>\$ 39,856</u>	<u>\$ 41,658</u>

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*Property and Equipment, Net*

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

	As of December 31,	
	2015	2014
	(In thousands)	
Land .....	\$ 31,141	\$ 31,141
Buildings and building improvements .....	244,760	243,300
Computer equipment and software .....	432,463	403,945
Capital work in progress .....	5,406	7,520
Office equipment and furniture .....	6,203	6,341
Leasehold improvements .....	1,350	1,858
Total cost .....	<u>721,323</u>	<u>694,105</u>
Less: accumulated depreciation .....	(425,753)	(375,077)
Total property and equipment, net .....	<u>\$ 295,570</u>	<u>\$ 319,028</u>

*Goodwill*

The following table presents the detail of goodwill:

	As of December 31,	
	2015	2014
	(In thousands)	
Goodwill, gross .....	\$ 1,537,843	\$ 1,537,843
Accumulated goodwill impairment .....	(1,485,316)	(1,485,316)
Total goodwill .....	<u>\$ 52,527</u>	<u>\$ 52,527</u>

There was no impairment of goodwill or other long-lived assets recognized in any of the periods presented.

*Other Long-Term Assets*

Other long-term assets consist of the following:

	As of December 31,	
	2015	2014
	(In thousands)	
Long-term restricted cash .....	11,969	8,028
Other tax receivable .....	5,673	5,673
Long-term prepaid expenses and other assets .....	6,713	2,217
Total other long-term assets .....	<u>\$ 24,355</u>	<u>\$ 15,918</u>



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*Accounts Payable and Accrued Liabilities*

Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2015	2014
	(In thousands)	
Accounts payable.....	\$ 23,298	\$ 29,335
Accrued employee compensation.....	51,851	49,470
Customer deposits, net.....	48,307	30,103
Interest Payable.....	27,701	21,138
Taxes payable and other tax liabilities.....	16,943	47,079
Other accrued liabilities.....	20,071	13,153
Total accounts payable and accrued liabilities.....	<u>\$ 188,171</u>	<u>\$ 190,278</u>

**Note 5. Debt and Interest Expense**

*Senior Notes due 2025*

On March 27, 2015, the Company issued \$500.0 million principal amount of 5.25% senior unsecured notes due April 1, 2025. The proceeds are being used for general corporate purposes, including, but not limited to, the repurchase of shares of its common stock under its share buyback program. In connection with the offering the Company incurred \$6.5 million of issuance costs which are being amortized to Interest expense over the 10 year term of the notes. The Company pays interest on the notes semi-annually on April 1 and October 1. The Company may redeem the 2025 Senior Notes, in whole or in part, at any time at the Company's option at specified redemption prices.

*Senior Notes due 2023*

On April 16, 2013, the Company issued \$750.0 million principal amount of 4.625% senior unsecured notes due May 1, 2023. In connection with the offering the Company incurred \$12.0 million of issuance costs which are being amortized to Interest expense over the 10 year term of the Senior Notes. The Company pays interest on the notes semi-annually on May 1 and November 1. The Company may redeem the 2023 Senior Notes, in whole or in part, at any time at the Company's option at specified redemption prices.

The Indenture governing the 2023 Senior Notes contains covenants that limit the ability of the Company and/or its Restricted Subsidiaries, under certain circumstances, to, among other things: (i) pay dividends or make distributions on, or redeem or repurchase, its capital stock; (ii) make certain investments; (iii) create liens on assets; (iv) enter into sale/leaseback transactions and (v) merge or consolidate or sell all or substantially all of its assets. These covenants are subject to a number of important limitations and exceptions. The Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, accrued and unpaid interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

*2015 Credit Facility*

On March 31, 2015, the Company entered into a new credit agreement for a \$200.0 million committed senior unsecured revolving credit facility (the "2015 Credit Facility"). The 2015 Credit Facility replaced the previous credit facility which was set to expire in November 2016, with substantially similar terms. The 2015 Credit Facility includes financial covenants requiring that the Company's interest coverage ratio not be less than 3.0 to 1.0 for any period of four consecutive quarters and the Company's leverage ratio not exceed 2.5 to 1.0. As of December 31, 2015, there were no borrowings outstanding under the facility and the Company was in compliance with the financial covenants. The 2015 Credit Facility expires on April 1, 2020 at which time any outstanding borrowings are due. Verisign may from time to time request lenders to agree on a discretionary basis to increase the commitment amount by up to an aggregate of \$150.0 million.

*Subordinated Convertible Debentures*

In August 2007, Verisign issued \$1.25 billion principal amount of 3.25% subordinated convertible debentures due August 15, 2037, in a private offering. The Subordinated Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company's common stock at a conversion rate of 29.0968 shares of common stock per \$1,000 principal amount of Subordinated Convertible Debentures, representing an initial effective conversion price of approximately \$34.37 per share of common stock. The conversion rate will be subject to adjustment for certain events as outlined in the Indenture governing the Subordinated Convertible Debentures but will not be adjusted for accrued interest. As of December 31, 2015, approximately 36.4 million shares of common stock were reserved for issuance upon conversion or repurchase of the Subordinated Convertible Debentures.

On or after August 15, 2017, the Company may redeem all or part of the Subordinated Convertible Debentures for the principal amount plus any accrued and unpaid interest if the closing price of the Company's common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which the Company provides notice of redemption.

The Company's common stock price exceeded the current conversion price threshold trigger of \$44.68 during the fourth quarter of 2015. Accordingly, the Subordinated Convertible Debentures were convertible at the option of each holder during the first quarter of 2016. Further, in the event of conversion, the Company intends, and has the ability, to settle the principal amount of the Subordinated Convertible Debentures in cash, and therefore, classified the debt component of the Subordinated Convertible Debentures, net of unamortized debt issuance costs and the embedded contingent interest derivative as a current liability, as of December 31, 2015. The determination of whether or not the Subordinated Convertible Debentures are convertible, and accordingly, the classification as long-term or current, must continue to be performed quarterly. As of December 31, 2015, the if-converted value of the Subordinated Convertible Debentures exceeded its principal amount. Based on the if-converted value of the Subordinated Convertible Debentures as of December 31, 2015, the conversion spread could have required the Company to issue up to an additional 22.1 million shares of common stock.

The Company calculated the carrying value of the liability component at issuance as the present value of its cash flows using a discount rate of 8.5% (borrowing rate for similar non-convertible debt with no contingent payment options), adjusted for the fair value of the contingent interest feature, yielding an effective interest rate of 8.39%. The excess of the principal amount of the debt over the carrying value of the liability component is also referred to as the "debt discount" or "equity component" of the Subordinated Convertible Debentures. The debt discount is being amortized using the Company's effective interest rate of 8.39% over the term of the Subordinated Convertible Debentures as a non-cash charge included in Interest expense. As of December 31, 2015, the remaining term of the Subordinated Convertible Debentures is 21.6 years. Interest is payable semiannually in arrears on August 15 and February 15.

Proceeds upon issuance of the Subordinated Convertible Debentures were as follows (in thousands):

Principal value of Subordinated Convertible Debentures .....	\$ 1,250,000
Less: Issuance costs .....	(25,777)
Net proceeds, Subordinated Convertible Debentures.....	<u>\$ 1,224,223</u>
Amounts recognized at issuance:	
Subordinated Convertible Debentures, including contingent interest derivative (net of issuance costs of \$11,328).....	\$ 546,915
Additional paid-in capital .....	418,996
Long-term deferred tax liabilities.....	267,225
Non-operating loss .....	(8,913)
Net proceeds, Subordinated Convertible Debentures.....	<u>\$ 1,224,223</u>

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The table below presents the carrying amounts of the liability and equity components:

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(In thousands)</b>	
Debt discount upon issuance (net of issuance costs of \$14,449) .....	\$ 686,221	\$ 686,221
Deferred taxes associated with the debt discount upon issuance .....	(267,225)	(267,225)
Carrying amount of equity component .....	<u>\$ 418,996</u>	<u>\$ 418,996</u>
Principal amount of Subordinated Convertible Debentures .....	\$ 1,250,000	\$ 1,250,000
Unamortized discount of liability component .....	(635,378)	(645,565)
Unamortized debt issuance costs associated with the liability component .....	(10,422)	(10,570)
Carrying amount of liability component .....	604,200	593,865
Contingent interest derivative .....	30,126	26,755
Subordinated Convertible Debentures, including contingent interest derivative .....	<u>\$ 634,326</u>	<u>\$ 620,620</u>

The following table presents the components of the Company's interest expense:

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(In thousands)</b>		
Contractual interest on Subordinated Convertible Debentures .....	\$ 40,625	\$ 40,625	\$ 40,625
Contractual interest on Senior Notes .....	54,667	34,688	24,570
Amortization of debt discount on the Subordinated Convertible Debentures .....	10,218	9,412	8,670
Interest capitalized to Property and equipment, net .....	(586)	(707)	(1,218)
Credit facility and other interest expense .....	2,707	1,976	2,114
Total interest expense .....	<u>\$ 107,631</u>	<u>\$ 85,994</u>	<u>\$ 74,761</u>

**Note 6. Stockholders' Deficit**

*Treasury Stock*

Treasury stock is accounted for under the cost method. Treasury stock includes shares repurchased under Stock Repurchase Programs and shares withheld in lieu of minimum tax withholdings due upon vesting of RSUs.

On January 30, 2015, the Company's Board of Directors ("Board") authorized the repurchase of approximately \$452.9 million of its common stock, in addition to the \$547.1 million of its common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of its common stock. The share repurchase program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. As of December 31, 2015 there was approximately \$454.5 million remaining available for repurchases under the share buyback program.

Effective February 11, 2016, the Company's Board authorized the repurchase of approximately \$611.2 million of its common stock, in addition to the \$388.8 million of its common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of its common stock.

The summary of the Company's common stock repurchases for 2015, 2014 and 2013 are as follows:

	2015		2014		2013	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
(In thousands, except average price amounts)						
Total repurchases under the repurchase plans .....	9,338	\$ 66.59	16,316	\$ 53.15	21,006	\$ 48.65
Total repurchases for tax withholdings .....	333	\$ 64.03	297	\$ 54.73	298	\$ 46.16
Total repurchases .....	<u>9,671</u>	<u>\$ 66.50</u>	<u>16,613</u>	<u>\$ 53.18</u>	<u>21,304</u>	<u>\$ 48.61</u>
Total costs .....	<u>\$ 643,169</u>		<u>\$ 883,403</u>		<u>\$1,035,617</u>	

Since inception, the Company has repurchased 212.9 million shares of its common stock for an aggregate cost of \$7.5 billion, which is recorded as a reduction of Additional paid-in capital.

*Accumulated Other Comprehensive Loss*

The following table summarizes the changes in the components of Accumulated other comprehensive loss for 2015 and 2014:

	Foreign Currency Translation Adjustments Loss	Unrealized Gain (Loss) On Investments	Total Accumulated Other Comprehensive Loss
(In thousands)			
Balance, December 31, 2013 .....	\$ (3,160)	\$ 75	\$ (3,085)
Changes .....	—	87	87
Balance, December 31, 2014 .....	<u>(3,160)</u>	<u>162</u>	<u>(2,998)</u>
Changes .....	(291)	(704)	(995)
Balance, December 31, 2015 .....	<u>\$ (3,451)</u>	<u>\$ (542)</u>	<u>\$ (3,993)</u>

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**Note 7. Calculation of Earnings per Share**

The following table presents the computation of weighted-average shares used in the calculation of basic and diluted earnings per share:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Weighted-average shares of common stock outstanding.....	114,155	126,710	144,591
Weighted-average potential shares of common stock outstanding:			
Conversion spread related to Subordinated Convertible Debentures...	18,047	13,384	10,361
Unvested RSUs .....	785	740	709
Stock options and ESPP .....	44	61	125
Shares used to compute diluted earnings per share .....	<u>133,031</u>	<u>140,895</u>	<u>155,786</u>

The calculation of diluted weighted average shares outstanding, excludes potentially dilutive securities, the effect of which would have been anti-dilutive, as well as performance based RSUs granted by the Company for which the relevant performance criteria have not been achieved. The number of potential shares excluded from the calculation was not significant in any period presented.

**Note 8. Geographic and Customer Information**

The Company generates revenue in the U.S.; Europe, the Middle East and Africa (“EMEA”); Australia, China, India, and other Asia Pacific countries (“APAC”); and certain other countries, including Canada and Latin American countries.

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

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
U.S .....	\$ 639,170	\$ 616,125	\$ 585,201
EMEA .....	193,623	182,897	169,767
APAC .....	151,461	133,748	129,664
Other .....	75,112	77,347	80,455
Total revenues .....	<u>\$ 1,059,366</u>	<u>\$ 1,010,117</u>	<u>\$ 965,087</u>

Revenues for our Registry Services business are generally attributed to the country of domicile and the respective regions in which the Company’s registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region.

The following table presents a comparison of property and equipment, net of accumulated depreciation, by geographic region:

	As of December 31,	
	2015	2014
	(In thousands)	
U.S .....	\$ 287,986	\$ 308,563
EMEA .....	7,544	9,919
APAC .....	40	546
Total property and equipment, net .....	<u>\$ 295,570</u>	<u>\$ 319,028</u>



### *Major Customers*

One customer accounted for approximately 31% of revenues in 2015 and 2014, and 30% in 2013. The Company does not believe that the loss of this customer would have a material adverse effect on the Company's business because, in that event, end-users of this customer would transfer to the Company's other existing customers.

## **Note 9. Employee Benefits and Stock-based Compensation**

### *401(k) Plan*

The Company maintains a defined contribution 401(k) plan (the "401(k) Plan") for substantially all of its U.S. employees. Under the 401(k) Plan, eligible employees may contribute up to 50% of their pre-tax salary, subject to the Internal Revenue Service ("IRS") annual contribution limits. In 2015, 2014 and 2013, the Company matched 50% of the employee's contribution up to a total of 6% of the employee's annual salary. The Company contributed \$3.7 million in 2015, \$3.4 million in 2014, and \$3.1 million in 2013 under the 401(k) Plan. The Company can terminate matching contributions at its discretion at any time.

### *Equity Incentive Plan*

The majority of Verisign's stock-based compensation relates to RSUs. As of December 31, 2015, a total of 12.3 million shares of common stock were reserved for issuance upon the vesting of RSUs and for the future grant of equity awards.

On May 26, 2006, the stockholders of Verisign approved the 2006 Equity Incentive Plan (the "2006 Plan"). The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, RSUs, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisers. The 2006 Plan is administered by the Compensation Committee which may delegate to a committee of one or more members of the Board or Verisign's officers the ability to grant certain awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. RSUs are awards covering a specified number of shares of Verisign common stock that may be settled by issuance of those shares (which may be restricted shares). RSUs generally vest in four installments with 25% of the shares vesting on each anniversary of the first four anniversaries of the grant date. Certain performance-based RSUs, granted to the Company's executives, vest over two and three year terms. Additionally, the Company has granted fully vested RSUs to members of its Board in each of the last three years. The Compensation Committee may authorize grants with a different vesting schedule in the future. A total of 27.0 million common shares were authorized and reserved for issuance under the 2006 Plan.

### *2007 Employee Stock Purchase Plan*

On August 30, 2007, the Company's stockholders approved the 2007 Employee Stock Purchase Plan. A total of 6.0 million common shares were authorized and reserved for issuance under the ESPP. Eligible employees may purchase common stock through payroll deductions by electing to have between 2% and 25% of their compensation withheld to cover the purchase price. Each participant is granted an option to purchase common stock on the first day of each 24-month offering period and this option is automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the ESPP is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period. Offering periods begin on the first business day of February and August of each year. As of December 31, 2015, 1.4 million shares of the Company's common stock are reserved for issuance under this plan.

### Stock-based Compensation

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

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Stock-based compensation:			
Cost of revenues .....	\$ 7,009	\$ 6,400	\$ 6,156
Sales and marketing.....	6,763	8,023	6,252
Research and development.....	6,488	7,018	7,199
General and administrative.....	25,815	22,536	17,042
Total stock-based compensation.....	<u>\$ 46,075</u>	<u>\$ 43,977</u>	<u>\$ 36,649</u>

The following table presents the nature of the Company's total stock-based compensation:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
RSUs.....	\$ 36,664	\$ 32,304	\$ 29,123
Performance-based RSUs.....	8,078	10,232	5,033
ESPP.....	4,051	4,192	5,486
Capitalization (Included in Property and equipment, net).....	(2,718)	(2,751)	(2,993)
Total stock-based compensation expense.....	<u>\$ 46,075</u>	<u>\$ 43,977</u>	<u>\$ 36,649</u>

The income tax benefit recognized on stock-based compensation within Income tax expense for 2015, 2014, and 2013 was \$16.0 million, \$15.1 million, and \$11.9 million, respectively.

### RSUs Information

The following table summarizes unvested RSUs activity:

	Year Ended December 31,					
	2015		2014		2013	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
	(Shares in thousands)					
Unvested at beginning of period.....	2,179	\$ 46.36	2,442	\$ 38.00	2,478	\$ 32.07
Granted .....	1,075	61.74	909	55.05	1,132	45.08
Vested and settled.....	(932)	43.92	(878)	35.99	(900)	30.73
Forfeited .....	(212)	51.47	(294)	44.00	(268)	36.09
	<u>2,110</u>	<u>\$ 54.77</u>	<u>2,179</u>	<u>\$ 46.36</u>	<u>2,442</u>	<u>\$ 38.00</u>

The RSUs in the table above include certain RSUs granted to the Company's executives that are subject to performance conditions, and in some cases, market conditions. The unvested RSUs as of December 31, 2015 include approximately 0.3 million RSUs subject to performance and/or market conditions. The number of RSUs, subject to these performance and market conditions, that ultimately vest may range from zero to a maximum of 0.6 million RSUs depending on the level of performance achieved and whether any market conditions are satisfied.

The closing price of Verisign's stock was \$87.36 on December 31, 2015. As of December 31, 2015, the aggregate market value of unvested RSUs was \$184.3 million. The fair values of RSUs that vested during 2015, 2014, and 2013 were \$59.8 million, \$47.9 million, and \$41.5 million, respectively. As of December 31, 2015, total unrecognized compensation cost related to unvested RSUs was \$64.3 million which is expected to be recognized over a weighted-average period of 2.4 years.

**Note 10. Non-operating Income, Net**

The following table presents the components of Non-operating income, net:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Realized net gain (loss) on investments .....	\$ 185	\$ (5)	\$ 18,861
Unrealized (loss) gain on contingent interest derivative on Subordinated Convertible Debentures .....	(14,130)	2,249	(17,801)
Interest and dividend income .....	2,128	922	1,897
Other, net .....	1,152	1,712	343
Total non-operating (loss) income, net .....	<u>\$ (10,665)</u>	<u>\$ 4,878</u>	<u>\$ 3,300</u>

The realized net gain on investments in 2013 included gains of \$15.8 million from the sale of certain cost method investments, and \$3.0 million from the sale of the Company's investment in the equity securities of a public company. The unrealized gains and losses on the contingent interest derivative on the Subordinated Convertible Debentures reflects the change in value of the derivative that results primarily from the changes in the Company's stock price. Interest and dividend income is earned principally from the Company's surplus cash balances and marketable securities.

**Note 11. Income Taxes**

Income before income taxes is categorized geographically as follows:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
United States.....	\$ 248,932	\$ 270,373	\$ 250,041
Foreign.....	238,718	212,938	206,730
Total income before income taxes.....	<u>\$ 487,650</u>	<u>\$ 483,311</u>	<u>\$ 456,771</u>

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Current (expense) benefit:			
Federal.....	\$ (13,601)	\$ (4,643)	\$ (1,104)
State.....	(156)	14	(8,150)
Foreign, including withholding tax.....	(17,241)	(69,614)	(13,613)
	<u>(30,998)</u>	<u>(74,243)</u>	<u>(22,867)</u>
Deferred (expense) benefit:			
Federal.....	(65,168)	(76,614)	53,629
State.....	(15,767)	(15,402)	66,701
Foreign.....	(481)	38,208	(9,784)
	<u>(81,416)</u>	<u>(53,808)</u>	<u>110,546</u>
Total income tax (expense) benefit.....	<u>\$ (112,414)</u>	<u>\$ (128,051)</u>	<u>\$ 87,679</u>

The difference between income tax (expense) benefit and the amount resulting from applying the federal statutory rate of 35% to Income before income taxes is attributable to the following:

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Income tax expense at federal statutory rate.....	\$ (170,677)	\$ (169,159)	\$ (159,870)
State taxes, net of federal benefit.....	(9,616)	(11,308)	(13,821)
Differences between statutory rate and foreign effective tax rate.....	66,238	57,876	51,016
Reorganization of certain non-U.S. operations.....	—	(14,474)	—
Tax (expense) benefit from worthless stock deduction.....	—	(14,497)	1,717,466
Change in valuation allowance.....	(434)	41,700	(1,195,303)
Repatriation of foreign earnings.....	—	4,164	(167,115)
Accrual for uncertain tax positions.....	(706)	(22,719)	(140,596)
Other.....	2,781	366	(4,098)
Total income tax (expense) benefit.....	<u>\$ (112,414)</u>	<u>\$ (128,051)</u>	<u>\$ 87,679</u>

During 2014 the Company repatriated \$740.9 million of cash held by foreign subsidiaries, net of \$28.1 million of foreign withholding taxes which were accrued during 2013. The Company utilized the majority of the remaining deferred tax asset for net operating loss carryforwards generated from the 2013 worthless stock deduction to offset the income tax resulting from 2014 income and the repatriation. During 2013, the Company recorded income tax expense of \$167.1 million for taxable income generated in the U.S. related to the repatriation. During 2014, the Company recognized a net income tax benefit of \$8.6 million, resulting from the completion of the repatriation and changes to estimates related to the 2013 worthless stock deduction. The components of this net benefit are included in the table above for changes in valuation allowances, adjustments to the benefit from the worthless stock deduction, changes to the accrual for uncertain tax positions and the repatriation of foreign earnings.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries because these earnings are intended to be indefinitely reinvested. As of December 31, 2015, the amount of such earnings was \$667.0 million. The amount of unrecognized deferred tax liability related to undistributed foreign earnings is estimated to be \$187.4 million.

The Company qualifies currently for two tax holidays in Switzerland. The tax holidays provide reduced rates of taxation on certain types of income and also require certain thresholds of foreign source income. One of the tax holidays is effective through December 31, 2016, and upon expiration may be subject to renewal if certain criteria are satisfied. The other tax holiday, which took effect beginning in 2015, is indefinite, unless the required thresholds are no longer met, or there is a law change which eliminates the holiday. The Company qualified for another tax holiday in Switzerland, which expired on December 31, 2014, and was not extended. These tax holidays increased the Company's earnings per share by \$0.14, \$0.50 and \$0.18 in 2015, 2014, and 2013, respectively. In the fourth quarter of 2014, the Company incurred a charge of \$14.5 million in non-US income taxes as a result of a reorganization of certain international operations.

During 2013, the Company liquidated for tax purposes one of its domestic subsidiaries, which allowed the Company to claim a worthless stock deduction on its 2013 federal income tax return. During 2013 the Company recorded an income tax benefit of \$375.3 million related to the worthless stock deduction, net of valuation allowances and accrual for uncertain tax positions.

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

	As of December 31,	
	2015	2014
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards .....	\$ 56,108	\$ 61,059
Deductible goodwill and intangible assets.....	21,044	34,586
Tax credit carryforwards.....	86,951	100,190
Deferred revenue, accruals and reserves.....	106,572	103,794
Capital loss carryforwards and book impairment of investments.....	1,162,320	1,161,896
Other .....	5,039	4,956
Total deferred tax assets .....	1,438,034	1,466,481
Valuation allowance.....	(1,162,604)	(1,162,170)
Net deferred tax assets.....	275,430	304,311
Deferred tax liabilities:		
Property and equipment.....	(10,787)	(16,115)
Subordinated Convertible debentures.....	(538,098)	(494,625)
Other .....	(3,378)	(4,151)
Total deferred tax liabilities.....	(552,263)	(514,891)
Total net deferred tax liabilities.....	\$ (276,833)	\$ (210,580)



With the exception of deferred tax assets related to capital loss carryforwards, management believes it is more likely than not that the tax effects of the deferred tax liabilities together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets.

As of December 31, 2015, the Company had federal, state and foreign net operating loss carryforwards of approximately \$8.9 million, \$1.6 billion and \$ 20.2 million, respectively, before applying tax rates for the respective jurisdictions. As of December 31, 2015, the Company had federal and state research tax credits of \$28.8 million and \$1.7 million, respectively, and alternative minimum tax credits of \$19.8 million available for future years. Certain net operating loss carryforwards and credits are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be fully realized. In future periods, an aggregate, tax effected amount of \$59.3 million will be recorded to Additional paid-in capital when carried forward excess tax benefits from stock-based compensation are utilized to reduce future cash tax payments. The federal and state net operating loss and federal tax credit carryforwards expire in various years from 2016 through 2034. The foreign net operating loss can be carried forward indefinitely. As of December 31, 2015, the Company had federal and state capital loss carryforwards of \$3.0 billion and \$3.1 billion, respectively, before applying tax rates for the respective jurisdictions. The capital loss carryforwards expire in 2018 and are also subject to annual limitations under Internal Revenue Code Section 382. The Company does not expect to realize any tax benefits from the capital loss carryforwards and accordingly has reserved the entire amount through valuation allowance and accrual for uncertain tax positions. As of December 31, 2015, the Company has foreign tax credit carryforwards of \$173.1 million. The majority of these foreign tax credits will expire in 2024.

The deferred tax liability related to the Subordinated Convertible Debentures is driven by the excess of the tax deduction taken for interest expense over the amount of interest expense recognized in the consolidated financial statements. The interest expense deducted for tax purposes is based on the adjusted issue price of the Subordinated Convertible Debentures, while the interest expense recognized in accordance with GAAP is based only on the liability portion of the Subordinated Convertible Debentures. The adjusted issue price of the Subordinated Convertible Debentures grows over the term due to the difference between the interest deduction taken for income tax, using a comparable yield of 8.5%, and the coupon rate of 3.25%, compounded annually, adjusted for actual versus projected contingent interest payments

The Company maintains liabilities for uncertain tax positions. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available including changes in tax regulations and other information. A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	As of December 31,	
	2015	2014
	(In thousands)	
Gross unrecognized tax benefits at January 1 .....	\$ 219,908	\$ 197,189
Increases in tax positions for prior years.....	—	22,538
Increases in tax positions for current year.....	372	181
Gross unrecognized tax benefits at December 31 .....	<u>\$ 220,280</u>	<u>\$ 219,908</u>

As of December 31, 2015, approximately \$211.0 million of unrecognized tax benefits, including penalties and interest, could affect the Company's tax provision and effective tax rate. It is reasonably possible that during the next twelve months, the Company's unrecognized tax benefits may change by a significant amount as a result IRS audits. However the timing of completion and ultimate outcome of the audit remains uncertain. Therefore, the Company cannot currently estimate the impact on the balance of unrecognized tax benefits.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. These accruals were not material in any period presented.

The Company's major taxing jurisdictions are the U.S., the state of Virginia, and Switzerland. The Company's U.S. federal income tax returns are currently under examination by the IRS for 2010 through 2014. The Company's other tax returns are not currently under examination by their respective taxing jurisdictions. Because the Company uses historic net operating loss carryforwards and other tax attributes to offset its taxable income in current and future years' income tax returns for the U.S. and Virginia, such attributes can be adjusted by these taxing authorities until the statute closes on the year in which such attributes were utilized. The open years in Switzerland are the 2011 tax year and forward.

## Note 12. Commitments and Contingencies

### *Purchase Obligations and Contractual Agreements*

The following table represents the minimum payments required by Verisign under certain purchase obligations, leases, the .tv Agreement with the Government of Tuvalu, and the interest payments and principal on the Subordinated Convertible Debentures and the Senior Notes:

	Purchase Obligations	.tv Agreement	Senior Notes	Subordinated Convertible Debentures	Total
	(In thousands)				
2016 .....	\$ 28,001	\$ 5,000	\$ 60,938	\$ 47,170	\$ 141,109
2017 .....	3,950	5,000	60,938	40,625	110,513
2018 .....	47	5,000	60,938	40,625	106,610
2019 .....	—	5,000	60,938	40,625	106,563
2020 .....	—	5,000	60,938	40,625	106,563
Thereafter .....	—	5,000	1,472,187	1,925,391	3,402,578
Total .....	<u>\$ 31,998</u>	<u>\$ 30,000</u>	<u>\$ 1,776,877</u>	<u>\$ 2,135,061</u>	<u>\$ 3,973,936</u>

The amounts in the table above exclude \$211.0 million of income tax related uncertain tax positions, as the Company is unable to reasonably estimate the ultimate amount or time of settlement of those liabilities.

Verisign enters into certain purchase obligations with various vendors. The Company's significant purchase obligations includes firm commitments with telecommunication carriers and other service providers. The Company does not have any significant purchase obligations beyond 2017.

The Company has an agreement with Internet Corporation for Assigned Name and Numbers ("ICANN") to be the sole registry operator for domain names in the .com registry through November 30, 2018. Under this agreement, the Company pays ICANN on a quarterly basis, \$0.25 for each annual increment of a domain name registered or renewed during such quarter. As of December 31, 2015, there were 124.0 million domain names in the .com registry. However, the number of domain names registered and renewed each quarter may vary significantly. The Company incurred registry fees for the .com registry of \$30.9 million in 2015, \$28.4 million in 2014, and \$27.9 million in 2013. Registry fees for other top-level domains that we operate have been excluded from the table above because the amounts are variable or passed through to registrars.

The Company has an agreement with the Government of Tuvalu to be the sole registry operator for .tv domain names through December 31, 2021. Registry fees were \$5.0 million in 2015, \$4.5 million in 2014, and \$4.5 million in 2013.

Verisign leases a small portion of its facilities under operating leases that extend into 2017. Rental expenses under operating leases were not material in any period presented. Future rental expenses under existing operating leases are not material.

### *Off-Balance Sheet Arrangements*

As of December 31, 2015 and 2014, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such relationships.

It is not the Company's business practice to enter into off-balance sheet arrangements. However, in the normal course of business, the Company does enter into contracts in which it makes representations and warranties that guarantee the performance of the Company's products and services. Historically, there have been no significant losses related to such guarantees.

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**VERISIGN™**

**VeriSign, Inc.**

12061 Bluemont Way  
Reston, Virginia 20190

April 29, 2016

To Our Stockholders:

You are cordially invited to attend the 2016 Annual Meeting of Stockholders of VeriSign, Inc. (“Verisign”) to be held at our corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, June 9, 2016, at 10:00 a.m., Eastern Time (the “Meeting”).

The matters expected to be acted upon at the Meeting are described in detail in the following *Notice of the 2016 Annual Meeting of Stockholders* and *Proxy Statement*.

We have implemented a U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our annual report to security holders, which includes our Annual Report on Form 10-K for the year ended December 31, 2015 (collectively, the “Annual Report”), and this Proxy Statement. The Notice of Internet Availability of Proxy Materials contains instructions on how to access those documents over the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how each stockholder can receive a paper copy of our proxy soliciting materials, including this notice and Proxy Statement, our Annual Report and a form of proxy card or voting instruction card. We believe that this process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

It is important that you use this opportunity to take part in the affairs of Verisign by voting on the business to come before this meeting. **WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE THE PROXY ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS AND UNDER “INTERNET AND TELEPHONE VOTING” IN THE PROXY STATEMENT, OR ALTERNATIVELY, IF RECEIVING PAPER COPIES OF PROXY MATERIALS, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.** Returning or completing the proxy does not deprive you of your right to attend the Meeting and to vote your shares in person.

We look forward to seeing you at our 2016 Annual Meeting of Stockholders.

Sincerely,

/s/ D. James Bidzos

D. James Bidzos

*Chairman of the Board of Directors and Executive  
Chairman, President and Chief Executive Officer*

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VERISIGN™

**VERISIGN, INC.**  
**12061 Bluemont Way**  
**Reston, Virginia 20190**

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## **Notice of the 2016 Annual Meeting of Stockholders**

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### TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Stockholders of VeriSign, Inc. (the “Company”) will be held at the Company’s corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, June 9, 2016, at 10:00 a.m., Eastern Time. The 2016 Annual Meeting of Stockholders is being held for the following purposes:

1. To elect the seven directors of the Company named in the Proxy Statement, each to serve until the next annual meeting, or until a successor has been elected and qualified or until the director’s earlier resignation or removal.
2. To approve, on a non-binding, advisory basis, the Company’s executive compensation.
3. To approve the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan.
4. To approve an amendment to the Company’s Fifth Amended and Restated Certificate of Incorporation to permit the Board of Directors to amend the Company’s bylaws.
5. To ratify the selection of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2016.
6. To vote on a stockholder proposal, if properly presented at the meeting, requesting that the Board of Directors take steps to amend the bylaws to adopt proxy access.
7. To transact such other business as may properly come before the 2016 Annual Meeting of Stockholders or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on April 15, 2016, are entitled to notice of and to vote at the 2016 Annual Meeting of Stockholders or any adjournment or postponement thereof.

By Order of the Board of Directors,

/s/ Thomas C. Indelicarto  
Thomas C. Indelicarto  
*Secretary*

Reston, Virginia  
April 29, 2016

**WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE THE PROXY ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS AND UNDER “INTERNET AND TELEPHONE VOTING” IN THE PROXY STATEMENT, OR ALTERNATIVELY, IF RECEIVING PAPER COPIES OF PROXY MATERIALS, COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 9, 2016: The Proxy Statement and Annual Report are available at [www.edocumentview.com/vrsn](http://www.edocumentview.com/vrsn).**

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VERISIGN™

**VERISIGN, INC.**  
**12061 Bluemont Way**  
**Reston, Virginia 20190**

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**PROXY STATEMENT**  
**FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS**

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**April 29, 2016**

The accompanying proxy is solicited on behalf of the Board of Directors (the “Board”) of VeriSign, Inc. (“Verisign” or the “Company”) for use at the 2016 Annual Meeting of Stockholders (the “Meeting”) to be held at our corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, June 9, 2016 at 10:00 a.m., Eastern Time. Only holders of record of our common stock at the close of business on April 15, 2016, which is the record date, will be entitled to vote at the Meeting. This Proxy Statement and the accompanying form of proxy (collectively, the “Proxy Statement”) were first made available to stockholders on or about April 29, 2016. Our annual report to security holders, which includes our Annual Report on Form 10-K for the year ended December 31, 2015 (collectively, the “Annual Report”), is enclosed with this Proxy Statement for stockholders receiving a paper copy of proxy soliciting materials. The Annual Report and Proxy Statement can both be accessed on the Investor Relations section of our website at <https://investor.verisign.com>, or at [www.edocumentview.com/vrsn](http://www.edocumentview.com/vrsn).

All proxies will be voted in accordance with the instructions as submitted. Unless contrary instructions are specified, if the applicable proxy is submitted (and not revoked) prior to the Meeting, the shares of Verisign common stock represented by the proxy will be voted: (1) **FOR** the election of each of the seven director candidates nominated by the Board; (2) **FOR** the non-binding, advisory resolution to approve Verisign’s executive compensation; (3) **FOR** the approval of the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan; (4) **FOR** the approval of an amendment to the Company’s Fifth Amended and Restated Certificate of Incorporation to permit the Board to amend the bylaws; (5) **FOR** the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 (“fiscal 2016”); (6) **AGAINST** the stockholder proposal, if properly presented at the meeting, requesting that the Board of Directors take steps to amend the bylaws to adopt proxy access and (7) in accordance with the best judgment of the named proxies on any other matters properly brought before the Meeting.

### **Voting Rights**

At the close of business on the record date, we had 108,591,750 shares of common stock outstanding and entitled to vote. Holders of our common stock are entitled to one vote for each share held as of the record date.

### **Quorum, Effect of Abstentions and Broker Non-Votes, Vote Required to Approve the Proposals**

A majority of the shares of common stock outstanding and entitled to vote must be present or represented by proxy at the Meeting in order to have a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the Meeting. A broker non-vote occurs when a bank, broker or other stockholder of record holding shares for a beneficial owner has not received voting instructions from the beneficial owner and does not vote on a particular proposal because that record holder does not have discretionary voting power with respect to that “non-routine” proposal. Each of the election of directors, the non-binding, advisory vote to approve executive compensation, the approval of the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan, the amendment of the Fifth Amended and Restated Certificate of Incorporation and the stockholder proposal, if properly presented at the meeting, requesting that the Board take steps to amend the bylaws to adopt proxy access is a “non-routine” proposal and so shares for which record holders do not receive voting instructions will not be voted on such matters.

If a quorum is present, a nominee for election to a position on the Board will be elected by a plurality of the votes validly cast at the Meeting. Stockholders may not cumulate votes in the election of directors.

If a quorum is present, approvals of the proposals for:

- the non-binding, advisory resolution to approve Verisign's executive compensation;
- the approval of the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan;
- the ratification of the selection of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2016; and
- the stockholder proposal, if properly presented at the meeting, requesting that the Board take steps to amend the bylaws to adopt proxy access

require the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote on the subject matter. Under this voting standard, abstentions will have the effect of votes cast against the proposal, and broker non-votes will not affect the voting outcome. If a nominee for director in an uncontested election is not elected and the nominee is an incumbent director, the director must promptly tender his or her resignation to the Board, subject to acceptance by the Board. The Corporate Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation and the Board must act on the Corporate Governance and Nominating Committee's recommendation and publicly disclose its decision and the rationale therefor within 90 days following the date of the certification of the relevant election results.

If a quorum is present, approval of the amendment to the Company's Fifth Amended and Restated Certificate of Incorporation requires the affirmative vote of the holders of a majority of the voting power of the outstanding capital stock of Verisign outstanding and entitled to vote thereon. Abstentions and broker non-votes will have the same effect as votes "against" the approval of the amendment.

The inspector of elections appointed for the Meeting will separately tabulate affirmative and withheld votes, abstentions and broker non-votes.

### **Adjournment of Meeting**

In the event that a quorum shall fail to attend the Meeting, either in person or represented by proxy, the chairman may adjourn the Meeting, or alternatively, the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the Meeting. Any such adjournment proposed by a stockholder or person named as a proxy would require the affirmative vote of the majority of the outstanding shares present in person or represented by proxy at the Meeting.

### **Expenses of Soliciting Proxies**

Verisign will pay the expenses of soliciting proxies to be voted at the Meeting. Verisign intends to retain Morrow & Co., LLC for various services related to the solicitation of proxies, which we anticipate will cost approximately \$30,000 to \$35,000, plus reimbursement of expenses. Following the original mailing of the Notice of Internet Availability of Proxy Materials and paper copies of proxies and other proxy soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, electronic transmission, including email, or in person. Following the original mailing of the Notice of Internet Availability of Proxy Materials and paper copies of the proxies and other proxy soliciting materials, we will request that brokers, custodians, nominees and other record holders of our shares forward copies of the proxy and other proxy soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. In such cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so.

### **Revocability of Proxies**

A stockholder who holds shares of record as a registered stockholder may revoke any proxy that is not irrevocable by attending the Meeting and voting in person or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary of the Company. If your shares are held through a bank or brokerage firm, you must follow the instructions provided by that institution to change or revoke your voting instructions.

### **Internet and Telephone Voting**

If you hold shares of record as a registered stockholder, you can simplify your voting process and save the Company expense by voting your shares by telephone at 1-800-652-VOTE (8683) or on the Internet at [www.envisionreports.com/vrsn](http://www.envisionreports.com/vrsn) twenty-four hours a day, seven days a week. Telephone and Internet voting are available through 12:00 a.m. Eastern Time the day of the Meeting. More information regarding Internet voting is given on the Notice of Internet Availability of Proxy Materials. If you hold shares through a bank or brokerage firm, the bank or brokerage firm will provide you with separate instructions on a form you will receive from them. Many such firms make telephone or Internet voting available, but the specific processes available will depend on those firms' individual arrangements.

**Householding**

A number of brokerage firms have instituted a procedure called “householding,” which has been approved by the Securities and Exchange Commission (the “SEC”). Under this procedure, the firm delivers only one copy of the Notice of Internet Availability of Proxy Materials or paper copies of the Annual Report and Proxy Statement, as the case may be, to multiple stockholders who share the same address and have the same last name, unless it has received contrary instructions from an affected stockholder. If your shares are held in “street name” and you would like to receive only one copy of these materials (instead of separate copies) in the future, please contact your bank, broker or other holder of record to request information about householding. If you would like to receive an individual copy of the Notice of Internet Availability of Proxy Materials or paper copies of the Annual Report and Proxy Statement, as the case may be, now or in the future, we will promptly deliver these materials to you upon request to VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190, Attention: Secretary or (703) 948-3200.

**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

There are currently eight directors, as determined by a written resolution of the Board. With the resignation of Mr. Chenevich, as described below, the Board has decreased the size of the Board to seven directors effective as of the Meeting. The terms of the current directors, who are identified below, expire upon the election and qualification of the directors to be elected at the Meeting. The Board has nominated D. James Bidzos, Kathleen A. Cote, Thomas F. Frist III, Jamie S. Gorelick, Roger H. Moore, Louis A. Simpson and Timothy Tomlinson, each of whom are current directors, for re-election at the Meeting to serve until the 2017 Annual Meeting of Stockholders and until their respective successors have been elected and qualified. Proxies cannot be voted for more than seven persons, which is the number of nominees. Mr. Frist, who joined the Board in December 2015, was recommended by Mr. Bidzos.

William L. Chenevich, 72, announced his retirement from the Board and will serve the remainder of his term ending at the Meeting. The Board extends its sincere appreciation to Mr. Chenevich for his years of service on the Board. Mr. Chenevich, a current member of both the Audit Committee and Corporate Governance and Nominating Committee, has given generously of his time and has consistently provided the Board with independent insight and advice. His expertise in corporate governance, as well as his significant operational and financial expertise has been invaluable to the Board and to the Company.

Unless otherwise directed, the persons named in the proxy intend to vote all proxies **FOR** the re-election of the nominees, as listed below, each of whom has consented to serve as a director if elected. If, at the time of the Meeting, any of the nominees is unable or declines to serve as a director, the discretionary authority provided in the enclosed proxy will be exercised to vote for a substitute candidate designated by the Board, unless the Board chooses to reduce its own size. The Board has no reason to believe any of the nominees will be unable or will decline to serve if elected.

**Director Nominees**

Set forth below is certain information relating to our director nominees, including details on each director nominee’s specific experience, qualifications, attributes or skills that led the Board to conclude that the person should serve as a director of the Company.

Name	Age	Position
<b>Nominees for election as directors for a term expiring in 2017:</b>		
D. James Bidzos.....	61	Chairman of the Board, Executive Chairman, President and Chief Executive Officer
Kathleen A. Cote(1)(2).....	67	Director
Thomas F. Frist III (2).....	48	Director
Jamie S. Gorelick(2)(3).....	65	Director
Roger H. Moore(1)(2).....	74	Director
Louis A. Simpson(2)(3).....	79	Lead Independent Director
Timothy Tomlinson(1)(2)(3).....	66	Director

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Nominating Committee.
- (3) Member of the Compensation Committee.

**D. James Bidzos** has served as Executive Chairman since August 2009 and President and Chief Executive Officer since August 2011. He served as Executive Chairman and Chief Executive Officer on an interim basis from June 2008 to August 2009 and served as President from June 2008 to January 2009. He served as Chairman of the Board since August 2007 and from April 1995 to December 2001. He served as Vice Chairman of the Board from December 2001 to August 2007. Mr. Bidzos served as a director of VeriSign Japan K.K. (“VeriSign Japan”) from March 2008 to August 2010 and served as Representative Director of VeriSign Japan from March 2008 to September 2008. Mr. Bidzos served as Vice Chairman of RSA Security Inc., an Internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

Mr. Bidzos is a business executive with significant expertise in the technology that is central to the Company’s businesses. Mr. Bidzos is an Internet and security industry pioneer who understands the strategic technology trends in markets that are important to the Company. Mr. Bidzos was a founder of the Company and has been either Chairman or Vice Chairman of the Company’s Board of Directors since the Company’s founding in April 1995, providing him with valuable insight and institutional knowledge of the Company’s history and development. Mr. Bidzos has prior experience on our Compensation Committee and our Corporate Governance and Nominating Committee and as a member of several other public-company boards. Mr. Bidzos’s years of board-level experience contribute important knowledge and insight to the Board. Additionally, Mr. Bidzos’s executive-level experience includes



many years as a Chief Executive Officer, providing him with a perspective that the Board values. Mr. Bidzos also has international business experience from his service as a director of VeriSign Japan.

**Kathleen A. Cote** has served as a director since February 2008. From May 2001 to June 2003, Ms. Cote served as Chief Executive Officer of Worldport Communications Company, a provider of Internet managed services. From September 1998 to May 2001, she served as Founder and President of Seagrass Partners, a consulting firm specializing in providing strategic planning, business, operational and management support for startup and mid-sized technology companies. Prior thereto, she served as President and Chief Executive Officer of Computervision Corporation, a supplier of desktop and enterprise, client server and web-based product development and data management software and services. During the past five years, Ms. Cote has held directorships at Asure Software Corporation, GT Advanced Technologies Inc., 3Com Corporation and Western Digital Corporation. Ms. Cote holds an Honorary Doctorate from the University of Massachusetts, an M.B.A. degree from Babson College, and a B.A. degree from the University of Massachusetts, Amherst.

Ms. Cote is a business executive with significant expertise overseeing global companies in technology and operations in the areas of systems integration, networks, hardware and software, including web-based applications and Internet services. Ms. Cote's expertise in technology and operations is directly relevant to the Company's businesses. Ms. Cote's expertise as a business executive also includes sales and marketing, product development, strategic planning and international experience, which contributes important expertise to the Board in those areas of business administration. Ms. Cote's financial and accounting skills qualify her as an audit committee financial expert. In addition to Ms. Cote's tenure as a director of the Company, Ms. Cote has served on several other boards of directors, including service on the audit and corporate governance committees of those boards, providing her with valuable board-level experience. Ms. Cote's executive-level experience includes experience as a Chief Executive Officer, providing her with a perspective that the Board values.

**Thomas F. Frist III** has served as a director since December 2015. Mr. Frist is the Founder and Managing Principal of Frist Capital, LLC, an investment firm based in Nashville, TN that makes long-term equity investments in public and private companies, and he has held this position since 1994. Mr. Frist previously was the managing member of FS Partners, L.L.C. and worked in principal investments at Rainwater, Inc. Mr. Frist holds a B.A. degree from Princeton University and an M.B.A. degree from Harvard Business School.

Mr. Frist's extensive directorship experience provides valuable expertise and perspective to the Board. Mr. Frist was on the Audit Committee and Board of Directors of Triad Hospitals, Inc. from 1998-2007. He joined the board of HCA Holdings, Inc., one of the largest non-governmental operators of health care facilities in the United States, in 2008, serving on the Executive and Audit Committees, and chairing the Nominating and Governance Committee. Mr. Frist has also served as a director for SAIC, Inc. since 2009, serving as Chair of the Nominating and Governance Committee and a member of the Audit Committee since its separation from Leidos in 2013. He also chaired the Finance Committee at legacy SAIC. In addition to the significant experience as a board member mentioned above, Mr. Frist provides valuable experience in areas of business administration, finance and operations.

**Jamie S. Gorelick** has served as a director since January 2015. Ms. Gorelick has been a partner at Wilmer Cutler Pickering Hale and Dorr LLP, an international law firm, since 2003. She served as Deputy Attorney General of the United States from 1994 to 1997 and as General Counsel of the Department of Defense from 1993 to 1994. She has been a director of Amazon.com, Inc. since 2012 and serves as Chair of its Nominating and Governance Committee. She previously served as a director of United Technologies Corp. and of Schlumberger, Ltd. She holds B.A. and J.D. degrees from Harvard University.

Ms. Gorelick is an experienced attorney with significant expertise in legal, policy and corporate matters. Ms. Gorelick's regulatory and policy experience is directly relevant to the Company's business. She is well-versed in critical infrastructure and national security issues and brings a valuable skill-set and wealth of government experience to the Board. Ms. Gorelick has served on several other corporate boards, a compensation committee, and a nominating and governance committee, and served on numerous government boards and commissions. Ms. Gorelick's experience in both the public and private sectors, combined with her experience in the corporate boardroom, provides her valuable board experience, and she offers a perspective the Board values.

**Roger H. Moore** has served as a director since February 2002. From December 2007 to May 2009, he served as a consultant assisting Verisign in the divestiture of its Communications Services business. From June 2007 through November 2007, Mr. Moore served as interim Chief Executive Officer of Arbinet Corporation, a provider of online trading services. He was President and Chief Executive Officer of Illuminet Holdings, Inc. from December 1995 until December 2001 when Verisign acquired Illuminet Holdings. Prior to Illuminet Holdings, Mr. Moore spent ten years with Nortel Networks in a variety of senior management positions including President of Nortel Japan. During the past five years, Mr. Moore has held directorships at Western Digital Corporation and Consolidated Communications Holdings, Inc. Mr. Moore holds a B.S. degree in General Science from Virginia Polytechnic Institute and State University.

Mr. Moore is a business executive with significant expertise in general management, sales, technology and strategic planning in the telecommunications industry. Mr. Moore's expertise contributes operational knowledge of important inputs to the Company's businesses and provides valuable experience in areas of business administration. Mr. Moore also has significant experience, both as a senior executive and as a board member, in joint venture and mergers and acquisition transactions, which is experience that is valuable

to the Board. Mr. Moore's financial and accounting skills qualify him as an audit committee financial expert. Mr. Moore also serves on several other boards of directors, including service on the audit, compensation and corporate governance committees of certain of those boards, providing him with valuable board-level experience. In addition to the several years of business management experience mentioned above, Mr. Moore has international business experience from his time as President of Nortel Japan and as President of AT&T Canada.

**Louis A. Simpson** has served as a director since May 2005. Mr. Simpson has served as Chairman of SQ Advisors, LLC, an investment firm, since January 2011. From May 1993 to December 2010, he served as President and Chief Executive Officer, Capital Operations, of GEICO Corporation, a passenger auto insurer. Mr. Simpson previously served as Vice Chairman of the Board of GEICO from 1985 to 1993. During the past five years, Mr. Simpson has held directorships at SAIC, Inc. and Chesapeake Energy Corporation. Mr. Simpson holds a B.A. degree from Ohio Wesleyan University and an M.A. degree in Economics from Princeton University.

Mr. Simpson is a business executive with significant expertise in insurance, finance and private investment. Mr. Simpson's expertise contributes all around business acumen, skills in strategic planning and finance, along with knowledge important to mergers and acquisitions activity. Throughout his career, Mr. Simpson has served on the boards of directors of more than fifteen publicly traded companies, providing him with extensive and valuable board-level experience. Mr. Simpson's board-level experience also includes previous audit committee, finance committee, nominating and corporate governance committee and compensation committee experience on certain of those public-company boards. Mr. Simpson is a recognized expert in corporate governance matters, having lectured and presented numerous times on corporate governance topics at seminars and continuing education courses. As indicated above, Mr. Simpson's career includes executive-level experience as a Chief Executive Officer, providing him with a perspective that the Board values.

**Timothy Tomlinson** was a corporate lawyer employed as General Counsel of Portola Minerals Company, a producer and seller of limestone products, from May 2011 through December 2013. Mr. Tomlinson was employed as Of Counsel by the law firm Greenberg Traurig, LLP from May 2007 through May 2011. Mr. Tomlinson was the founder and a named partner of Tomlinson Zisko LLP and practiced with this Silicon Valley law firm from 1983 until its acquisition by Greenberg Traurig, LLP in May 2007. He served as managing partner of Tomlinson Zisko LLP for multiple terms. Mr. Tomlinson is a long-tenured member of the Board, having served from the Company's founding in 1995 until 2002, and again since his reappointment in November 2007. Mr. Tomlinson holds a B.A. degree in Economics, a Ph.D. degree in History, an M.B.A. and a J.D. degree from Stanford University.

Mr. Tomlinson has significant expertise in corporate matters including finance and mergers and acquisitions and has represented clients in the technology industry for more than thirty years. Mr. Tomlinson's long-term service on our Board has provided him with valuable insight and institutional knowledge of the Company's history and development. He has extensive experience in corporate governance, both as a lawyer advising clients, and through serving on our Audit, Compensation and Corporate Governance and Nominating Committees, as well as the audit, compensation, and governance committees of other public companies.

## Compensation of Directors

This section provides information regarding the compensation policies for non-employee directors and amounts earned and securities awarded to these directors in fiscal 2015. Employee directors are not compensated for their services as directors. Mr. Bidzos is the Company's Executive Chairman, President and Chief Executive Officer. As an employee of the Company, Mr. Bidzos does not participate in the compensation program for non-employee directors, and he is compensated as an executive officer of the Company. Mr. Bidzos' compensation is described in "Executive Compensation" elsewhere in this Proxy Statement.

## Non-Employee Director Retainer Fees and Equity Compensation Information

On July 21, 2015, the Compensation Committee met to consider the cash and equity-based compensation to be paid to non-employee directors. The Compensation Committee reviewed competitive market data prepared by Frederic W. Cook & Co. ("FW Cook"), its independent compensation consultant, for the same peer group used to benchmark executive compensation and certain available information for other boards and reviewed the board compensation practices of these companies. For information about the peer group, see "Executive Compensation—Compensation Discussion and Analysis." Following this review and consideration of the recommendations made by FW Cook, the Compensation Committee determined that it was in the best interests of Verisign and its stockholders to maintain the amount of the annual cash retainer fees at current levels and maintain the value of the annual equity award grant to each director at \$240,000 (made solely in the form of restricted stock units ("RSUs")). New directors are granted an equity award equal to the pro rata amount of such annual equity award, the amount of which is determined based on the date of such new director's appointment or election to the Board. Directors are subject to the Company's Stock Retention Policy as described in "Executive Compensation—Compensation Discussion and Analysis."

Directors received annual cash retainer fees for fiscal 2015 as follows:

Annual retainer for non-employee directors .....	\$ 40,000
Additional annual retainer for Non-Executive Chairman of the Board(1).....	\$ 100,000
Additional annual retainer for Lead Independent Director .....	\$ 25,000
Additional annual retainer for Audit Committee members.....	\$ 25,000
Additional annual retainer for Compensation Committee members.....	\$ 20,000
Additional annual retainer for Corporate Governance and Nominating Committee members.....	\$ 10,000
Additional annual retainer for Audit Committee Chairperson.....	\$ 15,000
Additional annual retainer for Compensation Committee Chairperson.....	\$ 10,000
Additional annual retainer for Corporate Governance and Nominating Committee Chairperson.....	\$ 5,000

(1) The position of “Non-Executive Chairman of the Board” was not held during 2015, and as such no annual retainer fees were paid during this period.

Non-employee directors are reimbursed for their expenses in attending meetings.

### Non-Employee Director Compensation Table for Fiscal 2015

The following table sets forth a summary of compensation information for our non-employee directors for fiscal 2015. As an executive officer of the Company during fiscal 2015, Mr. Bidzos received no additional compensation for services provided as a director. Information regarding Mr. Bidzos’ compensation may be found under “Executive Compensation.”

#### DIRECTOR COMPENSATION FOR FISCAL 2015

Non-Employee Director Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Total (\$)
William L. Chenevich.....	105,000	239,950	344,950
Kathleen A. Cote.....	80,000	239,950	319,950
Thomas F. Frist(3).....	3,940	153,247	157,187
Jamie S. Gorelick(4).....	63,361	352,996	416,357
Roger H. Moore.....	75,000	239,950	314,950
John D. Roach(5).....	32,910	0	32,910
Louis A. Simpson.....	91,073	239,950	331,023
Timothy Tomlinson.....	90,490	239,950	330,440

(1) Amounts shown represent retainer fees earned by each director.

(2) Stock Awards consist solely of RSUs. Amounts shown represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the applicable awards granted in fiscal 2015. The grant date fair value of each Stock Award granted to each non-employee director (excluding Mr. Frist who was appointed on December 3, 2015) on July 21, 2015 was \$ 239,950 (3,687 RSUs at \$65.08 per share closing price on the grant date).

(3) Mr. Frist was appointed to the Board of Directors on December 3, 2015 and received a grant of 1,665 RSUs at \$92.04 per share, which represents the pro rata amount of annual equity awards given to members of the Board of Directors.

(4) In addition to the grant on July 21, 2015, Ms. Gorelick received a grant on the date of her appointment to the Board of Directors, January 30, 2015, for 2,075 RSUs at \$54.48 per share, which represents the pro rata amount of annual equity awards given to members of the Board of Directors.

(5) Mr. Roach served as a director until the 2015 Annual Meeting of Stockholders.

RSUs granted to non-employee directors in 2015 vested immediately upon grant. The Compensation Committee may authorize grants with different vesting schedules in the future. The vesting of equity awards for all non-employee directors accelerates as to 100% of any unvested equity awards upon certain changes-in-control as set forth in the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan (the “2006 Plan”).

**The Board Recommends a Vote “FOR” the Election of Each of the Nominated Directors.**

## CORPORATE GOVERNANCE

### Independence of Directors

As required under The NASDAQ Stock Market's listing standards, a majority of the members of our Board must qualify as "independent," as determined by the Board. The Board consults with our legal counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of The NASDAQ Stock Market.

Consistent with these considerations, after review of all relevant transactions and relationships between each director, or any of his or her family members, and Verisign, our executive officers or our independent registered public accounting firm, the Board affirmatively determined on February 18, 2016 that the majority of our Board is comprised of independent directors. Our independent directors are: Mr. Chenevich (who will not stand for re-election), Ms. Cote, Mr. Frist, Ms. Gorelick, Mr. Moore, Mr. Simpson and Mr. Tomlinson. Each director who serves on the Audit Committee, the Compensation Committee or the Corporate Governance and Nominating Committee is an independent director. Mr. Bidzos serves as Executive Chairman, President and Chief Executive Officer and thus is not considered independent. John D. Roach, who served as a director until the 2015 Annual Meeting of Stockholders, was determined to be independent pursuant to these same standards.

### Board Leadership Structure

The Board regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its stockholders are best served by not having a formal policy on whether the same individual should serve as both Chief Executive Officer and Chairman of the Board. This flexibility allows the Board to utilize its considerable experience and knowledge to elect the most appropriate director as Chairman, while maintaining the ability to separate the Chairman of the Board and Chief Executive Officer roles when necessary. This determination is made according to what the Board believes is best to provide appropriate leadership for the Company at such time. Currently, the Company's eight-member Board is led by Chairman D. James Bidzos. Mr. Bidzos is also an officer of the Company, serving as its Executive Chairman, President and Chief Executive Officer. The Board has appointed Louis A. Simpson as Lead Independent Director. The Lead Independent Director presides at all meetings of the Board at which the Chairman of the Board is not present.

The Board has determined that its current leadership represents an appropriate structure for the Company. In particular, this structure capitalizes on the expertise and experience of Messrs. Bidzos and Simpson due to their long-tenured service to the Board. The structure permits Mr. Bidzos to engage in the operations of the Company in a more in-depth way as Executive Chairman, President and Chief Executive Officer. Lastly, the structure ensures Board independence from management by permitting the Lead Independent Director to call and chair meetings of the independent directors separate and apart from the Chairman of the Board.

Mr. Bidzos was a founder of the Company and its initial Chief Executive Officer, and he has been either Chairman or Vice Chairman of the Company's Board of Directors since the Company's founding in 1995. Mr. Bidzos's current tenure as Chairman of the Board dates to August 2007. Mr. Bidzos was appointed Executive Chairman, President and Chief Executive Officer of Verisign on an interim basis on June 30, 2008. On January 14, 2009, Mr. Bidzos resigned as President on an interim basis, and on August 17, 2009, Mr. Bidzos resigned as Executive Chairman and Chief Executive Officer on an interim basis and was appointed Executive Chairman of Verisign. On August 1, 2011, Mr. Bidzos was appointed President and Chief Executive Officer. Mr. Simpson has been the Lead Independent Director since July 2015. Prior to Mr. Simpson, Mr. Chenevich served as the Lead Independent Director.

### Board Role in Risk Oversight

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate member of senior management responsible for mitigating these risks within the organization to enable it to understand our risk identification, risk management and risk mitigation strategies. When a committee receives a report on risks under its purview, the Chairperson of the relevant committee reports on the discussion to the full Board during the committee reports portion of the next Board meeting. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. All of our Board members have experience with enterprise risk management. In addition, the Board discusses cyber risks regularly during its regularly scheduled board meetings.

### Board and Committee Meetings

The Board met five times and its committees collectively met fifteen times during 2015. During 2015, Mr. Chenevich was the only director who attended fewer than 75% of the aggregate of (i) the total number of meetings held by the Board and (ii) the total number of meetings held by all committees on which he or she served. As the Lead Independent Director, Mr. Simpson may schedule and conduct separate meetings of the independent directors and perform other similar duties.



## **Board Members' Attendance at the Annual Meeting**

Although we do not have a formal policy regarding attendance by members of the Board at our annual meeting of stockholders, we encourage directors to attend. One member of the Board attended our 2015 Annual Meeting of Stockholders.

## **Corporate Governance and Nominating Committee**

The Board has established a Corporate Governance and Nominating Committee to recruit, evaluate, and nominate candidates for appointment or election to serve as members of the Board, recommend nominees for committees of the Board, recommend corporate governance principles and periodically review and assess the adequacy of these principles, and review annually the performance of the Board. The Corporate Governance and Nominating Committee is currently composed of Ms. Cote (Chairperson), Mr. Chenevich, Mr. Frist, Ms. Gorelick, Mr. Moore, Mr. Simpson and Mr. Tomlinson, each of whom has been determined by the Board to be an "independent director" under the rules of The NASDAQ Stock Market. The Corporate Governance and Nominating Committee operates pursuant to a written charter. The Corporate Governance and Nominating Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Corporate Governance and Nominating Committee met five times during fiscal 2015.

In nominating candidates for election to the Board, the Corporate Governance and Nominating Committee considers the performance and qualifications of each potential nominee or candidate, not only for his or her individual strengths but also for his or her potential contribution to the Board as a group. While it has no express policy, in carrying out this responsibility the Corporate Governance and Nominating Committee also considers additional factors, such as diversity of business administration specialty, expertise within industries and markets tangential or complementary to the Company's industry, and business contacts among the various market segments relevant to the Company's sales, human resource and development strategies. Additionally, pursuant to its charter, the Corporate Governance and Nominating Committee evaluates and reviews with the Board the criteria for selecting new directors, including skills and characteristics, in the context of the current composition of the Board and its committees.

The Corporate Governance and Nominating Committee considers candidates for director nominees proposed by directors and stockholders. The Corporate Governance and Nominating Committee may also from time to time retain one or more third-party search firms to identify suitable candidates.

If you would like to recommend to the Corporate Governance and Nominating Committee a prospective candidate, please submit the candidate's name and qualifications to: Thomas C. Indelicato, Secretary, VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190.

The Corporate Governance and Nominating Committee will consider all candidates identified by the directors, chief executive officer, stockholders, or third-party search firms through the processes described above, and will evaluate each of them, including incumbents and candidates nominated by stockholders, based on the same criteria.

## **Audit Committee**

The Board has established an Audit Committee that oversees the accounting and financial reporting processes at the Company, internal control over financial reporting, audits of the Company's financial statements, the qualifications of the Company's independent registered public accounting firm, and the performance of the Company's internal audit department and the independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee, and the Audit Committee is responsible for the appointment (subject to stockholder ratification), compensation and retention of the independent registered public accounting firm. The Audit Committee also oversees the Company's processes to manage business and financial risk, and compliance with significant applicable legal and regulatory requirements, and oversees the Company's ethics and compliance programs. The Audit Committee is currently composed of Mr. Tomlinson (Chairperson), Mr. Chenevich, Ms. Cote and Mr. Moore. Each member of the Audit Committee meets the independence criteria of The NASDAQ Stock Market and the SEC. Each Audit Committee member meets The NASDAQ Stock Market's financial knowledge requirements, and the Board has determined that the Audit Committee has at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities as required by Rule 5605(c)(2) of The NASDAQ Stock Market. The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and The NASDAQ Stock Market. The Audit Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Audit Committee met five times during fiscal 2015.

## **Audit Committee Financial Expert**

Our Board has determined that Mr. Chenevich, Ms. Cote, Mr. Moore and Mr. Tomlinson are "audit committee financial experts" as such term is defined in Item 407(d)(5) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Mr. Chenevich, Ms. Cote, Mr. Moore and Mr. Tomlinson meet the independence requirements for audit committee members as defined in the applicable listing standards of The NASDAQ Stock Market.

## Report of the Audit Committee

The Audit Committee is composed of four directors who meet the independence and experience requirements of The NASDAQ Stock Market Rules. The Audit Committee operates under a written charter adopted by the board of directors (the “Board”) of VeriSign, Inc. (“Verisign”). The members of the Audit Committee are Messrs. Tomlinson (Chairperson), Moore and Chenevich, and Ms. Cote. The Audit Committee met five times during fiscal 2015.

Management is responsible for the preparation, presentation and integrity of Verisign’s financial statements, accounting and financial reporting principles and internal controls and processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting standards and applicable laws and regulations (the “Internal Controls”). The independent registered public accounting firm, KPMG LLP (“KPMG”), is responsible for performing an independent audit of Verisign’s consolidated financial statements and the effectiveness of the Company’s internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon.

The Audit Committee is responsible for oversight of Verisign’s financial, accounting and reporting processes and its compliance with significant applicable legal and regulatory requirements. The Audit Committee is also responsible for the appointment, compensation and oversight of Verisign’s independent registered public accounting firm, including (i) evaluating the independent registered public accounting firm’s qualifications and performance, (ii) reviewing and confirming the independent registered public accounting firm’s independence, (iii) reviewing and approving the planned scope of the annual audit, (iv) overseeing the audit work of the independent registered public accounting firm, (v) reviewing and pre-approving any non-audit services that may be performed by the independent registered public accounting firm, (vi) reviewing with management and the independent registered public accounting firm the adequacy of Verisign’s Internal Controls, and (vii) reviewing Verisign’s critical accounting policies, the application of accounting principles and conduct of the audit, including the oversight of the resolution of any issues identified by the independent registered public accounting firm.

To ensure the independence of Verisign’s independent registered public accountant, we follow the applicable laws, rules and regulations regarding the rotation of audit partners, including Rule 2-01 of Regulation S-X.

During fiscal 2015, the Audit Committee met privately with KPMG to discuss the results of the audit, evaluations by the independent registered public accounting firm of Verisign’s Internal Controls and quality of Verisign’s financial reporting. In addition, during its regularly scheduled meetings, the Audit Committee met privately with each of Verisign’s Chief Financial Officer, General Counsel and Compliance Officer and Vice President of Internal Audit to discuss various legal, accounting, auditing and internal control matters.

The Audit Committee has reviewed and discussed the audited consolidated financial statements contained in Verisign’s Annual Report on Form 10-K for the year ended December 31, 2015 with management. This review included a discussion of the accounting principles, reasonableness of significant judgments, and clarity of disclosures in the consolidated financial statements. Management represented to the Audit Committee that Verisign’s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and the Audit Committee has reviewed and discussed the consolidated financial statements with KPMG.

The Audit Committee has discussed with KPMG the matters required to be discussed under the applicable rules adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has received from KPMG the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG’s communications with the Audit Committee concerning independence, and the Audit Committee has discussed with KPMG their independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in Verisign’s Annual Report on Form 10-K for the year ended December 31, 2015, for filing with the SEC.

This report is submitted by the Audit Committee

Timothy Tomlinson (Chairperson)

William L. Chenevich

Kathleen A. Cote

Roger H. Moore



## Compensation Committee

The Board has established a Compensation Committee to discharge the Board's responsibilities with respect to all forms of compensation of the Company's employees, including directors and executive officers, to administer the Company's equity incentive plans, and to produce an annual report on executive compensation for use in the Company's proxy statement. The Compensation Committee is also responsible for approving and evaluating executive officer compensation arrangements, plans, policies and programs of the Company, and for administering the Company's equity incentive plans for employees. The Compensation Committee operates pursuant to a written charter. The Compensation Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Compensation Committee is currently composed of Mr. Simpson (Chairperson), Ms. Gorelick, and Mr. Tomlinson, each of whom is an "independent director" under the rules of The NASDAQ Stock Market for compensation committee members, a "non-employee director" pursuant to Rule 16b-3 promulgated under Section 16 of the Exchange Act and an "outside director" pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee met five times during fiscal 2015. For further information regarding the role of compensation consultants and management in setting executive compensation, see "Executive Compensation—Compensation Discussion and Analysis."

## Communicating with the Board

Any stockholder who desires to contact the Board may do so electronically by sending an e-mail to the following address: [bod@verisign.com](mailto:bod@verisign.com). Alternatively, a stockholder may contact the Board by writing to: Board of Directors, VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190, Attention: Secretary. Communications received electronically or in writing are distributed to the Chairman of the Board or other members of the Board, as appropriate, depending on the facts and circumstances outlined in the communication received.

## Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other senior accounting officers. This code of ethics, titled "Code of Ethics for the Chief Executive Officer and Senior Financial Officers," is posted on our website under "Ethics and Business Conduct" at <https://investor.verisign.com/corporate-governance.cfm> along with the "Verisign Code of Conduct" that applies to all officers and employees, including the aforementioned officers.

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the "Code of Ethics for the Chief Executive Officer and Senior Financial Officers" or, to the extent also applicable to the principal executive officer, principal financial officer, or other senior accounting officers, the "Verisign Code of Conduct—2012" by posting such information on our website, on the Web page found by clicking through to "Ethics and Business Conduct" as specified above.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2016, except as otherwise indicated, by:

- each current stockholder who is known to own beneficially more than 5% of our common stock;
- each current director;
- each of the Named Executive Officers (see “Executive Compensation—Summary Compensation Table” elsewhere in this Proxy Statement); and
- all current directors and executive officers as a group.

The percentage ownership is based on 108,879,250 shares of common stock outstanding at March 31, 2016. Shares of common stock that are covered by RSUs vesting within 60 days of March 31, 2016, are deemed outstanding for the purpose of computing the percentage ownership of the person holding such RSUs but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated in the footnotes following the table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

## BENEFICIAL OWNERSHIP TABLE

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number(1)	Percent(1)
<b>Greater Than 5% Stockholders</b>		
T. Rowe Price Associates, Inc.(2) 100 E. Pratt Street Baltimore, MD 21202 .....	18,002,288	16.53 %
Capital World Investors(3) 333 South Hope Street Los Angeles, CA 90071 .....	15,462,044	14.20 %
Warren Buffett(4) Berkshire Hathaway, Inc. 3555 Farnam Street Omaha, NE 68131 .....	12,985,000	11.93 %
The Vanguard Group(5) 100 Vanguard Boulevard Malvern, PA 19355.....	8,247,543	7.57 %
BlackRock, Inc. (6) 55 East 52 <sup>nd</sup> Street New York, NY 10022.....	6,433,266	5.91 %
New Perspective Fund(7) 333 South Hope Street Los Angeles, CA 90071 .....	5,733,444	5.27 %
<b>Directors and Named Executive Officers</b>		
D. James Bidzos.....	522,081	*
William L. Chenevich.....	30,034	*
Kathleen A. Cote.....	39,332	*
Thomas F. Frist III.....	1,665	*
Jamie S. Gorelick.....	6,762	*
Roger H. Moore.....	29,991	*
Louis A. Simpson(8).....	207,661	*
Timothy Tomlinson(9).....	16,477	*
Todd B. Strubbe(10).....	29,135	*
George E. Kilguss, III(11).....	77,964	*
Thomas C. Indelicarto(12).....	13,773	*
All current directors and executive officers as a group (11 persons)(13).....	1,004,875	*

\* Less than 1% of Verisign's outstanding common stock.

- (1) The percentages are calculated using 108,879,250 outstanding shares of the Company's common stock on March 31, 2016 as adjusted pursuant to Rule 13d-3(d)(1)(i). Pursuant to Rule 13d-3(d)(1) of the Exchange Act, beneficial ownership information for each person also includes shares subject to options exercisable, or RSUs vesting, within 60 days of March 31, 2016, as applicable.
- (2) Based on Schedule 13G/A filed on February 11, 2016 with the SEC by T. Rowe Price Associates, Inc. with respect to beneficial ownership of 18,002,288 shares. T. Rowe Price Associates, Inc. has sole voting power over 5,169,371 of these shares and sole dispositive power over 18,002,288 of these shares.
- (3) Based on Schedule 13G/A filed on February 16, 2016 with the SEC by Capital World Investors, with respect to beneficial ownership of 15,462,044 shares. Capital World Investors has sole voting power over 15,462,044 of these shares and sole dispositive power over 15,462,044 of these shares.
- (4) Based on Schedule 13G filed on August 4, 2014 with the SEC by Berkshire Hathaway, Inc., with respect to beneficial ownership of 12,985,000 shares. Berkshire Hathaway, Inc., is a diversified holding company which Mr. Buffett may be deemed to control. Mr. Buffett and Berkshire Hathaway share voting and dispositive power over 12,985,000 of these shares, which include shares beneficially owned by certain subsidiaries of Berkshire Hathaway.
- (5) Based on Schedule 13G/A filed on February 11, 2016 with the SEC by The Vanguard Group with respect to beneficial ownership of 8,247,543 shares. The Vanguard Group has sole voting power over 182,666 of these shares, sole dispositive power over 8,046,209 of these shares, shared voting power over 10,300 of these shares and shared dispositive power over 201,334 of these shares.
- (6) Based on Schedule 13G/A filed on February 10, 2016 with the SEC by BlackRock, Inc. with respect to beneficial ownership of 6,433,266 shares. BlackRock has sole voting power over 5,532,939 of these shares and sole dispositive power over 6,433,266 of these shares.
- (7) Based on Schedule 13G filed on February 16, 2016 with the SEC by New Perspective Fund with respect to beneficial ownership of 5,733,444 shares. New Perspective Fund has sole voting power over 0 shares, shared voting power over 0 shares, sole dispositive power over 0 shares, and shared dispositive power over 0 shares. New Perspective Fund is advised by Capital Research and Management Company which manages equity assets through three divisions, Capital Research Global Investors, Capital World Investors, and Capital International Investors, each of which generally function separately from each other and make investment decisions on a separate basis.
- (8) Includes 207,661 shares held by the Louis A. Simpson Living Trust, under which Mr. Simpson is the trustee.
- (9) Includes 16,477 shares held indirectly by the Tomlinson Family Trust, under which Mr. Tomlinson and his spouse are co-trustees.

- (10) Includes 19,477 RSUs vesting within 60 days of March 31, 2016 held directly by Mr. Strubbe.
- (11) Includes 4,914 RSUs vesting within 60 days of March 31, 2016 held directly by Mr. Kilguss.
- (12) Includes 250 RSUs vesting within 60 days of March 31, 2016 held directly by Mr. Indelicarto.
- (13) Includes the shares described in footnotes (8)-(12).

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and officers, and persons who own more than 10% of Verisign's common stock to file initial reports of ownership and reports of changes in ownership with the SEC and The NASDAQ Stock Market. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. We file Section 16(a) reports on behalf of our directors and executive officers to report their initial and subsequent changes in beneficial ownership of our common stock.

Based solely on a review of the reports we filed on behalf of our directors and executive officers, or written representations from reporting persons that all reportable transactions were reported, the Company believes that all Section 16(a) filing requirements applicable to our directors and executive officers were complied with for fiscal 2015.

## PROPOSAL NO. 2

### TO APPROVE, ON A NON-BINDING ADVISORY BASIS, VERISIGN'S EXECUTIVE COMPENSATION

Under Schedule 14A of the Exchange Act and the corresponding SEC rules, Verisign is seeking an advisory stockholder vote with respect to compensation awarded to our Named Executive Officers for 2015 as disclosed in the Compensation Discussion and Analysis section and accompanying compensation tables contained in this Proxy Statement. The stockholder vote on executive compensation is advisory only, and the result of the vote is not binding upon the Company or its Board. Although the resolution is non-binding, the Board and the Compensation Committee will consider the outcome of the advisory vote on executive compensation when making future compensation decisions. On May 26, 2011, the majority of the Company's stockholders voted in favor of an annual non-binding stockholder advisory vote on executive compensation and, in consideration of the outcome of the frequency vote, the Board determined to hold such advisory vote each year. Following the Meeting, the next such non-binding advisory vote to approve Verisign's executive compensation is scheduled to occur at the 2017 Annual Meeting of Stockholders.

Verisign's executive compensation program and compensation paid to the Named Executive Officers are described elsewhere in this Proxy Statement. The Compensation Committee oversees the program and compensation awarded, adopting changes to the program and awarding compensation as appropriate to reflect the Company's circumstances and to promote the main objectives of the program: to provide competitive overall pay relative to peers, taking into account company and individual performance, to effectively tie pay to performance, and to align the Named Executive Officers' interests with stockholders.

This proposal allows our stockholders to express their opinions regarding the decisions of the Compensation Committee on the prior fiscal year's annual compensation to the Named Executive Officers. You may vote *for* or *against* the following resolution, or you may abstain. This vote is advisory and non-binding.

**Resolved, that the stockholders approve the compensation of VeriSign, Inc.'s Named Executive Officers, as disclosed under Securities and Exchange Commission rules, including the Compensation Discussion and Analysis section, the compensation tables and related material included in this Proxy Statement.**

**The Board Recommends a Vote "FOR" the foregoing resolution.**

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis (“CD&A”) provides comprehensive information about our executive compensation program for our fiscal 2015 Named Executive Officers (“NEOs”), who are listed below, and provides context for the decisions underlying the compensation reported in the executive compensation tables in the Proxy Statement. Our NEOs are:

- D. James Bidzos, Executive Chairman, President and Chief Executive Officer (“CEO”);
- Todd B. Strubbe, Executive Vice President, Chief Operating Officer (“COO”) (Mr. Strubbe joined the Company on April 20, 2015);
- George E. Kilguss, III, Senior Vice President and Chief Financial Officer (“CFO”); and
- Thomas C. Indelicarto, Senior Vice President, General Counsel and Secretary.

Messrs. Kilguss and Indelicarto were promoted to Executive Vice President on February 17, 2016.

In the sections below, we will describe the material elements of our executive compensation program for 2015, including how we set compensation and tied pay to performance. We refer to our NEOs and senior vice presidents, collectively as our “senior officers.”

### Executive Summary

In 2015, our focus remained on the alignment of pay and performance. The following table provides highlights of our 2015 compensation program:

Item	Action	Description/Rationale
Annual base salary increases	Salary increases were provided to Messrs. Kilguss and Indelicarto.	Salary adjustments were made to better align salaries with the market.
Annual incentive bonus	Funded bonus pool at 117% of target.	The pre-established formula for determining the size of the bonus pool yielded funding equal to 117% of target based on achievement levels of the plan’s financial targets for revenue and non-GAAP operating margin.
Long-term incentive compensation	Granted annual equity awards comprised of 50% time-vesting Restricted Stock Units (“RSUs”) and 50% performance-based RSUs. The equity awards for the CEO are comprised of 42% time-vesting RSUs and 58% performance-based RSUs.	Awards provided immediate retentive value, tied long-term incentive compensation to Company performance, and created strong alignment with stockholder value creation.
Stock retention policy	<p>Left ownership guidelines unchanged:</p> <ul style="list-style-type: none"> <li>• 6x base salary for CEO;</li> <li>• 2x base salary for SVP/EVP levels.</li> <li>• 5x annual retainer for Directors</li> </ul> <p>These guidelines remain in place until six months after separation of service from the company.</p>	Guidelines continue to ensure alignment of our Directors, CEO’s, Executive Vice Presidents’ and Senior Vice Presidents’ interests with the interests of stockholders.
Peer group	Conducted a comprehensive review of companies to be included in our peer group. Our selection criteria included industry, financial size (revenue, operating income and market capitalization), inclusion in the S&P 500, consistent profitability, cash flow, and return of capital to shareholders.	Changes in peer group were designed to ensure our peer group reflects the market in which we compete for talent and includes companies similar to us in industry, size and complexity.



**Key features of our current compensation programs include:**

- A majority of our senior officers' compensation is performance based
- Our senior officers do not have employment contracts
- Our senior officers' change in control agreements contain a double trigger and do not allow for tax gross-ups
- We do not have special pension plans, special retirement plans or other significant perquisites for senior officers
- Our senior officers participate in the same benefit programs as all employees
- Our Board has established a compensation recoupment policy applicable to our NEOs in the event of a restatement of the Company's financial statements
- We have stock ownership requirements applicable to our senior officers and directors
- Our securities trading policy prohibits any employee or director from hedging or pledging our stock
- The Compensation Committee has retained an independent compensation consultant

**Results of Shareholder Advisory Votes on Executive Compensation:** When the Compensation Committee set compensation amounts for 2016, it took into account the results of the stockholder advisory vote on executive compensation that took place in May 2015. Although the vote was advisory and not binding, our stockholders indicated strong support of our executive compensation program for our NEOs as disclosed in the 2015 Proxy Statement (97,555,092 votes were in favor, 95,264 abstained and 1,926,883 voted against, with 6,975,346 broker non-votes). Over 99% of the votes cast and approximately 85% of the shares entitled to vote (the number of shares entitled to vote as of the record date was 116,428,984) were in favor of our NEO compensation program. As such, we did not make any material changes to our 2015 executive compensation program from 2014.

**Compensation Philosophy and Objectives**

Verisign's reputation as an industry leader in the secure and reliable operation of critical Internet infrastructure is built on the executive talent we are able to attract and retain. Our executive compensation program is designed to ensure we have the talent we need to maintain our current high performance standards and grow our business for the future. Our philosophy is to provide a mix of compensation that motivates our executives to achieve our short and long-term performance goals, which in turn will create value for our stockholders.

Our executive compensation program is designed with the following objectives in mind:

Objective	Program Design Element
Attract and retain talented executives	<ul style="list-style-type: none"><li>• Provide a competitive level of total direct compensation (base salary, bonus and long-term incentive).</li><li>• Provide a portion of executive compensation in the form of time-vesting RSUs that have retentive value as they vest over a multi-year period.</li></ul>
Tie a significant portion of executives' compensation to achievement of the Company's performance objectives	<ul style="list-style-type: none"><li>• Provide a compensation program that is weighted in favor of annual and long-term incentives and includes performance-based RSUs with performance objectives that are tied to stockholder value creation and other financial and strategic goals.</li></ul>
Recognize and reward individual performance	<ul style="list-style-type: none"><li>• Provide awards, under the annual incentive program, based on Company performance that may be modified up or down based on individual performance to closely align executives' personal accomplishments with their compensation.</li></ul>

**Objective**

**Program Design Element**

Align the interests of our executives with our stockholders

- Provide a significant portion of compensation tied to the long term value of our stock. This design element includes:

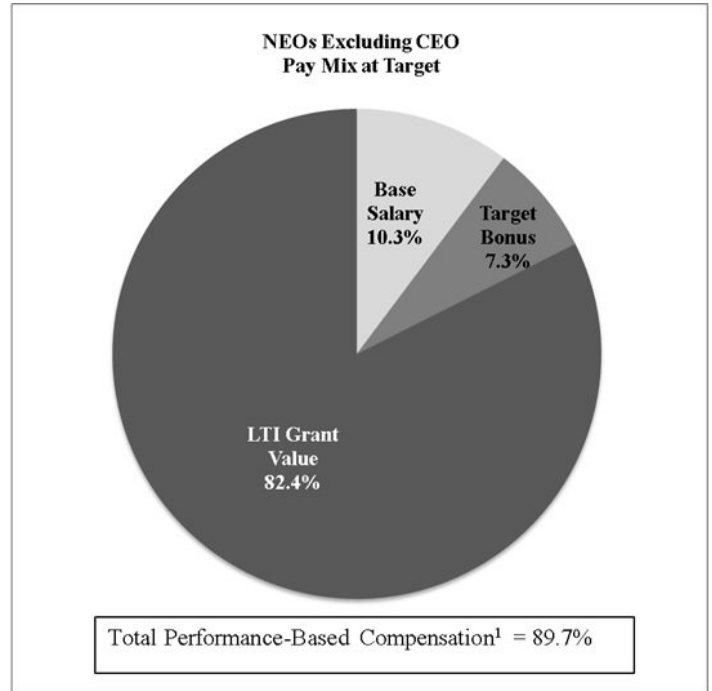
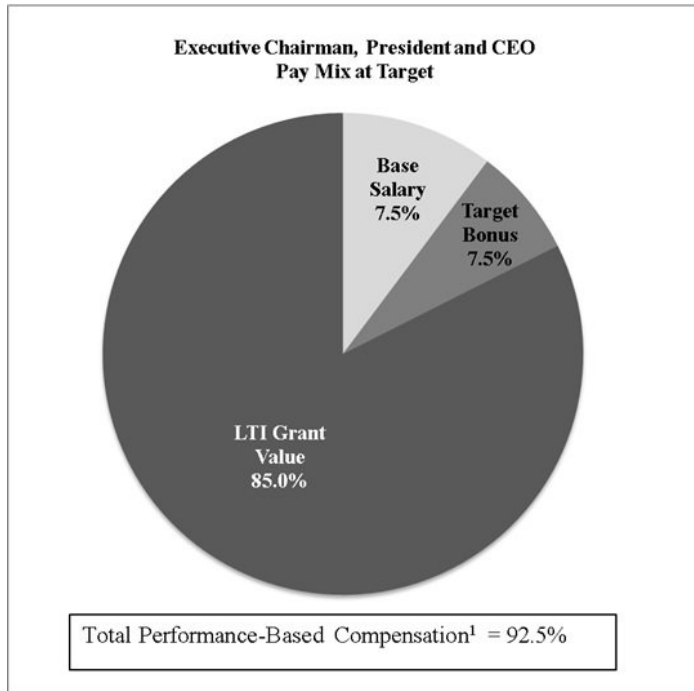
Annual equity grants that vest over a multi-year period and are comprised of 50% time-vesting RSUs and 50% performance-based RSUs. The annual equity grants for the CEO are more heavily weighted to performance-based RSUs (42% time-vesting RSUs and 58% performance-based RSUs).

Time-vesting RSUs that vest over a four-year period.

Basing the value of performance-based RSUs on the Company’s performance over a three-year period.

Requiring executives to meet stock ownership guidelines and retain their required ownership until six months after termination of employment.

*Pay and Performance Relationship:* Attracting and retaining the level of executive talent we need to be successful is a key objective of our executive compensation program. However, it is equally important that our executives are motivated and rewarded to achieve objectives that provide long-term benefits to our stockholders. We have designed our executive compensation program so that a significant amount of our NEOs’ compensation is performance-based to ensure the actual compensation paid to our executives is appropriately aligned with our Company’s performance and stockholders’ long-term interests. The charts below illustrate our emphasis on performance-based compensation.



<sup>1</sup>Performance-Based Compensation = Annual incentive bonus and long-term incentive (“LTI”), valued as of the date of the grant.

*Note for purposes of the NEOs Excluding CEO Pay Mix at Target chart, the annual base salary and annual target bonus for Mr. Strubbe (hired on April 20, 2015) was not prorated and LTI consists of all equity grants received throughout 2015. If Mr. Strubbe were to be excluded, the Pay Mix would be 14.4% (Base Salary), 9.4% (Target Bonus), and 76.2% (LTI Grant Value).*

## ***Our Process for Setting Compensation***

***Role of the Compensation Committee:*** The Compensation Committee oversees our compensation and benefit programs and sets the policies that govern compensation of our senior officers, including NEOs, and other employees. As part of its role in approving senior officers' compensation, the Compensation Committee annually:

- Reviews and makes changes as appropriate to the peer group used to benchmark competitive compensation levels for our senior officers;
- Reviews the report from its compensation consultant describing the relationship of the Company's compensation philosophy and amounts to its peer group and its industry;
- Reviews and approves design elements of senior officer compensation for market competitiveness and alignment with Company performance;
- Sets performance goals for our annual and long-term incentive compensation programs;
- Reviews the Board's assessment of the individual performance of the CEO achieved during the fiscal year and determines any adjustments to the CEO's base salary, annual incentive and equity awards based on this assessment; and
- Reviews the CEO's assessment of individual performance of each senior officer in conjunction with performance achieved during the fiscal year and approves any adjustments to base salary, annual incentive and equity awards based on this assessment.

***Role of Management:*** The CEO annually reviews the performance of each senior officer, other than the CEO (whose performance is reviewed by the Board), and makes recommendations to the Compensation Committee for base salary adjustments, annual incentive and equity awards based on this assessment.

***Role of External Compensation Consultant:*** The Compensation Committee has engaged Frederic W. Cook & Co., Inc. ("FW Cook") as its independent consultant to assist it in evaluating and analyzing the Company's executive compensation program and principles. FW Cook also reviews compensation design recommendations by the Company's management and provides recommendations to the Compensation Committee for any changes to the CEO's compensation. FW Cook provides the following services to the Compensation Committee:

- Analyzes the senior officers' annual compensation based on comparisons to the Company's peer group, including comparing target and actual total compensation and advises the Compensation Committee on the appropriateness of management's recommendations for any changes to the senior officers' compensation;
- Reviews the Company's peer group annually and provides recommendations for changes as appropriate;
- Advises the Compensation Committee on best practices related to governance and design of executive compensation programs;
- Reviews the Company's equity compensation philosophy and incentive design;
- Reviews the risk assessment of company incentive plans and arrangements;
- Reviews the draft CD&A; and
- Reviews non-employee director compensation.

At its meeting in October 2015, the Compensation Committee reviewed FW Cook's performance, and in December 2015, the Committee assessed FW Cook's independence against the six independence factors set forth in the NASDAQ rules. FW Cook provided the Committee with a written statement addressing the six independence factors and presented information which addressed all factors. Upon review of FW Cook's responses, the Committee determined that FW Cook was independent and engaged FW Cook for fiscal year 2016. FW Cook performs no other services for the Company and the Committee believes its services for the Committee do not raise any conflicts of interest.

***Competitive Market Assessment:*** Each year, we assess the competitiveness of our senior officers' (including our NEOs') base salary, annual incentive bonus targets and long-term incentive compensation targets (element by element and in aggregate) by comparing our program to a peer group of publicly-traded high technology companies that we view as our competitors for executive talent. We examine the compensation data of our peer group and also review broader publicly-available survey data for high technology companies that are comparable to us in annual revenues.

The Compensation Committee carefully considers our peer group and survey data when determining total compensation for its NEOs. The Compensation Committee also considers a senior officer's individual performance, future potential, and scope of responsibilities and experience when approving compensation.

Each year, the Compensation Committee reviews the peer group with the assistance of its independent consultant and makes changes as appropriate in order to ensure it continues to appropriately reflect the competitive market for executive talent. As part of its annual

review in April of 2015, the Compensation Committee identified several additional companies to add to our peer group for 2015 to establish a broader set of peer companies.

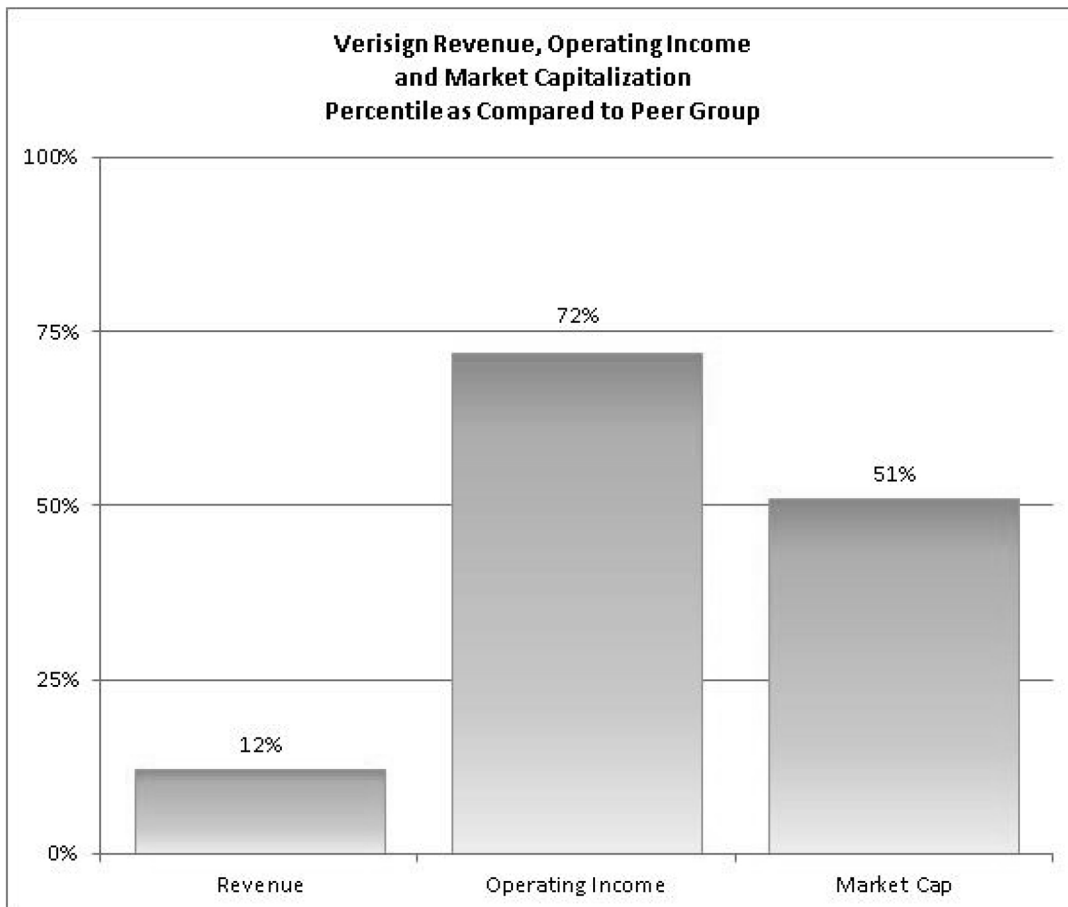
For 2015, we expanded our peer selection criteria to include companies more closely aligned in strategic focus as well as financial size and industry. The criteria used to evaluate potential peers were based on financial size (revenue, operating income, and market capitalization), free cash flow yield, EBITDA growth, use of dividends or buybacks, inclusion in the S&P 500 and industry. Similar to Verisign, the resulting peer group includes companies that exhibit high free cash flow on a per share basis, return excess capital to shareholders, are focused on driving continuous profitable growth and have longevity within their business.

For 2015 our peer group was:

- |                          |                        |
|--------------------------|------------------------|
| *Alliance Data Systems   | Nuance Communications  |
| Akamai Technologies      | *Paychex               |
| ANSYS                    | Rackspace Hosting      |
| Autodesk                 | Red Hat                |
| Citrix Systems           | *Roper Technologies    |
| Equinix                  | Rovi                   |
| *F5 Networks             | Solera Holdings        |
| Factset Research Systems | *Teradata              |
| *Fiserv                  | *Total System Services |
| *Intuit                  |                        |

\*addition to peer group as of April 2015

The chart below illustrates Verisign’s revenue, operating income and market capitalization percentile as compared to its 2015 peer group as of December 31, 2015 with revenue reflecting the most recently reported four quarters.



*Note: The data source is Standard & Poor's Capital IQ*

## Elements of Our Executive Compensation Program

Our executive compensation program is made up of three main elements: base salary, annual incentive bonus, and long-term incentive compensation. The chart below shows our objectives for each element of compensation and what factors we use to determine actual awards. For each element of compensation, we review the 50<sup>th</sup> percentile of our peer group and relevant survey data to determine award levels.

Element	Objective	Factors Used to Determine Awards
<b>Base Salary</b>	Provide a guaranteed level of annual income in order to attract and retain our executive talent.	<ul style="list-style-type: none"> <li>• Job responsibilities</li> <li>• Experience</li> <li>• Individual contributions</li> <li>• Future potential</li> <li>• Internal pay equity</li> <li>• Effect on other elements of compensation</li> </ul>
<b>Annual Incentive Bonus</b>	Provide a target reward for achieving financial and strategic operational goals, and a greater than target award for exceeding goals.	<ul style="list-style-type: none"> <li>• Company performance measures</li> <li>• Individual performance</li> </ul>
<b>Long-Term Incentive Compensation</b>	Provide a reward that incentivizes executives to manage Verisign from the perspective of a stockholder. Also, to retain our executive talent.	<ul style="list-style-type: none"> <li>• Job responsibilities</li> <li>• Individual contributions</li> <li>• Future potential</li> <li>• Value of vested and unvested outstanding equity awards</li> <li>• Internal pay equity</li> </ul>

*Base Salary:* For 2015, the Compensation Committee reviewed competitive benchmark data provided by FW Cook and recommendations from our CEO regarding each senior officer's individual performance. Based on that review, adjustments were made to NEOs' salaries as summarized in the chart below. The base salary for each of our NEOs was at or below the 50<sup>th</sup> percentile of our peer group.

Name	Position	2014 Base Salary	2015 Base Salary	Rationale for Adjustment
D. James Bidzos	Executive Chairman, President and CEO	\$ 750,000	\$ 750,000	Mr. Bidzos' salary was not increased and has not been since he assumed the CEO role in August 2011.
Todd B. Strubbe	Executive Vice President, COO	-	\$ 550,000	Mr. Strubbe was hired April 20, 2015
George E. Kilguss, III	Senior Vice President and CFO	\$ 410,000	\$ 425,000	Mr. Kilguss' base salary was increased by 3.7% in February of 2015 to better align with peer group market data
Thomas C. Indelicarto	Senior Vice President, General Counsel and Secretary	\$ 330,000	\$ 350,000	Mr. Indelicarto's base salary was increased by 6% in February of 2015 to better align with peer group market data

*Annual Incentive Bonus:* We provide annual cash bonuses to our employees, including our NEOs, under the Verisign Performance Plan ("VPP"). These bonuses are based on the Company's achievement of pre-established financial goals, as well as individual performance.

We determine the target annual incentive opportunity for each of our NEOs based on a comparison to our peer group and information obtained from relevant survey data. Each of the target bonuses for our NEOs was at or below the 50<sup>th</sup> percentile of our peer group. For 2015, the Compensation Committee approved the following bonus targets as a percent of base salary for our NEOs:

NEOs	2015 Bonus Target as a % of Base Salary
CEO .....	100%
COO.....	80%
CFO.....	70%
Senior Vice Presidents.....	60%

Messrs. Kilguss and Indelicarto were promoted to Executive Vice President on February 17, 2016 with a new target bonus level of 75% for 2016.

The Compensation Committee approves actual annual incentive award payments for our senior officers, including NEOs, taking into account the Company's performance. The Company's performance determines the initial level of funding for the annual incentive bonus pool. The Compensation Committee then considers, and approves as appropriate, management's recommendation for modifying any individual awards above or below the level of funding based on an assessment of individual performance, subject to the maximum individual bonus payments described below for NEOs under *Tax Treatment of Executive Compensation*.

The Company's performance goals for the fiscal 2015 VPP were approved by the Compensation Committee in December 2014 and were based on two financial measures: Revenue and non-GAAP operating margin, both weighted equally at 50%.

For purposes of determining the bonus pool, we calculate the non-GAAP operating margin by taking the consolidated non-GAAP operating income as a percentage of revenue. We determine the consolidated non-GAAP operating income by excluding stock-based compensation from the Company's consolidated operating income. We use this non-GAAP performance measure because we believe it presents a clearer picture of the performance of the Company's core operations than the corresponding GAAP performance measures.

A description of the performance measures and funding established for each of the goals pertaining to the 2015 VPP are set forth below:

- **Revenue:** Weighted at 50% of the total bonus pool, this component would be funded when the actual results met a threshold level of achievement greater than 97% of the established target of \$1,050.0 million. Revenue achievement between 97% and 100% of target would result in funding from 0% to 100% with respect to this goal; revenue achievement between 100% and 103.8% of target would result in funding from 100% to 200% with respect to this goal.
- **Non-GAAP operating margin:** Weighted at 50% of the total bonus pool, this component would be funded when the actual results met a threshold level of achievement greater than 97% of the established target of 61.3%. Non-GAAP operating margin achievement between 97% and 100% of target would result in funding from 0% to 100% with respect to this goal; non-GAAP operating margin achievement between 100% and 104.4% of target would result in funding from 100% to 200% with respect to this goal

The chart below illustrates how each goal component and its respective performance achievement resulted in a final funding multiplier rounded to 117% of total target bonus pool for the VPP bonus plan.

Goal	Target	Actual	Actual as % of Target	Achievement	Weighting	Funding Multiplier
Revenue.....	\$1,050.0	\$1,059.4	100.9%	123.5%	50%	61.7%
Non – GAAP operating margin.....	61.3%	61.6%	100.4%	109.9%	50%	54.9%
<b>Total</b>						<b>116.6%</b>

In order to establish actual award amounts under the VPP bonus plan, the Compensation Committee also reviewed the CEO's assessment of individual performance of the NEOs and considered the Board's assessment of the CEO's individual performance. The chart below indicates the Compensation Committee's approved annual incentive bonus award for each NEO under the 2015 VPP bonus plan.



Name	Position	2015 Base Salary	Bonus Target as a % of Base Salary	2015 Actual Bonus Payment			Actual Payout as a % of Base Salary	Notes
				Funding Multiplier as a % of Target	Actual Payout as a % of Target	Actual Payout Amount		
D. James Bidzos	Executive Chairman, President and CEO	\$750,000	100%	117%	117.0%	\$877,500	117.0%	Mr. Bidzos' bonus payment was made at the funding multiplier level of 117% of his target bonus. No further adjustment was made.
Todd B. Strubbe	Executive Vice President, COO	\$550,000	80%	117%	79.6%	\$350,000	63.6%	Mr. Strubbe's bonus payment was made at 79.6% of his target bonus due to proration based on his hire date of April 20, 2015.
George E. Kilguss, III	Senior Vice President and CFO	\$425,000	70%	117%	117.6%	\$350,000	82.4%	Mr. Kilguss' bonus payout amount was rounded, resulting in a payout of 117.6%.
Thomas C. Indelicato	Senior Vice President, General Counsel and Secretary	\$350,000	60%	117%	142.9%	\$300,000	85.7%	Mr. Indelicato's bonus payout was made at 142.9% of his target. The adjustment over the funding multiplier was made due to performance and contributions.

*Long-Term Incentive Compensation:* Equity-based grants are a key element of our total compensation program. Consistent with our compensation philosophy, we believe it is important that these awards have a performance component and that they are aligned with total shareholder return. The target award amounts are based on several factors including competitiveness as determined by our peer group and relevant survey data provided by FW Cook, job responsibilities, individual contributions, and future potential of the executive. The target award amounts for our NEOs generally approximate the 50<sup>th</sup> percentile of our peer group.

In 2015, the Compensation Committee granted long-term equity compensation to our senior officers consisting of 50% performance-based RSUs and 50% time-vesting RSUs. The CEO received long-term equity compensation consisting of 58% performance-based RSUs and 42% time-vesting RSUs. The time-vesting RSUs provide strong retentive value for our executive talent as they vest ratably over four years, subject to continued employment. They are also linked to increases in stockholder value creation as their value goes up or down with the Company's stock price. The performance-based RSUs are linked to long-term Company financial performance as well as increases in stockholder value.

The metrics associated with the 2015 performance-based RSUs consist of two financial measures - compound annual growth rate ("CAGR") of operating income per share growth and Total Shareholder Return ("TSR") of Verisign stock compared to the TSR of the S&P 500 index. The number of RSUs earned may range from 0 to 200% of the target award based on CAGR of operating income per share growth for the relevant performance period, but no more than 100% of target may be earned unless the TSR of Verisign stock equals or outperforms the TSR of the S&P 500 index for the period January 1, 2015 through December 31, 2017. We believe that the performance metrics coincide with shareholder interests, create a long-term performance focus and complement the performance metrics in the Company's short term annual incentive plan. The vesting of the 2015 performance-based RSUs at the end of a three-year performance period provides a strong retention incentive.

The chart below illustrates the vesting schedule for the 2015 equity grant.

	2016	2017	2018	2019
Grant of Time-Vesting RSUs 50% of LTI Grant (1)	25% vested on February 10, 2016	25% vesting on February 10, 2017	25% vesting on February 10, 2018	25% vesting on February 10, 2019
Grant of Performance-Based RSUs 50% of LTI Grant (1)	N/A	N/A	Number of RSUs earned based on performance achievement during 2015-2017 determined in February 2018(2)	N/A

(1) Except for the CEO, whose grant of time-vesting RSUs was 42% of LTI Grant and performance-based RSUs was 58% of LTI grant.

(2) Vesting will be on the later of the date the achievement of the performance goal is certified and the date the Company receives an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm.

Equity awards for NEOs were granted on February 10, 2015 at the regularly scheduled Compensation Committee meeting. The Compensation Committee approved the total value granted to individual executives (time-vesting and performance-based) based on the factors discussed herein. The actual number of RSUs was a function of the closing stock price on February 10, 2015.

The chart below shows the number of RSUs granted to each NEO in February 2015:

Name	Position	2015 Annual Equity Grants				Notes
		Total Market Value of Equity Grant	FMV at Grant per RSU	Time-Vesting RSUs granted (1)	Performance-Based RSUs granted (2)	
D. James Bidzos ...	Executive Chairman, President and CEO	\$ 5,999,968	\$ 60.88	41,064	57,490	Mr. Bidzos' equity grant was positioned near the 50 <sup>th</sup> percentile for CEOs in our peer group.
Todd B. Strubbe....	Executive Vice President, Chief Operating Officer	\$ 6,559,970	\$ 66.49	77,906	20,755	Mr. Strubbe was hired on April 20, 2015 and received a new hire equity award package. (3)
George E. Kilguss, III.....	Senior Vice President and CFO	\$ 1,999,908	\$ 60.88	16,425	16,425	Mr. Kilguss' equity award value was determined taking into account alignment with market LTI values of our peer group, in addition to individual factors such as job responsibilities, experience, individual contributions, future potential, and internal equity.
Thomas C. Indelicarto.....	Senior Vice President, General Counsel and Secretary	\$ 1,099,980	\$ 60.88	9,034	9,034	Mr. Indelicarto's equity award was determined taking into account alignment with market LTI values in our peer group, in addition to individual factors such as job responsibilities, experience, individual contributions, future potential, and internal equity.

- (1) 25% vested on February 10, 2016, and the remainder vests 25% at each annual anniversary of the grant date.
- (2) Vesting of shares for the 2015 performance-based RSUs granted is based on meeting a CAGR of the operating income per share target for the three-year period (January 1, 2015 to December 31, 2017). Performance-based RSUs earned for CAGR of operating income per share above target are subject to the TSR of Verisign stock equaling or outperforming the TSR of the S&P 500 Index for the period January 1, 2015 to December 31, 2017. Total market value of the grant in the table above is calculated based on FMV per RSU on the date of grant. Vesting occurs on the later of the date when the performance goal is certified by the Committee and the date the Company receives an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm.
- (3) Mr. Strubbe received three new hire grants including: i) a time vested RSU grant valued at \$3,799,970 based on the fair market value per RSU of \$66.49 on April 20, 2015 with the first tranche vesting 25% on June 30, 2015 and the next three tranches vesting 25% on each annual anniversary date of the grant date; ii) a time vested RSU grant valued at \$1,380,000 based on the fair market value per RSU of \$66.49 on April 20, 2015, which vests 25% on the first anniversary of the grant date and 25% on each annual anniversary of the grant date, and iii) a performance-based RSU grant valued at \$1,380,000 based on the fair market value per RSU of \$66.49 on April 20, 2015, with performance based on the same criteria as outlined in the footnote above.

At its meeting on October 20, 2015, the Compensation Committee granted special equity awards for certain of its senior officers. The Committee approved one-time stock awards for Messrs. Bidzos, Kilguss and Indelicarto valued at approximately \$5,000,000, \$1,000,000 and \$1,000,000, respectively. The one-time stock awards were evenly split between time-vested RSUs and performance-based RSUs. The time-vested RSUs were granted on October 20, 2015 and the PSUs were granted on January 4, 2016, in order to align the awards with the performance period of the PSUs. The PSUs are based on TSR achievement over a four-year performance period. The time-vested RSUs vest over four years with 25% vesting on the one year anniversary of the award and quarterly (6.25% per quarter) thereafter for the remaining three years. This one-time stock award was in recognition of each executive's performance and value to the Company and was designed to serve as a retentive tool.

The chart below shows the number of RSUs granted to each NEO in October 2015:

Name	Position	2015 Special Equity Grants		
		Total Market Value of Equity Grant	FMV at Grant per RSU	Time-Vesting RSUs granted
D. James Bidzos .....	Executive Chairman, President and CEO	\$2,499,933	\$75.79	32,985
Todd B. Strubbe (1).....	Executive Vice President, Chief Operating Officer	-	-	-
George E. Kilguss, III.....	Senior Vice President and CFO	\$499,987	\$75.79	6,597
Thomas C. Indelicarto .....	Senior Vice President, General Counsel and Secretary	\$499,987	\$75.79	6,597

- (1) Mr. Strubbe was appointed Executive Vice President, COO on April 20, 2015 and did not receive the 2015 Special Equity Grant.

## 2016 Long-Term Incentive Program

At its meeting on December 10, 2015, the Committee approved the 2016 Equity Program for its senior officers. The program includes a mix of time-vesting RSUs and performance-based RSUs. Performance measures and goals associated with the performance-based RSUs include CAGR of the operating income per share growth and TSR of Verisign stock equaling or outperforming the TSR of the S&P 500 Index over the three-year period ending December 31, 2018.

### Achievement of Performance Awards Granted in 2013

In February 2013, the Committee granted performance-based RSUs with two performance periods. The first performance period was for the two year period ended December 31, 2014, the results of which have been previously reported. The second performance period was for the three-year period ended December 31, 2015. In February 2016, the Committee confirmed the extent of achievement of the performance goal results for the second performance period, January 1, 2013 to December 31, 2015, associated with these performance-based RSUs. The performance goals were based on average annualized EPS growth over the three-year period ended December 31, 2015, with above target potential subject to TSR of Verisign stock outperforming the TSR of the S&P 500 Index for the relevant performance periods. The Committee noted that in 2013 the Company recognized an income tax benefit of \$375.3 million from a worthless stock deduction, offset by \$167.1 million income tax expense related to repatriation of foreign earnings, both of which, if excluded, would have resulted in annualized EPS growth of 13.9% over the three-year period, an amount still in excess of 12%, the level associated with the maximum payout level. The TSR of Verisign stock of 141.29% was greater than the index return of 53.52%. This resulted in performance at the maximum achievement level of 200% for this three-year performance period.

The chart below shows the number of performance-based RSUs that were earned in 2015 based on achievement of the performance metrics tied to the second performance period of the 2013 performance-based grant.

2013 RSUs Earned Based on January 1, 2013 – December 31, 2015 Performance

Name	Position	Total Performance-Based RSUs Granted in 2013	Shares Subject to Vest in Second Performance Period (50% of Granted Amount)	Goal Achievement	Performance Based RSUs Earned and Vested in February 2015
D. James Bidzos .....	Executive Chairman, President and CEO	78,159	39,080	200%	78,159
Todd B. Strubbe(1).....	Executive Vice President, COO	-	-	-	-
George E. Kilguss, III.....	Senior Vice President and CFO	18,981	9,491	200%	18,981
Thomas C. Indelicarto(2) .....	Senior Vice President, General Counsel and Secretary	-	-	-	-

(1) Mr. Strubbe was appointed Executive Vice President, COO on April 20, 2015 and therefore was not eligible for the 2013 Performance Grant.

(2) Mr. Indelicarto was appointed Senior Vice President, General Counsel and Secretary effective November 14, 2014 and therefore was not eligible for the 2013 Performance Grant.

### CEO Compensation

Our philosophy is that our CEO should be primarily compensated in the form of performance-based compensation. We place the greatest emphasis on the annual and long-term incentive compensation elements when determining appropriate compensation levels, and especially emphasize equity compensation. We believe that it is important that our CEO make decisions that are in the best interests of our stockholders, and we reinforce that philosophy through our executive compensation program.

Mr. Bidzos' 2015 compensation was determined by the Compensation Committee as part of its annual review of executive compensation in February 2015. The components of his compensation are summarized below:

- Mr. Bidzos' annual base salary of \$750,000 was not adjusted in 2015. Based on data provided by FW Cook for CEOs in our peer group, the Committee determined that Mr. Bidzos' salary aligned with the market 50<sup>th</sup> percentile of our peer group and was appropriately set at its current level.
- Mr. Bidzos' bonus target of 100% of his base salary was not adjusted for 2015. His bonus target aligns with the market 50<sup>th</sup> percentile of bonus target data provided by FW Cook for CEOs in our peer group. In February 2016, the Committee awarded Mr. Bidzos a bonus of \$877,500. The Committee determined this amount as it reflected the performance achievement as approved by the Committee for the 2015 VPP (117%), as discussed above.

- Mr. Bidzos received an equity award for 2015 with an aggregate value of \$5,999,968 consisting of 41,064 time-vested RSUs and 57,490 performance-based (at target achievement level) with a fair market value per RSU of \$60.88 on the date of the grant. The value of the equity granted was positioned near the 50<sup>th</sup> percentile for CEOs in our peer group. The time-based RSUs vest at 25% per year on each anniversary of the grant date. The performance-based RSUs vest based on performance achievement between January 1, 2015 and December 31, 2017.
- The Compensation Committee also approved a one-time special stock award for Mr. Bidzos in October 2015. This award was in recognition of his performance and value to the Company and was designed to serve as a retentive tool. The grant, valued at approximately \$5,000,000, was evenly split between time-vested RSUs and performance-based RSUs.
  - The time-vested RSUs were granted on October 20, 2015 in the amount of \$2,499,933 consisting of 32,985 time-vested RSUs with a fair market value per RSU of \$75.79. The time-vested RSUs vest over four years with 25% vesting on the one year anniversary of the award and quarterly (6.25% per quarter) thereafter for the remaining three years.
  - The PSUs were granted on January 4, 2016 in order to align the awards with the performance period of the PSUs. The PSUs are based on TSR achievement over a four-year performance period.
- Mr. Bidzos is eligible for certain payments and benefits in the event of a change-in-control, but is not otherwise eligible for any severance payments. His change-in-control agreement provides for a severance payment of two times his base salary and a bonus payment of two times target bonus plus the cash equivalent of two years of continuation of health benefits if he participates in the Company's health plans at the date of his termination. The other terms of his change-in-control agreement are the same as other senior officers as described below.

### ***Features of our Executive Compensation Program***

***Stock Retention Policy:*** Our stock retention policy applies to our employees at the Senior Vice President level and above, officers who are subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended (“Section 16 Officers”), and board members.

Ownership levels are set as a multiple of base salary or annual retainer and are as follows:

- CEO: 6x Base Salary
- Directors: 5x Annual Retainer
- Section 16 Officers and Senior Vice Presidents, other than the CEO: 2x Base Salary

The policy also requires participants to retain 50% of their shares received from equity awards (net of taxes) until they reach their minimum ownership level and that shares at specified ownership targets must be held until six months after the participant ceases employment or board service with the Company. We believe requiring senior employees and board members to continue to retain stock after their service with the Company ceases is important to align our senior officers' interests with the long-term interests of our stockholders. Our Stock Retention Policy can be found on our website at <https://investor.verisign.com/documents.cfm>.

***Securities Trading Policy:*** Our Securities Trading Policy prohibits employees, including our senior officers and directors, from buying or selling derivative securities related to our common stock, such as puts or calls on our common stock. We believe derivative securities diminish the alignment of incentives between our senior officers and stockholders. The Policy also prohibits employees and directors from entering into agreements or purchasing instruments designed to hedge or offset decreases in the market value of the Company's securities. Additionally, under our Policy, our senior officers and directors may only purchase and sell our common stock during approved trading windows. These windows are related to the time of our earnings releases.

***Recovery of Incentive Compensation:*** The Compensation Committee adopted an executive compensation recovery policy in March 2010, and amended it in 2014, that applies to annual and long-term incentive awards. The policy applies when there is an inaccurate financial statement, including statements of earnings, revenues, or gains or any other material inaccurate performance metric criterion, regardless of whether such inaccuracy was the subject of an accounting restatement. If, as a result of such inaccurate financial statement, certain senior officers received materially more incentive compensation than they would have had the correct financial statement been prepared at the time of the compensation award, the Compensation Committee shall seek recovery of this overpayment. The recovery could occur either by limiting future awards or directly seeking repayment. The Compensation Committee may determine not to seek recovery of such an overpayment if the direct costs of recovery are expected to exceed the amount of recovery. In the case of fraudulent, intentional, willful or grossly negligent misconduct by the recipient of an award, the Compensation Committee can recoup previous incentive awards paid regardless of when the awards were paid to the senior officer. If the inaccuracy is not the result of these circumstances, the Compensation Committee can only recover incentive awards paid based on the inaccuracy if they were paid in the three years prior to the determination that the financial statement was inaccurate.

***Equity Award Practices:*** The Compensation Committee approves all equity awards to our senior officers, the aggregate annual equity pool, employee grant guidelines, and all equity awards to all employees during the annual grant process, which generally takes place in February. For employees hired during the year that are below the Senior Vice President level, the Compensation Committee has

delegated actual award determination to the Grant Committee which currently has one member, D. James Bidzos. Grant Committee awards are granted on the 15<sup>th</sup> of the month (or next scheduled trading day if the 15<sup>th</sup> is not a trading day) following approval by the Grant Committee.

*Benefits:* We do not provide our senior officers with any benefits other than those provided to all of our other U.S.-based employees. All of our U.S.-based employees are eligible for medical, dental and vision insurance, life insurance, short and long-term disability, paid time off, an employee stock purchase plan, and a qualified 401(k) salary deferral plan.

*Severance Agreements:* We generally do not enter into severance or employment agreements with our senior officers, nor do we provide severance or other benefits following voluntary termination. However, the Compensation Committee may determine in special circumstances that providing such severance payments and benefits is warranted in order to attract a potential executive or for other business considerations.

*Change-In-Control and Retention Agreements:* We have entered into change-in-control and retention agreements with our senior officers. These agreements provide for change-in-control severance benefits and payments in the event the senior officer's employment is terminated in connection with a change in control of the Company. They are "double trigger" agreements which means the senior officers will only be eligible for payments under the agreements if both a change-in-control of the Company occurs and the senior officer's employment is terminated without cause (or by the senior officer for good reason) within 24 months of the change-in-control.

The Compensation Committee believes these agreements are necessary to attract and retain executive talent and to neutralize the personal interests of our executives when making decisions related to potentially beneficial corporate transactions. Each year, the Compensation Committee reviews the provisions of the change-in-control agreements with FW Cook and makes adjustments as necessary to ensure alignment of senior officers' interests with stockholders' interests. No changes were made to the existing agreements in 2015 as FW Cook advised the Compensation Committee that they were in line with best practices which include double trigger benefits, severance multiples less than or equal to 2x base salary and target bonus and the lack of a tax-gross up provision. Additional details about these agreements, including potential payments, may be found in the "Potential Payments Upon Termination or Change-in-Control" and "Change-in-Control Benefit Estimates as of December 31, 2015" table.

*Risk Assessment:* In 2015, we performed a comprehensive assessment of our compensation policies and program design to determine whether risks arising under them would be likely to have a material adverse effect on the Company. We considered each element of our compensation programs and policies in our enterprise-wide risk assessment and determined that none of our compensation policies and programs creates a risk that is reasonably likely to have a material adverse effect on the Company.

*Tax Treatment of Executive Compensation:* Section 162(m) of the Internal Revenue Code of 1986 limits the amount of compensation in excess of \$1,000,000 that the Company may deduct in any one year with respect to its CEO and three other most highly compensated officers (excluding the CFO) serving at the end of the fiscal year as disclosed in the annual proxy statement. There are exceptions to this deduction limit if the compensation is "performance-based" under Section 162(m). The Company does not limit compensation as a result of Section 162(m) but does try to structure its executive compensation program to maximize the amount of compensation that may be deducted. While base salaries and time-vesting RSUs are subject to the deduction limitation, our performance-based awards, including annual incentive bonus and performance-based RSUs, are designed to allow for qualification as performance-based compensation under Section 162(m).

In order to try to ensure that annual incentive bonuses paid to certain senior officers are considered performance-based compensation under Section 162(m), in 2015, stockholders approved the Annual Incentive Compensation Plan ("AICP"). The AICP is the vehicle under which certain of our senior officers' bonuses, determined as described above, are paid.

For 2015, assuming the performance goal was met, each such senior officer could be awarded a maximum bonus of 300% of his or her target bonus (but no more than \$5 million), subject to the Compensation Committee's discretion to award bonuses in lesser amounts. The Compensation Committee exercised its discretion to award bonuses in lesser amounts and primarily based the AICP payments on the funding results of the VPP annual bonus program of 117%.

The performance goal for the AICP was approved by the Compensation Committee at its February 10, 2015 meeting and provided that the Company must achieve non-GAAP operating income in excess of \$50 million before a bonus could be paid. This target was achieved.

## Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is submitted by the Compensation Committee  
Louis A. Simpson (Chairperson) Timothy Tomlinson  
Jamie S. Gorelick

## Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during 2015 were Louis A. Simpson, Jamie S. Gorelick, Timothy Tomlinson and John D. Roach (through May 2015). All of the members of the Compensation Committee during 2015 were independent directors, and none of the members of the Compensation Committee during 2015 were employees or officers or former officers of Verisign. No executive officer of Verisign has served on the compensation committee (or other board committee performing equivalent functions, if any) or the board of directors of another entity, one of whose executive officers served as a member of the Compensation Committee of Verisign during 2015; and no executive officer of Verisign has served on the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a member of the Board during 2015.



## Summary Compensation Table

The following table sets forth certain summary information concerning the compensation received by each person who served as our principal executive officer and principal financial officer during fiscal 2015, and the other most highly compensated executive officer as of the end of fiscal 2015. We refer to these executive officers as our “Named Executive Officers.”

### SUMMARY COMPENSATION TABLE

Named Executive Officer and Principal Position	Year	Salary (\$)(1)	Stock Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
D. James Bidzos .....	2015	752,885	8,499,901	877,500	20,421 (5)	10,150,707
Executive Chairman, President and Chief Executive Officer	2014	752,885	5,999,948	885,000	15,032 (5)	7,652,865
	2013	752,885	6,810,008	957,750	20,484 (5)(6)	8,541,127
Todd B. Strubbe.....	2015	372,308	6,559,970	350,000	222,764 (7)	7,505,042
Executive Vice President and Chief Operating Officer						
George E. Kilguss, III .....	2015	424,327	2,499,895	350,000	8,807	3,283,029
Senior Vice President and Chief Financial Officer	2014	411,577	1,699,956	350,000	8,480	2,470,013
	2013	406,192	2,237,298	375,000	43,027 (8)	3,061,517
Thomas C. Indelicarto(9) .....	2015	348,269	1,599,966	300,000	499	2,248,734
Senior Vice President, General Counsel and Secretary	2014	275,440	829,600	140,267	515	1,245,822

- (1) Includes, where applicable, amounts electively contributed by each Named Executive Officer under our 401(k) Plan.
- (2) Amounts shown represent the aggregate grant date fair value, which is based on the closing share price on the date of the grant. Stock Awards consist of RSUs granted in 2015, 2014, and 2013, respectively. Amounts shown in “Stock Awards” include the value of awards subject to performance conditions based upon the probable outcome of the performance conditions as of the grant date of the award, excluding the effect of estimated forfeitures. Grant date fair value for performance-based RSUs included in “Stock Awards” were as follows: Mr. Bidzos, \$3,499,991 (2015), \$3,499,951 (2014), \$3,499,960 (2013); Mr. Kilguss, \$999,954 (2015), \$849,978 (2014), \$849,969 (2013), Mr. Strubbe, \$1,380,000 (2015), and Mr. Indelicarto, \$549,990 (2015). Grant date fair value for performance-based RSUs granted in 2015, 2014, and 2013 at the maximum achievement level (i.e., 200% payout) would be 163%, 153% and 171%, respectively, of the amounts for each executive, calculated using a Monte Carlo simulation model. The performance-based RSUs granted in 2013 vested in February 2015 and February 2016 at the maximum achievement level, resulting in 200% payout. The value specific to the one-time special performance-based RSUs granted in 2013 and included in “Stock Awards” were as follows: Mr. Bidzos, \$810,070; and Mr. Kilguss, \$537,360. Vesting of these awards was subject to achievement of the 2013 AICP performance goal. The goal was achieved, and as such, 100% of the awards were earned as of February 21, 2014.
- (3) Amounts shown are for non-equity incentive plan compensation earned during the year indicated, but paid in the following year.
- (4) Except as otherwise indicated, amounts in “All Other Compensation” for fiscal 2015, fiscal 2014, and fiscal 2013 include, where applicable, matching contributions made by the Company to the VeriSign, Inc. 401(k) Plan, Wellness Incentive payment, Life insurance and Accidental Death and Dismemberment insurance payments.
- (5) Includes \$11,450 (2015), \$14,204 (2014), and \$17,997 (2013) in payments for a leased automobile.
- (6) Includes \$1,607 in relocation payments for Mr. Bidzos.
- (7) Includes \$222,284 in relocation payments for Mr. Strubbe, who was hired April 20, 2015.
- (8) Includes \$34,649 in relocation payments for Mr. Kilguss.
- (9) Mr. Indelicarto was appointed Senior Vice President, General Counsel and Secretary effective November 14, 2014.

## Grants of Plan-Based Awards for Fiscal 2015

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal 2015 under annual and long-term plans.

### GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2015<sup>(1)</sup>

Named Executive Officer	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)(2)	Maximum (#)(2)		
D. James Bidzos.....	2/10/2015	0	750,000	2,250,000					
	2/10/2015							41,064(3)	2,499,976
	2/10/2015				0	57,490	114,980		3,499,991
	10/20/2015							32,985(4)	2,499,933
Todd B. Strubbe.....	4/20/2015	0	440,000(5)	1,320,000	0				
	4/20/2015							57,151(6)	3,799,970
	4/20/2015							20,755(3)	1,380,000
	4/20/2015					20,755	41,510		1,380,000
George E. Kilguss, III.....	2/10/2015	0	297,500	892,500					
	2/10/2015							16,425(3)	999,954
	2/10/2015				0	16,425	32,850		999,954
	10/20/2015							6,597(4)	499,989
Thomas C. Indelicarto.....	2/10/2015	0	210,000	630,000	0				
	2/10/2015							9,034(3)	549,990
	2/10/2015					9,034	18,068		549,990
	10/20/2015							6,597(4)	499,986

- (1) Named Executive Officers are eligible to receive an annual cash bonus under the annual incentive program and long-term incentive compensation under our 2006 Plan as described in "Compensation Discussion and Analysis" elsewhere in this Proxy Statement.
- (2) The Named Executive Officers were awarded performance-based RSUs to be earned based on Company performance in fiscal years 2015, 2016 and 2017 and determination to be made after the end of fiscal year 2017.
- (3) The RSU awards vest 25% of the total award on each anniversary of the date of grant until fully vested.
- (4) The RSU awards vest 25% of the total award on the first anniversary of the date of grant and then vest 6.25% of the total award each quarter thereafter, until fully vested.
- (5) Mr. Strubbe joined the Company on April 20, 2015. His actual bonus is pro-rated based on his hire date.
- (6) The RSU award vested 25% on June 30, 2015 and will vest 25% of the total award on each anniversary of the date of grant until fully vested.

#### Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The Company generally does not enter into employment agreements with its executive officers, each of whom may be terminated at any time at the discretion of the Board. The Company and Mr. Bidzos, our President and Chief Executive Officer, are parties to the CEO Amended and Restated Change-in-Control and Retention Agreement, and the Company and other of its senior vice presidents, including the Named Executive Officers, are parties to Amended and Restated Change-in-Control and Retention Agreements.

An RSU is an award covering a number of shares of Verisign common stock which are typically settled by issuance of those shares on a one-for-one basis. Any dividends paid on our common stock during the vesting period applicable to RSUs will be credited to the participant in the form of additional RSUs, the number of which will be calculated based on the market price of our common stock on the date such dividends are paid to stockholders. Any such additional RSUs shall be subject to the same terms and conditions as the underlying RSU award.

Please refer to "Compensation Discussion and Analysis" elsewhere in this Proxy Statement for more information concerning our compensation practices and policies for executive officers.

## Outstanding Equity Awards at 2015 Fiscal Year-End

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal 2015 granted under the 2006 Plan.

### OUTSTANDING EQUITY AWARDS AT 2015 FISCAL YEAR-END

Named Executive Officer	Grant Date	Stock Awards			
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)
D. James Bidzos .....	02/21/2012	15,075(2)	1,316,952		
	02/21/2012	7,407(3)	647,076		
	02/26/2013	27,915(2)	2,438,654		
	02/26/2013			78,159(4)	6,827,970
	02/26/2013	6,030(5)	526,781		
	02/19/2014			126,718(6)	11,070,084
	02/19/2014	33,942(2)	2,965,173		
	02/10/2015	41,064(2)	3,587,351		
	02/10/2015			57,490(7)	5,022,326
Todd B. Strubbe.....	10/20/2015	32,985(8)	2,881,570		
	04/20/2015	20,755(2)	1,813,157		
	04/20/2015	42,863(9)	3,744,512		
George E. Kilguss, III.....	04/20/2015			20,755(7)	1,813,157
	05/14/2012	10,000(2)	873,600		
	05/14/2012	4,914(3)	429,287		
	02/26/2013	9,490(2)	829,046		
	02/26/2013			18,981(4)	1,658,180
	02/26/2013	4,000(5)	349,440		
	02/19/2014	11,540(2)	1,008,134		
	02/19/2014			30,774(6)	2,688,417
	02/10/2015	16,425(2)	1,434,888		
Thomas C. Indelicarto (10)...	02/10/2015			16,425(7)	1,434,888
	10/20/2015	6,597(8)	576,314		
	02/21/2012	2,000(2)	174,720		
	02/26/2013	3,320(2)	290,035		
	04/15/2013	500(2)	43,680		
	01/15/2014	750(2)	65,520		
	02/19/2014	3,000(2)	262,080		
	11/14/2014	6,750(2)	589,680		
	02/10/2015	9,034(2)	789,210		
02/10/2015			9,034(7)	789,210	
10/20/2015	6,597(8)	576,314			

- (1) The market value is calculated by multiplying the number of shares by the closing price of our common stock on December 31, 2015, which was \$87.36.
- (2) The RSU award vests 25% of the total award on each anniversary of the date of grant until fully vested.
- (3) Performance-based RSUs earned based on performance in fiscal year 2012 vested 25% on each anniversary of the grant date, subject to certain employment conditions, until fully vested on February 21, 2016 except for Mr. Kilguss who was appointed Senior Vice President and CFO effective as of May 14, 2012 and his remaining performance-based RSUs granted in 2012 will fully vest on May 14, 2016.
- (4) Awards of performance-based RSUs were granted on February 26, 2013, with 50% eligible to be earned based on Company performance in fiscal years 2013 and 2014 and 50% eligible to be earned based on Company performance in fiscal years 2013, 2014 and 2015. Performance criteria were achieved at the maximum performance level for all periods covered by the grant and as such, 50% of the performance based-RSUs vested on February 13, 2015 and the remaining 50% of the performance-based RSUs vested on the date the Company received an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm, February 19, 2016.
- (5) Awards of performance-based RSUs were granted on February 26, 2013. As previously specified, performance criteria were achieved with respect to fiscal year 2013; the performance-based RSUs earned vested 33% on the date the Company received an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm, February 21, 2014 and vested 33% on each of the next two anniversaries of the date of grant. The awards were fully vested as of February 26, 2016.
- (6) Awards of performance-based RSUs were granted on February 19, 2014, to be earned based on Company performance in fiscal years 2014, 2015 and 2016 and determination to be made after the end of fiscal year 2016. The number of shares shown is based on achievement of maximum performance as the Company's 2014 and 2015 performance exceeded the maximum performance level.
- (7) Awards of performance-based RSUs were granted on February 10, 2015 (at on April 20, 2015 to Mr. Strubbe), to be earned based on Company performance in fiscal years 2015, 2016 and 2017 and determination to be made after the end of fiscal year 2017. The number of shares shown is based on achievement of the target performance level.

- (8) The RSU award vests 25% of the total award on the first anniversary of the date of grant and then vests 6.25% of the total award each quarter thereafter until fully vested.  
 (9) The RSU award vested 25% of the total award on June 30, 2015 and then 25% of the total award on each anniversary of the date of grant until fully vested.  
 (10) Includes awards granted prior to promotion and appointment as NEO and Section 16 Officer.

## Option Exercises and Stock Vested for Fiscal 2015

The following table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by our Named Executive Officers during fiscal 2015.

### OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2015

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
D. James Bidzos .....	131,944	8,307,857
Todd B. Strubbe .....	14,288	881,855
George E. Kilguss, III .....	46,487	2,947,167
Thomas C. Indelicato .....	10,094	684,621

## Potential Payments Upon Termination or Change-in-Control

Except as described below, the Company has no formal severance program for its Named Executive Officers, each of whom may be terminated at any time at the discretion of the Board.

### *Treatment of Equity Upon Death or Disability*

On February 26, 2013, the Compensation Committee approved modifications to the form of Employee Restricted Stock Unit Agreements to allow for full acceleration of unvested equity for grants made on or after February 26, 2013 in the event of termination due to death or disability as follows:

- Time-Based RSUs – unvested RSUs shall accelerate in full according to the terms in the “Employee Restricted Stock Unit Agreement;” and
- Performance-Based RSUs – If termination occurs during the applicable performance period and before the conclusion of such performance period, then such RSUs will accelerate based on the target achievement level; if termination occurs after the conclusion of the applicable performance period but before the award for such performance period has been paid, then the RSUs will fully accelerate based upon the actual achievement level.

### *Change in Control Agreements*

Each of our senior officers is party to a change in control and retention agreement (the “CIC Agreements”). Under the CIC Agreements, each of the senior officers is entitled to receive severance benefits if, within the twenty-four months following a “change-in-control” (or under certain circumstances, during the six-month period preceding a change-in-control), the senior officer’s employment is terminated by Verisign without “cause” or by the senior officer for “good reason” (referred to as a “qualified termination”). The terms and conditions of the CIC Agreements are described below.

Under the CIC Agreements, “*change-in-control*” means:

(a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company or its subsidiaries, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly (excluding, for purposes of this Section, securities acquired directly from the Company), of securities of the Company representing at least thirty-five percent (35%) of (A) the then-outstanding shares of common stock of the Company or (B) the combined voting power of the Company’s then-outstanding securities;

(b) the consummation of a merger or consolidation, or series of related transactions, which results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), directly or indirectly, at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(c) a change in the composition of the Board occurring within a 24-month period, as a result of which fewer than a majority of the directors are incumbent directors;

(d) the sale or disposition of all or substantially all of the Company's assets (or consummation of any transaction, or series of related transactions, having similar effect); or

(e) stockholder approval of the dissolution or liquidation of the Company.

Under the CIC Agreements, "*cause*" means:

(a) an executive's willful and continued failure to substantially perform the executive's duties after written notice providing the executive with ninety (90) days from the date of the executive's receipt of such notice in which to cure;

(b) conviction of (or plea of guilty or no contest to) the executive for a felony involving moral turpitude;

(c) an executive's willful misconduct or gross negligence resulting in material harm to the Company; or

(d) an executive's willful violation of the Company's policies resulting in material harm to the Company.

Under the CIC Agreements, "*good reason*" means:

(a) a change in the executive's authority, duties or responsibilities that is inconsistent in any material and adverse respect from the executive's authority, duties and responsibilities immediately preceding the change-in-control;

(b) a reduction in the executive's base salary compared to the executive's base salary immediately preceding the change-in-control, except for an across-the-board reduction of not more than ten percent (10%) of base salary applicable to all senior executives of the Company;

(c) a reduction in the executive's bonus opportunity of five percent (5%) or more from the executive's bonus opportunity immediately preceding the change-in-control, except for an across-the-board reduction applicable to all senior executives of the Company;

(d) a failure to provide the executive with long-term incentive opportunities that in the aggregate are at least comparable to the long-term incentives provided to other senior executives at the Company;

(e) a reduction of at least 5% in aggregate benefits that the executive is entitled to receive under all employee benefit plans of the Company following a change-in-control compared to the aggregate benefits the executive was eligible to receive under all employee benefit plans maintained by the Company immediately preceding the change-in-control;

(f) a requirement that the executive be based at any office location more than 40 miles from the executive's primary office location immediately preceding the change-in-control, if such relocation increases the executive's commute by more than ten (10) miles from the executive's principal residence immediately preceding the change-in-control; or

(g) the failure of the Company to obtain the assumption of the agreement from any successor as provided in the agreement.

Under the CIC Agreements, "incumbent director" means: directors who either (i) are directors as of the date of the CIC Agreement, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the incumbent directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

If a change-in-control occurs and the executive officer experiences a qualifying termination and timely delivers a general release agreement, the CIC Agreements provide that Verisign will make the following payments and provide the following benefits to the executive officer (subject to a six month delay if and to the extent required by the deferred compensation rules set forth in and promulgated under Section 409A of the Code):

- a lump sum equal to the pro rata target bonus for the year in which the executive officer was terminated;
- a lump sum equal to a specified multiple of the sum of (i) the executive officer's annual base salary plus (ii) the average of the executive officer's target annual bonus amount for the last three full fiscal years prior to a change-in-control, or, if the executive officer was employed by the Company for fewer than three full fiscal years preceding the fiscal year in which the change-in-control occurs, the average target bonus for the number of full fiscal years the executive officer was employed by the Company before the change-in-control or the target bonus for the fiscal year in which the change-in-control occurs if the executive officer was not eligible to receive a bonus from the Company during any of the prior three fiscal years; the applicable multiples are 200% of the annual base salary and bonus for the CEO and 100% of the annual base salary and bonus for other executive officer participants;
- if the executive elects to continue medical coverage under COBRA, reimbursement of the executive's premium, for 24 months for the CEO and for 12 months for all other executives;

- immediate acceleration of vesting of all of the executive officer's unvested stock options and RSUs; however, if the consideration to be received by stockholders of the Company in connection with the change-in-control consists of substantially all cash or if the stock options and RSUs held by the executive officer are not assumed in the change-in-control, then all of the executive officer's then-unvested and outstanding stock options and RSUs shall vest immediately prior to the change-in-control regardless of whether or not there is a termination of employment in connection therewith; and
- if performance shares are accelerated, and the performance period has not been completed, the amount payable is computed as if the performance has been satisfied at the target level.

In addition, the CIC Agreements include the following terms and conditions:

- to the extent any change-in-control payments or benefits are characterized as excess parachute payments within the meaning of Section 4999 of the Code, and such characterization would subject the executive officer to a federal excise tax due to that characterization, the executive officer's termination benefits will be reduced to an amount so that none of the amounts payable constitute excess parachute payments if this would result in the executive officer's receipt, on an after-tax basis, of the greatest amount of termination and other benefits, after taking into account applicable federal, state and local taxes, including the excise tax under Section 4999 of the Code;
- an initial term ending on August 24, 2012 and automatic renewal for one-year periods thereafter unless the Board terminates the CIC Agreement at least 90 days before the end of the then-current term, provided that such termination shall not be effective until the last day of the then-current term; and
- the executive officer is prohibited from soliciting employees of Verisign or competing against Verisign for a period of twelve months following termination.

The following table shows the value of RSUs that would have vested for our Named Executive Officers as of December 31, 2015, as well as the additional cash compensation payable, if any, under the change-in-control and termination scenarios described above. The value of the accelerated RSUs is based on the market value of our common stock as of December 31, 2015, which was \$87.36.

#### Termination and Change-in-Control Benefit Estimates as of December 31, 2015

Named Executive Officer	Value of Cash and Continued Health Benefits \$(1)	Value of Accelerated Stock Awards (\$)
	Change-in-Control plus Qualifying Termination	Death, Disability or Change-in-Control plus Qualifying Termination(2)
D. James Bidzos .....	3,760,341	31,748,895
Todd B. Strubbe.....	1,448,161	7,370,825
George E. Kilguss, III.....	1,017,494	9,937,986
Thomas C. Indelicarto .....	744,669	3,580,450

(1) To the extent any payments made or benefits provided upon termination of an executive officer's employment constitute deferred compensation subject to Section 409A of the Code, payment of such amounts or provision of such benefits will be delayed for six months after the executive officer's separation from service if and to the extent required under Section 409A.

(2) If the equity awards held by the executive are not assumed upon a change-in-control or the consideration to be received by stockholders consists of substantially all cash, then all such equity awards shall have their vesting and exercisability accelerated in full immediately prior to the change-in-control regardless of whether there is a qualifying termination.



## Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2015.

### EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Equity Compensation Plan Information		
	(A)	(B)	(C)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by stockholders (3) .....	2,109,973 (4)	\$ 18.64	11,572,936 (5)
Equity compensation plans not approved by stockholders .....	—	\$ —	—
Total .....	<u>2,109,973</u>	<u>\$ 18.64</u>	<u>11,572,936</u>

(1) Includes 2,108,411 shares subject to RSUs outstanding as of December 31, 2015 that were issued under the 2006 Plan.

(2) Does not include any price for outstanding RSUs.

(3) Includes the 2006 Plan, and the 2007 Employee Stock Purchase Plan (the “2007 Purchase Plan”).

(4) Excludes purchase rights accruing under the 2007 Purchase Plan, which has a remaining stockholder-approved reserve of 1,424,590 shares as of December 31, 2015.

(5) Consists of shares available for future issuance under the 2006 Plan and the 2007 Purchase Plan. As of December 31, 2015, an aggregate of 10,148,346 shares and 1,424,590 shares of common stock were available for issuance under the 2006 Plan and the 2007 Purchase Plan, respectively, including 149,073 shares subject to purchase under the 2007 Purchase Plan during the current purchase period. In addition to options and RSUs, shares can be granted under the 2006 Plan pursuant to stock appreciation rights, restricted stock awards, stock bonuses and performance shares.

### POLICIES AND PROCEDURES WITH RESPECT TO TRANSACTIONS WITH RELATED PERSONS

Verisign’s Audit Committee approved a written *Policy for Entering into Transactions with Related Persons* (the “Related Person Transaction Policy”) which sets forth the requirements for review, approval or ratification of transactions between Verisign and “related persons,” as such term is defined under Item 404 of Regulation S-K.

Pursuant to the terms of the Related Person Transaction Policy, the Audit Committee shall review, approve or ratify the terms of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) Verisign was or is to be a participant and (ii) a related person has or will have a direct or indirect material interest (“Related Person Transaction”), *except* for those transactions, arrangements or relationships specifically listed in the Related Person Transaction Policy that do not require approval or ratification. In determining whether to approve or ratify a Related Person Transaction, the Audit Committee will take into account, among factors it deems appropriate, whether the Related Person Transaction terms are no more favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the materiality of the related person’s direct or indirect interest in the transaction.

Prior approval of the Audit Committee shall be required for the following Related Person Transactions:

- Any Related Person Transaction to which a related person is a named party to the underlying agreement or arrangement; *provided, however*, certain agreements or arrangements between Verisign and a related person concerning employment and any compensation solely resulting from employment or concerning compensation as a member of the Board that have, in each case, been entered into or approved in accordance with policies of Verisign shall not be subject to prior approval of the Audit Committee;
- Any Related Person Transaction involving an indirect material interest of a related person where the terms of the agreement or arrangement are not negotiated on an arm’s length basis or where the Related Person Transaction is not a transaction in the ordinary course of business; and
- Any Related Person Transaction where the total transaction value exceeds \$1,000,000.

On a quarterly basis, the Audit Committee shall review and, if determined by the Audit Committee to be appropriate, ratify any Related Person Transactions not requiring prior approval of the Audit Committee pursuant to the Related Person Transaction Policy.

In the event Verisign proposes to enter into a transaction with a related person who is a member of the Audit Committee or an immediate family member of a member of the Audit Committee, prior approval by a majority of the disinterested members of the

Board shall be required and no such member of the Audit Committee for which he or she or an immediate family member is a related person shall participate in any discussion or approval of such transaction, except to provide all material information concerning the Related Person Transaction.

The following Related Person Transactions shall not require approval or ratification by the Audit Committee:

- Payment of compensation to executive officers in connection with their employment with Verisign; *provided* that such compensation has been approved in accordance with policies of Verisign.
- Remuneration to directors in connection with their service as a member of the Board; *provided* that such remuneration has been approved in accordance with policies of Verisign.
- Reimbursement of expenses incurred in exercising duties as an officer or director of Verisign; *provided* that such reimbursement has been approved in accordance with policies of Verisign.
- Any transaction with another company at which a related person's only relationship is as a director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed \$1,000,000.
- Any transaction with a related person involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.
- Any transaction involving a related person where the rates or charges involved are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
- Any transaction where the related person's interest arises solely from the ownership of Verisign's common stock and all holders of Verisign's common stock received the same benefit on a pro rata basis (e.g., dividends).

There are no transactions required to be reported under Item 404(a) of Regulation S-K where the Related Person Transaction Policy did not require review, approval or ratification, or where the Related Person Transaction Policy was not followed during fiscal 2015.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since January 1, 2015, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we or any of our subsidiaries are or were to be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer or beneficial holder of more than 5% of the common stock of Verisign or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

## PROPOSAL NO. 3

### APPROVAL OF THE AMENDED AND RESTATED VERISIGN, INC. 2006 EQUITY INCENTIVE PLAN

Our stockholders last approved the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan (the “2006 Plan”) on May 26, 2011. On April 8, 2016, upon recommendation of our Compensation Committee, our Board adopted the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan (the “Amended 2006 Plan”), subject to the approval of our stockholders, and directed the plan be submitted to our stockholders for approval. The Amended 2006 Plan will limit the compensation (including equity and cash awards) paid to any non-employee director in any calendar year to an aggregate dollar value of \$600,000, with an exception to allow for up to two times such limit for grants made in the first year of service or first year designated as chairman or lead director. The Amended 2006 Plan also makes certain technical and administrative revisions (i) to replace the references to extraordinary items in the 2006 Plan with “items that are unusual in nature or infrequently occurring” to track changes in U.S. GAAP as a result of Accounting Standards Update 2015-01, which eliminated the concept of extraordinary items, (ii) to allow withholding shares more than the minimum tax withholding obligations, but limited to the maximum statutory tax rate, to track changes in U.S. GAAP as a result of Accounting Standards Update 2016-09, and (iii) to extend the termination date of the 2006 Plan to June 9, 2026. The approval by our stockholders at the Meeting will also act as a stockholder approval of the material terms under which performance based compensation is to be paid, including the performance goals, so that payments under the Amended 2006 Plan may continue to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code, or Section 162(m) of the Code, to the extent applicable. The Amended 2006 Plan is set forth in Appendix A to this Proxy Statement.

Our Board believes that it is in the best interests of the Company and our stockholders to continue to provide for an incentive plan under which stock-based compensation awards made to the Company’s executive officers can qualify for deductibility by the Company for federal income tax purposes. Accordingly, the Amended 2006 Plan has been structured in a manner such that awards under it can satisfy the requirements for “performance-based” compensation within the meaning of Section 162(m) of the Code. In general, under Section 162(m) of the Code, in order for the Company to be able to deduct compensation in excess of \$1 million paid in any one year to the Company’s Chief Executive Officer or any of the Company’s three other most highly compensated executive officers (other than the Company’s Chief Financial Officer), such compensation must qualify as “performance-based.” One of the requirements of “performance-based” compensation for purposes of Section 162(m) of the Code is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the Company’s stockholders. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based and (iii) the maximum amount of compensation that can be paid to an employee under the performance goal. With respect to the various types of awards under the Amended 2006 Plan, each of these aspects is discussed below, and stockholder approval of the Amended 2006 Plan will be deemed to constitute approval of each of these aspects of the Amended 2006 Plan for purposes of the approval requirements of Section 162(m) of the Code. Although stockholder approval is one of the requirements for exemption under Section 162(m) of the Code, even with stockholder approval there can be no guarantee that compensation will be treated as exempt “performance-based” compensation under Section 162(m) of the Code. Furthermore, our Compensation Committee will continue to have the authority to provide compensation that is not exempt from the limits on deductibility under Section 162(m) of the Code.

#### **Description of the Amended 2006 Plan**

A summary of the proposed Amended 2006 Plan appears below. This summary is qualified in its entirety by reference to the full text of the Amended 2006 Plan, a copy of which is attached to this Proxy Statement as Appendix A.

#### **General**

The Amended 2006 Plan is a stock compensation plan that provides for a variety of equity and equity-based award vehicles, including stock options, performance shares, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. Awards may be granted under the Amended 2006 Plan to eligible participants until May 26, 2016. On December 31, 2015, the closing price of Verisign’s common stock was \$87.36 per share as reported by the NASDAQ Global Select Market.

#### **Eligible Participants**

Employees, non-employee directors, consultants, independent contractors and advisors of Verisign or any parent or subsidiary of Verisign are eligible to receive awards under the Amended 2006 Plan, subject to certain limitations on the grant of incentive stock options. As of the end of fiscal 2015, there were approximately 1,018 employees and seven non-employee directors eligible to receive awards under the 2006 Plan.

#### **Shares Authorized**

There are 27,000,000 shares authorized for grant under the Amended 2006 Plan, and as of December 31, 2015, there were 10,148,346 shares available for new grants under the Amended 2006 Plan, subject to adjustment to reflect stock splits and similar events. In addition, shares which cease to be subject to an option or stock appreciation right granted under the Amended 2006 Plan for any reason other than exercise of the option or stock appreciation right or which are subject to other awards granted under the

Amended 2006 Plan that are forfeited or are repurchased by the Company at the original issue price or otherwise terminate without such shares being issued will again be available for grant and issuance in connection with subsequent awards under the Amended 2006 Plan. Stock appreciation rights to be settled in shares of Verisign's common stock shall be counted in full against the number of shares available for award under the Amended 2006 Plan, regardless of the number of shares ultimately issued upon settlement of the stock appreciation right.

### **Award Limits**

The Amended 2006 Plan limits awards to individual participants as follows: No person may receive more than 1,500,000 shares issuable as awards in any calendar year, other than new employees, who may receive up to a maximum of 3,000,000 shares issuable as awards granted in the calendar year in which they first commence employment.

### **Administration**

The Company's Compensation Committee will administer the Amended 2006 Plan and may delegate to a committee of one or more members of Verisign's Board 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. The applicable committee will select the individuals who receive awards, determine the number of shares covered by awards and, subject to the terms and limitations expressly set forth in the Amended 2006 Plan, establish the terms, conditions and other provisions of any awards granted under the Amended 2006 Plan. The Compensation Committee may interpret the Amended 2006 Plan and establish, amend and rescind any rules relating to the Amended 2006 Plan.

### **Award Types**

The following awards may be granted under the Amended 2006 Plan:

- (1) Non-qualified and incentive stock options
- (2) Restricted stock awards
- (3) Restricted stock units
- (4) Stock bonus awards
- (5) Stock appreciation rights ("SARs")
- (6) Performance shares

### **Vesting**

The vesting of awards will be determined by the applicable committee, provided that the vesting of awards granted to executive officers and directors will be determined by the Compensation Committee. Historically, stock options were generally granted with vesting over four years (25% cliff vesting after one year and, thereafter, 6.25% vest quarterly until fully vested) and restricted stock units with vesting over four years as follows: 25% on the first anniversary of the date of grant, 25% on the second anniversary of the date of grant, 25% on the third anniversary of the date of grant, and 25% on the fourth anniversary of the date of grant. Beginning in 2016, the restricted stock units awarded vest over four years as follows: 25% on the first anniversary of the date of grant and 6.25% on each quarterly anniversary thereafter.

### **Exercise Price**

The exercise price of stock options or stock appreciation rights granted under the Amended 2006 Plan may not be less than 100% of the closing price of Verisign stock on the day of grant. In the event a grant is made on a day when the NASDAQ Global Select Market (or other applicable principal national securities exchange on which Verisign's common stock is traded) is closed, the fair market value will be determined as of the last preceding trading day.

### **Repricing Prohibited**

Except as otherwise provided in the Amended 2006 Plan, repricing or reducing the exercise price of a stock option or stock appreciation right or issuance of new stock options or stock appreciation rights having a lower exercise price in substitution for canceled stock options or stock appreciation rights is prohibited without stockholder approval.

### **Non-Employee Director Awards**

The Amended 2006 Plan provides for discretionary awards (except for awards of incentive stock options) to non-employee directors as determined by the Compensation Committee. Discretionary awards to non-employee directors will vest and be exercisable

as determined by the Compensation Committee. Notwithstanding the foregoing, the Amended 2006 Plan will limit the compensation paid to any non-employee director to an aggregate dollar value, including equity and cash awards, of \$600,000, with an exception to such limit for grants made in the first year of service.

In the event of a corporate transaction, such as a dissolution or liquidation, merger or sale of substantially all of Verisign's assets, all awards granted to non-employee directors will become fully vested and exercisable.

#### **Terms Applicable to Stock Options and Stock Appreciation Rights**

An option granted to a participant under the Amended 2006 Plan allows a participant to purchase up to the total number of shares of common stock of the Company at a specified exercise price per share during specified time periods. A stock appreciation right may be granted with respect to a certain number of shares of the Company's common stock and may be settled in cash or shares, having a value equal to the product of the difference between the fair market value on the exercise date and the exercise price and the number of shares with which the stock appreciation right is being settled. The exercise price of stock options and stock appreciation rights granted under the Amended 2006 Plan may not be less than 100% of the closing price of Verisign common stock on the day of grant. Stock options will have a term no longer than ten years, and stock appreciation rights will have a term no longer than seven years. Subject to the limitations of the Amended 2006 Plan, the Compensation Committee will determine the terms and conditions applicable to awards of stock options and stock appreciation rights, including with regard to vesting and exercisability, which may be based on, among other things, continued employment with Verisign, the passage of time, or such performance criteria and the level of achievement versus such criteria as the Compensation Committee deems appropriate.

#### **Terms Applicable to Restricted Stock Awards, Restricted Stock Unit Awards, Stock Bonus Awards and Performance Shares**

Subject to the limitations of the Amended 2006 Plan, the Compensation Committee will determine the terms and conditions applicable to awards of restricted stock, restricted stock units, stock bonuses and performance shares, including with regard to any restrictions or vesting, which may be based on, among other things, continued employment with Verisign, the passage of time, or such performance criteria and the level of achievement versus such criteria as the Compensation Committee deems appropriate.

#### **Terms Applicable to Performance Shares**

The Compensation Committee will determine the terms of each award of performance shares. If applicable, in establishing performance measures (as described below) and the performance period applicable to performance shares the Compensation Committee will: determine the nature, length and starting date of any performance period (not to exceed five years); set performance goals under the performance measures to be used and specify any exclusion(s) or inclusion(s) for charges related to any event(s) or occurrence(s) which the Compensation Committee determines should appropriately be excluded or included, as applicable, for purposes of measuring performance against the applicable performance measure, which may include restructurings, reorganizations, discontinued operations, non-core businesses in continuing operations, acquisitions, dispositions, or any items that are unusual in nature or infrequently occurring as described in ASC Subtopic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable year, the cumulative effects of tax or accounting changes, each in accordance with generally accepted accounting principles, foreign exchange gains or losses, stock-based compensation, amortization of intangible assets, impairments of goodwill and other intangible assets, asset write downs, or non-cash interest expense or litigation or claim judgments or settlements; and determine the number of shares deemed subject to the award of performance shares.

Prior to settlement, the Compensation Committee will 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, performance measures and performance goals and other criteria. If the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render previously established performance goals unsuitable, the Compensation Committee may in its discretion modify such performance goals or the related levels of achievement, in whole or in part, as the Compensation Committee deems appropriate and equitable; provided that, unless the Compensation Committee determines otherwise, no such action will be taken if and to the extent it would result in the loss of an otherwise available exemption of the award under Section 162(m) of the Code and the regulations thereunder.

The performance goals designated by the Compensation Committee under the performance measures may be specified in absolute terms, in percentages or in terms of growth from period to period or growth rates over time and may be determined solely by reference to the Company's performance or the performance of a subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The number of shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Compensation Committee. Performance measures are the factors selected by the Compensation Committee from among the following measures (whether or not in comparison to other peer companies) to determine whether the performance goals established by the Compensation Committee and applicable to awards have been satisfied: net sales; revenue; revenue growth or



product revenue growth; operating income (before or after taxes); pre- or after-tax income or loss (before or after allocation of corporate overhead and bonus); earnings or loss per share; net income or loss (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of shares of the Company's common stock or any other publicly-traded securities of the Company; market share; gross profits; earnings or losses (including earnings or losses before taxes, before taxes and amortization, before interest and taxes, or before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; operating margin; gross margin; year-end cash; cash margin; debt reduction; stockholders equity; operating efficiencies; market share; customer satisfaction; customer growth; employee satisfaction; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents and passing pre-approval inspections (whether of the Company or the Company's third-party manufacturer) and validation of manufacturing processes (whether the Company's or the Company's third-party manufacturer's)); strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with entities with respect to the marketing, distribution and sale of the Company's products (including with group purchasing organizations, distributors and other vendors); supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and manufacturers of the Company's products); co-development, co-marketing, profit sharing, joint venture or other similar arrangements; financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; factoring transactions; sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); implementation, completion or attainment of measurable objectives with respect to research, development, manufacturing, commercialization, contracts, products or projects, production volume levels, acquisitions and divestitures; factoring transactions; or recruiting and maintaining personnel.

### **Transferability**

The Compensation Committee has the discretion to permit a recipient of a non-qualified stock option to transfer his or her award pursuant to a permitted transfer (as defined in the Amended 2006 Plan). Without such permission, an award may not be transferred, sold, pledged, assigned, hypothecated or disposed of in any manner other than by will or by the laws of descent and distribution. No award may be made subject to execution, attachment or other similar process.

### **Amendments**

Except as otherwise provided in the Amended 2006 Plan, the Board may at any time terminate or amend the plan in any respect, including, without limitation, amendment of any form of award agreement or instrument to be executed pursuant to the plan; *provided, however*, that the Board will not, without the approval of the shareholders of the Company, amend the Amended 2006 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.

### **Adjustments**

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, or in the event of any extraordinary dividend, divestiture or other distribution (other than ordinary cash dividends) of assets to shareholders or any transaction similar to the foregoing, the Committee shall make such equitable substitutions or adjustments as it determines in its sole discretion to be necessary or appropriate, in respect of the number and class of shares reserved for issuance under this Amended 2006 Plan, the exercise prices of outstanding options and stock appreciation rights, the number of shares subject to outstanding awards, and the maximum number of shares that may be granted pursuant to the Amended 2006 Plan. However, fractions of a share will not be issued and no such substitution or adjustment will be made in a manner that would adversely affect the tax treatment in respect of an award and/or the Amended 2006 Plan for either the Company or a participant under Section 162(m), Section 409A or Section 422 of the Code or otherwise violate any applicable law.

### **Corporate Transactions**

In the event of a corporate transaction, such as a dissolution or liquidation, merger or sale of substantially all of Verisign's assets, any or all outstanding awards may be assumed, converted or replaced by a successor corporation, which assumption, conversion or replacement will be binding on all award recipients. In the alternative, a successor corporation may substitute equivalent awards or provide substantially similar consideration to award recipients as was provided to Verisign's stockholders (after taking into account the existing provisions of outstanding awards). The successor corporation may also issue, in place of outstanding shares of Verisign held by award recipients, substantially similar shares or other property subject to repurchase restrictions no less favorable to such award recipient. In the event such successor corporation, if any, refuses to assume or replace the awards outstanding under the



Amended 2006 Plan pursuant to a corporate transaction or if there is no successor corporation due to a dissolution or liquidation of the company, outstanding awards will expire on such transaction at such time and on such conditions as the Compensation Committee will determine, provided, however, that the Compensation Committee may, in its sole discretion, provide that the vesting of any or all awards will instead accelerate in the event of such corporate transaction, in which case 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 Compensation Committee determines, and if such awards are not exercised prior to the consummation of the corporate transaction, they will terminate at such time as determined by the Compensation Committee.

In the event of a corporate transaction described above, the vesting of all awards granted to outside directors under the Amended 2006 Plan will become fully vested and exercisable and must be exercised, if at all, within six months following such transaction.

### **Federal Income Tax Consequences**

The following summary constitutes a brief overview of the principal U.S. federal income tax consequences relating to awards that may be granted under the Amended 2006 Plan based upon current tax laws. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences.

### **Non-Qualified Stock Options**

Non-qualified stock options do not qualify for any special tax benefits to the optionee. An optionee will not recognize any taxable income at the time he or she is granted a non-qualified option. Upon exercise of the stock option, the optionee will generally recognize compensation income for federal tax purposes measured by the excess, if any, of the then fair market value of the shares at the time of exercise over the exercise price. Verisign is generally entitled to a tax deduction in an amount equal to the ordinary income recognized by the participant in connection with such exercise. The employee's basis in the option stock will be increased by the amount of the compensation income recognized. Upon the sale of the shares issued upon exercise of a non-qualified stock option, any further gain or loss recognized will be treated as capital gain or loss and will be treated as short-term capital gain or loss if the shares have been held for less than one year.

### **Incentive Stock Options**

The Code provides optionees with favorable federal income tax treatment of stock options that qualify as incentive stock options. If a stock option is treated as an incentive stock option, the optionee will recognize no income upon grant of the stock option and will recognize no income upon exercise of the stock option unless the alternative minimum tax rules apply. Verisign would not be allowed a deduction for federal tax purposes in connection with the exercise of an incentive stock option.

Upon the sale of the shares issued upon exercise of an incentive stock option occurring at least two years after the grant of the stock option and one year after exercise of the stock option, referred to as the "statutory holding periods," any gain will be taxable to the optionee as long-term capital gain. If the statutory holding periods are not satisfied (i.e., the optionee makes a "disqualifying disposition"), the optionee will recognize compensation income equal to the excess, if any, of the lower of (1) the fair market value of the stock at the date of the stock option exercise, or (2) the sale price of the stock, over the option price. Verisign is generally entitled to a tax deduction in an amount equal to the ordinary income recognized by the participant in connection with such sale or disposition. The employee's basis of the stock issued upon exercise of the option, referred to as the "option stock," will be increased by the amount of the compensation income recognized. Any further gain or loss recognized on a disqualifying disposition of the shares will be characterized as capital gain or loss. Different rules may apply if shares are purchased by an optionee who is subject to Section 16(b) of the Exchange Act, and the optionee subsequently disposes of such shares prior to the expiration of the statutory holding periods.

### **Stock Appreciation Rights**

A grant of a stock appreciation right has no federal income tax consequences at the time of grant. Upon the exercise of stock appreciation rights, the value of the shares or other consideration received is generally taxable to the recipient as ordinary income, and Verisign generally will be entitled to a corresponding tax deduction.

### **Restricted Stock**

A participant receiving restricted stock may be taxed in one of two ways: the participant (i) pays tax when the restrictions lapse (i.e., they become vested) or (ii) makes a special election to pay tax in the year the grant is made. At either time the value of the award for tax purposes is the excess of the fair market value of the shares at that time over the amount (if any) paid for the shares. This value is taxed as ordinary income and is subject to income tax withholding. Verisign receives a tax deduction at the same time as, and for the same amount taxable to, the participant. If a participant elects to be taxed at grant, then, when the restrictions lapse, there will be no further tax consequences attributable to the awarded stock until the recipient sells or otherwise disposes of the stock.

### **Restricted Stock Units or Performance Shares**

In general, no taxable income is realized upon the grant of a restricted stock unit award or an award of performance shares. The participant will generally include in ordinary income the fair market value of the award of stock at the time shares of stock are delivered to the participant or at the time the restricted stock unit or performance shares vest. Verisign generally will be entitled to a tax deduction at the time and in the amount that the participant recognizes ordinary income.

### **Stock Bonus Awards**

The participant will not realize income when a stock bonus award is granted, but will realize ordinary income when shares are transferred to him or her. The amount of such income will be equal to the fair market value of such transferred shares on the date of transfer. Verisign will be entitled to a deduction for federal income tax purposes at the same time and in the same amount as the participant is considered to have realized ordinary income as a result of the transfer of shares.

### **New Plan Benefits**

As awards are made under the Amended 2006 Plan in the discretion of the Compensation Committee, future equity awards are not determinable at this time.

**The Board Recommends a Vote “FOR” Approval of the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan.**

## PROPOSAL NO. 4

### TO APPROVE AN AMENDMENT TO VERISIGN'S CERTIFICATE OF INCORPORATION TO PROVIDE THE BOARD AUTHORITY TO AMEND THE BYLAWS

The Board has determined that it is in the best interests of Verisign and its stockholders to seek stockholder approval of an amendment to Verisign's Fifth Amended and Restated Certificate of Incorporation (the "Certificate") to explicitly grant the Board authority to amend Verisign's bylaws.

#### Background

Based on a review of the Company's corporate governance documents, including from its initial public offering ("IPO") in January 1998, the Company determined that the bylaws attached as Appendix B are the bylaws currently in effect for the Company instead of the Seventh Amended and Restated Bylaws last filed by the Company on May 22, 2014 (the "2014 Bylaws"). The bylaws are comprised of the Company bylaws that were in effect prior to the IPO together with two amendments approved by the Company's stockholders after the IPO. This is because the Company has determined that (1) the bylaws that were to take effect upon the IPO were subject to approval by the Company's stockholders, which was not sought or obtained, and (2) the ability of the Board to adopt, amend or repeal the bylaws ceased upon the IPO, although that does not appear to have been the intent. Under Delaware law, a board's authority to amend the bylaws must be set forth in the certificate of incorporation to be effective. Prior to the IPO, the Company's certificate of incorporation stated that the Board had the authority to adopt, amend or repeal the bylaws. However, that authority was moved from the certificate of incorporation that became effective upon the IPO to the bylaws that were intended to become effective upon the IPO. Apart from the Board-adopted bylaw provisions, the Company does not believe that these events otherwise impacted the validity of any corporate actions taken since the IPO in any material manner.

#### Description of the Proposed Amendment

The proposed amendment to the Certificate would provide, consistent with most public companies, the Board authority to amend the bylaws, which would be accomplished by amending Article Five of the Certificate to state that the Board is expressly empowered to adopt, amend or repeal bylaws of Verisign (the "Proposed Amendment"). The Proposed Amendment would not divest or limit the power of the stockholders' existing right to adopt, amend or repeal Verisign's bylaws. Moreover, the Proposed Amendment would prohibit the Board from altering, amending or repealing any bylaw adopted by the stockholders that by its terms may be altered, amended or repealed only by the stockholders. The Board has approved, adopted and declared advisable the Proposed Amendment. This description of the Proposed Amendment is qualified in its entirety by the text of the amendment to Article Five of the Certificate, as marked to show changes to the current Article Five, which is included as Appendix C to this Proxy Statement. Upon approval of the Proposed Amendment, the Board intends to amend the bylaws to include certain provisions, as described below under "Providing the Board authority to amend the bylaws will enable the Board to update the bylaws."

#### Reasons for the Proposed Amendment

For the reasons set forth below, the Board believes that the Proposed Amendment to Article Five of the Certificate is in the best interests of Verisign and its stockholders.

***Providing the Board authority to amend the bylaws is consistent with the intent at the time of Verisign's IPO and is in line with current practices at other publicly traded companies, which do not require stockholders to approve all bylaw amendments.***

In advance of the IPO, Verisign filed with the SEC and thus publicly disclosed the governing documents that were intended to become effective upon the IPO. This included a form of bylaws that stated that the Board would continue to have the authority to amend Verisign's bylaws. Thus, the Proposed Amendment is consistent with the intended scope of the Board's authority regarding bylaws as understood by the Board and disclosed to the Company's stockholders at the time of the IPO.

Moreover, in general the authority of a board of directors to amend a company's bylaws is standard among public companies. This authority allows a board to efficiently implement and adopt corporate policies and procedures as changing circumstances may necessitate, and to respond quickly to corporate governance or other matters affecting a company's business, without incurring the expense and delay of soliciting proxies from the stockholders and holding a meeting of stockholders. According to data from FactSet's SharkRepellent, a corporate governance database, the board has authority to amend the bylaws without stockholder approval at over 97% of the companies it tracks in each of the S&P 500, S&P 1500 and Russell 3000 indices. In addition, each of Verisign's peer group companies identified in the CD&A beginning on page 21 permit their boards to amend their bylaws.

***Providing the Board authority to amend the bylaws will enable the Board to update the bylaws.***

Adoption of the Proposed Amendment would allow the Board to update the bylaws by amending them to incorporate certain provisions reflected in the 2014 Bylaws. As described above, the bylaws attached as Appendix B reflect the bylaws in effect before the IPO plus two stockholder-approved bylaws amendments adopted after the IPO. The bylaws do not include a number of provisions set

forth in the 2014 Bylaws and which are standard among large public companies, including majority voting in uncontested director elections and advance notice provisions governing the nomination of directors and submission of other matters for consideration at stockholder meetings. If the Proposed Amendment is not approved, implementing these provisions by stockholder approval in the future would require time, expense and uncertainty. If the Proposed Amendment is approved, however, the Board intends to amend the bylaws to include the following provisions that were addressed in the 2014 Bylaws (as well as a proxy access right, as described below):

- Majority voting in uncontested director elections with plurality voting retained for contested elections.
- An advance notice provision regarding nominating persons for election to the Board and proposing other business to be considered at annual and special stockholder meetings. For annual meetings, this provision would require a stockholder to provide notice and certain information about the stockholder and the nominee or item of business generally not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of the corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders.
- Clarify that the Board may delegate authority to officers, employees and agents outside the bylaws.
- Clarify the Board's ability to use the methods in Delaware General Corporation Law Section 141(f) when the Board is taking action by unanimous consent in lieu of a meeting, which includes the use of electronic transmission.
- Clarify the methods for giving notice for meetings of stockholders and Board meetings.
- Remove inoperative language about stockholder action by written consent without a meeting of stockholders. Verisign's Certificate requires stockholders to act only by voting at a stockholder meeting.
- Other miscellaneous wording changes throughout the document to make corrections, to clarify language and, to conform the language in the bylaws to that of the Certificate (including as amended by this Proposal) or the Delaware General Corporation Law.

The Board does not intend to amend the bylaws to include a provision in the 2014 Bylaws that would increase the vote required for stockholders to amend the bylaws to the affirmative vote of a majority of outstanding shares.

***Providing the Board authority to amend the bylaws will provide the Board necessary flexibility to respond on a cost-efficient basis to evolving circumstances, including proxy access.***

Without adoption of the Proposed Amendment, stockholders would need to approve all future amendments to the bylaws, which would be burdensome and unnecessary, and is an inefficient use of company resources. For example, bylaws typically contain provisions pertaining to the internal operations of a company and its board, such as provisions on the conduct of board meetings and the appointment of officers. Seeking stockholder approval of every change to these types of provisions would be cumbersome and would involve stockholders in day-to-day aspects of a company's governance practices.

Moreover, without adoption of the Proposed Amendment, the Board's ability to respond quickly and efficiently to evolving circumstances such as governance norms would be hampered. In recent years, boards at many companies have been able to amend their companies' bylaws in response to evolving governance norms such as majority voting in director elections and, more recently, proxy access. Rather than asking stockholders to approve these amendments, boards have been able to adopt them in a more efficient, cost-effective manner, without going through the process of soliciting and obtaining stockholder approval.

If the Proposed Amendment is adopted, in addition to the Bylaw amendments discussed above, the Board intends to further amend the bylaws to adopt a meaningful proxy access right for stockholders. Specifically, the bylaws would state that a stockholder, or a group of no more than 20 stockholders, that has continuously owned at least 3% of Verisign's outstanding stock entitled to vote in the election of directors for at least three years, may nominate and include in Verisign's proxy materials up to the greater of two directors or 20% of the number of Verisign's directors then in office, provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in the bylaws. Additional details regarding the proxy access right that the Board will include in the bylaws are described under Proposal No. 6. However, the Board will not be able to adopt proxy access in advance of the 2017 Annual Meeting of Stockholders if the Proposed Amendment is not adopted.

***The Proposed Amendment would not divest stockholders of their right to amend Verisign's bylaws and would restrict the Board's authority to amend the bylaws.***

The Proposed Amendment would not divest or limit the power of the stockholders to adopt, amend or repeal Verisign's bylaws. Moreover, the Proposed Amendment would restrict the Board's bylaw amendment authority by prohibiting the Board from altering, amending or repealing any bylaw adopted by the stockholders that by its terms may be altered, amended or repealed only by

the stockholders. In addition, if stockholders approve the Proposed Amendment, Verisign must disclose any bylaw amendments that the Board adopts within four business days in a filing with the SEC. Accordingly, stockholders will be informed promptly about any amendments to the bylaws.

*Verisign's corporate governance policies demonstrate that the Board is committed to implementing and maintaining effective corporate governance policies and practices that promote high standards of ethics, integrity and accountability to Verisign's stockholders.*

These policies and practices include:

- **Annual Director Elections** - All directors stand for election to the Board each year.
- **An Independent Board** - The Board consists entirely of independent directors, except Mr. Bidzos, our Executive Chairman, President and Chief Executive Officer.
- **A Lead Independent Director** - The Board has a Lead Independent Director to provide independent leadership for the Board.
- **No Supermajority Voting** - Verisign's corporate documents do not include any supermajority voting provisions.
- **A Special Meeting Right** - Stockholders owning 35% of Verisign's outstanding common stock can request a special meeting if they have held a net long position in the stock continuously for at least one year.

## **Conclusion**

If the Proposed Amendment is approved, it will become legally effective upon the filing of a certificate of amendment to Verisign's Certificate with the Delaware Secretary of State. Verisign intends to make that filing promptly after the 2016 Annual Meeting. Thereafter, as discussed above, the Board intends to adopt amendments to the bylaws, including adopting a proxy access right for stockholders.

If the Proposed Amendment is not approved, as discussed above, Verisign will continue to operate under the bylaws and stockholders will need to approve any future amendments. As noted above, the bylaws do not include a number of provisions that are standard among large public companies, including majority voting in uncontested director elections and advance notice provisions governing the nomination of directors and submission of other matters for consideration at stockholder meetings.

## **Vote Required**

Approval of the Proposed Amendment requires the affirmative vote of the holders of a majority of the voting power of the outstanding capital stock of Verisign outstanding and entitled to vote thereon. Abstentions and broker non-votes will have the same effect as votes "against" the approval of the Proposed Amendment.

**The Board Recommends a Vote "FOR" the Approval of the Amendment to Verisign's Certificate of Incorporation to Provide the Board Authority to Amend the Bylaws.**

**PROPOSAL NO. 5**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected KPMG LLP as our independent registered public accounting firm to perform the audit of our consolidated financial statements for the year ending December 31, 2016, and, as a matter of good corporate governance, our stockholders are being asked to ratify this selection. Representatives of KPMG LLP, expected to be present at the Meeting, will have the opportunity to make a statement at the Meeting if they desire to do so and are expected to be available to respond to appropriate questions.

**The Board Recommends a Vote “FOR” the Ratification of the Selection of KPMG LLP as our Independent Registered Public Accounting Firm.**



## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees billed for professional services rendered by KPMG LLP for the audit of our annual consolidated financial statements for the years ended December 31, 2015 and December 31, 2014, and fees billed for other services provided by KPMG LLP, in each of the last two completed fiscal years.

	2015 Fees	2014 Fees
Audit Fees (including quarterly reviews):		
Consolidated Integrated Audit .....	\$ 1,349,000	\$ 1,355,000
Statutory Audits.....	203,128	215,665
Comfort Letters and Consent on SEC filing .....	234,720	—
Total Audit Fees.....	1,786,848	1,570,665
Audit-Related Fees(1).....	255,000	437,697
Tax Fees(2) .....	85,000	—
All Other Fees.....	—	—
Total Fees.....	2,126,848	2,008,362

(1) Audit-Related Fees consist principally of reporting on Service Organization Controls (SOC 2 and 3 reports).

(2) Tax Fees consist principally of technical tax advice.

### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

Per the Audit Committee's Charter, the Audit Committee, or a designated member of the Audit Committee, pre-approved all audit and permissible non-audit services provided by the independent registered public accounting firm. These services included audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

## PROPOSAL NO. 6

### STOCKHOLDER PROPOSAL REQUESTING THAT THE BOARD TAKE STEPS TO AMEND THE BYLAWS TO ADOPT STOCKHOLDER PROXY ACCESS

John Chevedden has submitted a stockholder proposal for consideration at the Annual Meeting. Mr. Chevedden's address is 2215 Nelson Avenue, No. 205, Redondo Beach, CA 90278. We have been notified that Mr. Chevedden has continuously owned no fewer than 50 shares of our common stock since November 1, 2014. If properly presented at the Annual Meeting, the Board unanimously recommends a vote "AGAINST" the following proposal. The affirmative vote of the holders of a majority of the stock present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the stockholder proposal. Mr. Chevedden has requested that the proposal set forth below in italics be presented for a vote at the Meeting:

#### *Proposal 6 - Shareholder Proxy Access*

*RESOLVED; Shareholders ask our board of directors to adopt, and present for shareholder approval, a "proxy access" bylaw as follows:*

*Require the Company to include in proxy materials prepared for a shareholder meeting at which directors are to be elected the name, Disclosure and Statement (as defined herein) of any person nominated for election to the board by a shareholder or an unrestricted number of shareholders forming a group (the "Nominator") that meets the criteria established below.*

*Allow shareholders to vote on such nominee on the Company's proxy card.*

*The number of shareholder-nominated candidates appearing in proxy materials should not exceed one quarter of the directors then serving or two, whichever is greater. This bylaw should supplement existing rights under Company bylaws, providing that a Nominator must:*

*a) have beneficially owned 3% or more of the Company's outstanding common stock, including recallable loaned stock, continuously for at least three years before submitting the nomination;*

*b) give the Company, within the time period identified in its bylaws, written notice of the information required by the bylaws and any Securities and Exchange Commission (SEC) rules about (i) the nominee, including consent to being named in proxy materials and to serving as director if elected; and (ii) the Nominator, including proof it owns the required shares (the "Disclosure"); and*

*c) certify that (i) it will assume liability stemming from any legal or regulatory violation arising out of the Nominator's communications with the Company shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws and regulations if it uses soliciting material other than the Company's proxy materials; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business, not to change or influence control at the Company.*

*The Nominator may submit with the Disclosure a statement not exceeding 500 words in support of the nominee (the "Statement"). The Board should adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and applicable federal regulations, and the priority given to multiple nominations exceeding the one-quarter limit. No additional restrictions that do not apply to other board nominees should be placed on these nominations or re-nominations.*

*Proxy access would "benefit both the markets and corporate boardrooms, with little cost or disruption," raising US market capitalization by up to \$140 billion according to a cost-benefit analysis by the Chartered Financial Analyst Institute, Proxy Access in the United States: Revisiting the Proposed SEC Rule.*

*Please vote to enhance shareholder value:*

#### *Shareholder Proxy Access - Proposal 6*

**The Board recommends a vote "against" this proposal for the following reasons:**

The Board is committed to sound corporate governance policies and practices, which allow stockholders to voice their opinions as well as drive stable, long-term value for stockholders. The Board has carefully reviewed this proposal and for the following reasons believes that this proposal is not necessary and recommends voting "AGAINST" this proposal.

As discussed above, the Board intends to take all necessary action so that the Company adopts a meaningful proxy access right in the near future. Specifically, the bylaws would state that a stockholder, or a group of no more than 20 stockholders, that has continuously owned at least 3% of the Company's outstanding stock entitled to vote in the election of directors for at least three years, may nominate and include in the Company's proxy materials up to the greater of two directors or 20% of the number of directors then in office, provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in the bylaws (the "Proxy Access Bylaw"). The Board currently has eight members thus stockholders would be able to include two director nominees in the Company's proxy materials if nominated using the Proxy Access Bylaw.

The Proxy Access Bylaw to be adopted by the Board would include the following features:

- Allowing stockholders to count loaned shares toward the 3% ownership threshold as long as the stockholder has the power to recall the loaned shares within five business days;
- Allowing certain groups of funds to count as a single stockholder;
- Nominees must be independent under applicable listing standards, Securities and Exchange Commission rules, and standards used by the Board;
- No requirement for stockholders to hold the Company's stock beyond the date of the annual meeting;
- No requirement for stockholders to state their intentions regarding whether they will continue to hold the Company's stock;
- No minimum vote requirement for nominees to be resubmitted by a stockholder for election at the following year's Annual Meeting of Stockholders; and
- Stockholders are not prohibited from submitting nominees for election at the following year's Annual Meeting of Stockholders if their nominee(s) are elected to the Board.

The Board believes that this Proxy Access Bylaw, along with the Company's other corporate governance features, would provide stockholders with robust and effective avenues to communicate with the Board and keep it accountable.

The Board also believes that this stockholder proposal, which requests that an unlimited number of stockholders be able to aggregate their shares to satisfy the 3% ownership threshold, does not appropriately balance the potential disruption and administrative difficulty that could be created by the complexities of nominations from a large number of stockholders (each potentially holding small numbers of shares) and the costs that would be associated with managing such an unwieldy process. Considering that the Company's 20 largest stockholders collectively own more than 80% of the Company's common stock, the Board believes that limiting the size of the nominating group to no more than 20 stockholders provides stockholders with an appropriate opportunity to include nominees in the proxy statement.

The Company's corporate governance policies and practices have delivered strong returns for our stockholders. Since the completion of the Board-led divestiture strategy in the third quarter of 2010, the Company's financial and operating performance has shown a consistent and improving track record. As noted in our financial results, revenue has grown sequentially for 21 straight quarters; annual operating income has grown sequentially for five straight years; annual cash flow from operating activities has grown sequentially for five straight years; and the Company has returned over \$4.35 billion to stockholders in the form of share repurchases and special dividends (excluding payments to convert holders triggered by the special dividends). The Board believes that adopting the Proxy Access Bylaw, which is tailored to the Company's facts and circumstances, will generate the most value for stockholders while delivering a robust and stockholder-friendly corporate governance structure and avoiding the unnecessary costs and distraction of the generic proxy access proposal.

**The Board recommends a vote "AGAINST" this proposal for the reasons discussed above. Proxies solicited by the Board will be voted "AGAINST" this proposal unless a stockholder indicates otherwise in voting the proxy.**

## OTHER INFORMATION

### **Stockholder Proposals for the 2017 Annual Meeting of Stockholders**

Proposals of stockholders intended to be presented at our 2017 Annual Meeting of Stockholders and included in our proxy statement and form of proxy relating to the meeting, pursuant to Rule 14a-8 under the Exchange Act must be received by us at our principal executive offices no later than 120 calendar days before the one year anniversary of the date this Proxy Statement was first made available to stockholders, or December 30, 2016.

For any proposal that is not submitted for inclusion in next year's proxy statement, but is instead sought to be presented directly at the 2017 Annual Meeting of Stockholders, SEC rules permit management to vote proxies in its discretion if we: (1) receive notice of the proposal before the close of business on March 15, 2017 and advise stockholders in the 2017 Proxy Statement about the nature of the matter and how management intends to vote on such matter; or (2) do not receive notice of the proposal prior to the close of business on March 15, 2017. All notices of proposals by stockholders, whether or not included in our proxy materials, should be sent to the Secretary of Verisign at 12061 Bluemont Way, Reston, Virginia 20190.

## Other Business

The Board does not presently intend to bring any other business before the Meeting, and, so far as is known to the Board, no matters are to be brought before the Meeting except as specified in the Notice of the Meeting. As to any business that may properly come before the Meeting, however, it is intended that proxies will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

**Whether or not you expect to attend the Meeting, please complete the proxy electronically as described on the Notice of Internet Availability of Proxy Materials and under “Internet and Telephone Voting” in this Proxy Statement, or alternatively, if you have requested paper copies of the proxy soliciting materials, please complete, date, sign and promptly return the proxy in the enclosed postage paid envelope or cast your vote by phone so that your shares may be represented at the Meeting.**

## Communicating With Verisign

We have from time-to-time received calls from stockholders inquiring about the available means of communication with Verisign. We thought that it would be helpful to describe those arrangements that are available for your use.

- If you would like to receive information about Verisign, you may use one of these convenient methods:
  1. To have information such as our latest Annual Report on Form 10-K or Quarterly Report on Form 10-Q mailed to you, please email our Investor Relations Department at [ir@verisign.com](mailto:ir@verisign.com), and specify your mailing address, or call our Investor Relations Department at 1-800-922-4917 (U.S.) or 1-703-948-3447 (international).
  2. To view our website on the Internet, use our Internet address: [www.verisigninc.com](http://www.verisigninc.com). Our home page gives you access to product, marketing and financial data, and an on-line version of this Proxy Statement, our Annual Report on Form 10-K and other filings with the SEC. The information available on, or accessible through, this website is not incorporated herein by reference.
- If you would like to write to us, please send your correspondence to the following address:

VeriSign, Inc.  
Attention: Investor Relations  
12061 Bluemont Way  
Reston, Virginia 20190

or via email at [ir@verisign.com](mailto:ir@verisign.com).
- If you would like to inquire about stock transfer requirements, lost certificates and change of stockholder address, please call our transfer agent, Computershare Inc. at 1-877-255-1918. Foreign stockholders please call 1-201-680-6578. You may also visit their website at <http://www.computershare.com/investor> for step-by-step transfer instructions.

**WE WILL PROVIDE, WITHOUT CHARGE, ON THE WRITTEN REQUEST OF ANY STOCKHOLDER, A COPY OF OUR 2015 ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENT SCHEDULES REQUIRED TO BE FILED WITH THE SEC PURSUANT TO RULE 13A-1. STOCKHOLDERS SHOULD DIRECT SUCH REQUESTS TO THE INVESTOR RELATIONS AT 12061 BLUEMONT WAY, RESTON, VIRGINIA, OR BY EMAIL AT [IR@VERISIGN.COM](mailto:IR@VERISIGN.COM).**

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**Amended and Restated VeriSign, Inc.  
2006 Equity Incentive Plan**

(amended and restated ~~May 26, 2011~~ \_\_\_\_\_, 2016)

**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. 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 Adjustments.* 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, or in the event of any extraordinary dividend, divestiture or other distribution (other than ordinary cash dividends) of assets to shareholders or any transaction similar to the foregoing, the Committee shall make such equitable substitutions or adjustments as it determines in its sole discretion to be necessary or appropriate, in respect of (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 Awards, and (d) the maximum number of Shares that may be granted pursuant to Section 3; provided, however, that (i) fractions of a Share will not be issued and (ii) any such substitution or adjustment shall be made in a manner that does not adversely affect the tax treatment in respect of the Award and/or the Plan for either the Company or the Participant under Section 162(m), Section 409A or Section 422 of the Code or otherwise violate any applicable law.

**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. Notwithstanding anything herein to the contrary, the aggregate dollar value of equity-based (based on the grant date fair value of equity-based Awards) and cash compensation granted under this Plan or otherwise during any calendar year to any Outside Director shall not exceed \$600,000; provided, however, that in the calendar year in which an Outside Director first joins the Board of Directors or is first designated as Chairman of the Board of Directors or Lead Director, the maximum aggregate dollar value of equity-based and cash compensation granted to the Participant may be up to two hundred percent (200%) of the foregoing limit.

**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 Measures); 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 Measures 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 Measures 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 Measures 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 Measures 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 that are unusual in nature or infrequently occurring 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 Measures 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 Measures 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 Measures), 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 Measures 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) set performance goals under the Performance

Measures to be used to measure the performance, if any, and, if so, specify any exclusion(s) or inclusion(s) for charges related to any event(s) or occurrence(s) which the Committee determines should appropriately be excluded or included, as applicable, for purposes of measuring performance against the applicable Performance Measure, which may include (i) restructurings, reorganizations, discontinued operations, non-core businesses in continuing operations, acquisitions, dispositions, or any ~~extraordinary nonrecurring items that are unusual in nature or infrequently occurring~~ as described in ASC Subtopic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable year, (ii) the cumulative effects of tax or accounting changes, each in accordance with generally accepted accounting principles, (iii) foreign exchange gains or losses, (iv) stock-based compensation, (v) amortization of intangible assets, impairments of goodwill and other intangible assets, asset write downs, or non-cash interest expense or (vi) litigation or claim judgments or settlements; 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 RSU has been earned. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods, Performance Measures and performance goals and other criteria. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render previously established performance goals unsuitable, the Committee may in its discretion modify such performance goals or the related levels of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided that, unless the Committee determines otherwise, no such action shall be taken if and to the extent it would result in the loss of an otherwise available exemption of the Award under Section 162(m) of the Code and the regulations thereunder. The performance goals designated by the Committee under the Performance Measures may be specified in absolute terms, in percentages or in terms of growth from period to period or growth rates over time and may be determined solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. 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.

**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 Measures, 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 Measures and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) set performance goals under the Performance Measures to be used and specify any exclusion(s) or inclusion(s) for charges related to any event(s) or occurrence(s) which the Committee determines should appropriately be excluded or included, as applicable, for purposes of measuring performance against the applicable Performance Measure, which may include (i) restructurings, reorganizations, discontinued operations, non-core businesses in continuing operations, acquisitions, dispositions, or any ~~extraordinary nonrecurring items that are unusual in nature or infrequently occurring~~ as described in ASC Subtopic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Form 10-K for the applicable year, (ii) the cumulative effects of tax or accounting changes, each in accordance with generally accepted accounting principles, (iii) foreign exchange gains or losses, (iv) stock-based compensation, (v) amortization of intangible assets, impairments of goodwill and other intangible assets, asset write downs, or non-cash interest expense or (vi) litigation or claim judgments or settlements; 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, Performance Measures and performance goals and other criteria. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render previously established performance goals unsuitable, the Committee may in its discretion modify such performance goals or the related levels of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided that, unless the Committee determines otherwise, no such action shall be taken if and to the extent it would result in the loss of an otherwise available exemption of the Award under Section 162(m) of the Code and the regulations thereunder. The performance



goals designated by the Committee under the Performance Measures may be specified in absolute terms, in percentages or in terms of growth from period to period or growth rates over time and may be determined solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. 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.

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. The Committee may in its sole discretion also allow the Company to satisfy the ~~minimum~~ withholding tax obligation by withholding 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, without any election by the Participant. Notwithstanding anything herein to the contrary, the amount withheld shall not exceed the the maximum statutory tax rates in the Participant's applicable jurisdiction. The maximum statutory tax rates are based on the applicable rates of the relevant tax authorities (for example, federal, state, and local), including the Participant's share of payroll or similar taxes, as provided in tax law, regulations, or the authority's administrative practices, not to exceed the highest statutory rate in that jurisdiction, even if that rate exceeds the highest rate that may be applicable to the Participant.

## 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.** Except as provided in Section 2.2 of this Plan, 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 on June 9, 2026 ~~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 written agreement between the Company and the Participant setting forth the terms and conditions of the Award. The acceptance of an Award and Award Agreement by a Participant may be evidenced by manual execution, electronic acceptance or deemed acceptance (to the extent set forth in the Award Agreement).

**"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:

(a) 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;

(b) any person (other than a tenant or employee) sharing the Participant’s household;

(c) a trust in which the persons in (a) and (b) have more than fifty percent of the beneficial interest;

(d) a foundation in which the persons in (a) and (b) or the Participant control the management of assets; or

(e) 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 Measures**” 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 sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre- or after-tax income or loss (before or after allocation of corporate overhead and bonus); earnings or loss per share; net income or loss (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of shares of the Company’s common stock or any other publicly-traded securities of the Company; market share; gross profits; earnings or losses (including earnings or losses before taxes, before taxes and amortization, before interest and taxes, or before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; operating margin; gross margin; year-end cash; cash margin; debt reduction; stockholders equity; operating efficiencies; market share; customer satisfaction; customer growth; employee satisfaction; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents and passing pre-approval inspections (whether of the Company or the Company’s third-party manufacturer) and validation of manufacturing processes (whether the Company’s or the Company’s third-party manufacturer’s)); strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with entities with respect to the marketing, distribution and sale of the Company’s products (including with group purchasing organizations, distributors and other vendors); supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and manufacturers of the Company’s products); co-development, co-marketing, profit sharing, joint venture or other similar arrangements; financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company’s equity or debt securities; factoring transactions; sales or licenses of the Company’s assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); implementation, completion or attainment of measurable objectives with respect to research, development, manufacturing, commercialization, contracts, products or projects, production volume levels, acquisitions and divestitures; factoring transactions; or recruiting and maintaining personnel.

“**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 Amended and Restated 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.



Bylaws  
of  
VERISIGN, INC.

## ARTICLE I

## Stockholders

Section 1. Annual Meeting. An annual meeting of the stockholders of the corporation, for the election of the Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date and at such time as the Board of Directors shall each year fix.

Section 2. Special Meetings. (a) Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, shall be held at such place, on such date, and at such time as determined by the Board of Directors and may be called only by (i) the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors authorized by resolutions (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), (ii) the Chairman of the Board of Directors, (iii) the President or (iv) the Secretary whenever a stockholder or group of stockholders owning at least thirty-five percent (35%) in the aggregate of the capital stock issued, outstanding and entitled to vote, and who held that amount in a net long position continuously for at least one year (the “Eligibility Criteria”), so request in writing. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice of the meeting.

In the case of clause (iv) of the immediately preceding sentence, each such written request must be signed by each stockholder making the request and delivered to the Secretary at the principal executive office of the corporation and shall set forth (a) a brief description of the business desired to be brought before the special meeting of the stockholders, including the complete text of any resolutions to be presented at the special meeting of the stockholders with respect to such business, and the reasons for conducting such business at the meeting; (b) the date of request; (c)(i) if any stockholder making the request is a registered holder of the corporation’s stock, the name, address and ownership information, as they appear on the corporation’s books, of each such stockholder and (ii) if any stockholder making the request is not a registered holder of the corporation’s stock, proof of satisfaction by each such stockholder of the Eligibility Criteria which shall be substantially similar to the proof specified by Rule 14a-8(b)(2)(i) or (ii) under the Exchange Act, in each case, including a written agreement to update and supplement such information upon the occurrence of any changes thereto; (d) a representation that each requesting stockholder intends to appear in person or by proxy at the special meeting of the stockholders to transact the business specified; and (e) a representation that each requesting stockholder intends to hold the shares of the corporation’s stock set forth in the written request through the date of the special meeting of the stockholders; provided that, if any such requesting stockholder (x) fails to satisfy the Eligibility Criteria or to follow one of the procedural requirements described in clauses (a) through (e) of this sentence (the “Procedural Requirements”), the corporation shall not be obligated to call a special meeting unless the remaining requesting stockholders continue to satisfy the Eligibility Criteria and the Procedural Requirements or (y) fails to hold the required number of shares through the date of the special meeting (a “Non Performing Holder”), the corporation may cancel the special meeting (if previously called but not yet held) unless the remaining requesting stockholders have not failed to hold such shares through such date and continue to satisfy the Eligibility Criteria; provided, further, that the corporation may disregard future requests to call special meetings from each Non Performing Holder for the following two calendar years. Following receipt by the Secretary of a written request of stockholders that complies with the requirements set forth in this Section 2 (a “Special Meeting Request”), the Secretary shall call a special meeting of the stockholders.

(b) Revocation of Special Meeting Request. A stockholder may revoke a Special Meeting Request at any time by written revocation. Following such revocation, the Board of Directors, in its discretion, may cancel the special meeting unless, in the case of a Special Meeting Request, any remaining requesting stockholders continue to satisfy the Eligibility Criteria and the Procedural Requirements. For purposes of this Section 2, written revocation shall mean delivering a notice of revocation to the Secretary.

(c) Limitations. The Secretary shall not call a special meeting in response to a Special Meeting Request if (i) an identical or substantially similar item (as determined by the Board of Directors, a “Similar Item”) is included or will be included in the corporation’s notice of meeting as an item of business to be brought before a meeting of stockholders that will be held not later than ninety (90) days after the delivery date of the Special Meeting Request (the “Delivery Date”); (ii) the Delivery Date is during the period commencing ninety (90) days prior to the date of the next annual meeting of stockholders and ending on the date of the next annual meeting of stockholders; (iii) a Similar Item was presented at any meeting of stockholders held within one hundred and eighty (180) days prior to the Delivery Date; (iv) the Special Meeting Request relates to an item of business that is not a proper subject for

stockholder action under applicable law; or (v) such Special Meeting Request was made in a manner that involved a violation of Regulation 14A under the Exchange Act or other applicable law. For purposes of this Section 2, the election of directors shall be deemed to be a Similar Item with respect to all items of business involving the election or removal of directors.

For the purposes of this Section 2, “net long position” shall be determined with respect to each stockholder requesting a special meeting and each beneficial owner who is directing a stockholder to act on such owner’s behalf (each stockholder and owner, a “requesting party”) in accordance with the definition thereof set forth in Rule 14e-4 under the Securities Exchange Act of 1934, as amended from time to time, provided that (x) for purposes of such definition, in determining such requesting party’s “short position,” the reference in Rule 14e-4 to “the date that a tender offer is first publicly announced or otherwise made known by the bidder to holders of the security to be acquired” shall be the record date fixed to determine the stockholders entitled to deliver a written request for a special meeting, and the reference to the “highest tender offer price or stated amount of the consideration offered for the subject security” shall refer to the closing sales price of the corporation’s capital stock on the NASDAQ (or such other securities exchange designated by the Board of Directors if the corporation’s capital stock is not listed for trading on the NASDAQ) on such record date (or, if such date is not a trading day, the next succeeding trading day) and (y) the net long position of such requesting party shall be reduced by the number of shares as to which the Board of Directors determines that such requesting party does not, or will not, have the right to vote or direct the vote at the special meeting or as to which the Board of Directors determines that such requesting party has entered into any derivative or other agreement, arrangement or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares.

Section 3. Place of Meetings. All meetings of stockholders shall be held at the principal office of the corporation unless a different place is fixed by the person or persons calling the meeting and stated in the notice of the meeting.

Section 4. Notices of Meetings and Adjourned Meetings. A written notice of each annual or special meeting of the stockholders stating the place, date, and hour thereof, shall be given by the Secretary (or the person or persons calling the meeting), not less than 10 nor more than 60 days before the date of the meeting, to each stockholder entitled to vote thereat, by leaving such notice with him or her or at his or her residence or usual place of business, or by depositing it postage prepaid in the United States mail, directed to each stockholder at his or her address as it appears on the records of the corporation. Notices of all meetings of stockholders shall state the purpose or purposes for which the meeting is called. An affidavit of the Secretary, Assistant Secretary, or transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be primary facie evidence of the facts stated therein. No notice need be given to any person with whom communication is unlawful or to any person who has waived such notice either (a) in writing (which writing need not specify the business to be transacted at, or the purpose of, the meeting) signed by such person before or after the time of the meeting or (b) by attending the meeting except for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken except that, if the adjournment is for more than 30 days or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in the manner provided in this Section 4.

Section 5. Quorum. At any meeting of the stockholders, a quorum for the transaction of business shall consist of one or more individuals appearing in person or represented by proxy and owning or representing a majority of the shares of the corporation then outstanding and entitled to vote thereat, unless or except to the extent that the presence of a larger number may be required by law (including as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the corporation). Where a separate vote by a class or classes is required, a majority of the shares of such class or classes then outstanding and entitled to vote present in person or by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote thereat who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

Section 6. Organization. Such person as the Board of Directors may have designated or, in the absence of such a person, the President of the corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote thereat who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 7. Conduct of Business. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

Section 8. Voting. Unless otherwise provided in the Certificate of Incorporation and subject to the provisions of Section 6 of Article IV hereof, each stockholder shall have one vote for each share of stock entitled to vote held by him or her of record according to the records of the corporation. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote unless the pledgor in a transfer on the books of the corporation has expressly empowered the pledgee to vote the pledged shares, in which case only the pledgee or his or her proxy shall be entitled to vote. If

shares stand of record in the names of two or more persons or if two or more persons have the same fiduciary relationship respecting the shares then, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided to the contrary: (a) if only one votes, his or her act binds all; (b) if more than one vote, the act of the majority so voting binds all; and (c) if more than one vote and the vote is evenly split, the effect shall be as provided by law.

Section 9. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or any group of persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 10. Action at Meeting. When a quorum is present at any meeting, action of the stockholders on any matter properly brought before such meeting, other than the election of directors, shall require, and may be effected by, the affirmative vote of the holders of a majority in interest of the stock present or represented by proxy and entitled to vote on the subject matter, except where a different vote is expressly required by law, the Certificate of Incorporation or these By-laws, in which case such express provision shall govern and control. The election of directors shall be determined by a plurality of votes cast. If the Certificate of Incorporation so provides, no ballot shall be required for the election of directors unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

Section 11. Stockholder Lists. The officer who has charge of the stock ledger of the corporation shall prepare and make available, at least 10 days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place of inspection within the city where the meeting is to be held (which place of inspection shall be specified in the notice of the meeting) or, if not so specified, at the place where the meeting is to be held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 12. Action by Written Consent. Any action required by law to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, and dated and signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, are delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of stockholders are recorded. Delivery made to the corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated consent is delivered to the corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner described in this Section. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Such consents shall be filed with the records of the proceedings of the stockholders.

## ARTICLE II

### Directors

Section 1. Powers. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law or these By-laws directed or required to be exercised or done by the stockholders.

Section 2. Number of Directors. The Board of Directors shall consist of one or more members. The number of directors shall be no less than six (6) and no more than nine (9), the number thereof to be fixed from time to time by resolution of the Board of Directors; provided that any increase in the actual number of directors to a total of more than nine (9) before June 8, 2003 will require the affirmative vote of eighty percent (80%) of the directors then in office.

Section 3. Election and Tenure. Each Director shall be elected by plurality vote of the stockholders at the annual meeting or as provided in Section 5 of this Article II. Each Director shall serve until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Section 4. Qualification. No Director need be a stockholder.

Section 5. Removal. Any Director or the entire Board of Directors may be removed with or without cause, by the holders of a majority of the shares then entitled to vote at an election of the Directors except as otherwise provided by law.

Section 6. Resignation. Any Director of the corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the President, or to the Secretary, and any member of a committee may resign therefrom at any time by giving notice as aforesaid or to the chairman or secretary of such committee. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7. Vacancies and Newly Created Directorships. Vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled (a) by the stockholders at any meeting or by written consent, (b) by a majority of the Directors then in office, although less than a quorum, or (c) by a sole remaining Director. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more Directors by the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class, classes or series then in office or by the sole remaining director so elected. When one or more Directors shall resign from the Board, effective at a future date, a majority of Directors who are entitled to act on the filling of such vacancy or vacancies and who are then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies by vote to take effect when such resignation or resignations shall become effective.

Section 8. Annual Meeting. The first meeting of each newly elected board may be held without notice immediately after an annual meeting of stockholders (or a special meeting of stockholders held in lieu of an annual meeting) at the same place as that at which such meeting of stockholders was held; or such first meeting may be held at such place and time as shall be fixed by the consent in writing of all the Directors, or may be called in the manner hereinafter provided with respect to the call of special meetings.

Section 9. Regular Meetings. Regular meetings of the Directors may be held at such times and places as shall from time to time be fixed by resolution of the Board, and no notice need be given of regular meetings held at times and places so fixed, PROVIDED, HOWEVER, that any resolution relating to the holding of regular meetings shall remain in force only until the next annual meeting of stockholders and that, if at any meeting of Directors at which a resolution is adopted fixing the times or place or places for any regular meetings any Director is absent, no meeting shall be held pursuant to such resolution without notice to or waiver by such absent Director pursuant to Section 11 of this Article II.

Section 10. Special Meetings. Special meetings of the Directors may be called by the Chairman of the Board, if any, the President, or by at least one- third of the Directors then in office (rounded up to the nearest whole number), and shall be held at the place and on the date and hour designated in the call thereof.

Section 11. Notices. Notices of any special meeting of the Directors shall be given to each Director by the Secretary or an Assistant Secretary (a) by mailing to him or her, postage prepaid, and addressed to him or her at his or her address as registered on the books of the corporation, or if not so registered at his or her last known home or business address, a written notice of such meeting at least 4 days before the meeting, (b) by delivering such notice by hand or by telegram, teletype or telex to him or her at least 48 hours before the meeting, addressed to him or her at such address, or (c) by giving such notice in person or by telephone at least 48 hours in advance of the meeting. In the absence of all such officers, such notice may be given by the officer or one of the Directors calling the meeting. Notice need not be given to any Director who has waived notice (a) in writing executed by him or her before or after the meeting and filed with the records of the meeting, or (b) by attending the meeting except for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A notice or waiver of notice of a meeting of the Directors need not specify the business to be transacted at or the purpose of the meeting.

Section 12. Quorum. At any meeting of the Directors, a majority of the authorized number of Directors shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Directors, a majority of those present (or, if not more than two Directors are present, any Director present) may adjourn the meeting from time to time to another place, date or time, without notice other than announcement at the meeting prior to adjournment, until a quorum shall be present.

Section 13. Participation in Meetings by Conference Telephone. One or more members of the Board of Directors, or any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 13 shall constitute presence in person at such meeting.

Section 14. Conduct of Business; Action by Written. At any meeting of the Board of Directors at which a quorum is present, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be



determined by the vote of a majority of the Directors present, except as otherwise provided in these By-laws or required by law. Action may be taken by the Board of Directors, or any committee thereof, without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the records of proceedings of the Board or committee.

Section 15. Place of Meetings. The Board of Directors may hold its meetings, and have an office or offices, within or without the State of Delaware.

Section 16. Compensation. The Board of Directors shall have the authority to fix stated salaries for Directors for their service in such capacity and to provide for payment of a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board. The Board shall also have the authority to provide for payment of a fixed sum and expenses of attendance, if any, payable to members of committees for attending committee meetings. Nothing herein contained shall preclude any Director from serving the corporation in any other capacity and receiving compensation for such services.

Section 17. Committees. The Board of Directors, by resolution passed by a majority of the number of Directors required at the time to constitute a full Board as fixed in or determined pursuant to these By-laws as then in effect, may from time to time designate one or more committees, each committee to consist of one or more of the Directors of the corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have such power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Subsection (a) of Section 151 of the Delaware General Corporation Law, fix the designations and any preferences or rights of such shares or fix the number of shares in a series of stock or authorize the increase or decrease in the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property or assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the By-laws of the corporation. Such a committee may, to the extent expressly provided in the resolution of the Board of Directors, have the power or authority to declare a dividend or to authorize the issuance of stock.

(b) At any meeting of any committee, a majority of the whole committee shall constitute a quorum and, except as otherwise provided by these By-laws or required by law, the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum shall be the act of the committee.

(c) Each committee, except as otherwise provided by resolution of the Board of Directors, shall fix the time and place of its meetings within or without the State of Delaware, shall adopt its own rules and procedures, and shall keep a record of its acts and proceedings and report the same from time to time to the Board of Directors.

### ARTICLE III

#### Officers

Section 1. Officers and Their Election. The officers of the corporation shall be a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer and such Vice Presidents, Assistant Secretaries, Assistant Chief Financial Officers and other officers as the Board of Directors may from time to time determine and elect or appoint. The Board of Directors may appoint one of its members to the office of Chairman of the Board and another of its members to the office of Vice-Chairman of the Board and from time to time define the powers and duties of these offices notwithstanding any other provisions of these By-laws. All officers shall be elected by the Board of Directors and shall serve at the will of the Board of Directors. Any officer may, but need not, be a Director. Two or more offices may be held by the same person.

Section 2. Term of Office. The Chief Executive Officer, the President, the Chief Financial Officer and the Secretary shall, hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Section 3. Vacancies. Any vacancy at any time existing in any office may be filled by the Board of Directors.

Section 4. Chairman of the Board. The Board of Directors may, in its discretion, elect a Chairman of the Board from among its members. He or she may be the Chief Executive Officer of the corporation if so designated by the Board, and he or she shall preside at all meetings of the Board of Directors at which he or she is present and shall exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or prescribed by the Bylaws.

Section 5. Chief Executive Officer. The Board of Directors may elect a Chief Executive Officer of the corporation who may also be the Chairman of the Board or President of the corporation or both. It shall be his or her duty and he or she shall have the power to see that all orders and resolutions of the Board of Directors are carried into effect. He or she shall from time to time report to the Board of Directors all matters within his or her knowledge which the interests of the corporation may require to be brought to its notice. The Chief Executive Officer, when present, shall preside at all meetings of the stockholders and, unless there shall be a Chairman of the Board, of the Board of Directors, unless otherwise provided by the Board of Directors.

Section 6. President. If there is no Chief Executive Officer, the President shall be the chief executive officer of the corporation except as the Board of Directors may otherwise provide. The President shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 7. Vice Presidents. In the absence or disability of the President, his or her powers and duties shall be performed by the vice president, if only one, or, if more than one, by the one designated for the purpose by the Board of Directors. Each vice president shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 8. Chief Financial Officer. The Chief Financial Officer shall be the treasurer of the corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as shall be designated by the Board of Directors or in the absence of such designation in such depositories as he or she shall from time to time deem proper. The Chief Financial Officer (or any Assistant Chief Financial Officer) shall sign all stock certificates as treasurer of the corporation. He or she shall disburse the funds of the corporation as shall be ordered by the Board of Directors, taking proper vouchers for such disbursements. He or she shall promptly render to the Chief Executive Officer and to the Board of Directors such statements of his or her transactions and accounts as the Chief Executive Officer and Board of Directors respectively may from time to time require. The Chief Financial Officer shall perform such duties and have such powers additional to the foregoing as the Board of Directors may designate.

Section 9. Assistant Chief Financial Officers. In the absence or disability of the Chief Financial Officer, his or her powers and duties shall be performed by the Assistant Chief Financial Officer, if only one, or if more than one, by the one designated for the purpose by the Board of Directors. Each Assistant Chief Financial Officer shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 10. Secretary. The Secretary shall issue notices of all meetings of stockholders, of the Board of Directors and of committees thereof where notices of such meetings are required by law or these By-laws. He or she shall record the proceedings of the meetings of the stockholders and of the Board of Directors and shall be responsible for the custody thereof in a book to be kept for that purpose. He or she shall also record the proceedings of the committees of the Board of Directors unless such committees appoint their own respective secretaries. Unless the Board of Directors shall appoint a transfer agent and/or registrar, the Secretary shall be charged with the duty of keeping, or causing to be kept, accurate records of all stock outstanding, stock certificates issued and stock transfers. He or she shall sign such instruments as require his or her signature. The Secretary shall have custody of the corporate seal and shall affix and attest such seal on all documents whose execution under seal is duly authorized. In his or her absence at any meeting, an Assistant Secretary or the Secretary pro tempore shall perform his or her duties thereat. He or she shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 11. Assistant Secretaries. In the absence or disability of the Secretary, his or her powers and duties shall be performed by the Assistant Secretary, if only one, or, if more than one, by the one designated for the purpose by the Board of Directors. Each Assistant Secretary shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 12. Salaries. The salaries and other compensation of officers, agents and employees shall be fixed from time to time by or under authority from the Board of Directors. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he or she is also a Director of the corporation.

Section 13. Removal. The Board of Directors may remove any officer, either with or without cause, at any time.

Section 14. Bond. The corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.



Section 15. Resignations. Any officer, agent or employee of the corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the Chief Executive Officer or to the Secretary of the corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

## ARTICLE IV

### Capital Stock

Section 1. Stock Certificates; Uncertificated Shares. The shares of capital stock of the corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock may be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation (or the transfer agent or registrar, as the case may be). Notwithstanding the adoption of such a resolution, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors or the President or a Vice President, and by the Chief Financial Officer (in his or her capacity as treasurer) or an Assistant Chief Financial Officer (in his or her capacity as assistant treasurer), or the Secretary or an Assistant Secretary, certifying the number of shares owned by him or her in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before the certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2. Classes of Stock. If the corporation shall be authorized to issue more than one class of stock or more than one series of and class, the face or back of each certificate issued by the corporation to represent such class or series shall either (a) set forth in full or summarize the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions thereof, or (b) contain a statement that the corporation will furnish a statement of the same without charge to each stockholder who so requests. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered holder thereof such written notice as may be required by law as to the information required by law to be set forth or stated on stock certificates.

Section 3. Transfer of Stock. Shares of stock shall be transferable only upon the books of the corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe. The Board of Directors may at any time or from time to time appoint a transfer agent or agents or a registrar or registrars for the transfer or registration of shares of stock. Except where a certificate is issued in accordance with Section 5 of Article IV of these By-laws, one or more outstanding certificates representing in the aggregate the number of shares involved shall be surrendered for cancellation before a new certificate is issued representing such shares.

Section 4. Holders of Record. Prior to due presentment for registration of transfer the corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

Section 5. Stock Certificates. The Board of Directors may direct that a new stock certificate or certificates, or uncertificated shares, be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates or his or her legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against the corporation on account of the alleged loss, theft, or destruction, of such certificates or the issuance of such new certificate or certificates, or uncertificated shares.

Section 6. Record Date. (a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action other than stockholder action by written consent, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than 60 nor less than 10 days before the date of any meeting of stockholders, nor more than 60 days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to

receive payment of and dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than 10 days after the date upon which the resolution fixing the record date is adopted. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors and no prior action by the Board of Directors is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in the manner prescribed by Article I, Section 12 hereof. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General Corporation Law with respect to the proposed action by written consent of stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

## ARTICLE V

### Miscellaneous Provisions

Section 1. Interested Directors and Officers. (a) No contract or transaction between the corporation and one or more of its Directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if:

(i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the number of disinterested Directors is less than a quorum; or

(ii) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(iii) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the shareholders.

(b) Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

### Section 2. Indemnification.

(a) Right to Indemnification. The corporation shall indemnify and hold harmless each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an officer of the corporation or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, to the fullest extent authorized by law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than such law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Subsection (c) of this Section with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board

of Directors of the corporation; and provided further that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise and indemnification therefor shall be appropriated:

(i) by a majority vote of a quorum consisting of disinterested Directors;

(ii) if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting of all the disinterested Directors;

(iii) if there are not two or more disinterested Directors in office, then by a majority of the Directors then in office, provided they have obtained a written finding by special independent legal counsel appointed by a majority of the Directors to the effect that, based upon a reasonable investigation of the relevant facts as described in such opinion, the person to be indemnified appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of the corporation (or, to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan);

(iv) by the holders of a majority of the shares of stock entitled to vote for the election of Directors, which majority may include interested Directors and officers; or

(v) by a court of competent jurisdiction.

An "interested" Director or officer is one against whom in such capacity the proceeding in question or other proceeding on the same or similar grounds is then pending. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) Right to Advancement of Expenses. The right to indemnification conferred in Subsection (a) of this Section shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise, which undertaking may be accepted without reference to the financial ability of such person to make repayment.

(c) Right of Indemnitee to Bring Suit. If a claim under Subsection (a) or (b) of this Section is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section or otherwise shall be on the corporation.

(d) Non-exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, certificate of incorporation, by-law, agreement, vote of disinterested Directors or otherwise. The corporation's indemnification under this Section 2 of any person who is or was a Director or officer of the corporation, or is or was serving, at the request of the corporation, as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person receives as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the corporation, (ii) from such other corporation, partnership, joint venture, trust or other enterprise, or (iii) under any other applicable indemnification provision.

(e) Joint Representation. If both the corporation and any person to be indemnified are parties to an action, suit or proceeding (other than an action or suit by or in the right of the corporation to procure a judgment in its favor), counsel representing the corporation therein may also represent such indemnified person (unless such dual representation would involve such counsel in a conflict of interest in violation of applicable principles of professional ethics), and the corporation shall pay all fees and expenses of such counsel incurred during the period of dual representation other than those, if any, as would not have been incurred if counsel were representing only the corporation; and any allocation made in good faith by such counsel of fees and disbursements payable under this paragraph by the corporation versus fees and disbursements payable by any such indemnified person shall be final and binding upon the corporation and such indemnified person.

(f) Indemnification of Employees and Agents of the Corporation. Except to the extent that rights to indemnification and advancement of expenses of employees or agents of the corporation may be required by any statute, the Certificate of Incorporation, this Section or any other by-law, agreement, vote of disinterested Directors or otherwise, the corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of Directors and officers of the corporation.

(g) Insurance. The corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law (as currently in effect or hereafter amended), the corporation's Certificate of Incorporation or these By-laws.

(h) Nature of Indemnification Right; Modification of Repeal of Indemnification. Each person who is or becomes a Director or officer as described in subsection (a) of this Section 2 shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided for in this Section 2. All rights to indemnification (and the advancement of expenses) under this Section 2 shall be deemed to be provided by a contract between the corporation and the person who serves as a Director or officer of the corporation at any time while these By-laws and other relevant provisions of the Delaware General Corporation Law and other applicable law, if any, are in effect. Such rights shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any modification or repeal of this Section 2 shall not adversely affect any right or protection existing under this Section 2 at the time of such modification or repeal.

Section 3. Stock in Other Corporations. Subject to any limitations that may be imposed by the Board of Directors, the President or any person or persons authorized by the Board of Directors may, in the name and on behalf of the corporation, (a) call meetings of the holders of stock or other securities of any corporation or other organization, stock or other securities of which are held by this corporation, (b) act, or appoint any other person or persons (with or without powers of substitution) to act in the name and on behalf of the corporation, or (c) express consent or dissent, as a holder of such securities, to corporate or other action by such other corporation or organization.

Section 4. Checks, Notes, Drafts and Other Instruments. Checks, notes drafts and other instruments for the payment of money drawn or endorsed in the name of the corporation may be signed by any officer or officers or person or persons authorized by the Board of Directors to sign the same. No officer or person shall sign any such instrument as aforesaid unless authorized by the Board of Directors to do so.

Section 5. Corporate Seal. The seal of the corporation shall be circular in form, bearing the name of the corporation, the word "Delaware", and the year of incorporation, and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6. Books and Records. The books, accounts and records of the corporation, except as may be otherwise required by law, may be kept outside of the State of Delaware, at such place or places as the Board of Directors may from time to time appoint. Except as may otherwise be provided by law, the Board of Directors shall determine whether and to what extent the books, accounts, records and documents of the corporation, or any of them, shall be open to the inspection of the stockholders.

Section 7. Severability. If any term or provision of the By-laws, or the application thereof to any person or circumstances or period of time, shall to any extent be invalid or unenforceable, the remainder of the By-laws shall be valid and enforced to the fullest extent permitted by law.

Section 8. Interpretations. Words importing persons include firms, associations and corporations, all words importing the singular number include the plural number and vice versa, and all words importing the masculine gender include the feminine gender.

Section 9. Amendments. These By-laws may at any time and from time to time be amended or repealed by the stockholders or, if such power is conferred by the Certificate of Incorporation, by the Board of Directors, except that any By-law added or amended by the stockholders may be altered or repealed only by the stockholders if such By-law expressly so provides.

**Proposed Amendment to Article Five of the  
Fifth Amended and Restated Certificate of Incorporation**

Set forth below is the text of the Company's Fifth Amended and Restated Certificate of Incorporation proposed to be amended by Proposal No. 4. Proposed additions are indicated by underlining. No text is proposed to be deleted.

**FIVE:** The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

...

E. The Board of Directors is expressly empowered to adopt, amend or repeal bylaws of the Corporation; provided that the Board of Directors shall not have the power to alter, amend or repeal any bylaw adopted by the stockholders that by its terms may be altered, amended or repealed only by the stockholders.



# BOARD OF DIRECTORS

**D. James Bidzos**

Chairman of the Board of Directors  
Executive Chairman,  
President and Chief Executive Officer  
VeriSign, Inc.

**Thomas F. Frist III**

Principal  
Frist Capital, LLC

**Louis A. Simpson**

Chairman  
SQ Advisors, LLC

**William L. Chenevich**

Former Vice Chairman of  
Technology and Operations  
U.S. Bancorp

**Jamie S. Gorelick**

Partner  
Wilmer Cutler Pickering Hale and Dorr LLP

**Timothy Tomlinson**

Former General Counsel  
Portola Minerals Company

**Kathleen A. Cote**

Former Chief Executive Officer  
Worldport Communications Company

**Roger H. Moore**

Former President and Chief Executive Officer  
Illuminet Holdings, Inc.

# EXECUTIVE OFFICERS

**D. James Bidzos**

Chairman of the Board of Directors  
Executive Chairman,  
President and Chief Executive Officer

**George E. Kilguss, III**

Executive Vice President and  
Chief Financial Officer

**Todd B. Strubbe**

Executive Vice President and  
Chief Operating Officer

**Thomas C. Indelicarto**

Executive Vice President,  
General Counsel and Secretary

# INVESTOR INFO

Quarterly earnings releases, corporate news releases and Securities and Exchange Commission filings are available by contacting Verisign Investor Relations or through our website at <https://investor.verisign.com>. **A copy of Verisign's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, containing additional information of possible interest to stockholders will be sent without charge to any stockholder who requests it. Please direct your request to Verisign Investor Relations at the address at right.**

**VERISIGN INVESTOR RELATIONS**

12061 Bluemont Way  
Reston, VA 20190  
Phone: + 1 800 922 4917  
Int'l: + 1 703 948 3447  
Email: [ir@verisign.com](mailto:ir@verisign.com)  
<https://investor.verisign.com>

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

KPMG LLP  
1676 International Drive, Suite 1200  
McLean, VA 22102

**TRANSFER AGENT**

If you have questions concerning stock certificates, change of address, consolidation of accounts, transfer of ownership or other stock account matters, please contact Verisign's transfer agent:

**Computershare Inc.**

P.O. Box 30170  
College Station, TX 77842  
Phone: + 1 877 255 1918  
Int'l: + 1 201 680 6578  
<https://www.computershare.com/investor>

**STOCK EXCHANGE LISTING**

NASDAQ Stock Market  
Ticker Symbol: VRSN

**VRSN**  
**NASDAQ**  
**L I S T E D**

# ABOUT VERISIGN

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Verisign, a global leader in domain names and internet security, enables internet navigation for many of the world's most recognized domain names and provides protection for websites and enterprises around the world. Verisign ensures the security, stability and resiliency of key internet infrastructure and services, including the .com and .net domains and two of the internet's root servers, as well as performs the root-zone maintainer function for the core of the internet's Domain Name System (DNS). Verisign's Security Services include intelligence-driven Distributed Denial of Service Protection, iDefense Security Intelligence and Managed DNS. To learn more about what it means to be Powered by Verisign, please visit [Verisign.com](http://Verisign.com).

## WORLDWIDE

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### UNITED STATES:

12061 Bluemont Way  
Reston, VA 20190  
Phone: + 1 703 948 3200

### EUROPE:

Rue des Pilettes 3  
CH-1705 Fribourg  
Switzerland  
Phone: + 41 (0) 26 408 7778

Verisign  
United Kingdom Sales Office  
1 Kingdom Street  
London W2 6BD  
United Kingdom  
Phone: + 44 20 3402 3660

### ASIA:

Suite 1511 and Suite 1518, 15/F  
Office Building A, Parkview Green  
9 Dongdaqiao Road  
Chaoyang District, Beijing, 100020, PRC  
Phone: + 86 (10) 5730 6081

807-A, Park Centra  
Sector-30 NH-8  
Gurgaon, Haryana  
India  
Phone: + 91 12 4429 2600

### AUSTRALIA:

5 Queens Road  
Level 10  
Melbourne, VIC, 3004  
Australia  
Phone: + 61 3 9926 6700



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