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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

AMENDED CURRENT REPORT

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

Date of Report (Date of earliest event reported): June 8, 2000

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

Delaware	000-23593	94-3221585
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1350 Charleston Road, Mountain View, CA	94043-1331
(Address of principal executive offices)	(Zip Code)

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

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Item 7. Financial Statements and Exhibits

On June 19, 2000, VeriSign, Inc. (the "Company" or "VeriSign") filed a Current Report on Form 8-K to report its acquisition of Network Solutions, Inc. ("Network Solutions") on June 8, 2000. Pursuant to Item 7 of Form 8-K, VeriSign indicated that it would file certain financial information under Item 7 of Form 8-K no later than the date required. This Amendment is filed to provide the required financial information and to amend the language of section (a) of Item 7.

(a) Financial statements of business acquired.

The required financial information of Network Solutions has been included hereto in exhibits 99.2 and 99.3.

(b) Pro forma financial information.

The pro forma financial statements included in this Amended Current Report, Form 8-K/A are as follows:

(c) Exhibits.

The following exhibits are filed with this Amended Current Report, Form 8-K/A:

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated March 6, 2000, among VeriSign, Nickel Acquisition Corporation and Network Solutions (incorporated by reference to Exhibit 2.1 to the VeriSign Current Report on Form 8-K filed on March 8, 2000.)
23.1	Consent of Independent Accountants
99.1	Press Release dated June 9, 2000 (incorporated by reference to Exhibit 99.1 to the VeriSign Current Report on Form 8-K filed on June 19, 2000.)
99.2	Network Solutions audited financial statements for the period ended December 31, 1999.
99.3	Network Solutions unaudited condensed financial statements for the period ended March 31, 2000.

VERISIGN, INC. AND SUBSIDIARIES

UNAUDITED PROFORMA COMBINED CONDENSED FINANCIAL INFORMATION

On June 8, 2000, VeriSign, Inc. ("VeriSign") completed the acquisition of Network Solutions, Inc. ("Network Solutions"), through the merger of a wholly-owned subsidiary of VeriSign with and into Network Solutions, with Network Solutions surviving as a wholly-owned subsidiary of VeriSign (the "Merger").

The following unaudited pro forma combined condensed financial information has been prepared to give effect to the Merger, to be accounted for using the purchase method of accounting. This financial information reflects certain assumptions deemed probable by management regarding the Merger (e.g., the share information used in the unaudited pro forma information approximates actual share information at the effective date). The total estimated purchase cost of the Merger has been allocated on a preliminary basis to assets and liabilities based on management's best estimates of their fair value with the excess cost over the net assets acquired allocated to goodwill. The adjustments to the unaudited pro forma combined condensed financial information are subject to change pending a final analysis of the total purchase cost and the fair value of the assets and liabilities assumed. The impact of these changes could be material.

The unaudited pro forma combined condensed balance sheet as of March 31, 2000 gives effect to the Merger as if it had occurred on March 31, 2000, and combines the historical consolidated balance sheet of VeriSign and the historical consolidated balance sheet of Network Solutions as of that date.

The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 2000 combines the historical consolidated statement of operations of VeriSign for the three months ended March 31, 2000 with the historical consolidated statement of operations of Network Solutions for the three months ended March 31, 2000.

The unaudited pro forma combined condensed financial information is based on estimates and assumptions. These estimates and assumptions are preliminary and have been made solely for purposes of developing this pro forma information. Unaudited pro forma combined condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during this period. This unaudited pro forma combined financial information is based upon the respective historical consolidated financial statements of VeriSign and Network Solutions and notes thereto, previously filed with the Securities and Exchange Commission, and should be read in conjunction with those statements and the related notes.

VERISIGN, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(In thousands)

	Historical: VeriSign As of Mar. 31, 2000	Historical: Network Solutions As of Mar. 31, 2000	Adjustments: Amount	Adjustments: Ref.	Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 108,383	$ 876,033	$ --		$ 984,416
Short-term investments	15,257	22,425	--		37,682
Receivables, net	33,872	33,816	--		67,688
Prepaid expenses and other current assets	10,094	13,256	--		23,350
Deferred income taxes	--	125,397	(125,397)	(a)	--
Total current assets	167,606	1,070,927	(125,397)		1,113,136
Property and equipment, net	14,697	62,063	--		76,760
Long-term investments	229,865	75,549	--		305,414
Other assets	3,644	1,270	--		4,914
Goodwill and other intangible assets, net	1,471,823	5,667	18,833,951	(a),(b)	20,311,441
Deferred income taxes	909	41,018	(41,018)	(a)	909
	$1,888,544	$1,256,494	$18,667,536		$21,812,574
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 16,677	$ 50,175	$ --		$ 66,852
Due to Science Applications International Corporation	--	11,154	--		11,154
Accrued merger costs	3,916	--	--		3,916
Income taxes payable	978	13,206	--		14,184
Deferred revenue	42,538	334,096	(25,331)	(a),(b)	351,303
Current portion of long-term obligations	--	100			100
Total current liabilities	64,109	408,731	(25,331)		447,509
Long-term liabilities	--	555	--		555
Deferred income taxes	--	--	225,322	(a),(b)	225,322
Long-term deferred revenue, net	--	130,587	(39,512)	(a),(b)	91,075
Minority interest in subsidiary	(19)	--	--		(19)
Total long-term liabilities	(19)	131,142	185,810		316,933
Stockholders' equity:					
Preferred stock	--	--	--		--
Common stock	115	72	--		187
Additional paid-in capital	1,819,244	645,223	18,632,383	(a)	21,096,850
Note receivable from stockholders	(721)	--	--		(721)
Unearned compensation	(147)	--	--		(147)
Retained earnings (accumulated deficit)	(73,607)	43,951	(97,951)	(a)	(127,607)
Accumulated other comprehensive income	79,570	27,375	(27,375)	(a)	79,570
Total stockholders' equity	1,824,454	716,621	18,507,057		21,048,132
	$1,888,544	$1,256,494	$18,667,536		$21,812,574

See accompanying Notes to
Unaudited Pro Forma Combined Condensed Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	Historical				
	VeriSign Three Months Ended Mar. 31, 2000	Network Solutions Three Months Ended Mar. 31, 2000	Adjustments Amount	Adjustments Ref.	Combined
Revenues	$ 34,071	$98,171	$ --		$ 132,242
Costs and expenses:					
Cost of revenues	12,462	35,479	--		47,941
Sales and marketing	4,429	29,874	--		34,303
Research and development	13,633	4,545	--		18,178
General and administrative	3,682	12,825	(712)	(c)	15,795
Amortization of goodwill and other intangible assets	61,014	--	4,641,853	(c)	4,702,867
Total costs and expenses	95,220	82,723	4,641,141		4,819,084
Operating income (loss)	(61,149)	15,448	(4,641,141)		(4,686,842)
Investment gains	32,623	--	--		32,623
Interest income, net	2,613	9,347	--		11,960
Other (income) expense, net	(389)		--		(389)
Income (loss) before income taxes	(26,302)	24,795	(4,641,141)		(4,642,648)
Provision for income taxes	--	10,099	(251,280)	(d)	(241,181)
Net income (loss) before minority interest	(26,302)	14,696	(4,389,861)		(4,401,467)
Minority interest in net loss of subsidiary	147	--	--		147
Net income (loss)	$(26,155)	$14,696	$(4,389,861)		$(4,401,320)
Net loss per share:					
Basic and diluted	$(.24)		$(60.69)		$(24.29)
Shares used in per share computation:					
Basic and diluted	108,847		72,334	(e)	181,181

See accompanying Notes to
Unaudited Pro Forma Combined Condensed Financial Statements.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

Note 1. Unaudited Pro Forma Combined Condensed Balance Sheet

The unaudited pro forma combined condensed balance sheet, gives effect to the Merger as if it had occurred on March 31, 2000 with respect to the balance sheets of VeriSign and Network Solutions.

On March 7, 2000 VeriSign announced it would acquire all the outstanding capital stock of the Network Solutions in exchange for approximately 72,334,364 shares of VeriSign common stock. In addition, VeriSign assumed options to purchase an equivalent total of approximately 8,064,487 shares of VeriSign common stock in exchange for all issued and outstanding Network Solutions options. The following adjustments have been reflected in the unaudited pro forma combined condensed balance sheet:

(a) To record common stock and options issued to the shareholders of Network Solutions, and the application of purchase accounting, excluding the effect on deferred revenue (see b below), but including the write-off of purchased in-process research and development (IPR&D).

The total purchase price of approximately $19.3 billion consists of approximately 72.3 million shares of VeriSign's common stock with an estimated fair value of $17.8 billion, vested and unvested stock options with an estimated fair value of $1.4 billion, and estimated direct transaction costs of approximately $50.0 million. The fair value of VeriSign's common stock was determined as the average market price from March 3, 2000 to March 9, 2000, which includes two trading days prior and two trading days subsequent to the public announcement of the Merger. The fair value of the common stock options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

- risk-free interest rate of 6.5 percent,
- expected life of 3.4 years,
- expected dividend rate of 0 percent, and
- volatility of 85 percent.

The amounts and components of the estimated purchase price is presented below.

	(In thousands)
Common stock	$ 72
Fair value of Network Solutions options assumed	1,426,582
Additional paid-in capital	17,801,024
Transaction costs	50,000
Total purchase price	$19,277,678

Under purchase accounting, the total purchase price will be allocated to Network Solutions' assets and liabilities based on their fair values. Allocations are subject to valuations as of the date of the consummation of the merger. The total purchase price is expected to be allocated to tangible assets and liabilities, intangible assets, including goodwill, and IPR&D. The goodwill and other intangible assets are expected to be amortized over three to four years and the IPR&D will be written-off upon consummation of the Merger.

The fair value assigned to IPR&D was estimated by discounting, to present value, the cash flows attributable to the technology once it has reached technological feasibility. A discount rate consistent with the risks of the project was used to estimate the present value of cash flows. The IPR&D discount rate of 22 percent represents a premium over the calculated weighted average cost of capital of 12 percent. The value assigned to IPR&D was the amount attributable to the efforts of the seller up to the time of acquisition. This amount was estimated through application of the "stage of completion" calculation by multiplying the estimated present value of future cash flows, excluding costs of completion, by the percentage of completion of the purchased research and development project at the time of acquisition.

The preliminary allocation of the purchase price to the net assets acquired is presented below.

	(In thousands)
Book value of net assets of Network Solutions	$ 716,621
Intangible assets:	
Workforce in place	16,900
Contracts with ICANN and customer list	800,700
Technology in place	29,500
Network Solutions' trade name	67,400
	914,500
In-process research and development	54,000
Goodwill	17,958,357
Deferred tax liability attributable to identifiable intangible assets	(365,800)
Net assets acquired	$19,277,678

The actual allocation of the purchase price will depend upon the composition of Network Solutions' net assets on the closing date and VeriSign's evaluation of the fair value of the net assets as of the date indicated. Consequently, the actual allocation of the purchase price could differ from that presented above.

(b) To record a reduction in deferred revenue and related deferred tax effect arising from the estimated calculation of VeriSign's obligation to perform life cycle services around registry and registrar services equal to the discounted expected costs to perform the services, plus a normal profit margin.

Note 2. Unaudited Pro Forma Combined Condensed Statement of Operations

The unaudited pro forma combined condensed statement of operations gives effect to the merger had it occurred at the beginning of the period presented. The following adjustments have been reflected in the unaudited pro forma combined condensed statement of operations:

(c) Adjustment to remove the amortization of historical goodwill and other intangible assets previously recorded by Network Solutions in general and administrative expenses and to record the amortization of goodwill and intangible assets resulting from the allocation of the purchase price. The pro forma adjustment assumes goodwill and other intangible assets will be amortized on a straight-line basis over the following estimated lives:

Workforce in place	4.0 years
Contracts with ICANN and customer list	3.4 years
Technology in place	3.0 years
Network Solutions' trade name	4.0 years
Goodwill	4.0 years

The ultimate lives assigned will be determined at the date of acquisition based on the facts and circumstances existing at that date.

(d) To reduce income tax expense for the effect of the pro forma adjustments.

(e) To reflect the estimated shares and options to be issued as consideration for the merger, and to reduce the number of shares used to calculate the dilutive net loss per share as their effects were anti-dilutive.

SIGNATURES

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

VERISIGN, INC.

Date: August 22, 2000

By: /s/ Dana L. Evan

Dana L. Evan
Executive Vice President of
Finance and Administration
and
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBITS

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated March 6, 2000, among VeriSign, Nickel Acquisition Corporation and Network Solutions (incorporated by reference to Exhibit 2.1 to the VeriSign Current Report on Form 8-K filed on March 8, 2000.)
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EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-45237, 333-46803, 333-58583 and 333-82941) and in the Registration Statements on Form S-3 (Nos. 333-74393, 333-77433, 333-89991 and 333-94445) of VeriSign, Inc. of our report dated February 2, 2000 except for Note 13 for which the date is March 15, 2000 relating to the financial statements of Network Solutions, Inc., which appears in the Current Report on Form 8-K/A of VeriSign, Inc. dated August 22, 2000.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

McLean, Virginia
August 22, 2000

EXHIBIT 99.2

Index to Financial Information

Report of Independent Accountants

To the Board of Directors and Stockholders of Network Solutions, Inc.

In our opinion, the accompanying statements of financial position and the related statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Network Solutions, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain a 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP
PRICEWATERHOUSECOOPERS LLP

February 2, 2000
McLean, VA

except for Note 13 for which the date is March 15, 2000

Network Solutions, Inc.

Statements of Financial Position

	December 31, 1998	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,862,000	$196,589,000
Short-term investments	118,808,000	116,342,000
Accounts receivable, net	22,628,000	31,916,000
Income taxes receivable	---	16,193,000
Prepaids and other assets	4,001,000	8,809,000
Deferred tax asset	40,508,000	100,997,000
Total current assets	198,807,000	470,846,000
Furniture and equipment, net	16,005,000	57,406,000
Long-term investments	13,590,000	62,475,000
Deferred tax asset	14,831,000	28,197,000
Goodwill and other, net	634,000	6,379,000
Total Assets	$243,867,000	$625,303,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,287,000	$ 52,957,000
Due to SAIC	4,766,000	30,177,000
Income taxes payable	5,409,000	1,045,000
Current portion of capital lease obligations	834,000	247,000
Deferred revenue, net	93,720,000	255,307,000
Total current liabilities	133,016,000	339,733,000
Capital lease obligations	247,000	---
Long-term deferred revenue, net	35,474,000	106,332,000
Other long-term liabilities	---	639,000
Total liabilities	168,737,000	446,704,000
Commitments and contingencies	---	---
Stockholders' equity:		
Preferred stock, $.001 par value; authorized 10,000,000 shares; none issued and outstanding in 1998 and 1999	---	---
Common stock, $.001 par value; authorized 210,000,000 shares; 67,791,734 issued and outstanding in 1999	---	68,000
Class A common stock, $.001 par value; 9,140,000 shares issued and outstanding in 1998	9,000	---
Class B common stock, $.001 par value; 23,850,000 shares issued and outstanding in 1998	24,000	---
Additional paid-in capital	72,331,000	117,289,000
Retained earnings	2,407,000	29,259,000
Accumulated other comprehensive income	359,000	31,983,000
Total stockholders' equity	75,130,000	178,599,000
Total Liabilities and Stockholders' Equity	$243,867,000	$625,303,000

The accompanying notes are an integral part of these financial statements

Network Solutions, Inc.

Statements of Operations

Year ended December 31,

	1997	1998	1999
Net revenue	$ 45,326,000	$ 93,652,000	$220,811,000
Cost of revenue	25,798,000	38,530,000	81,606,000
Gross profit	19,528,000	55,122,000	139,205,000
Research and development expenses	1,653,000	4,821,000	10,989,000
Selling, general and administrative expenses	12,268,000	37,144,000	92,517,000
Interest income	(2,211,000)	(6,303,000)	(9,928,000)
Other expenses	116,000	116,000	52,000
Income before income taxes	7,702,000	19,344,000	45,575,000
Provision for income taxes	3,471,000	8,109,000	18,689,000
Net income	$ 4,231,000	$ 11,235,000	$ 26,886,000
Earnings per common share:			
Basic	$ 0.08	$ 0.18	$ 0.40
Diluted	$ 0.08	$ 0.17	$ 0.38

The accompanying notes are an integral part of these financial statements

Network Solutions, Inc.

Statements of Changes in Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)
Balance, December 31, 1996	---	$ ---	---	$ ---	12,500,000	$12,000	$ 4,468,000	$ (3,043,000)
Declaration of Class B dividend	---	---	---	---	---	---	---	(10,000,000)
Conversion of Class B common stock	---	---	575,000	---	(575,000)	---	---	---
Issuance of Class A common stock	---	---	3,220,000	4,000	---	---	51,983,000	---
Net income for the year ended December 31, 1997	---	---	---	---	---	---	---	4,231,000
Balance, December 31, 1997	---	---	3,795,000	4,000	11,925,000	12,000	56,451,000	(8,812,000)
Issuance of Common Stock pursuant to stock plans	---	---	775,000	1,000	---	---	10,273,000	---
Tax benefit associated with stock plans	---	---	---	---	---	---	5,607,000	---
Two-for-one common stock split effected in the form of a 100% stock dividend	---	---	4,570,000	4,000	11,925,000	12,000	---	(16,000)
Comprehensive income:								
Net income for the year ended December 31, 1998.	---	---	---	---	---	---	---	11,235,000
Other comprehensive income, net of tax:								
Unrealized gains on securities	---	---	---	---	---	---	---	---
Comprehensive income	---	---	---	---	---	---	---	---
Balance, December 31, 1998	---	---	9,140,000	9,000	23,850,000	24,000	72,331,000	2,407,000
Issuance of common stock pursuant to stock plans	583,000	1,000	323,000	---	---	---	10,115,000	---
Tax benefit associated with stock plans	---	---	---	---	---	---	34,843,000	---
Conversion of Class B common stock	---	---	23,850,000	24,000	(23,850,000)	(24,000)	---	---
Reclassification of Class A common stock	33,313,000	33,000	(33,313,000)	(33,000)	---	---	---	---
Two-for-one common stock	33,896,000	34,000	---	---	---	---	---	(34,000)

split effected in the form of a 100% stock dividend								
Comprehensive income:								
Net income for the year ended December 31, 1999	---	---	---	---	---	---	---	26,886,000
Other comprehensive income, net of tax:								
Unrealized gains on securities	---	---	---	---	---	---	---	---
Comprehensive income	---	---	---	---	---	---	---	---
Balance, December 31, 1999	67,792,000	$ 68,000		$		$	$117,289,000	$ 29,259,000

	Accumulated Other Compre-hensive Income	Compre-hensive Income	Total Stockholders' Equity
Balance, December 31, 1996	$ ---	$ ---	$ 1,437,000
Declaration of Class B dividend	---	---	(10,000,000)
Conversion of Class B common stock	---	---	---
Issuance of Class A common stock	---	---	51,987,000
Net income for the year ended December 31, 1997	---	---	4,231,000
Balance, December 31, 1997	---	---	47,655,000
Issuance of Common Stock pursuant to stock plans	---	---	10,274,000
Tax benefit associated with stock plans	---	---	5,607,000
Two-for-one common stock split effected in the form of a 100% stock dividend	---	---	---
Comprehensive income:			
Net income for the year ended December 31, 1998.	---	11,235,000	11,235,000
Other comprehensive income, net of tax:			
Unrealized gains on securities	359,000	359,000	359,000
Comprehensive income	---	$11,594,000	---
Balance, December 31, 1998		359,000	75,130,000
Issuance of common stock pursuant to stock plans	---	---	10,116,000
Tax benefit associated with stock plans	---	---	34,843,000
Conversion of Class B common stock	---	---	---
Reclassification of Class A common stock	---	---	---
Two-for-one common stock split effected in the form of a 100% stock dividend	---	---	---
Comprehensive income:			
Net income for the year ended December 31, 1999	---	26,886,000	26,886,000
Other comprehensive income, net of tax:			
Unrealized gains on securities	31,624,000	31,624,000	31,624,000
Comprehensive income	---	$58,510,000	---
Balance, December 31, 1999	$31,983,000		$ 178,599,000

The accompanying notes are an integral part of these financial statements

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Network Solutions, Inc.

Statements of Cash Flows

	Year Ended December 31, 1997	1998	1999
Cash flows from operating activities:			
Net income	$ 4,231,000	$ 11,235,000	$ 26,886,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,432,000	3,754,000	12,223,000
Provision for uncollectible accounts receivable	8,082,000	2,247,000	---
Deferred income taxes	(13,226,000)	(27,317,000)	(95,823,000)
Tax benefit associated with stock plans	---	5,607,000	34,843,000
Changes in operating assets and liabilities:			
Increase in accounts receivable	(1,287,000)	(19,083,000)	(9,288,000)
Increase in income taxes receivable	---	---	(16,193,000)
Increase in prepaids and other assets	(69,000)	(2,996,000)	(4,808,000)
Increase in accounts payable and accrued liabilities	3,845,000	21,861,000	22,655,000
Increase (decrease) in income taxes payable	5,042,000	367,000	(4,364,000)
Increase in deferred revenue	32,099,000	67,743,000	232,445,000
Net cash provided by operating activities	41,149,000	63,418,000	198,576,000
Cash flows from investing activities:			
Purchase of furniture and equipment	(3,240,000)	(13,070,000)	(52,778,000)
Redemption (purchase) of short-term investments, net	(40,200,000)	(77,990,000)	9,479,000
Acquisition of businesses, net of cash acquired	---	---	(3,936,000)
Purchase of long-term investments	---	(13,590,000)	(11,656,000)
Proceeds from maturity of long-term investments	---	---	9,350,000
Net cash used in investing activities	(43,440,000)	(104,650,000)	(49,541,000)
Cash flows from financing activities:			
Net transactions with SAIC	(14,045,000)	3,516,000	25,411,000
Proceeds from issuance of common stock	52,405,000	---	---
Dividend paid	(10,000,000)	---	---
Repayment of capital lease obligations	(463,000)	(842,000)	(834,000)
Issuance of common stock pursuant to stock plans	---	10,274,000	10,115,000
Net cash provided by financing activities	27,897,000	12,948,000	34,692,000
Net increase (decrease) in cash and cash equivalents	25,606,000	(28,284,000)	183,727,000
Cash and cash equivalents, beginning of period	15,540,000	41,146,000	12,862,000
Cash and cash equivalents, end of period	$ 41,146,000	$ 12,862,000	$ 196,589,000

The accompanying notes are an integral part of these financial statements

Network Solutions, Inc.

Notes to Financial Statements

Note 1 --- Company and Summary of Significant Accounting Policies

Network Solutions is the exclusive registry and the leading registrar for second level domain names within the .com, .net, .org and .edu top level domains pursuant to a series of agreements with the Internet Corporation for Assigned Names and Numbers (``ICANN'') and the Department of Commerce. As a registry, we maintain the master directory of all second level domain names in the .com, .net and .org top level domains. We own and maintain the shared registration system that allows all registrars, including us, 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. As a registrar, we market second level domain name registration services that enable registrants to establish their identities on the web. In addition, we market a portfolio of value-added products and services to help our customers maximize the value of that identity throughout its life cycle. Network Solutions also provides Internet Technology Services, focusing on network engineering, network and systems security and network management solutions.

Agreements with ICANN

On November 10, 1999, a series of wide-ranging agreements were entered into relating to the domain name system. These agreements consist of the following:

- A registry agreement between Network Solutions and ICANN under which Network Solutions will continue to act as the exclusive registry for the .com, .net and .org top level domains through November 9, 2003.

- A revised registrar accreditation agreement between ICANN and all registrars registering names in the .com, .net and .org domains.

- A revised registrar license and agreement between Network Solutions as registry and all registrars registering names in the .com, .net and .org domains using Network Solutions' proprietary shared registration system.

- An amendment to the Memorandum of Understanding between the U.S. government and ICANN.

Under these agreements, Network Solutions has recognized ICANN as the not-for-profit corporation described in Amendment 11 to the Cooperative Agreement, has become an ICANN-accredited registrar and has agreed to operate the registry in accordance with the provisions of the registry agreement and the consensus policies established by ICANN in accordance with the terms of that agreement. Network Solutions will be an accredited registrar through November 9, 2004 with a right to renew indefinitely. As the registry, Network Solutions will continue to charge registrars $9 per registration-year until January 15, 2000. Thereafter, the fee will be $6 per registration-year unless increased to cover increases in registry costs under the circumstances described in the registry agreement.

The term of the registry agreement extends until November 9, 2003, except that, if the ownership of Network Solutions' registry and registrar operations is separated within 18 months as described in the agreement, the registry agreement term would be extended until November 9, 2007.

Network Solutions has agreed to pay annual fees set by ICANN at levels currently not to exceed $2 million for Network Solutions' registrar and $250,000 for the Network Solutions' registry.

Cooperative Agreement

In December 1992, Network Solutions entered into the cooperative agreement with the National Science Foundation under which Network Solutions was to provide Internet domain name registration services for five top level domains: .com, .net, .org, .edu and .gov. These registration services include the initial two year domain name registration and annual re-registration, and throughout the registration term, maintenance of and unlimited modifications to individual domain name records and updates to the master file of domain names. The cooperative agreement became effective January 1, 1993. It included a three-month phase-in period, a five-year operational period, commencing April 1, 1993 and ending March 31, 1998, and a six-month flexibility period through September 30, 1998. Effective September 9, 1998, the Department of Commerce took over the administration of the cooperative agreement from the National Science Foundation. In October 1998, the cooperative agreement was amended to extend the flexibility period until September 30, 2000. In November 1999, we entered into the series of agreements with ICANN and the Department of Commerce relating to our Internet domain name registration services.

The original terms of the cooperative agreement provided for a cost reimbursement plus fixed-fee contract (with an initial fee of 8%). Effective September 14, 1995, the National Science Foundation and Network Solutions amended the cooperative agreement to require Network Solutions to begin charging end users a services fee of $50 per year for each domain name in the .com, .net and .org top level domains. Until April 1, 1998, registrants paid a services fee of $100 for two years of domain name services upon each initial registration and an annual re-registration fee of $50 per year thereafter. The National Science Foundation paid the registration fees for domain names within the .edu and .gov top level domains through March 31, 1997. Commencing April 1, 1997, Network Solutions agreed with the National Science Foundation to provide domain name registration services within the .edu and .gov top level domains free of charge. As of October 1, 1997, Network Solutions no longer registers or administers domain names in the .gov top level domain.

Under the terms of the September 14, 1995 amendment to the cooperative agreement, 30% of the registration fees collected by Network Solutions was required to be set aside for the enhancement of the intellectual infrastructure of the Internet (set aside funds) and, as such, was not recognized as revenue by Network Solutions. The set aside funds, plus any interest earned, were disbursed at the direction of the National Science Foundation. As of December 31, 1998, Network Solutions had disbursed all set aside funds collected and associated interest to the National Science Foundation.

On March 12, 1998, the National Science Foundation and Network Solutions amended the cooperative agreement to eliminate the 30% set aside requirement effective April 1, 1998 and to reduce the registration fees by a corresponding amount. Initial registrations on and after April 1, 1998 are charged $70 for two years of registration services and an annual re-registration fee of $35 per year thereafter. This amendment had no effect on the revenue currently recognized on each registration, $70 for initial registrations and $35 for re-registrations, since Network Solutions previously did not recognize revenue on the 30% set aside funds. Accordingly, while the revenue to Network Solutions on a per registration basis did not change, the amount charged to customers declined.

For purposes of Network Solutions' statements of cash flows, amounts relating to these restricted assets and the Internet fund liability have been excluded in their entirety.

Note 1 --- Company and Summary of Significant Accounting Policies --- (Continued)

Revenue Recognition

Registration fees for registration services provided by Network Solutions are recognized on a straight-line basis over the life of the registration term. Network Solutions records revenue net of an estimated provision for uncollectible accounts receivable (Note 3).

Substantially all of Network Solutions' Internet Technology Services revenue is derived from professional services, which are generally provided to clients on a time and expense basis and is recognized as services are performed.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 (SAB 101), ``Revenue Recognition in Financial Statements'' which summarizes certain of the staff's views on revenue recognition. Network Solutions' revenue recognition policies have been and continue to be in accordance with SAB 101.

Deferred Revenue

Deferred revenue primarily represents the unearned portion of revenue related to the unexpired term of registration fees, net of an estimate for uncollectible accounts receivable (Note 3).

Cash and Cash Equivalents

Network Solutions considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Short and Long-Term Investments

Short and long-term investments in marketable securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Fair value is determined based upon the quoted market prices of the securities as of the balance sheet date. Unrealized gains and losses are reflected in other comprehensive income.

Financial Instruments

The recorded value of Network Solutions' financial instruments, which include short and long-term investments, accounts receivable and accounts payable, approximates market value. Concentration of credit risks with respect to registration receivables is limited due to the wide variety and number of customers, as well as their dispersion across geographic areas. Network Solutions has no derivative financial instruments.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation on furniture, office and computer equipment is calculated principally using a declining-balance method over the useful lives of three to seven years. Equipment under capital leases is amortized using a declining-balance method over the shorter of the assets' useful lives or lease term, ranging from two to three years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets, generally six years (see Note 4 ---Furniture and Equipment).

Note 1 --- Company and Summary of Significant Accounting Policies --- (Continued)

Goodwill

Goodwill represents the excess of the purchase cost over the fair value of net assets acquired in Network Solutions' acquisition by Science Applications International Corporation, or SAIC, in 1995, and in the acquisition of ImageCafe, Inc. by Network Solutions in November 1999. The goodwill resulting from these transactions is amortized over five years and three years, respectively, using the straight-line method. Amortization expense of $686,000, $543,000 and $846,000 for years ended December 31, 1997, 1998 and 1999, respectively, was included in selling, general and administrative expenses.

Stock Splits

On December 21, 1999, Network Solutions' Board of Directors approved a two-for-one stock split of its Common Stock, to be effected in the form of a 100% stock dividend on shares of Common Stock outstanding on February 25, 2000. The stock dividend was distributed on March 10, 2000.

On December 31, 1998, Network Solutions' Board of Directors approved a two-for-one stock split of the shares of Class A common stock and Class B common stock, to be effected in the form of a 100% stock dividend on shares of Class A common stock and Class B common stock outstanding on February 26, 1999. The stock dividend was distributed on March 23, 1999.

Share and per share information for all periods presented in the accompanying financial statements have been adjusted to reflect these stock splits.

Software Development Costs

Effective 1998, the Company adopted the American Institute of Certified Public Accountants' Statement of Position 98-1(``SOP 98-1''), ``Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.'' Under the Company's previous accounting policy, costs for internal use software, whether developed or obtained, were generally expensed as incurred. In compliance with SOP 98-1, the Company expenses costs incurred in the preliminary project stage and, thereafter, capitalizes costs incurred in the developing or obtaining of internal use software. Certain costs, such as maintenance and training, are expensed as incurred. Capitalized costs are amortized over a period of 3 to 6 years.

Advertising Costs

Advertising production costs are expensed upon commencement of the advertising campaign. Television, Internet banner and print advertising costs are expensed in the period the advertising is delivered.

Income Taxes

Deferred taxes are accounted for under SFAS No. 109, ``Accounting for Income Taxes,'' whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between financial statement reporting and income tax purposes. A valuation allowance is recorded if it is ``more likely than not'' that some portion of or all of a deferred tax asset will not be realized.

Note 1 --- Company and Summary of Significant Accounting Policies --- (Continued)

Prior to Network Solutions' initial public offering, Network Solutions filed tax returns as part of SAIC's consolidated tax group. Tax expense during this period had been determined as if Network Solutions was a separate taxpayer and was charged to Network Solutions by SAIC. Effective October 1, 1997, Network Solutions is no longer part of SAIC's consolidated tax group for federal income tax purposes and prepares its income tax returns as a separate entity.

Stock Based Compensation

Network Solutions accounts for its stock option and employee stock purchase plans in accordance with the provisions of Accounting Principles Board Opinion (APB) No. 25, ``Accounting for Stock Issued to Employees''. No compensation cost has been recognized by Network Solutions for its employee stock plans. The SFAS No. 123, ``Accounting for Stock-Based Compensation'', provides an alternative accounting method to APB No. 25 and requires additional pro forma disclosures (Note 10). Network Solutions expects to continue to account for its employee stock plans in accordance with the provisions of APB No. 25.

Segment Data

During 1998, Network Solutions adopted SFAS No. 131, ``Disclosures about Segments of an Enterprise and Related Information''. SFAS No. 131 supersedes SFAS No. 14, ``Financial Reporting for Segments of a Business Enterprise'', replacing the ``industry segment'' approach with the ``management'' approach. The management approach designates internal reporting that is used by management for making operating decisions and assessing performance as the source of an entity's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect results of operations, financial position or segment information disclosures of Network Solutions due to the nature and relative magnitude of its business activities for 1998 and 1999.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make reasonable estimates and assumptions, based upon all known facts and circumstances that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Note 2 --- Common Stock

1999 Secondary Stock Offering and Stock Reclassification

On February 12, 1999, Network Solutions completed a secondary stock offering in which a total of 9,160,000 shares of Class A common stock were sold. Concurrent with the offering, SAIC converted 9,000,000 shares of Class B common stock into 9,000,000 shares of Class A common stock sold in the offering. The remaining 160,000 shares of Class A common stock were sold by other selling stockholders after they exercised the applicable stock options simultaneously with the closing of the offering. Network Solutions was not a selling stockholder, and, therefore, did not receive any proceeds from the stock offering other than proceeds from options exercised as part of the offering.

Note 2 --- Common Stock --- (Continued)
After the offering, SAIC owned approximately 89% of the combined voting power and approximately 45% of the economic interest of the outstanding common stock.

On June 3, 1999, SAIC, the sole Class B common stock stockholder, converted the remaining Class B common stock into an identical number of shares of Class A common stock. As a result, SAIC's voting power changed from 89% to 45%, consistent with the number of Class A shares owned after the conversion. On June 17, 1999, Network Solutions filed an Amended and Restated Certificate of Incorporation whereby its Class A common stock, par value $0.001 per share, and Class B Common stock, par value $0.001 per share, were reclassified as a single class of common stock, par value $0.001 per share, the ``Common Stock''. At the time of the reclassification of the Class A common stock and Class B common stock to Common Stock, there were 33,312,594 shares of Class A common stock and no shares of Class B common stock outstanding.

1997 Recapitalization and Initial Public Offering

On June 26, 1997, the Board of Directors amended the Certificate of Incorporation to provide for two classes of common stock, designated as Class A and Class B. The holders of Class A and Class B common stock generally have identical rights except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to ten votes per share. Each share of Class B common stock is convertible at the holder's option into one share of Class A common stock.

On October 1, 1997, Network Solutions completed an initial public offering of 7,590,000 shares of its $.001 par value Class A common stock, including 990,000 shares resulting from the exercise of certain over allotment provisions. Network Solutions' net proceeds from the initial public offering, including over allotment, were $52.5 million based on Network Solutions' direct sale of 6,440,000 shares of Class A common stock.

Prior to the offering, Network Solutions was a wholly-owned subsidiary of SAIC. In conjunction with the initial public offering, SAIC converted 1,150,000 shares (including 150,000 over allotment shares) of Class B common stock into 1,150,000 shares of Class A common stock and directly sold the shares as a selling stockholder. Upon completion of the offering, SAIC owned 100% of the outstanding Class B common stock representing 75.9% of Network Solutions' equity and 96.9% of the combined voting power of Network Solutions' outstanding Class B and Class A common stock.

On August 21, 1997, Network Solutions' Board of Directors declared a $10,000,000 dividend to be paid to SAIC upon consummation of the initial public offering. This dividend was paid to SAIC on October 1, 1997.

Note 3 --- Accounts Receivable

Accounts receivable consist of the following amounts as of December 31:

	1998	1999
Billed	$ 42,679,000	$ 79,340,000
Unbilled	5,695,000	1,296,000
Total accounts receivable before allowances	48,374,000	80,636,000
Less --- Allowance for uncollectible accounts	(25,746,000)	(48,720,000)
Accounts receivable, net	$ 22,628,000	$ 31,916,000

Unbilled receivables consist of registration fees and time and material contract costs which have been incurred but which have not yet been billed.

Effective April 1, 1998, Network Solutions consolidates and then amortizes only the net deferred revenue balance as net revenue over the registration term. Through March 1998, in accounting for registration fees, Network Solutions initially recorded the gross amount of the registration fee to accounts receivable and deferred revenue. The allowance for estimated uncollectible accounts was recorded against both accounts receivable and deferred revenue balances. From the deferred revenue and allowance balances, Network Solutions recorded revenue and its provision for uncollectible accounts on a straight-line basis over the registration term.

The provision for uncollectible accounts receivable, which was separately recorded and deducted from gross registration fees in determining net registration revenue through March 1998, was $7,782,000 and $2,168,000 respectively, for the years ended December 31, 1997 and 1998. An additional $300,000 and $79,000 of bad debt expense was recorded in 1997 and 1998, respectively, for the write-off of Internet Technology Services receivables.

Note 4 --- Furniture and Equipment

Furniture and equipment consist of the following amounts as of December 31:

	1998	1999
Furniture and office equipment	$ 833,000	$ 2,058,000
Computer equipment and software	19,400,000	64,677,000
Leasehold improvements	2,018,000	8,294,000
Furniture and equipment, at cost	22,251,000	75,029,000
Less: Accumulated depreciation and amortization	(6,246,000)	(17,623,000)
Furniture and equipment, net	$16,005,000	$ 57,406,000

Furniture and equipment includes $2,386,000 of computer equipment acquired during 1997 under capital lease agreements. Amortization expense related to capital leases totaled $915,000, $1,028,000 and $304,000 in 1997, 1998 and 1999, respectively. Depreciation and amortization expense related to furniture and equipment, for the years ended December 31, 1997, 1998 and 1999 was $1,746,000, $3,211,000 and $11,377,000, respectively.

Note 5 --- Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following amounts as of December 31:

	1998	1999
Accounts payable	$ 7,647,000	$ 3,283,000
Accrued expenses	16,717,000	39,449,000
Accrued payroll	3,923,000	10,225,000
Total accounts payable and accrued expenses	$28,287,000	$52,957,000

Note 6 --- Leases

Future minimum lease payments, including fixed escalation increases for office space and equipment under capital and operating leases with initial or remaining noncancelable lease terms in excess of one year as of December 31, 1999 are:

Year Ending December 31:	Capital Leases	Operating Leases
2000	$252,000	$ 8,195,000
2001	---	6,133,000
2002	---	4,007,000
2003	---	1,421,000
2004	---	358,000
Total minimum lease payments	252,000	$20,114,000
Less: Amounts representing interest	(5,000)	
Present value of minimum lease payments	247,000	
Less: Current portion	(247,000)	
Long-term portion of capital lease obligations	$ ---	

In December 1992, Network Solutions entered into a lease agreement for Network Solutions' headquarters in Herndon, Virginia. Subsequent to the acquisition, SAIC subleased the facilities to Network Solutions under a lease expiring November 2002. During 1997, Network Solutions leased a second facility in Herndon whose lease term expires in July 2002. In April and September 1999, Network Solutions leased two additional facilities in Herndon with lease terms expiring in March 2004 and November 2002, respectively.

Operating lease expense for the years ended December 31, 1997, 1998 and 1999 was $2,188,000, $3,533,000 and $6,031,000, respectively. Network Solutions generated rental income from subleases of $291,000 and $215,000 for the years ended December 31, 1997 and 1998, respectively. No rental income from subleases was recorded for the year ended December 31, 1999.

Note 7 --- Transactions with SAIC

Network Solutions was acquired by SAIC on March 10, 1995 in a stock-for-stock transaction accounted for as a purchase. The financial statements for the years ended December 31, 1997, 1998 and 1999 include significant transactions with other SAIC business units involving functions and services (such as cash management, tax administration, accounting, legal, data processing, payroll and

Note 7 --- Transactions with SAIC --- (Continued)

related taxes and employee benefit plans) that were provided to Network Solutions by centralized SAIC organizations. Such charges and allocations are not necessarily indicative of the costs that would have been incurred if Network Solutions had been a separate entity. SAIC assesses a fee to Network Solutions for corporate services provided by SAIC equal to a percentage of annual net revenue. The corporate services fee is negotiated annually and was 2.5%, 1.5% and 0.5% during 1997, 1998 and 1999, respectively. The agreement may be terminated by either party upon 180 days' prior written notice. Prior to July 1, 1999, employees of Network Solutions were eligible to participate in various SAIC benefit plans, including stock, bonus and retirement plans, subject to the applicable eligibility requirements. SAIC charges Network Solutions directly for the costs of such employee benefit plans. Charges related to the administration of the SAIC benefit plans in which employees of Network Solutions participate, are included within the SAIC corporate services fee.

Amounts charged and allocated to Network Solutions for these functions and services for the years ended December 31, 1997, 1998 and 1999 were $1,126,000, $1,447,000 and $1,000,000, respectively, and are principally included in selling, general and administrative expenses.

Sales as a subcontractor to SAIC for the years ended December 31, 1997, 1998 and 1999 were $2,445,000, $525,000 and $234,000, respectively. In addition, because Network Solutions was included in SAIC's consolidated tax returns for periods from acquisition until the initial public offering, Network Solutions was obligated to make payment for its tax liability to SAIC in accordance with the tax sharing arrangement (Note 8).

The due to SAIC balance represents the cumulative net activity of all transactions between Network Solutions and SAIC and is primarily composed of direct reimbursement of salaries, payroll taxes and employee benefits funded upon processing by SAIC. Network Solutions reflects this activity in the statements of cash flows on a net basis because of the quick turnover, the large amounts and the short maturities of these related party cash transactions.

Note 8 --- Provision for Income Taxes

The results of Network Solutions since its acquisition by SAIC until its initial public offering were included in SAIC's consolidated tax returns. Subsequent to the initial public offering, Network Solutions is no longer part of SAIC's consolidated tax group for federal income tax purposes and prepares its income tax returns as a separate entity.

Note 8 --- Provision for Income Taxes --- (Continued)

The provision for income taxes consists of the following:

	Year Ended December 31, 1997	1998	1999
Current:			
Federal	$ 13,931,000	$ 29,559,000	$ 95,540,000
State	2,766,000	5,867,000	18,977,000
Total current provision	16,697,000	35,426,000	114,517,000
Deferred:			
Federal	(11,035,000)	(22,792,000)	(79,948,000)
State	(2,191,000)	(4,525,000)	(15,880,000)
Total deferred benefit	(13,226,000)	(27,317,000)	(95,828,000)
Provision for income taxes	$ 3,471,000	$ 8,109,000	$ 18,689,000

Deferred tax assets are comprised of the following temporary differences as of December 31:

	1998	1999
Deferred revenue	$46,943,000	$133,398,000
Provision for uncollectible accounts receivable	8,409,000	17,986,000
Tax on accumulated other comprehensive income	---	(22,223,000)
Other	(13,000)	33,000
Total deferred tax asset	$55,339,000	$129,194,000

Network Solutions has not established a current valuation allowance for its deferred tax assets since, in the opinion of management, it is more likely than not that all of the deferred tax assets will be realized. The deferred tax assets relate primarily to registration fees which are taxable upon initial registration but are recognized in the financial statements over the registration term.

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate of 35% to income before income taxes is provided below:

	Year Ended December 31, 1997	1998	1999
Federal tax at statutory rate	$2,696,000	$6,771,000	$15,952,000
State income taxes, net of federal tax benefit	374,000	1,015,000	2,230,000
Nondeductible goodwill amortization	240,000	213,000	331,000
Other	161,000	110,000	176,000
Provision for income taxes	$3,471,000	$8,109,000	$18,689,000

Network Solutions paid income taxes of $31,235,000 and $100,223,000 during the years ended December 31, 1998 and 1999, respectively.

Note 9 --- Computation of Earnings Per Share

The following is a reconciliation of the numerator and denominator used in the basic and diluted earnings per share computations:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
1997 Earnings Per Share:			
Basic	$ 4,231,000	53,220,000	$0.08
Dilutive securities:			
Outstanding options	---	712,000	
Diluted	$ 4,231,000	53,932,000	$0.08
1998 Earnings Per Share:			
Basic	$11,235,000	63,914,000	$0.18
Dilutive securities:			
Outstanding options	---	2,880,000	
Diluted	$11,235,000	66,794,000	$0.17
1999 Earnings Per Share:			
Basic	$26,886,000	66,687,000	$0.40
Dilutive securities:			
Outstanding options	---	3,230,000	
Diluted	$26,886,000	69,917,000	$0.38

Common shares issued are weighted for the period the shares were outstanding and incremental shares assumed issued under the treasury stock method for dilutive earnings per share are weighted for the period the underlying options were outstanding.

Note 10 --- Employee Benefit Plans

1996 Stock Incentive Plan

The 1996 Stock Incentive Plan, or Incentive Plan, of Network Solutions was adopted by the Board of Directors on September 18, 1996. The Incentive Plan provides for awards in the form of restricted shares, stock units, stock appreciation rights, and stock options (including incentive stock options and nonstatutory stock options). A total of 9,225,000 shares of Common Stock have been initially reserved for issuance under the Incentive Plan. The number of shares are increased by 2% of the total number of Common Stock outstanding at the end of the most recent calendar year. Through December 31, 1999, an additional 4,934,000 shares were eligible for issuance and have subsequently been reserved for a combined total of 14,159,000 eligible shares under the Incentive Plan.

Note 10 --- Employee Benefit Plans --- (Continued)

Following is a summary of stock option activity pursuant to Network Solutions' Incentive Plan:

	Shares Under Option	Weighted Average Exercise Price
Balance at December 31, 1996	4,902,000	$ 3.25
Granted	2,402,000	$ 3.56
Exercised	---	---
Cancelled	(146,000)	$ 3.50
Balance at December 31, 1997	7,158,000	$ 3.34
Granted	2,718,000	$10.98
Exercised	(3,040,000)	$ 3.26
Cancelled	(1,414,000)	$ 4.63
Balance at December 31, 1998	5,422,000	$ 6.87
Granted	4,624,000	$43.54
Exercised	(1,757,000)	$ 5.28
Cancelled	(597,000)	$23.57
Balance at December 31, 1999	7,692,000	$27.97

Granted stock options generally become exercisable one year after the date of the grant, vest 30%, 30%, 20% and 20%, respectively, on each anniversary date of the grant and have a term of five years. All options granted to date have been nonstatutory stock options except for 404,000 incentive stock options granted in 1996. During 1999, Network Solutions granted 27,576 restricted shares to two executives. No other restricted shares, stock units or stock appreciation rights have been granted to date.

The following table summarizes the status of Network Solutions' stock options outstanding and exercisable at December 31, 1999:

		Stock Options Outstanding		Stock Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 3.50--$ 3.50	1,440,000	2.16	$ 3.50	300,000	$ 3.50
$ 3.72--$ 10.84	1,364,000	3.31	$ 7.73	222,000	$ 6.47
$11.75--$ 29.69	1,352,000	4.28	$ 23.80	29,000	$ 12.41
$30.25--$ 38.63	1,301,000	4.38	$ 33.47	132,000	$ 35.31
$39.41--$ 46.00	1,378,000	4.24	$ 45.00	94,000	$ 46.00
$47.00--$129.34	857,000	4.86	$ 72.14	---	---
$ 3.50--$129.34	7,692,000	3.78	$ 27.97	777,000	$ 15.22

Note 10 --- Employee Benefit Plans --- (Continued)

Employee Stock Purchase Plan

Effective January 7, 1998, Network Solutions adopted an Employee Stock Purchase Plan to provide substantially all full time employees an opportunity to purchase shares of its Common Stock through payroll deductions of up to 10% of eligible compensation. Semiannually, on June 30 and December 31, participant account balances are used to purchase stock at the lesser of 85 percent of the fair market value on the trading day before the participation period starts or the trading day preceding the day on which the participation period ends. A total of 1,000,000 shares were initially reserved for purchase under the plan. For the years ended December 31, 1998 and 1999, 60,000 and 26,000 shares were purchased under this plan, respectively.

Network Solutions 401(k) Retirement Plan

Effective July 1, 1999, Network Solutions sponsors an employee savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participating employees may defer up to 18% of their compensation, subject to certain regulatory limitations. Employee contributions are invested, at the employee's direction, among a variety of investment alternatives, including Network Solutions Common Stock. Network Solutions matches employee contributions at a rate of 50% up to a maximum of 3% of compensation. Employee contributions are fully vested, whereas vesting in matching Company contributions occurs at a rate of 25% per year of employment. During the period from July 1, 1999 through December 31, 1999, the Company's matching contribution was $308,000 in cash. Matching contributions are subsequently invested in Network Solutions Common Stock.

Pro Forma Disclosures

The weighted average fair value of the options granted using the Black Scholes model during 1997, 1998 and 1999 amounted to $1.17, $7.46 and $33.96, respectively for the Network Solutions Incentive Plan. The following weighted average assumptions were used in calculating the option fair values.

	Network Solutions Stock Options		
	1997	1998	1999
Expected life (years)	4.0	4.0	4.0
Risk-free interest rate	6.25%	5.1%	5.48%
Volatility	20.79%	90.73%	115.65%
Dividend yield	0.00%	0.00%	0.00%

Under the above model, the total value of Network Solutions' employee stock purchase program and stock options granted in 1997, 1998 and 1999 was $2,809,000, $20,322,000, and $154,624,000, respectively, all of which would be amortized ratably on a pro forma basis over the respective option terms. Had Network Solutions recorded compensation costs for these plans in accordance with SFAS No. 123, Network Solutions' pro forma income would have been $3,510,000, $9,236,000 and $8,075,000, respectively, for the years ended December 31, 1997, 1998 and 1999. Pro forma earnings per share on a diluted basis would have been $0.07, $0.14 and $0.12, respectively, for the years ended December 31, 1997, 1998 and 1999.

Network Solutions, Inc.
Notes to Financial Statements --- (Continued)

Note 11 --- Comprehensive Income

The changes in the components of accumulated other comprehensive income, net of income taxes, for the years ended December 31, 1998 and 1999 is as follows:

	1998		1999	
	Unrealized Gains On Securities	Accumulated Other Comprehensive Income	Unrealized Gains On Securities	Accumulated Other Comprehensive Income
Pre-tax amount	$618,000	$618,000	$53,588,000	$54,206,000
Income tax	259,000	259,000	21,964,000	22,223,000
Net of tax amount	$359,000	$359,000	$31,624,000	$31,983,000

Note 12 --- Commitments and Contingencies

On June 27, 1997, SAIC received a Civil Investigative Demand, or ``CID,'' from the U.S. Department of Justice issued in connection with an investigation to determine whether there is, has been, or may be any antitrust violation under the Sherman Act relating to its Internet registration services. On January 28, 2000, the Department of Justice formally notified us that the investigation had been closed. No enforcement action was taken.

On August 17, 1998, Network Solutions received notice from the Commission of the European Communities, or ``EC,'' of an investigation concerning Network Solutions' Premier Program agreements in Europe. On January 26, 2000, the EC formally notified Network Solutions that its investigation had been closed. No enforcement action was taken.

In 1997, a group of six plaintiffs filed the Thomas, et al., v. Network Solutions, et al, suit against us and the National Science Foundation in the United States District Court, District of Columbia, challenging the legality of fees defendants charge for the registration of domain names on the Internet and seeking restitution of fees collected from domain name registrants in an amount in excess of $100 million, damages, and injunctive and other relief. On August 28, 1998, the District Court dismissed the entire case, issuing a final judgment in the matter. In October 1998, the plaintiffs appealed the court's dismissal of their claims. On May 14, 1999, the Court of Appeals ruled in our favor by unanimously affirming the District Court's decision. On October 12, 1999, the plaintiffs filed a Petition for a Writ of Certiorari with the U.S. Supreme Court. On January 18, 2000, the U.S. Supreme Court denied the plaintiffs' petition.

In 1997, PG Media, Inc., a New York-based corporation, filed a lawsuit against us in the United States District Court, Southern District of New York alleging that we had restricted access to the Internet by not adding PG Media's requested 490 top level domains to the Internet root zone in violation of the Sherman Act. PG Media appealed to the Second Circuit Court of Appeals and on January 21, 2000, the Court of Appeals issued its opinion in our favor.

As of March 13, 2000, we were a defendant in eight active lawsuits involving domain name disputes between trademark owners and domain name holders. We are drawn into such disputes, in part, as a result of claims by trademark owners that we are legally required, upon request by a trademark owner, to terminate the right we granted to a domain name holder to register a domain name which is alleged to be similar to the trademark in question. Although 68 out of approximately 9,500 of these situations have resulted in suits actually naming us as a defendant, as of March 13,

Note 12 --- Commitments and Contingencies --- (Continued)
2000, no adverse judgment has been rendered and no award of damages has ever been made against us. We believe that we have meritorious defenses and vigorously defend ourselves against these claims.

Network Solutions is involved in various investigations, claims and lawsuits arising in the normal conduct of business, none of which, in management's opinion will materially harm Network Solutions' business. Legal proceedings in which Network Solutions is involved have resulted and likely will result in, and any future legal proceedings can be expected to result in, substantial legal and other expenses and a diversion of the efforts of Network Solutions' personnel.

Note 13 --- Subsequent Events

Proposed Acquisition of Network Solutions by VeriSign Inc.

On March 7, 2000, VeriSign Inc., the leading provider of Internet trust services, and Network Solutions, Inc. announced the signing of a definitive agreement for VeriSign to acquire Network Solutions in an all-stock purchase transaction. Under the agreement, VeriSign will issue 1.075 shares of VeriSign common stock for each share of Network Solutions Common Stock. The transaction has been approved by both companies' Boards of Directors and is subject to approval by VeriSign and Network Solutions stockholders. After the merger, VeriSign will own approximately 60% of the combined company while Network Solutions stockholders will own approximately 40% of the combined company. The transaction is expected to close in the third quarter of 2000, subject to customary conditions, including obtaining necessary regulatory and stockholders approvals.

Secondary Stock Offering

On February 8, 2000, Network Solutions completed a secondary offering in which a total of 17,779,000 shares of Common Stock were sold. Of the shares sold, Network Solutions sold 4,319,000 shares, SAIC Venture Capital Corporation sold 13,400,000 shares and other selling stockholders sold 60,000 shares. Total net proceeds to Network Solutions was approximately $511 million. After the offering, SAIC owns approximately 23% of Network Solutions' outstanding Common Stock.

Litigation

On March 15, 2000, a group of eight plaintiffs filed suit against the U.S. Department of Commerce, the National Science Foundation and us in the United States District Court for the Northern District of California. The case, entitled William Hoefer et al. v. U.S. Department of Commerce, et al., Civil Action No. 000918-VRW, challenges the lawfulness of the registration fees that we were authorized to charge for domain name registrations from September 1995 to November 1999. The suit purports to be brought on behalf of all domain name registrants who paid registration fees during that period and seeks approximately $1.7 billion in damages. Although none of the defendants have yet been served with the complaint, we are aware that the same attorney who challenged us in a similar action known as Thomas, et al. v. Network Solutions, et al., has filed this new action on behalf of eight former and current domain name registrants. The suit contains eight causes of action against the defendants based on alleged violations of Art. I, (S) 8 and the Fifth

Note 13 --- Subsequent Events --- (Continued)
Amendment of the U.S. Constitution, the Independent Offices Appropriations Act (31 U.S.C. (S) 9701), the Administrative Procedure Act, the Sherman Act, and the California Unfair Competition Act, (S) 17200. We believe that the complaint lacks merit and we intend to vigorously defend ourselves as we did in response to the Thomas case.

EXHIBIT 99.3

NETWORK SOLUTIONS, INC.
CONDENSED STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31, 1999	MARCH 31, 2000
		(UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$196,589,000	$ 876,033,000
Short-term investments	116,342,000	22,425,000
Accounts receivable, net	31,916,000	33,816,000
Income taxes receivable	16,193,000	--
Prepaids and other assets	8,809,000	13,256,000
Deferred tax asset	100,997,000	125,397,000
Total current assets	470,846,000	1,070,927,000
Furniture and equipment, net	57,406,000	62,063,000
Long-term investments	62,475,000	75,549,000
Deferred tax asset	28,197,000	41,018,000
Other long-term assets	-	1,270,000
Goodwill and other, net	6,379,000	5,667,000
Total Assets	$625,303,000	$1,256,494,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 53,204,000	$ 50,275,000
Due to SAIC	30,177,000	11,154,000
Income taxes payable	1,045,000	13,206,000
Deferred revenue, net	255,307,000	334,096,000
Total current liabilities	339,733,000	408,731,000
Long-term deferred revenue, net	106,332,000	130,587,000
Other long-term liabilities	639,000	555,000
Total liabilities	446,704,000	539,873,000
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock, $.001 par value, authorized 10,000,000 shares; none issued and outstanding in 1999 and 2000	--	--
Common stock, $.001 par value; authorized 210,000,000 shares; 67,791,734 and 72,388,054 issued and outstanding in 1999 and 2000	68,000	72,000
Additional paid-in capital	117,289,000	645,219,000
Retained earnings	29,259,000	43,955,000
Accumulated other comprehensive income	31,983,000	27,375,000
Total stockholders' equity	178,599,000	716,621,000
Total Liabilities and Stockholders' Equity	$625,303,000	$1,256,494,000

The accompanying notes are an integral part of these financial statements.

NETWORK SOLUTIONS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 2000
Net revenue	$38,132,000	$98,171,000
Cost of revenue	14,541,000	35,479,000
Gross profit	23,591,000	62,692,000
Research and development expenses	2,035,000	4,545,000
Selling, general and administrative expenses	15,265,000	42,699,000
Interest income	(1,930,000)	(9,351,000)
Other expenses	19,000	4,000
Income before income taxes	8,202,000	24,795,000
Provision for income taxes	3,404,000	10,099,000
Net income	$ 4,798,000	$14,696,000
Earnings per common share:		
Basic	$ 0.07	$ 0.21
Diluted	$ 0.07	$ 0.20

The accompanying notes are an integral part of these financial statements.

NETWORK SOLUTIONS, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE-HENSIVE INCOME	COMPRE-HENSIVE INCOME	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
Balance, December 31, 1999....	67,792,000	$68,000	$117,289,000	$29,259,000	$31,983,000		$178,599,000
Issuance of common stock pursuant to stock plans..................	277,000		5,483,000	5,483,000			
Tax benefit associated with stock plans.............			11,459,000	11,459,000			
Issuance of common stock pursuant to secondary offering.....................	4,319,000	4,000	510,988,000				510,992,000
Net income for the period ended March 31, 2000.........................				14,696,000		$14,696,000	14,696,000
Other comprehensive income, net of tax:							
Unrealized loss on securities...................					(4,608,000)	(4,608,000)	(4,608,000)
Comprehensive income..........						$10,088,000	
Balance, March 31, 2000	72,388,000	$72,000	$645,219,000	$43,955,000	$27,375,000		$716,621,000

The accompanying notes are an integral part of these financial statements.

NETWORK SOLUTIONS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,798,000	$ 14,696,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,474,000	4,324,000
Deferred income taxes	(25,271,000)	(33,245,000)
Tax benefit associated with stock plans	2,906,000	11,459,000
Change in operating assets and liabilities:		
Increase in accounts receivable	(13,117,000)	(1,900,000)
Decrease in income taxes receivable	--	16,193,000
Increase in prepaids and other assets	(1,888,000)	(5,717,000)
Increase (decrease) in accounts payable and accrued liabilities	843,000	(3,013,000)
Increase in income taxes payable	23,936,000	12,161,000
Increase in deferred revenue	39,168,000	103,044,000
Net cash provided by operating activities	32,849,000	118,002,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(16,557,000)	(8,269,000)
Redemption (purchase) of short-term investments, net	(1,821,000)	92,259,000
Purchase of long-term investments	(2,000,000)	(20,000,000)
Net cash provided by (used in) investing activities	(20,378,000)	63,990,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net transactions with SAIC	(188,000)	(19,023,000)
Issuance of common stock pursuant to secondary offering	--	510,992,000
Issuance of common stock pursuant to stock plans	1,809,000	5,483,000
Net cash provided by financing activities	1,621,000	497,452,000
Net increase in cash and cash equivalents	14,092,000	679,444,000
Cash and cash equivalents, beginning of period	12,862,000	196,589,000
Cash and cash equivalents, end of period	$ 26,954,000	$876,033,000

The accompanying notes are an integral part of these financial statements.

NETWORK SOLUTIONS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 -- ORGANIZATION AND BUSINESS

Network Solutions, Inc. ("Network Solutions") currently acts as the exclusive registry and as a registrar of Internet domain names within the .com, .org, .net and .edu top level domains pursuant to agreements with ICANN and the Department of Commerce (for further information, please see "Overview" on page 9 herein). Domain names are used to identify a unique site or presence on the Internet. As registry and a registrar for these top level domains, Network Solutions registers new domain names and is responsible for the maintenance of the master file of domain names through daily updates to the Internet. Network Solutions also provides Internet Technology Services, focusing on architecture, implementation and support services to help large enterprises and Internet service providers improve their operational effectiveness.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL STATEMENTS

The interim financial statements have been prepared by Network Solutions without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, financial statements included in this report reflect all normal recurring adjustments which Network Solutions considers necessary for fair presentation of the results of operations for the interim periods covered and of the financial position of Network Solutions at the date of the interim balance sheet. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, Network Solutions believes that the disclosures are adequate for understanding the information presented. The operating results for interim periods are not necessarily indicative of the operating results for the entire year. These interim financial statements should be read in conjunction with Network Solutions' December 31, 1999 audited financial statements and notes thereto included in Network Solutions' Form 10-K annual report for the year ended December 31, 1999. Prior periods have been reclassified for comparative purposes.

NOTE 3 -- COMMON STOCK

STOCK SPLIT

On December 21, 1999, Network Solutions' Board of Directors approved a two-for-one stock split of its common stock, to be effected in the form of a 100% stock dividend on shares of common stock outstanding on February 25, 2000. The stock dividend was distributed on March 10, 2000. Share and per share information for all periods presented in the accompanying financial statements have been adjusted to reflect the two-for-one stock split.

SECONDARY STOCK OFFERING

On February 8, 2000, Network Solutions completed a secondary offering in which a total of 17,779,000 shares of common stock were sold. Of the shares sold, Network Solutions sold 4,319,000 shares, SAIC Venture Capital Corporation sold 13,400,000 shares and other selling stockholders sold 60,000 shares. Total net proceeds to Network Solutions was approximately $511 million. Subsequent to the offering, SAIC Venture Capital Corporation owns approximately 23% of Network Solutions' outstanding common stock.

NOTE 4 -- COMPUTATION OF EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used in the basic and diluted earnings per share computations:

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
THREE MONTHS ENDED MARCH 31, 1999			
Basic	$ 4,798,000	66,242,000	$ 0.07
Dilutive securities:			
Outstanding options		--	3,228,000
Diluted	$ 4,798,000	69,470,000	$ 0.07
THREE MONTHS ENDED MARCH 31, 2000			
Basic	$14,696,000	70,440,000	$ 0.21
Dilutive securities:			
Outstanding options		--	4,486,000
Diluted	$14,696,000	74,926,000	$ 0.20

Common shares issued are weighted for the period the shares were outstanding and incremental shares assumed issued under the treasury stock method for diluted earnings per share are weighted for the period the underlying options were outstanding.

NOTE 5 -- ACCUMULATED OTHER COMPREHENSIVE INCOME BALANCES

The changes in the components of accumulated other comprehensive income, net of income taxes, for the three months ended March 31, 2000 and March 31, 1999 are as follows:

	1999		2000	
	UNREALIZED GAINS ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME	UNREALIZED LOSSES ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME
Pre-tax amount	$38,547,000	$38,547,000	$(8,583,000)	$45,623,000
Income tax	16,189,000	16,189,000	(3,975,000)	18,248,000
Net of tax amount	$22,358,000	$22,358,000	$(4,608,000)	$27,375,000

NOTE 6 -- PROPOSED ACQUISITION OF NETWORK SOLUTIONS BY VERISIGN, INC.

On March 7, 2000, VeriSign, Inc., the leading provider of Internet trust services, and Network Solutions announced the signing of a definitive agreement for VeriSign to acquire Network Solutions in an all-stock purchase transaction. Under the agreement, VeriSign will issue 1.075 shares of VeriSign common stock for each share of Network Solutions Common Stock. The transaction has been approved by both companies' Boards of Directors and is subject to approval by VeriSign and Network Solutions shareholders. After the merger, VeriSign stockholders will own approximately 60% of the combined company while Network Solutions shareholders will own approximately 40% of the combined company.

On May 9, 2000, VeriSign and Network Solutions announced that the companies' Joint Proxy Statement relating to the proposed merger of the two companies had been declared effective by the Securities and Exchange Commission and filed electronically. In addition, VeriSign and Network Solutions also announced that on May 5, 2000, the Department of Justice granted early termination of the waiting periods for the antitrust review of the proposed merger under the Hart-Scott-Rodino Act.

Proxy materials were mailed to shareholders on May 8, 2000. Both VeriSign and Network Solutions will hold shareholders meetings on June 8, 2000 for shareholders of record on May 3, 2000 to vote on the merger. If shareholder approval is obtained, the merger is expected to close shortly thereafter.

NOTE 7-- COMMITMENTS AND CONTINGENCIES

On March 15, 2000, a group of eight plaintiffs filed suit against the U.S. Department of Commerce, the National Science Foundation and Network Solutions in the United States District Court for the Northern District of California. The case, entitled William Hoefer et al. v. U.S. Department of Commerce, et al., Civil Action No. 000918-VRW, challenges the lawfulness of the registration fees that we were authorized to charge for domain name registrations from September 1995 to November 1999. The suit purports to be brought on behalf of all domain name registrants who paid registration fees during that period and seeks approximately $1.7 billion in damages. All of the defendants have been served with the complaint, and have filed motions to transfer the suit to the Federal District Court in the District of Columbia. The same attorney who unsuccessfully challenged us in a similar action known as Thomas, et al. v. Network Solutions, et al., filed this new action on behalf of eight former and current domain name registrants. The suit contains eight causes of action against the defendants based on alleged violations of Art. I, Section 8 and the Fifth Amendment of the U.S. Constitution, the Independent Offices Appropriations Act (31 U.S.C. Section 9701), the Administrative Procedure Act, the Sherman Act, and the California Unfair Competition Act, Section 17200. Network Solutions believes that the complaint lacks merit and intends to vigorously defend itself as it did in response to the Thomas case.