SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): March 10, 2000

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

Delaware	0-23596	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

Item 7. Financial Statements and Exhibits

On February 16, 2000 and on March 7, 2000, VeriSign, Inc. ("VeriSign") filed Current Reports on Form 8-K to report its acquisitions of Thawte Consulting (Pty) Ltd., Thawte Holding (Pty) Ltd. and Thawte USA, Inc. ("Thawte"), and Signio, Inc. ("Signio"), respectively. Pursuant to Item 7 of Form 8-K, VeriSign indicated that it would file certain financial information no later than the date required under Item 7 of Form 8-K. This Amendment is filed to provide the required financial information.

(a) Financial statements of businesses acquired.

The financial statements of Thawte and Signio included in this Amended Current Report, Form 8-K/A are as follows:

(b) Exhibits.

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

Exhibit Number	Exhibit Description
23.1	Consent of Independent Auditors (Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc.)
23.2	Consent of Independent Auditors (Signio, Inc.)
23.3	Consent of Independent Auditors (VeriSign, Inc. and Subsidiaries)
99.1	VeriSign , Inc. 1999 Financial Statements

(c) Pro forma financial information.

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

INDEPENDENT AUDITORS' REPORT

To the Stockholders of Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc.:

We have audited the accompanying combined balance sheets of Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc. as of February 28, 1999 and 1998, and the related combined statements of operations, stockholders' deficit and cash flows for each of the years in the two-year period ended February 28, 1999. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

Scope

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- 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 our opinion.

Audit Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc. as of February 28, 1999 and 1998, and the combined results of their operations and their cash flows for each of the years in the two-year period ended February 28, 1999, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG Inc.

Cape Town, South Africa
January 31, 2000

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

COMBINED BALANCE SHEETS
(In Rand, in thousands, except share data)

	February 28, 1999	February 28, 1998
	R	R
Assets		
Current assets:		
Cash and cash equivalents	2,882	432
Accounts receivable	590	65
Other current assets	52	--
Total current assets	3,524	497
Property and equipment, net	1,876	320
Deferred income taxes	1,239	279
	6,639	1,096
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	726	103
Income taxes payable	1,574	195
Other current liabilities	--	63
Deferred revenue	4,761	1,071
Total current liabilities	7,061	1,432
Commitments		
Stockholder's deficit:		
Common stock - no par value		
Authorized shares: 1,000		
Issued and outstanding shares: 100 at February 28, 1999; 100 at February 28, 1998	--	--
Note payable to stockholder	100	--
Accumulated deficit	(553)	(336)
Cumulative translation adjustment	31	--
Total stockholder's deficit	(422)	(336)
	6,639	1,096

See accompanying Notes to Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

COMBINED STATEMENTS OF OPERATIONS
(In Rand, in thousands)

	Year Ended February 28,	
	1999	1998
	R	R
Revenues	4,647	700
Costs and expenses:		
Cost of revenues	1,650	294
Sales and marketing	716	159
General and administrative	2,251	675
Total costs and expenses	4,617	1,128
Operating income (loss)	30	(428)
Interest income	183	10
Other expense, net	(3)	(1)
Income (loss) before income taxes	210	(419)
Income taxes expense (benefit)	427	(84)
Net loss	(217)	(335)

See accompanying Notes to Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

COMBINED STATEMENTS OF STOCKHOLDER'S DEFICIT
(In Rand, in thousands, except share data)

	Year Ended February 28, 1999	1998
	R	R
Common stock:		
Balance, beginning of year		
100 shares at March 1, 1998		
100 shares at March 1, 1997	--	--
Balance, end of year		
100 shares at February 28, 1999		
100 shares at February 28, 1998	--	--
Note payable to stockholder:		
Balance, beginning of year	--	--
Loan from stockholder	100	--
Balance, end of year	100	--
Accumulated deficit:		
Balance, beginning of year	(336)	(1)
Net loss	(217)	(335)
Balance, end of year	(553)	(336)
Cumulative translation adjustment:		
Balance, beginning of year	--	--
Currency translation adjustment	31	--
Balance, end of year	31	--
Total stockholder's deficit	(422)	(336)

See accompanying Notes to Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

COMBINED STATEMENTS OF CASH FLOWS
(In Rand, in thousands)

	Year Ended February 28, 1999	Year Ended February 28, 1998
	R	R
Cash flows from operating activities:		
Net loss	(217)	(335)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	193	125
Foreign currency translation adjustments	31	--
Deferred income taxes	(960)	(279)
Changes in operating assets and liabilities:		
Accounts receivable	(525)	(58)
Accounts payable	623	103
Income taxes payable	1,379	195
Deferred revenue	3,690	1,071
Net cash provided by operating activities	4,214	822
Cash flows from investing activities:		
Purchases of property and equipment	(1,749)	(427)
Net cash used for investing activities	(1,749)	(427)
Cash flows from financing activities:		
Proceeds from borrowings	100	19
Repayment of borrowings	(115)	--
Net cash provided by financing activities	(15)	19
Net increase in cash and cash equivalents	2,450	414
Cash and cash equivalents at beginning of year	432	18
Cash and cash equivalents at end of year	2,882	432

See accompanying Notes to Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

February 28, 1999 and 1998

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

Business

Thawte Consulting (Pty) Ltd. was incorporated in Cape Town, South Africa in November 1997 when the entity changed from a close corporation with limited creditor protection company with limited shareholder liability. Thawte USA, Inc. was incorporated in May 1997. Thawte Holdings (Pty) Ltd. was incorporated in Cape Town, South Africa in November 1997. Thawte Holdings (Pty) Ltd. has been dormant for the period of November 7, 1997 to February 28, 1998. Thawte Holdings (Pty) Ltd. is the holding company of Thawte Consulting (Pty) Ltd and does not conduct any business of its own.

The combined operation provides Internet-based trust services needed by websites, enterprises and individuals to conduct trusted and secure commerce and communications over the Internet. The combined operation provides both public and private certificate authority services to organizations needing digital certificates for website authentication electronic commerce and virtual private network connections.

Non co-terminus year-ends

The financial year-end of Thawte USA, Inc. of December 31 is combined with the February 28 first year statements of the South African operation. Significant transactions within the trailing months would be reflected in the combined financial statements.

Foreign Currency Translation

The functional currency for Thawte's international subsidiary is the U.S. dollar. As a result, the subsidiaries' financial statements are translated into South African Rand using a combination of current and historical exchange rates and any transaction gains and losses are included in the cumulative translation adjustment.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Other than freehold land on which depreciation is not provided, depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally two to six years.

Revenue Recognition

Revenues from the sale or renewal of digital certificates are deferred and recognized ratably over the life of the digital certificate, generally 12 months. Deferred revenue principally consists of payments for unexpired digital certificates. Revenue represents net certification income, which excludes value-added tax and represents the invoice value of services supplied, after taking into account commission of R1,927,417.

Advertising Expense

Advertising expense is charged to operations as incurred. Advertising expense was R358,000 in 1999 and R19,000 in 1998.

Income Taxes

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

Concentration of Credit Risk

Financial instruments that subject the combined operations to significant concentrations of credit risk consist principally of cash and cash equivalents. The combined operations maintain its cash and short-term investments with high quality financial institutions. The combined operations require up front payment for issuing of certificates and are therefore not subject to credit risk from customers.

Related Party Transactions

Thawte Consulting (Pty) Ltd. uses an affiliated company, Thawte USA, Inc., as a foreign representative for certificate issuing in the United States. The effect of inter-group transactions has been adjusted for when preparing the combined financial statements.

Note 2. Balance Sheet Detail

	February 28,	
	1999	1998
	R	R
	(In Rand, in thousands)	
Property and equipment, net		
Land and buildings	1,351	--
Computer equipment and purchased software	560	171
Office equipment, furniture and fixtures	296	287
	2,207	458
Less accumulated depreciation	331	138
	1,876	320

Other current assets/other current liabilities

Other current assets are comprised of a loan due from the director of Thawte Consulting (Pty) Ltd. and other current liabilities are comprised of a loan due to the director of Thawte Consulting (Pty) Ltd. The loans are unsecured, interest is charged at 16% and they have no fixed date of repayment.

Note 3. Stockholder's Deficit

Note payable to stockholder

The sole stockholder of Thawte Holdings (Pty) Ltd. has loaned R100,000 to the Company. The loan is unsecured, interest free, and has no fixed terms of repayment.

Note 4. Income Taxes

Income tax expense is comprised of:

	Year Ended February 28,	
	1999	1998
	R	R
	(In Rand, in thousands)	
South Africa income taxes:		
Current	1,290	194
Deferred	(944)	(279)
	346	(85)
United States income taxes:		
Current	97	1
Deferred	(16)	--
	81	1
Total income tax expense	427	(84)

The income tax rate reconciliation is as follows:

	Year Ended February 28,	
	1999	1998
	R	R
	(In Rand, in thousands)	
South Africa income taxes:		
Normal tax	346	(85)
United States income taxes:		
Federal income taxes:		
Expected tax	58	1
Permanent differences	(2)	--
	56	1
State income taxes:		
Expected tax	26	--
Permanent differences	(1)	--
	25	--
Total income tax expense	427	(84)

Note 5. Commitments

Leases

Thawte leases its facilities under operating leases that extend through 2000. Future minimum lease payments under non-cancelable operating leases as of February 28, 1999 are as follows:

	R (In Rand, in thousands)
1999	65
2000	22
Total minimum lease payments	87

In addition, Thawte Consulting (Pty) Ltd. has committed itself to capital expenditures of approximately R10 million for an office building and it is to be funded out of cash resources.

Note 6. Segment Information

Thawte operates in the United States, Europe, Asia and South Africa and derives substantially all its revenue from sales of Internet-based trust services. All certificates are controlled centrally in South Africa but are sold either directly or through representatives in particular countries.

Geographic information

	Year Ended February 28,	
	1999	1998
	R	R
	(In Rand, in thousands)	
Revenues:		
United States	3,145	412
Europe	1,019	146
All other countries	483	142
Total	4,647	700

Long-lived assets consist primarily of property and equipment and are deployed in South Africa.

Major customers

Thawte had no customers that accounted for 10% of combined revenues in 1999 or 1998.

Note 7. Subsequent Event

During the course of the year the Thawte Consulting (Pty) Ltd. loaned R100,000 to its sole director who utilized the proceeds as a loan to the holdings company, Thawte Holdings (Pty) Ltd., subsequent to the year-end. These funds were utilized by the holdings company to acquire the minority shares in Thawte Consulting (Pty) Ltd. This is a contravention of Section 38 of the South African Companies Act.

In April 1999, the Thawte Holdings (Pty) Ltd. declared a dividend of R250,000 to its holding company which is owned solely by Thawte Holding (Pty) Ltd. Chairman and Chief Executive Officer.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

UNAUDITED COMBINED BALANCE SHEETS
(In Rand, in thousands, except share data)

	November 30, 1999	November 30, 1998
	R	R
Assets		
Current assets:		
Cash and cash equivalents	10,478	1,626
Accounts receivable	1,644	844
Other current assets	96	1
Total current assets	12,218	2,471
Property and equipment, net	6,112	1,800
Deferred income taxes	3,950	896
	22,280	5,167
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	560	637
Income taxes payable	5,206	90
Deferred revenue	13,682	3,571
Total current liabilities	19,448	4,298
Commitments		
Stockholder's equity:		
Common stock - no par value		
Authorized shares: 1,000		
Issued and outstanding shares: 100 at November 30, 1999; 100 at November 30, 1998	--	--
Note payable to stockholder	38	49
Retained earnings	2,765	577
Cumulative translation adjustment	29	243
Total stockholder's equity	2,832	869
	22,280	5,167

See accompanying Notes to Unaudited Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

UNAUDITED COMBINED STATEMENTS OF OPERATIONS
(In Rand, in thousands)

	Nine Months Ended November 30,	
	1999	1998
	R	R
Revenues	12,713	2,721
Costs and expenses:		
Cost of revenues	3,071	927
Sales and marketing	778	252
General and administrative	3,206	1,371
Total costs and expenses	7,055	2,550
Operating income (loss)	5,658	171
Interest income	365	133
Other expense, net	13	(7)
Income (loss) before income taxes	6,036	297
Income taxes expense (benefit)	2,469	(616)
Net income	3,567	913

See accompanying Notes to Unaudited Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS
(In Rand, in thousands)

	Nine Months Ended November 30,	
	1999	1998
	R	R
Cash flows from operating activities:		
Net income	3,567	913
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	159	129
Foreign currency translation adjustments	(2)	243
Deferred income taxes	(2,807)	(617)
Changes in operating assets and liabilities:		
Accounts receivable	(1,054)	(779)
Accounts payable	(166)	535
Income taxes payable	3,632	(105)
Deferred revenue	8,921	2,500
Net cash provided by operating activities	12,250	2,819
Cash flows from investing activities:		
Purchases of property and equipment	(4,395)	(1,609)
Net cash used for investing activities	(4,395)	(1,609)
Cash flows from financing activities:		
Payment of cash dividends	(250)	--
Proceeds from borrowings	53	--
Repayment of borrowings	(62)	(16)
Net cash provided by financing activities	(259)	(16)
Net increase in cash and cash equivalents	7,596	1,194
Cash and cash equivalents at beginning of year	2,882	432
Cash and cash equivalents at end of year	10,478	1,626

See accompanying Notes to Unaudited Combined Financial Statements.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

NOTES TO UNAUDITED COMBINED FINANCIAL STATEMENTS

November 30, 1999 and 1998

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

Business

The accompanying interim unaudited combined balance sheets and statements of operations and cash flows reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position of Thawte Consulting (Pty) Ltd., Thawte Holdings (Pty) Ltd and Thawte USA, Inc., at November 30, 1999, and the results of operations and cash flows for the interim 9 month period ended November 30, 1999.

The accompanying unaudited financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of Thawte's combined unaudited results of operations, financial position and cash flows.

The results of operations for any interim period are not necessarily indicative of our results of operations for any other future interim period or for a full fiscal year.

Non co-terminus year-ends

The financial year end of Thawte Inc. is December 31 in comparison to February 28 of the South African operation. The difference in financial year-ends is unlikely to affect the financial statement presentation.

Foreign Currency Translation

The functional currency for Thawte's international subsidiary is the U.S. dollar. As a result, the subsidiaries' financial statements are translated into South African Rand using a combination of current and historical exchange rates and any transaction gains and losses are included in the cumulative translation adjustment.

Revenue Recognition

Revenues from the sale or renewal of digital certificates are deferred and recognized ratably over the life of the digital certificate, generally 12 months. Deferred revenue principally consists of payments for unexpired digital certificates. Revenue represents net certification income, which excludes value-added tax and represents the invoice value of services supplied, after taking into account commission.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Other than freehold land on which depreciation is not provided, depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally two to six years.

Income Taxes

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

Concentration of Credit Risk

Financial instruments that subject the combined operations to significant concentrations of credit risk consist principally of cash and cash equivalents. The combined operations maintain its cash and short-term investments with high quality financial institutions. The combined operations require up front payment for issuing of certificates and are therefore not subject to credit risk from customers.

Note 2. Balance Sheet Detail

	November 30, 1999	November 30, 1998
	R	R
	(In Rand, in thousands)	
Property and equipment, net		
Land and buildings	5,477	1,574
Computer equipment and purchased software	1,091	442
Office equipment, furniture and fixtures	34	51
	6,602	2,067
Less accumulated depreciation	490	267
	6,112	1,800

Other current assets/other current liabilities

Other current assets are comprised of a loan due from the director of Thawte Consulting (Pty) Ltd. and other current liabilities are comprised of a loan due to the director of Thawte Consulting (Pty) Ltd. The loans are unsecured, interest is charged at 16% and they have no fixed date of repayment.

THAWTE HOLDINGS (PTY) LTD.
THAWTE CONSULTING (PTY) LTD.
THAWTE USA, INC.

NOTES TO UNAUDITED COMBINED FINANCIAL STATEMENTS -- (Continued)

November 30, 1999 and 1998

Note 3. Income Taxes

Income tax expense is comprised of:

	Year Ended November 30, 1999	1998
	R	R
	(In Rand, in thousands)	
South Africa income taxes:		
Current	4,877	--
Deferred	(2,714)	(616)
	2,163	(616)
United States income taxes:		
Current	249	--
Deferred	57	--
	306	--
Total income tax expense	2,469	(616)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Signio, Inc.:

We have audited the accompanying balance sheets of Signio, Inc. (formerly PaymentNet, Inc.) as of December 31, 1999 and 1998, and the related statements of operations, shareholders' equity (deficit), and cash flows for the years then ended. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Signio, Inc. (formerly PaymentNet, Inc.) as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years in the two-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

As discussed in note 1(a) to the financial statements, Signio, Inc. entered into an agreement for the sale of its assets and liabilities to a third party on December 17, 1999. The accompanying balance sheet as of December 31, 1999 has been prepared as of a date prior to the consummation of this sale. The accompanying balance sheet does not include any adjustments relating to the realization and classification of the recorded assets and liabilities that might be necessary to reflect the intentions of the purchasers.

/s/ KPMG LLP

San Francisco, California
February 29, 2000

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

BALANCE SHEETS
(In thousands, except share data)

	December 31, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 766	$ 702
Short-term investments	2,232	--
Accounts receivable, net of allowance for doubtful accounts of $43 in 1999 and $15 in 1998	230	38
Prepaid expenses and other current assets	363	34
Total current assets	3,591	774
Property and equipment, net	1,756	516
Other assets, net	672	89
Goodwill and other intangible assets, net	858	--
	$ 6,877	$ 1,379
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 864	$ 288
Accrued liabilities	1,860	490
Deferred revenue	185	34
Current portion of long-term obligations	178	67
Total current liabilities	3,087	879
Convertible notes payable	--	1,071
Long-term obligations and deferred rent	412	184
	3,499	2,134
Commitments		
Shareholders' equity (deficit):		
Convertible preferred stock - par value $.0001 per share		
Series A:		
Authorized shares: 3,104,674		
Issued and outstanding shares: 3,064,674 at December 31, 1999; 3,064,674 at December 31, 1998	--	--
Liquidation preference: $2,879		
Series B:		
Authorized shares: 24,000,000		
Issued and outstanding shares: 15,689,977 at December 31, 1999; none at December 31, 1998	1	--
Liquidation preference; $15,690		
Common stock - par value $.001 per share		
Authorized shares: 57,500,000		
Issued and outstanding shares: 14,030,325 at December 31, 1999; 5,205,000 at December 31, 1998	14	5
Additional paid-in capital	27,118	2,890
Notes receivable from shareholders	(836)	--
Unearned compensation	(4,776)	--
Accumulated deficit	(18,143)	(3,650)
Total shareholders' equity (deficit)	3,378	(755)
	$ 6,877	$ 1,379

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF OPERATIONS
(In thousands)

	Year Ended December 31, 1999	1998
Revenues	$ 742	$ 239
Costs and expenses:		
Cost of revenues	2,562	566
Sales and marketing	3,347	1,015
Research and development	2,798	643
General and administrative	6,451	1,337
Total costs and expenses	15,158	3,561
Operating loss	(14,416)	(3,322)
Other expense, net	(77)	(37)
Net loss	$ (14,493)	$ (3,359)

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands, except shares)

	Year Ended December 31, 1999	1998
Convertible preferred stock - Series A:		
Balance, beginning of year:		
3,064,674 shares at January 1, 1999		
No shares at January 1, 1998................................	$ --	$ --
Issuance of convertible preferred stock, Series A, net of issuance costs of $96:		
1,588,205 shares in 1998...............................	--	--
Conversion of convertible notes payable to Series A convertible preferred stock:		
1,476,469 shares in 1998...............................	--	--
Interest accrued on convertible notes payable...................	--	--
Balance, end of year:		
3,064,674 shares at December 31, 1999		
3,064,674 shares at December 31, 1998..................	--	--
Convertible preferred stock - Series B:		
Balance, beginning of year:		
No shares at January 1, 1999		
No shares at January 1, 1998...........................	--	--
Issuance of convertible preferred stock, Series B, net of issuance costs of $151:		
13,826,817 shares in 1999..............................	1	--
Conversion of convertible notes payable to Series B convertible preferred stock:		
1,088,160 shares in 1999...............................	--	--
Issuance of convertible preferred stock upon acquisition of Business Projects, Inc.:		
775,000 shares in 1999.................................	--	--
Balance, end of year:		
15,689,977 shares at December 31, 1999		
No shares at December 31, 1998.........................	1	--

(Continued)

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) -- (Continued)
(In thousands, except shares)

	Year Ended December 31, 1999	1998
Common stock:		
Balance, beginning of year:		
5,205,000 shares at January 1, 1999		
5,410,000 shares at January 1, 1998	$ 5	$ 5
Issuance of common stock for services:		
90,333 shares in 1999	--	--
Issuance of common stock:		
150,000 shares in 1998	--	--
Exercise of common stock options:		
8,772,492 shares in 1999		
20,000 shares in 1998	9	--
Repurchase of common stock:		
(37,500) shares in 1999		
(375,000) shares in 1998	--	--
Balance, end of year:		
14,030,325 shares at December 31, 1999		
5,205,000 shares at December 31, 1998	14	5
Additional paid-in capital:		
Balance, beginning of year	2,890	(2)
Series A offering costs	(3)	--
Issuance of warrants in connection with issuance of convertible notes payable	--	--
Issuance of convertible preferred stock, Series A	--	1,517
Conversion of convertible notes payable to Series A convertible preferred stock	--	1,320
Issuance of convertible preferred stock, Series B	13,675	--
Conversion of convertible notes payable to Series B convertible preferred stock	1,221	--
Issuance of convertible preferred stock upon acquisition of Business Projects, Inc	775	--
Issuance of stock issued for services	162	--
Issuance of common stock options for services	327	1
Issuance of common stock	--	52
Exercise of stock options	914	2
Repurchase of common stock	(4)	--
Unearned compensation related to common stock options	7,161	--
Balance, end of year	27,118	2,890

(Continued)

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) -- (Continued)
(In thousands, except shares)

	Year Ended December 31, 1999	1998
Notes receivable from stockholders:		
Balance, beginning of year	$ --	$ --
Loans to stockholders to purchase stock options	(836)	--
Balance, end of year	(836)	--
Unearned compensation:		
Balance, beginning of year	--	--
Stock-based compensation expense related to stock options	(4,776)	--
Balance, end of year	(4,776)	--
Accumulated deficit:		
Balance, beginning of year	(3,650)	(291)
Net loss	(14,493)	(3,359)
Balance, end of year	(18,143)	(3,650)
Total stockholders' equity (deficit)	$ 3,378	$ (755)

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 1999	Year Ended December 31, 1998
Cash flows from operating activities:		
Net loss	$(14,493)	$(3,359)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	694	140
Loss on disposal of property and equipment	--	9
Stock issued for services	162	--
Stock options issued for services	327	1
Non-cash interest expense	149	30
Stock-based compensation	2,385	--
Changes in operating assets and liabilities:		
Purchases of trading securities	(17,955)	--
Proceeds from sales or maturities of trading securities	15,723	--
Accounts receivable	(192)	(16)
Prepaid expenses and other current assets	(251)	(34)
Other assets	(292)	(11)
Accounts payable	576	215
Accrued liabilities	1,035	404
Deferred revenue	151	28
Net cash used in operating activities	(11,981)	(2,593)
Cash flows from investing activities:		
Purchases of property and equipment	(1,005)	(595)
Proceeds from disposals of property and equipment	--	10
Acquisition of Structured Arts Computing Corporation	(27)	--
Note receivable from related party	(292)	(7)
Net cash used for investing activities	(1,324)	(592)
Cash flows from financing activities:		
Proceeds from sale of convertible preferred stock and warrants, net	13,673	1,517
Proceeds from issuance of common stock	--	53
Proceeds from exercise of common stock options	88	2
Repurchase of common stock	(4)	--
Proceeds from issuance of convertible notes payable	--	2,112
Proceeds from issuance of secured promissory note	--	238
Repayment of secured promissory note	(214)	(24)
Repayment of convertible note payable	--	(95)
Repayment of capital lease obligation	(174)	(9)
Net cash provided by financing activities	13,369	3,794
Net increase in cash and cash equivalent	64	609
Cash and cash equivalents at beginning of year	702	93
Cash and cash equivalents at end of year	$ 766	$ 702

(Continued)

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

STATEMENTS OF CASH FLOWS -- (Continued)
(In thousands)

	Year Ended December 31, 1999	1998
Supplemental cash flow disclosures:		
Summary of the acquisitions described in Note 2:		
Fair value of assets acquired	$1,137	$ --
Net cash paid	(27)	--
Fair value of preferred stock and warrants issued	(775)	--
Liabilities assumed	$ 335	$ --
Noncash investing and financing activities:		
Conversion of convertible notes payable to preferred stock	$1,088	$1,291
Equipment acquired through capital lease transactions	$ 642	$ 33
Issuance of warrants	$ 325	$ 28
Notes issued to shareholders for stock option exercises	$ 836	$ --
Cash paid during the year for:		
Income taxes	$ 1	$ 1
Interest	$ 119	$ 56

See accompanying Notes to Financial Statements.

SIGNIO, INC.
(Formerly PaymentNet, Inc.)

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

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

(a) The Company

Signio, Inc., formerly PaymentNet, Inc. (the Company) was incorporated in July 1995 in California. The Company delivers secure, reliable and fast e-commence transaction processing services on an outsourced basis to organizations of various sizes. The acquisition in May 1999 of Business Projects, Inc. (Business Projects), brought a new chairman and CEO to the Company, as well as other experienced engineering, marketing, and sales resources from Business Projects. The acquisition in August 1999 of Structured Arts Computing Corporation (Structured Arts) brought to the Company two individuals with engineering experience related to internet security and digital certificates. In addition, the Company also received intellectual property, which was subsequently licensed to a third party.

On December 17, 1999, the Company entered into an agreement to sell its assets and liabilities to a third party.

(b) Use of Estimates

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

(c) Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash equivalents, short-term investments and accounts receivable. The Company invests in low-risk commercial paper with short-term maturities. The Company provides services to companies in North America. The Company does not require collateral or other security to support accounts receivable. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition. The Company maintains allowances for doubtful accounts to cover potential credit losses.

(d) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Short-Term Investments

Short-term investments as of December 31, 1999 consist of commercial paper and bankers acceptances. The Company classifies its investment securities as trading securities. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at fair value and unrealized holding gains and losses are included in earnings. Unrealized holding gains included in December 31, 1999 operating results totaled approximately $38,000.

(f) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the useful life of the related asset.

(g) Revenue Recognition

Revenue consists primarily of service revenue which is recognized ratably over the periods in which the services are provided. Advance customer deposits received are deferred and allocated ratably to revenue over the periods the services are provided.

During 1999, the Company adopted Statement of Position (SOP) No. 97-2, Software Revenue Recognition, as amended by SOP No. 98-4 Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition. SOP 97-2 provides guidance for software revenue recognition. The adoption of SOP 97-2 did not have a significant impact on the Company's financial position or results of operations.

In December 1998, the AICPA issued Statement of Position No. 98-9, Modifications of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions. SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. SOP 98-9 also extends the deferral of the application to SOP 97-2 to certain other multiple-element software arrangements to the Company's fiscal year ending December 31, 2000. SOP 98-9 will not have significant impact on the Company's financial position or results of operations.

(h) Software Development Costs

The Company's transaction processing services are comprised of various software features which contribute to the overall functionality of the service. Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, Computer Software to be Sold, Leased, or Otherwise Marketed. The Company considers technological feasibility to be established upon completion of a working model of the software and related hardware. Because the Company believes its current process for developing software is essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, which was effective for fiscal years beginning after December 15, 1998. This statement requires that certain costs incurred during a software development project be capitalized. These costs generally include external direct costs of materials and services consumed in the project, and internal costs such as payroll and benefits of those employees directly associated with the development of software. During 1999, the Company did not capitalize any internal costs as there were no such costs that met the definition for capitalization under SOP 98-1. External direct costs of purchased internal use software have been capitalized and included in fixed assets.

(i) Research and Development

Research and development costs are expensed as incurred.

(j) Income Taxes

Income taxes are accounted for under the asset and liability method. 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 operating loss and tax credit 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. A valuation allowance is recorded to reduce deferred tax assets to an amount whose realization is more likely than not. 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.

(k) Intangibles

The intangible assets, consisting of goodwill and non-compete agreements, arose principally from business acquisitions and are amortized on a straight-line basis over the period of expected benefit, which is three years. The Company assesses the recoverability of goodwill by evaluating the undiscounted projected results of operations over the remaining amortization period.

(l) Stock Option Plan

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

Stock-based awards to nonemployees are accounted for pursuant to the fair value method in accordance with SFAS No. 123 and EITF No. 96-18. The associated expense is recognized by the Company over the period the services are performed by the nonemployees.

The Company has recorded deferred compensation for the difference between the exercise price and the deemed fair market value of the common stock for financial reporting purposes of stock options granted to employees. The compensation expense related to such grants is amortized over the vesting period of the related stock options using the straight-line method.

(m) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) Comprehensive (Loss) Income

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income, which requires that an enterprise report, by major components and as a single total, the change in its net assets from nonowner sources. The Company adopted SFAS No. 130 in 1998, and for all periods presented, comprehensive loss was equal to the Company's net loss.

(o) Advertising Costs

All costs associated with advertising and promoting products are expensed in the period incurred. Costs totaled $297,000 and $189,000 for the years ended December 31, 1999 and 1998, respectively.

(2) Business Combinations

(a) Structured Arts Computing Corporation

On August 18, 1999, Signio completed the acquisition of certain engineering equipment, intellectual property and noncompete agreements from Structured Arts Computing Corporation (Structured Arts) for $400,000 in cash in a transaction accounted for as a purchase business combination. Of the $400,000 purchase price, $240,000 was allocated to goodwill with an estimated life of three years. The intellectual property and noncompete agreements were assigned an estimated life of three years. As of December 31, 1999, the balances of the intellectual property and noncompete agreements were $66,667 and $71,111, respectively, net of accumulated amortization of $8,333 and $8,889, respectively. As of December 31, 1999, the balance of the goodwill was $213,333, net of accumulated amortization of $26,667.

(b) Business Projects, Inc.

On May 18, 1999, Signio issued 775,000 shares of its Series B preferred stock and warrants to purchase 310,000 shares of Series B Preferred Stock for all of the outstanding shares of Series A Preferred Stock of Business Projects, Inc. (Business Projects), a communications software company. The merger was accounted for as a purchase, and accordingly, Signio's December 31, 1999 financial statements include the results of Business Projects' operations since the date of acquisition.

The fair value of the shares of Series B Preferred Stock and warrants was determined to be $775,000.

Of the $775,000 purchase price, $628,821 was assigned to goodwill with an estimated life of three years. As of December 31, 1999, the balance of the goodwill was $506,551, net of accumulated amortization of $122,270.

The purchase price was allocated to the assets and liabilities assumed as follows:

	(In thousands)
Cash	$ 373
Shareholder note receivable	25
Other current assets	53
Equipment and leasehold improvements	30
Goodwill	629
Liabilities assumed and acquisition costs incurred	(335)
	$ 775

If the acquisitions of Structured Arts and Business Projects had occurred at the beginning of 1998, the Company's revenues and results of operations would not have been materially impacted.

(3) Prepaid Compensation

In 1999, the Company issued two-year forgivable notes totaling $367,078 to several employees for relocation expenses incurred upon being hired by the Company. These notes earn interest at 4.98% and 5.43% and will be forgiven upon the completion of two years of employment with the Company. In the event that an employee leaves before the two years, the entire amount of the note will be owed to the Company. The Company is amortizing the notes to compensation expense over two years. As of December 31, 1999, $151,089 had been recorded as compensation expense. The unamortized amount is presented as prepaid compensation in the accompanying financial statements.

(4) Property and Equipment

A summary of property and equipment as of December 31, 1999 and 1998, consisted of:

	(In thousands)	
	1999	1998
Computers and software	$ 1,385	565
Office furniture and equipment	517	113
Leasehold improvements	427	11
Construction in progress	4	--
	2,333	689
Less accumulated depreciation and amortization	(577)	(173)
	$ 1,756	516

(5) Long-Term Obligations

Long-term obligations as of December 31, 1999 and 1998, consisted of:

	(In thousands)	
	1999	1998
Accrued rent	$ 130	--
Secured promissory note	--	214
Capital lease obligations (note 9)	460	37
	590	251
Less current portion	(178)	(67)
	$ 412	184

The Company no longer occupies a facility for which it has a remaining lease obligation. The $130,023 of accrued rent primarily relates to the Company's remaining obligation on a facility it is no longer using, net of the anticipated sublease income.

The secured promissory note was due in 36 monthly installments of $7,892 and was fully repaid in 1999.

(6) Convertible Notes Payable

The Company has issued two separate traunches of convertible notes payable. The first issuance was convertible at the option of the note holder into Series A preferred stock and detachable warrants at a conversion rate of either $0.63 or $1.00 per share. These notes accrued interest at 10% per annum and were due and payable six months after issuance. The detachable warrants gave the holder the right to purchase a variable number of shares of the Company's common stock at 35 cents per share. In 1998, $1,290,500 of notes payable were converted into 1,476,469 shares of Series A Preferred Stock and 478,700 warrants to purchase common stock. These warrants expire at various dates in 2000 and 2001. At the conversion date, the Company recorded a charge of $2,911, which represents the estimated value of the beneficial conversion feature measured at the date the notes were issued.

The second issuance, which was sold in 1998, was convertible into Series B preferred stock and detachable warrants at a conversion rate of $1.00 per share upon the occurrence of a subsequent round of financing in excess of $4,000,000. These notes accrued interest at 8% per annum and were due and payable six months after issuance. The detachable warrants gave the holder the right to purchase a variable number of Series B preferred shares at the value as determined by a subsequent round of financing. In 1999, $1,088,160 of notes payable were converted into 1,088,160 shares of Series B preferred stock and 214,299 warrants to purchase Series B preferred stock at $1.00 per share. The warrants are exercisable through 2003. At the conversion date, the Company recorded a charge of $132,652, which represents the estimated value of the beneficial conversion feature measured at the date the notes were issued.

(7) Capital Stock and Stock Option Plan

(a) Convertible Preferred Stock

Significant terms of the Series A and B preferred stock are as follows:

Each share is convertible into one share of common stock (subject to adjustments for events of dilution) at the option of the holder. Each share will automatically convert into common stock upon the completion of a public offering with aggregate proceeds greater than $15,000,000 and at a price per share not less than $5.00.

. Each share has voting rights equal to the number of shares of common stock into which it may convert.

. In the event of liquidation, dilution or winding up of the Company, the holders of Series A and B preferred stock shall receive first, and in preference, if any distribution to the common stock, an amount equal to the original issue price. Upon satisfaction of Series A and B liquidation preferences, the holders of Series A and B preferred stock and common stock shall receive on a pro rata basis the remaining assets of the Company until the holders of Series A and B preferred stock receive an aggregate of $3.50 per share.

. Series A and B preferred shareholders are entitled to noncumulative dividends of 8% of the original issuance price, when and if declared by the Board of Directors, prior to any dividends declared on common stock.

. Preferred shareholders have certain registration rights.

(b) Stock Option Plan

Under the 1998 Stock Option Plan, 3,100,000 shares of common stock are authorized for issuance. During 1999, an additional 10,780,621 shares of common stock were authorized for issuance. Under the Plan, incentive and nonstatutory options may be granted to employees and nonemployees. Such options generally vest over four years and expire in 10 years.

The Company allows its employees to exercise their options early. The common stock received upon such exercise is subject to repurchase by the Company upon the employees' termination at the exercise price. The Company's repurchase rights lapse over the vesting period of the options.

In 1999, the Company issued nonrecourse and nonrefundable notes to certain employees totaling $819,675 for the exercise of stock options. The notes bear interest at approximately 5.5% and are secured by the underlying common stock. Interest rates are fixed and accrued interest is nonrefundable. As of December 31, 1999, $16,021 of interest was accrued on notes receivable from shareholders.

Stock option activity is as follows:

	1999		1998	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	1,536,500	$ 0.16	--	$ --
Granted	11,075,020	0.75	1,666,500	0.15
Exercised	(8,772,492)	0.10	(20,000)	0.10
Canceled	(1,935,053)	0.15	(110,000)	0.10
Outstanding at end of year	1,903,975	$ 3.93	1,536,500	$ 0.16
Options exercisable at end of year	60,597	$ 0.323	13,334	$ 0.10
Weighted-average fair value of options granted during the year at market	$ 4.613		$ 0.06	
Weighted-average fair value of options granted during the year below market	$ 0.857		$ --	

Additional information regarding options outstanding as of December 31, 1999, is as follows:

Options Outstanding				Options Exercisable	
Range of exercise prices	Number outstanding	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Shares	Weighted-average exercise Price
$ 0.10	1,190,275	$ 0.10	9.50	59,597	$ 0.10
0.50	222,500	0.50	9.75	--	--
13.60	401,000	13.60	9.90	1,000	13.60
18.78	90,200	18.78	9.98	--	--
$ 0.10 - 18.78	1,903,975	$ 3.93	9.62	60,597	$ 0.32

As of December 31, 1999, 3,184,154 shares were available for future grant under the stock option plan.

(c) Additional Stock Option Information

As discussed in note 1, the Company accounts for its stock-based awards using the intrinsic value method in accordance with APB No. 25, Accounting for Stock Issued to Employees and its related interpretations.

SFAS No. 123, Accounting for Stock-Based Compensation, requires the disclosure of pro forma net loss had the Company adopted the fair value method. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models. These models require subjective assumptions, including expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the minimum value option pricing model with the following weighted-average assumptions: expected life, four years; risk-free interest rate of approximately 5%; and no dividend payments during the expected term. Forfeitures are recognized as they occur. If the computed fair values of the Company's stock-based awards to employees had been amortized to expense over the vesting period of the awards, the pro forma effect on net loss would have been an increase of $103,000 and $1,300 for the years ended December 31, 1999 and 1998, respectively.

The Company granted 158,800 and 35,000 nonstatutory stock options to consultants during the years ended December 31, 1999 and 1998, respectively. Compensation expense of $327,000 and $693 was recognized as a result of such grants in 1999 and 1998, respectively. The fair value of the unvested portion of such grants is expensed over the vesting period of four years. The fair value attributable to the unvested portion of such options is subject to adjustment based upon the future value of the Company's common stock. The value of each option granted to nonemployees was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 1999 and 1998: contractual life, 10 years; risk-free interest rate of approximately 5.7%; expected volatility of 90%; and no dividend payments during the contractual term.

The weighted-average fair value of options granted to nonemployees was $9.16 and $2.57 for the years ended December 31, 1999 and 1998, respectively.

(d) Preferred Stock Warrants

In 1998, in connection with the sale of Series A preferred stock, the Company issued a warrant to purchase up to 40,000 shares of Series A preferred stock at $1.00 per share. The warrant is exercisable through 2001. The estimated fair value of this warrant of $15,525 has been accounted for as a reduction in the proceeds of the Series A preferred financing and as a component of additional paid-in capital.

In 1999, in connection with the sale of Series B preferred stock, the Company issued warrants to purchase up to 5,965,991 shares of Series B preferred stock at $1.00 per share. The warrants are exercisable through 2004. The estimated fair value of these warrants of $3,423,520 has been accounted for as a reduction in the proceeds of the Series B preferred financing and as a component of additional paid-in capital.

(e) Common Stock Warrants

During 1998, the Company issued to Series A investors, warrants to purchase 239,100 shares of the Company's common stock at an exercise price of $0.10 per share. The warrants are exercisable through 2001. The estimated fair value of these warrants of $9,278 has been accounted for as a reduction of the proceeds of the Series A preferred financing and as a component of additional paid-in capital.

(f) Common Shares Reserved for Issuance

As of December 31, 1999, the Company has reserved shares of common stock for issuance as follows:

Exercise of options	5,063,129
Conversion of Series A preferred stock	3,064,674
Conversion of Series B preferred stock	15,689,977
Exercise of common stock warrants	717,800
Exercise and conversion of Series A warrants	40,000
Exercise and conversion of Series B warrants	6,490,290
	31,065,870

(8) Income Taxes

Income tax expense for the years ended December 31, 1999 and 1998 differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax losses as a result of the following:

	(In thousands)	
	1999	1998
Federal tax (benefit) at statutory rate	(5,956)	(1,130)
State taxes, net of federal income tax benefit	1	1
Unutilized net operating losses and deferred assets	4,063	1,106
Nondeductible expenses	1,893	24
	$ 1	1

The tax effects of temporary differences that gave rise to significant portions of deferred tax assets are as follows:

	(In thousands)	
	1999	1998
Deferred tax assets:		
Net operating loss carryforwards	5,768	1,272
Accruals not currently deductible for tax purposes	870	99
	6,638	1,371
Valuation allowance	(6,638)	(1,371)
Net deferred tax assets	$ --	--

The increase in the valuation allowance of $5,266,715 and $1,258,969 for the years ended December 31, 1999 and 1998, respectively, was primarily due to net operating loss carryforwards.

As of December 31, 1999, the Company has federal and state net operating loss carryfowards of approximately $13,642,000 and $13,473,000, respectively, expiring through 2018 and 2003, respectively. The extent to which the loss carryfowards can be used to offset future taxable income and tax liabilities may be limited depending on the extent of ownership changes within any three-year period.

(9) Lease Commitments

The Company leases facilities and equipment under noncancelable operating leases expiring from 2000 through 2006, and equipment under capital leases expiring in 2002. Rental expense under operating lease agreements for the years ended December 31, 1999, 1998 and 1997 was $549,585, $112,137 and $23,585, respectively.

Future minimum lease commitments under noncancelable capital and operating leases as of December 31, 1999, are as follows:

	(In thousands)	
Years ending December 31,	Capital leases	Operating leases
2000	$ 256	1,426
2001	285	1,451
2002	56	1,181
2003	--	1,110
2004 and thereafter	--	2,800
Total	597	$ 7,968
Less amount representing interest	(137)	
Present value of future minimum lease payments	460	
Current portion	(178)	
Long-term portion	$ 282	

(10) Related Party Transaction

In December 1998, the Company purchased intellectual property for a note payable in the amount of $135,000 from a company in which a member of the Board of Directors has a financial interest. The asset was written off in fiscal 1998, with a charge to expense, as it was subsequently deemed to be of no real value to the Company. The note was repaid in fiscal 1999. As of December 31, 1998, the above-mentioned member of the Board of Directors received advances from the Company totaling $74,958. These advances were repaid to the Company in 1999.

(11) 401(k) Plan

In August 1998, the Company established a deferred profit sharing 401(k) plan and trust (the Plan) for all employees who meet certain eligibility requirements. The Company's contributions to the Plan are discretionary, and there were no contributions made for the years ended December 31, 1999 and 1998.

VERISIGN, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations for future periods or the financial position that actually would have been realized had VeriSign, Thawte and Signio been a combined company during the specified periods. The unaudited pro forma combined condensed financial statements, including the related notes, are qualified in their entirety by reference to, and should be read in conjunction with, historical consolidated financial statements and related notes thereto of VeriSign, Thawte and Signio, included elsewhere in this filing.

The following unaudited pro forma combined condensed financial statements give effect to the merger between VeriSign and Thawte, and VeriSign and Signio using the purchase method of accounting. The pro forma combined condensed financial statements are based on the respective historical audited and unaudited consolidated financial statements and related notes of VeriSign, Thawte and Signio. The pro forma adjustments are preliminary and based on management's estimates of the value of the tangible and intangible assets acquired. In addition, management is in the process of assessing and formulating its integration plans, which may include employee separations, employee relocations, and other restructuring actions and has not yet determined the costs, if any, of these plans.

The actual adjustments may differ materially from those presented in these pro forma financial statements. A change in the pro forma adjustments would result in reallocation of the purchase price affecting the value assigned to the long-term tangible and intangible assets or, in some circumstances, in a charge to the statement of operations. The effect of these changes on the statement of operations will depend on the nature and amounts of the assets and liabilities adjusted. See Note 1 (a) to the pro forma combined condensed financial statements.

The unaudited pro forma combined condensed balance sheet assumes that the merger took place on December 31, 1999, and combines VeriSign's and Signio's audited December 31, 1999 balance sheet with Thawte's unaudited November 30, 1999 combined balance sheet. The pro forma combined statements of operations assume the merger took place as of January 1, 1999 and combines VeriSign's and Signio's audited statements of operations for the year ended December 31, 1999, with Thawte's unaudited statement of operations for the twelve months ended November 30, 1999.

VERISIGN, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(In thousands)

	Historical VeriSign As Of Dec. 31, 1999	Historical Thawte As Of Nov. 30, 1999	Historical Signio As Of Dec. 31, 1999	Adjustments Amount	Adjustments Reference	Combined
Assets						
Current assets:						
Cash and cash equivalents	$ 70,382	$1,694	$ 766	$ (60)	(a)	$ 72,782
Short-term investments	86,098	--	2,232	--		88,330
Accounts receivable, net	22,727	266	230	--		23,223
Prepaid expenses and other current assets	3,635	16	363	--		4,014
Total current assets	182,842	1,976	3,591	(60)		188,349
Property and equipment, net	10,194	988	1,756	--		12,938
Long-term investments	144,751	--	--	--		144,751
Other assets, net	3,379	--	672	--		4,051
Goodwill and other intangible assets, net	--	--	858	1,480,289	(a)(b)(c)(d)	1,481,147
Deferred income taxes	--	639	--	--		639
	$341,166	$3,603	$ 6,877	$1,480,229		$1,831,875
Liabilities and Stockholders' Equity						
Current liabilities:						
Accounts payable	$ 4,665	$ 91	$ 864	$ (955)	(a)(c)	4,665
Accrued liabilities	6,237	--	1,860	(1,860)	(c)	6,237
Income taxes payable	--	842	--	(842)	(a)	--
Deferred revenue	31,777	2,212	185	(647)	(a)(b)(c)(d)	33,527
Current portion of long-term obligations	--	--	178	(178)	(c)	--
Total current liabilities	42,679	3,145	3,087	(4,482)		44,429
Convertible notes payable	--	--	412	(412)	(c)	--
Minority interest in subsidiary	128	--	--	--		128
	42,807	3,145	3,499	(4,894)		44,557
Stockholders' equity:						
Preferred stock	--	--	1	(1)	(c)	--
Common stock	103	--	14	(4)	(a)(c)	113
Additional paid-in capital	258,239	--	27,118	1,461,831	(a)(c)	1,747,188
Note payable to (receivable from) stockholders	--	6	(836)	830	(a)(c)	--
Unearned compensation	(172)	--	(4,776)	4,776	(c)	(172)
Retained earnings/ (accumulated deficit)	(47,452)	447	(18,143)	17,696	(a)(c)	(47,452)
Accumulated other comprehensive income	87,641	5	--	(5)	(a)	87,641
Total stockholders' equity	298,359	458	3,378	1,485,123		1,787,318
	$341,166	$3,603	$ 6,877	$1,480,229		$1,831,875

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			Adjustments		
	VeriSign Year ended Dec. 31, 1999	Thawte Year ended Nov. 30, 1999	Signio Year ended Dec. 31, 1999	Amount	Reference	Combined
Revenues	$ 84,776	$2,461	$ 742	$ --		$ 87,979
Costs and expenses:						
Cost of revenues	31,898	638	2,562	--		35,098
Sales and marketing	34,145	209	3,347	--		37,701
Research and development	13,303	--	2,798	--		16,101
General and administrative	8,740	687	6,451	(2,385)	(i)	13,493
Amortization of goodwill and other intangible assets	--	--	--	495,604	(e)(g)	495,604
Total costs and expenses	88,086	1,534	15,158	493,219		597,997
Operating loss	(3,310)	927	(14,416)	(493,219)		(510,018)
Interest income	7,365	70	--	--		7,435
Other expense, net	(936)	3	(77)	--		(1,010)
Income (loss) before income taxes	3,119	1,000	(14,493)	(493,219)		(503,593)
Provision for income taxes	--	591	--	--		591
Income (loss) before minority interest	3,119	409	(14,493)	(493,219)		(504,184)
Minority interest in net loss of subsidiary	836	--	--	--		836
Net income (loss)	$ 3,955	$ 409	$(14,493)	$(493,219)		$(503,348)
Net income (loss) per share:						
Basic	$ .04					$ (4.56)
Diluted	$ .03					$ (4.56)
Shares used in per share computation:						
Basic	100,531			9,952	(f)(h)	110,483
Diluted	114,610			9,952		110,483

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 pro forma combined condensed balance sheet gives effect to the merger as if it had occurred on December 31, 1999.

Thawte

On February 1, 2000, VeriSign acquired all the outstanding capital stock of Thawte in exchange for 4,360,424 shares of VeriSign common stock and $60,000 of cash. The following adjustment has been reflected in the unaudited pro forma combined condensed balance sheet:

(a) To record common stock issued to the shareholder of Thawte, and record applicable purchase accounting entries. Transaction costs were not significant to the total purchase price and were therefore not included below.

Under purchase accounting, the total purchase price will be allocated to Thawte's tangible assets and liabilities based on their relative fair values. Allocations are subject to valuations as of the date of the consummation of the merger. The amounts and components of the estimated purchase price along with the preliminary allocation of the estimated purchase price to net assets purchased are presented below.

Purchase Price

	(In thousands)
Cash	$ 60
Common stock	5
Additional paid-in capital	649,946
Total purchase price	$650,011

Net Assets Acquired

Book value of net tangible assets of Thawte	$ 456
Intangible assets:	
Workforce in place	342
Non-compete agreement	939
Technology in place	2,963
Thawte trade name	913
	5,157
Current products and relationships:	
Customer relationships	2,807
Internet Service Provider ("ISP") hosting partnerships	11,330
	14,137
Goodwill	630,261
Net assets acquired	$650,011

The actual allocation of the purchase price will depend upon the composition of Thawte's 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 related to the estimated calculation of VeriSign's obligation to perform life cycle services around digital certificates equal to the expected costs to provide the services, plus a normal profit margin.

Signio

On February 29, 2000, VeriSign acquired all the outstanding capital stock of Signio in exchange for 5,591,819 shares of VeriSign common stock. In addition, VeriSign issued options to purchase a total of approximately 234,227 shares of VeriSign common stock in exchange for all issued and outstanding Signio options. The following adjustment has been reflected in the unaudited pro forma combined condensed balance sheet:

(c) To record common stock and options issued to the shareholders of Signio, and record applicable purchase accounting entries. Transaction costs were not significant to the total purchase price and were therefore not included below.

Under purchase accounting, the total purchase price will be allocated to Signio's assets and liabilities based on their relative fair values. Allocations are subject to valuations as of the date of the consummation of the merger. The amounts and components of the estimated purchase price along with the preliminary allocation of the estimated purchase price to net assets purchased are presented below.

Purchase Price

	(In thousands)
Common stock	$ 6
Fair value of Signio options assumed	31,798
Additional paid-in capital	839,002
Total purchase price	$870,806

Net Assets Acquired

Book value of net tangible assets of Signio	$ 2,522
Intangible assets:	
Workforce in place	961
Signio trade name	4,501
	5,462
Current products and technology:	
Customer relationships	29,061
Technology	5,764
	34,825
Goodwill	827,997
Net assets acquired	$870,806

The actual allocation of the purchase price will depend upon the composition of Signio's 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.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS -- (Continued)

(d) To record a reduction in deferred revenue related to the estimated calculation of VeriSign's obligation to perform life cycle services around payment services equal to the expected costs to provide 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.

Thawte

The following adjustments have been reflected in the unaudited pro forma combined condensed statement of operations:

(e) Adjustment to remove the amortization of historical goodwill and other intangible assets previously recorded by Thawte 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:

Intangible assets:	
Workforce in place	3 years
Non-compete agreement	3 years
Technology in place	3 years
Thawte trade name	3 years
Current products and relationships:	
Customer relationships	3 years
Internet Service Provider ("ISP") hosting partnerships	2 years
Goodwill	3 years

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

(f) To reflect the estimated shares to be issued as consideration for the merger.

Signio

The following adjustments have been reflected in the unaudited pro forma combined condensed statement of operations:

(g) Adjustment to remove the amortization of historical goodwill and other intangible assets previously recorded by Signio 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:

Intangible assets:	
Workforce in place	3 years
Signio trade name	3 years
Current products and relationships:	
Customer relationships	3 years
Technology	3 years
Goodwill	3 years

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

(h) To reflect the estimated shares and options to be issued as consideration for the merger.

(i) To eliminate the stock based compensation recorded by Signio. The intrinsic value of outstanding options is included in the purchase price.

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: March 10, 2000

By: /s/ STRATTON D. SCLAVOS

Stratton D. Sclavos
President
and
Chief Executive Officer
(Principal Executive Officer)

Date: March 10, 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

The exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

Exhibit Number	Exhibit Description
23.1	Consent of Independent Auditors (Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc.)
23.2	Consent of Independent Auditors (Signio, Inc.)
23.3	Consent of Independent Auditors (VeriSign, Inc. and Subsidiaries)
99.1	VeriSign , Inc. 1999 Financial Statements

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS
(Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc.)

The Board of Directors and Stockholders
VeriSign, Inc.:

We consent to incorporation by reference in the Registration Statements (Nos. 333-45237, 333-46803, 333-58583 and 333-82941) on Form S-8 and Registration Statements (Nos. 333-74393, 333-77433 and 333-89991) on Form S-3 of VeriSign, Inc. of our report dated January 31, 2000, relating to the combined financial position of Thawte Holdings (Pty) Ltd., Thawte Consulting (Pty) Ltd. and Thawte USA, Inc. as of February 28, 1999 and 1998, and the combined results of their operations and their cash flows for each of the years in the two year period February 28, 1999 which report appears herein.

/s/ KPMG Inc.

Cape Town, South Africa
March 10, 2000

VERISIGN, INC. AND SUBSIDIARIES

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS
(Signio, Inc.)

The Board of Directors and Stockholders
VeriSign, Inc.:

We consent to incorporation by reference in the registration statements (Nos. 333-45237, 333-46803, 333-58583 and 333-82941) on Form S-8 and registration statements (Nos. 333-74393, 333-77433 and 333-89991) on Form S-3 of VeriSign, Inc. of our report dated February 29, 2000, relating to the balance sheets of Signio, Inc. (formerly PaymentNet, Inc.) as of December 31, 1999 and 1998, and the related statements of operations, shareholders' equity (deficit), and cash flows for the years then ended which report appears herein.

/s/ KPMG LLP

San Francisco, California
March 10, 2000

VERISIGN, INC. AND SUBSIDIARIES

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS
(VeriSign, Inc. and Subsidiaries)

The Board of Directors and Stockholders
VeriSign, Inc.:

We consent to incorporation by reference in the registration statements (Nos. 333-45237, 333-46803, 333-58583 and 333-82941) on Form S-8 and registration statements (Nos. 333-74393, 333-77433 and 333-89991) on Form S-3 of VeriSign, Inc. of our report dated January 14, 2000, relating to the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 1999, which report appears herein.

/s/ KPMG LLP

Mountain View, California
March 10, 2000

VERISIGN, INC. AND SUBSIDIARIES

EXHIBIT 99.1

VERISIGN, INC. 1999 FINANCIAL STATEMENTS

The financial statements of VeriSign, Inc. and Subsidiaries included in this exhibit are as follows:

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriSign, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Mountain View, California
January 14, 2000

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 1999	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 70,382	$ 22,786
Short-term investments	86,098	18,959
Accounts receivable, net of allowance for doubtful accounts of $1,108 in 1999 and $517 in 1998	22,727	9,769
Prepaid expenses and other current assets	3,635	2,174
Total current assets	182,842	53,688
Property and equipment, net	10,194	9,234
Long-term investments	144,751	436
Other assets, net	3,379	937
	$ 341,166	$ 64,295
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,665	$ 5,472
Accrued liabilities	6,237	4,035
Deferred revenue	31,777	13,096
Total current liabilities	42,679	22,603
Minority interest in subsidiary	128	964
Commitments		
Stockholders' equity:		
Preferred stock - par value $.001 per share Authorized shares: 5,000,000 Issued and outstanding shares: none	--	--
Common stock - par value $.001 per share Authorized shares: 200,000,000 Issued and outstanding shares: 103,482,841 at December 31, 1999 92,346,768 at December 31, 1998	103	92
Additional paid-in capital	258,239	92,728
Notes receivable from stockholders	--	(409)
Unearned compensation	(172)	(276)
Accumulated deficit	(47,452)	(51,407)
Accumulated other comprehensive income	87,641	--
Total stockholders' equity	298,359	40,728
	$ 341,166	$ 64,295

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

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

	Year Ended December 31, 1999	1998	1997
Revenues	$ 84,776	$ 38,930	$ 13,356
Costs and expenses:			
Cost of revenues	31,898	19,454	9,689
Sales and marketing	34,145	22,943	11,826
Research and development	13,303	8,435	5,303
General and administrative	8,740	7,688	5,039
Special charges	--	3,555	2,800
Total costs and expenses	88,086	62,075	34,657
Operating loss	(3,310)	(23,145)	(21,301)
Interest income	7,365	2,280	1,235
Other expense, net	(936)	(160)	(61)
Income (loss) before minority interest	3,119	(21,025)	(20,127)
Minority interest in net loss of subsidiary	836	1,282	1,538
Net income (loss)	$ 3,955	$(19,743)	$(18,589)
Net income (loss) per share:			
Basic	$ .04	$ (.24)	$ (.65)
Diluted	$ .03	$ (.24)	$ (.65)
Shares used in per share computation:			
Basic	100,531	83,492	28,484
Diluted	114,610	83,492	28,484

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

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

	Year Ended December 31,		
	1999	1998	1997
Preferred stock:			
Balance, beginning of year:			
No shares at January 1, 1999			
40,124,024 shares at January 1, 1998			
40,124,024 shares at January 1, 1997.............	$ --	$ 40	$ 40
Conversion of preferred stock to common stock			
(40,124,024) shares in 1998.....................	--	(40)	--
Balance, end of year:			
No shares at December 31, 1999			
No shares at December 31, 1998			
40,124,024 shares at December 31, 1997...........	--	--	40
Common stock:			
Balance, beginning of year:			
92,346,768 shares at January 1, 1999			
35,145,704 shares at January 1, 1998			
31,439,848 shares at January 1, 1997.............	92	36	32
Issuance of common stock:			
81,600 shares in 1998			
487,232 shares in 1997........................	--	--	--
Issuance of common stock for litigation settlement:			
1,000,000 shares in 1997........................	--	--	1
Issuance of common stock for preferred provider agreement:			
400,000 shares in 1997........................	--	--	1
Issuance of common stock through public offerings:			
6,390,000 shares in 1999			
13,800,000 shares in 1998........................	6	13	--
Conversion of preferred stock to common stock:			
40,124,024 shares in 1998........................	--	40	--
Issuance of common stock under employee stock purchase plan:			
547,896 shares in 1999			
232,900 shares in 1998........................	1	--	--
Exercise of common stock options:			
4,198,177 shares in 1999			
2,962,540 shares in 1998			
2,131,124 shares in 1997........................	4	3	2
Repurchase of common stock:			
(312,500) shares in 1997.......................	--	--	--
Balance, end of year:			
103,482,841...shares at December 31, 1999			
92,346,768 shares at December 31, 1998			
35,145,704 shares at December 31, 1997...........	103	92	36

(Continued)

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY-- (Continued)
(In thousands)

	Year Ended December 31,		
	1999	1998	1997
Additional paid-in capital:			
Balance, beginning of year	$ 92,728	$ 45,360	$ 41,272
Issuance of common stock	--	70	643
Issuance of common stock for litigation settlement	--	--	1,999
Issuance of common stock for preferred provider agreement	--	--	800
Issuance of common stock through public offerings, net of offering expenses of $7,239 in 1999 and $4,561 in 1998	121,354	43,729	--
Issuance of common stock under employee stock purchase plan	1,989	693	--
Unearned compensation related to common stock options	--	1,176	414
Repurchase of common stock	--	--	(10)
Income tax benefit from exercise of employee stock options	29,778	--	--
Exercise of common stock options	12,390	1,700	242
Balance, end of year	258,239	92,728	45,360
Notes receivable from stockholders:			
Balance, beginning of year	(409)	(644)	(543)
Loans to stockholders to purchase stock options	--	--	(116)
Repurchase of common stock	--	--	10
Payments on notes receivable	409	235	5
Balance, end of year	--	(409)	(644)
Unearned compensation:			
Balance, beginning of year	(276)	(380)	--
Stock-based compensation expense related to stock options	--	--	(414)
Amortization of stock-based compensation	104	104	34
Balance, end of year	(172)	(276)	(380)
Accumulated deficit:			
Balance, beginning of year	(51,407)	(30,871)	(12,282)
Net income (loss)	3,955	(19,743)	(18,589)
Subchapter S distributions of SecureIT, Inc.	--	(793)	--
Balance, end of year	(47,452)	(51,407)	(30,871)
Accumulated other comprehensive income:			
Balance, beginning of year	--	--	--
Unrealized gain on investments, net of tax	87,641	--	--
Balance, end of year	87,641	--	--
Total stockholders' equity	$ 298,359	$ 40,728	$ 13,541

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31,		
	1999	1998	1997
Net income (loss)	$ 3,955	$ (19,743)	$ (18,589)
Other comprehensive income:			
Unrealized gain on investments, net of tax	87,641	--	--
Comprehensive income (loss)	$ 91,596	$ (19,743)	$ (18,589)

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 3,955	$ (19,743)	$ (18,589)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Special charges	--	--	2,800
Depreciation and amortization	5,404	3,946	2,621
Minority interest in net loss of subsidiary	(836)	(1,282)	(1,538)
Stock-based compensation	104	1,280	34
Loss on disposal of property and equipment	381	42	63
Changes in operating assets and liabilities:			
Accounts receivable	(12,958)	(6,379)	(2,628)
Prepaid expenses and other current assets	(1,461)	(1,180)	(208)
Accounts payable	(807)	1,968	1,036
Accrued liabilities	2,202	1,689	250
Deferred revenue	18,681	7,829	3,323
Net cash provided by (used in) operating activities	14,665	(11,830)	(12,836)
Cash flows from investing activities:			
Purchases of short-term investments	(132,238)	(63,383)	(11,209)
Maturities and sales of short-term investments	65,099	52,375	3,258
Purchases of long-term investments	(26,896)	(436)	--
Purchases of property and equipment	(6,019)	(4,413)	(6,823)
Other assets	(3,168)	(119)	(505)
Net cash used for investing activities	(103,222)	(15,976)	(15,279)
Cash flows from financing activities:			
Proceeds from bank borrowings	--	--	2,420
Repayment of bank borrowings	--	--	(2,678)
Proceeds from issuance of common stock, net of repurchases	135,744	46,208	771
Collections on notes receivable from stockholders	409	235	5
Subchapter S distributions by SecureIT, Inc.	--	(793)	--
Issuance of capital stock by subsidiary to minority interest	--	--	2,533
Net cash provided by financing activities	136,153	45,650	3,051
Net increase (decrease) in cash and cash equivalents	47,596	17,844	(25,064)
Cash and cash equivalents at beginning of year	22,786	4,942	30,006
Cash and cash equivalents at end of year	$ 70,382	$ 22,786	$ 4,942

(Continued)

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS-- (Continued)
(In thousands)

	Year Ended December 31, 1999	1998	1997
Supplemental cash flow disclosures:			
Noncash investing and financing activities:			
Issuance of notes receivable collateralized by common stock	$ --	$ --	$ 116
Income tax benefit from exercise of stock options	$ 29,778	$ --	$ --
Unrealized gain on investments, net of tax	$ 87,641	$ --	$ --
Cash paid for income taxes	$ 698	$ --	$ --

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999, 1998 and 1997

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

Business

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

Consolidation

The accompanying consolidated financial statements include the accounts of VeriSign and its subsidiaries after elimination of intercompany accounts and transactions. As of December 31, 1999, VeriSign owned approximately 50.5% of the outstanding shares of capital stock of its subsidiary, VeriSign Japan K.K. Changes in VeriSign's proportionate share of the net assets of VeriSign Japan resulting from sales of capital stock by the subsidiary are accounted for as equity transactions.

Foreign Currency Translation

The functional currency for VeriSign's international subsidiaries is the U.S. dollar; however, the subsidiaries books of record are maintained in local currency. As a result, the subsidiaries' financial statements are remeasured into U.S. dollars using a combination of current and historical exchange rates and any transaction gains and losses are included in operating results.

Cash, Cash Equivalents, and Short and Long-Term Investments

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

VeriSign's investments are classified as "available-for-sale" and are carried at fair value based on quoted market prices. These investments consist of commercial paper, medium term notes, U.S. government and agency securities and corporate bonds and notes. These investments with original maturities greater than three months and less than twelve months are considered short-term investments and those with original maturities greater than twelve months are considered long-term investments. Realized gains and losses upon sale or maturity of these investments are determined using the specific identification method.

VeriSign invests in equity instruments of privately-held, technology companies for business and strategic purposes. These investments are included in long-term investments and are accounted for under the cost method. For these non-quoted investments, VeriSign's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. VeriSign identifies and records impairment losses on long-lived assets when events and circumstances indicate that such assets might be impaired. To date, no such impairment has been recorded. During 1999, one of these investments in Keynote Systems, Inc., became a marketable equity security when Keynote Systems, Inc. completed their initial public offering. This investment is subject to significant fluctuations in fair market value due to the volatility of the stock market, and is recorded in long-term investments.

Property and Equipment

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

Computer Software Costs

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires that entities capitalize certain costs related to internal-use software once certain criteria have been met. The Company implemented SOP 98-1 for the year ended December 31, 1999.

Revenue Recognition

Revenues from our services consist of fees for the issuance of digital certificates, fees for digital certificate service provisioning, fees for technology and business process licensing to affiliates and fees for consulting, implementation, training, support and maintenance services. Each of these sources of revenue has different revenue recognition methods. We defer revenues from the sale or renewal of digital certificates and recognize these revenues ratably over the life of the digital certificate, generally 12 months. We defer revenues from the sale of our OnSite managed services and recognize these revenues ratably over the term of the license, generally 12 months. We recognize revenues from the sale of digital certificate technology and business process licensing to affiliates upon delivery of the technology and signing of an agreement, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant production, modification or customization of the software. We recognize revenues from consulting and training services using the percentage-of-completion method for fixed-fee development arrangements or as the services are provided for time-and-materials arrangements. We recognize revenues ratably over the term of the agreement for support and maintenance services.

VeriSign recognizes revenue in accordance with the American Institute of Certified Public Accountants' ("AICPA") Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition." SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on its relative fair value. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered.

Research and Development Costs

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

Advertising Expense

Advertising expense is charged to operations as incurred. Advertising expense was $3,037,000 in 1999, $1,858,000 in 1998 and $197,000 in 1997.

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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets whose realization is not sufficiently likely.

Stock-Based Compensation

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

Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of outstanding shares of common stock. Diluted net income (loss) per share is computed using the weighted average number of shares of common stock outstanding plus the dilutive effect of stock options computed using the treasury stock method and convertible securities using the if-converted method.

The following table presents the calculation for the number of shares used in the basic and diluted net income (loss) per share computations:

	Year Ended December 31,		
	1999	1998	1997
	(In thousands)		
Shares used to compute basic net income (loss) per share:			
Weighted average shares outstanding	100,531	83,492	28,484
Dilutive stock options	14,079	--	--
Shares used to compute diluted net income (loss) per share	114,610	83,492	28,484

For 1999, VeriSign excluded from the calculation of diluted net income per share 481,320 shares related to stock options with an exercise price higher than $49.70, the weighted average fair market value for the year. For 1998 and 1997, VeriSign excluded all convertible preferred stock and outstanding stock options from the calculation of diluted net loss per share because these securities would have been anti-dilutive for these periods. The excluded shares totaled 16,516,368 shares for 1998 and 50,495,180 shares for 1997.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes gains and losses that are not included in net income (loss) but instead are recorded directly in stockholders' equity. Other comprehensive income (loss) includes unrealized gains (losses) on investments.

Concentration of Credit Risk

Financial instruments that potentially subject VeriSign to significant concentrations of credit risk consist principally of cash, cash equivalents, short and long-term investments and accounts receivable. VeriSign maintains its cash, cash equivalents and short-term investments with high quality financial institutions and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions. VeriSign also performs ongoing credit evaluations of its customers and, generally, requires no collateral. VeriSign maintains an allowance for potential credit losses. Amounts added to the allowance for doubtful accounts through charges to bad debt expense totaled $859,000 in 1999, $590,000 in 1998 and $387,000 in 1997. Uncollectible amounts written off totaled $268,000 in 1999, $359,000 in 1998 and $136,000 in 1997.

Related Party Transactions

During 1998, VeriSign signed a joint venture agreement with certain companies located in France to form Certplus, a provider of Internet trust services. VeriSign has a minority interest of 15% in the joint venture, and therefore has accounted for this as a long-term investment. Certplus is an affiliate in the VeriSign affiliate program. Certplus accounted for approximately 1% of revenues in 1999 and less than 1% of revenues in 1998 and 1997. Certplus accounted for 1% of the accounts receivable balance as of December 31, 1999 and 2% of the accounts receivable balance as of December 31, 1998.

In February 1999, VeriSign entered into a memorandum of understanding with Keynote Systems. VeriSign is a 7% shareholder of Keynote as of December 31, 1999 and Stratton Sclavos, president and chief executive officer is a member of Keynote's board of directors. Under the agreement, VeriSign received from Keynote a non-exclusive license to sell two versions of Keynote's services as an integrated part of VeriSign's product offerings. Per the agreement, VeriSign will pay a fee to Keynote for each of these introductory services sold to a customer. In the event that Keynote converts the introductory customer into a paying customer within a certain timeframe, then Keynote will pay VeriSign a one-time bounty fee for each customer. Through December 31, 1999, VeriSign has received $20,000 in revenue and has paid Keynote approximately $250,000 under this agreement.

VeriSign entered into a development agreement in September 1997 with RSA Security, formerly Security Dynamics Technologies, Inc. ("RSA Security"), the parent company of RSA, an approximately 5% stockholder of VeriSign at December 31, 1999, to develop a customized certificate authority product in order to enable RSA Security to offer a product with encryption and digital certificate authority functionality. In December 1998, VeriSign and RSA Security amended the development agreement to grant RSA Security an exclusive license to incorporate the developed technology into original equipment manufacturers' ("OEM") products in order to create products incorporating the technology and to sublicense the technology to licensees of the OEMs.

The development agreement provides that RSA Security pay VeriSign an aggregate of $2.7 million as an initial license fee, of which $.9 million was paid in October 1997, $1.4 million was paid during 1998 and $.4 million was paid during 1999. At the time of the execution of the amendment in December 1998, RSA Security paid VeriSign $500,000. Once RSA Security has received net revenues of $2.8 million from OEMs, it will pay VeriSign a royalty equal to the greater of 18% of net revenues from the sale to OEMs or 18% of 60% of the current list price for the product. RSA Security will not be obligated to pay any royalties to VeriSign with respect to sales to value-added resellers.

In order for RSA Security to maintain its exclusivity rights, it must make certain minimum aggregate annual payments to VeriSign, which are payable on a quarterly basis. In addition, VeriSign will be obligated to pay RSA Security an amount equal to 8% of net revenue recognized by VeriSign during a VeriSign OnSite customers' first year using VeriSign OnSite if the customer had previously purchased products from RSA Security that incorporate the developed technology.

Beginning in March 1998, RSA Security is required to pay VeriSign a monthly product support fee for a three-year period and thereafter for successive annual terms. For a yearly fee, RSA Security can purchase product maintenance services. RSA Security paid both support and maintenance fees aggregating $210,000 in 1999 and $105,000 in 1998.

Revenue from the development agreement accounted for less than 1% of revenues in 1999, 6% of revenues in 1998 and 4% of revenues in 1997.

In July 1999, VeriSign entered into a non-exclusive reseller agreement with RSA Security to grant RSA Security the right to resell certain VeriSign products and services for a discounted fee. Revenue from the reseller agreement accounted for 1% of revenues in 1999.

At December 31, 1999, VeriSign had no customers that accounted for more than 10% of accounts receivable. At December 31, 1998, VeriSign had one customer, a South African systems integrator, that accounted for 18% of accounts receivable. VeriSign had one customer that accounted for 10% of revenues in 1997 and no other customers that accounted for more than 10% of revenues in 1999 or 1998. VeriSign had no other customers that accounted for more than 10% of accounts receivable for any of the dates or years presented.

Impairment of Long-Lived Assets

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

Use of Estimates

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

Recent Accounting Pronouncements

In June 1998 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 established methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Because it currently holds no derivative instruments and does not engage in hedging activities, VeriSign expects that the adoption of SFAS No. 133 will have no material impact on its financial position, results of operations or cash flows. VeriSign will be required to implement SFAS No. 133, as amended, for the year ending December 31, 2001.

In December 1998, the AICPA issued SOP No. 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." SOP No. 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP No. 97-2. VeriSign will be required to implement SOP No. 98-9 for the year ending December 31, 2000. SOP No. 98-9 also extended the deferral of the application of SOP No. 97-2 to certain other multiple-element software arrangements through the year ended December 31, 1999. We expect that the adoption of SOP No. 98-9 will not have a material impact on our financial position, results of operations or cash flows.

Note 2. Business Combination

In July 1998, VeriSign completed a merger with SecureIT, Inc. ("SecureIT"). SecureIT is a provider of Internet and enterprise security solutions comprising a full range of products and services to assist clients with assessing, designing and implementing security solutions. The merger was effected by exchanging approximately 6,664,000 shares of VeriSign common stock for all of the outstanding common stock of SecureIT. Each share of SecureIT was exchanged for 0.164806 of one share of VeriSign common stock. In addition, outstanding SecureIT employee stock options were converted at the same exchange ratio into options to purchase approximately 760,000 shares of VeriSign common stock.

The merger constituted a tax-free reorganization and has been accounted for as a pooling-of-interests. Accordingly, all prior period financial statements have been restated to include the combined results of operations, financial position and cash flows of SecureIT as if it had always been a part of VeriSign. There were no intercompany transactions between VeriSign and SecureIT prior to the combination that required elimination and there were no material adjustments required to conform SecureIT's accounting policies to those of VeriSign. Direct costs and other related merger costs of approximately $3.6 million were incurred in connection with the acquisition (see Note 9).

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

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

Note 3. Cash, Cash Equivalents and Short and Long-Term Investments

All cash equivalents, short-term investments, and marketable long-term investments have been classified as available-for-sale securities and consist of the following:

	As of December 31, 1999			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Classified as current assets:				
Cash	$ 22,645	$ --	$ --	$ 22,645
Commercial paper	57,243	20	--	57,263
Corporate bonds and notes	28,349	--	(345)	28,004
Money market funds	4,602	--	--	4,602
Medium term corporate notes	23,276	1	(100)	23,177
Market auction securities	5,000	--	--	5,000
U.S. government and agency securities	15,876	--	(87)	15,789
	156,991	21	(532)	156,480
Included in cash and cash equivalents				$ 70,382
Included in short-term investments				$ 86,098
Classified as non-current assets:				
Equity securities	12,925	117,977	--	130,902
U.S. government and agency securities	14,000	--	(151)	13,849
	26,925	117,977	(151)	144,751
Total cash and securities	$183,916	$117,998	$(683)	$301,231

	As of December 31, 1998			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Classified as current assets:				
Cash	$ 3,619	$ --	$ --	$ 3,619
Commercial paper	21,451	6	--	21,457
Corporate bonds and notes	5,031	--	(8)	5,023
Money market funds	4,600	--	--	4,600
Medium term corporate notes	4,049	2	(5)	4,046
Market auction securities	3,000	--	--	3,000
	41,750	8	(13)	41,745
Included in cash and cash equivalents				$ 22,786
Included in short-term investments				$ 18,959
Classified as non-current assets:				
Equity securities	436	--	--	436
Total cash and securities	$ 42,186	$ 8	$ (13)	$ 42,181

Gross realized gains and losses on investments were not material for any of the periods presented.

Note 4. Balance Sheet Detail

	December 31,	
	1999	1998
	(In thousands)	
Property and equipment, net		
Computer equipment and purchased software	$15,231	$11,402
Office equipment, furniture and fixtures	2,438	1,774
Leasehold improvements	3,996	3,136
	21,665	16,312
Less accumulated depreciation and amortization	11,471	7,078
	$10,194	$ 9,234
Accrued liabilities		
Employee compensation	$ 3,878	$ 2,255
Professional fees	284	288
Other	2,075	1,492
	$ 6,237	$ 4,035

Note 5. Stockholders' Equity

Stock Splits

In March 1999, the Board of Directors (the "Board") declared a two-for-one stock split for stockholders of record on May 14, 1999. In November 1999, the Board declared an additional two-for-one stock split for stockholders of record on November 22, 1999. All share and per share information has been restated to reflect the effect of the stock splits.

Preferred Stock

VeriSign is authorized to issue up to 5,000,000 shares of preferred stock. As of December 31, 1999, no shares of preferred stock had been issued.

Common Stock

On January 30, 1998, VeriSign completed its initial public offering ("IPO") by issuing 13,800,000 shares of its common stock at an initial public offering price of $3.50 per share. VeriSign received net proceeds from the offering, after deducting underwriting discounts and commissions and offering expenses, of approximately $43.7 million. Concurrently with the IPO, each outstanding share of VeriSign's convertible preferred stock was automatically converted into one share of common stock.

In January 1999, VeriSign completed a follow-on public offering by issuing 6,390,000 shares at an offering price of $20.13 per share. VeriSign received net proceeds from the offering of approximately $121.4 million.

No dividends have been declared or paid on common stock since VeriSign's inception. SecureIT paid Subchapter S distributions of $793,000 to its stockholders for minimum tax obligations during the year ended December 31, 1998.

Notes Receivable From Stockholders

In November 1996, VeriSign loaned several officers an aggregate of $543,000, due December 31, 2005, bearing interest at a rate per annum of 6.95%, payable quarterly. In August 1997, VeriSign loaned an officer an aggregate of $116,000, due December 31, 2006, bearing interest at a rate per annum of 6.87%, payable quarterly. The loans are full recourse and are collateralized by pledges of the shares of VeriSign common stock that were purchased. As of December 31, 1999, all loans had been repaid in full.

Note 6. Stock Compensation Plans

Stock Option Plans

As of December 31, 1999, a total of 22,719,893 shares of common stock were reserved for issuance upon the exercise of stock options and for the future grant of stock options or awards under VeriSign's equity incentive plans.

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

The 1998 Equity Incentive Plan (the "1998 Plan") authorizes the award of options, restricted stock awards and stock bonuses. As of December 31, 1998, no restricted stock awards or stock bonus awards have been made under the 1998 Plan.

Options may be granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant for incentive stock options and 85% of the fair market value for nonqualified stock options. All options are granted at the discretion of the Board and have a term not greater than 7 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. At December 31, 1999, 4,677,031 shares remain available for future awards under the 1998 Plan.

Members of the Board who are not employees of VeriSign, or of any parent, subsidiary or affiliate of VeriSign, are eligible to participate in the 1998 Directors Plan (the "Directors Plan). The option grants under the Directors Plan are automatic and nondiscretionary, and the exercise price of the options is 100% of the fair market value of the common stock on the date of the grant. Each eligible director who becomes a director on or after January 28, 1998 will initially be granted an option to purchase 60,000 shares on the date he or she first becomes a director (the "Initial Grant"). On each anniversary of a director's Initial Grant or most recent grant if he or she was ineligible to receive an Initial Grant, each eligible director will automatically be granted an additional option to purchase 30,000 shares of common stock if the director has served continuously as a director since the date of the Initial Grant or most recent grant. The term of the options under the Directors Plan is ten years and options vest as to 6.25% of the shares each quarter after the date of the grant, provided the optionee remains a director of VeriSign. At December 31, 1999, 200,000 shares remain available for future grant under the Directors Plan.

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

A summary of stock option activity under the Plans follows:

	Year Ended December 31,					
	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	16,516,368	$ 4.79	10,371,156	$ .75	6,432,300	$ .20
Granted	7,300,926	35.66	9,735,024	7.69	6,406,608	1.06
Exercised	(4,198,177)	3.10	(2,962,548)	.58	(2,131,124)	.12
Canceled	(1,783,755)	9.60	(627,264)	2.84	(336,628)	.23
Outstanding at end of year	17,835,362	16.77	16,516,368	4.79	10,371,156	.75
Exercisable at end of year	2,424,728	3.36	1,673,860	.82	1,032,352	.20
Weighted average fair value of options granted during the year		21.86		4.01		.26

The following table summarizes information about stock options outstanding as of December 31, 1999:

Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
$ .01 - $ .56	2,254,814	4.00 years	$ .36	962,603	$ .31
$ 1.00 - $ 3.03	2,436,140	4.79 years	1.70	681,212	1.72
$ 6.44 - $ 9.81	5,086,540	5.77 years	7.39	636,697	7.40
$ 10.03 - $ 18.25	1,670,768	5.93 years	13.31	136,716	12.11
$ 22.50 - $ 29.63	2,265,800	6.26 years	26.13	--	--
$ 30.70 - $ 38.50	3,206,030	6.57 years	36.85	--	--
$ 41.19 - $ 46.41	437,100	7.39 years	42.29	7,500	41.19
$ 53.03 - $ 54.44	152,210	6.75 years	53.49	--	--
$ 61.75 - $ 92.91	225,560	6.86 years	75.62	--	--
$112.38 - $ 190.94	100,400	6.97 years	133.19	--	--
$ .01 - $ 190.94	17,835,362	5.70 years		2,424,728	

1998 Employee Stock Purchase Plan

VeriSign has reserved 3,000,000 shares for issuance under the 1998 Employee Stock Purchase Plan ("Purchase Plan"). Eligible employees may purchase common stock through payroll deductions by electing to have between 2% and 15% of their compensation withheld. Each participant is granted an option to purchase common stock on the first day of each 24 month offering period and this option is automatically exercised on the last day of each six month purchase period during the offering period. The purchase price for the common stock under the Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period and the last day of the applicable purchase period. The first offering period began on January 30, 1998. Offering periods thereafter will begin on February 1 and August 1 of each year. Shares of common stock issued under the Purchase Plan totaled 547,896 in 1999 and 232,900 in 1998. As of December 31, 1999, 2,219,204 shares remain available for future issuance. The weighted-average fair value of the options granted under the Purchase Plan was $15.28 in 1999 and $7.18 in 1998.

Pro Forma Information

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

	Year Ended December 31,		
	1999	1998	1997
	(In thousands, except per share data)		
As reported:			
Net income (loss).............	$ 3,955	$(19,743)	$(18,589)
Net income (loss) per share:			
Basic...........................	$ .04	$ (.24)	$ (.65)
Diluted.......................	$ .03	$ (.24)	$ (.65)
Pro forma:			
Net (loss) under SFAS No. 123	$(24,667)	$(24,117)	$(18,904)
Net (loss) per share:			
Basic...........................	$ (.25)	$ (.29)	$ (.66)
Diluted.......................	$ (.25)	$ (.29)	$ (.66)

The fair value of stock options and Purchase Plan options granted subsequent to VeriSign's IPO on January 30, 1998 was estimated on the date of grant using the Black-Scholes model. The fair value of stock options granted prior to the IPO and for stock options granted by SecureIT prior to its acquisition was estimated on the date of grant using the minimum value method. The following table sets forth the weighted-average assumptions used to calculate the fair value of the stock options and Purchase Plan options for each period presented.

	Year Ended December 31,		
	1999	1998	1997
Stock options:			
Volatility...............	85%	70%*	0%
Risk-free interest rate..	5.54%	4.95%	6.14%
Expected life............	3.5 years	3.5 years	5 years
Dividend yield...........	zero	zero	zero
Purchase Plan options:			
Volatility...............	85%	70%	--
Risk-free interest rate..	5.00%	5.35%	--
Expected life............	1.25 years	1.25 years	--
Dividend yield...........	zero	zero	--

* Volatility was zero under the minimum value method for grants prior to January 30, 1998 and for all grants made by SecureIT prior to its acquisition by VeriSign.

Note 7. Income Taxes

Total income tax expense for the year ended December 31, 1999 was allocated as follows:

	(In thousands)
Continuing operations:	
Current:	
Federal	$ 1,514
State	212
	1,726
s	
Deferred:	
Federal	(1,514)
State	(212)
	(1,726)
Income tax expense	$ --
Comprehensive income:	
Deferred	$ 16,875
Charge to comprehensive income in lieu of income taxes attributable to disqualifying dispositions of stock option	(46,653)
	$(29,778)

The difference between income tax expense and the amount resulting from applying the Federal statutory rate of 34% to income before income taxes for 1999 is attributable to the following:

	(In thousands)
Income taxes at Federal statutory rate	$ 1,345
Foreign losses	1,108
Reduction in valuation allowance	(1,726)
Research and experimentation credit	(1,101)
Other	374
Income taxes	$ --

In 1998 and 1997, the Company did not record any income tax expense because it experienced significant operating losses.

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

	December 31, 1999	December 31, 1998
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards and deferred start-up costs	$ 49,011	$ 22,188
Tax credit carryforwards	3,240	1,521
Property and equipment	54	1,135
Other	2,084	1,331
	54,389	26,175
Valuation allowance	(7,736)	(26,175)
Deferred tax liabilities:		
Unrealized gain	(46,653)	--
Net deferred tax assets	$ --	$ --

Management has established a valuation allowance equal to 100% of the net deferred tax assets because the realization of the deferred tax assets is uncertain. The total valuation allowance decreased $18,439,000 in 1999 and increased $13,250,000 in 1998.

Gross deferred tax assets as of December 31, 1999 include approximately $36,919,000 relating to the exercise of stock options, which is subject to a valuation allowance of approximately $7,736,000. Upon reversal of this valuation allowance, the tax benefit realized will be credited to stockholders' equity.

As of December 31, 1999, VeriSign has available net operating loss carryforwards for federal income tax purposes of approximately $127,376,000 and for California income tax purposes of approximately $64,510,000. The federal net operating loss carryforwards will expire, if not utilized, in 2010 through 2019. The California net operating loss carryforwards will expire, if not utilized, in 2004.

As of December 31, 1999, VeriSign has available for carryover research and experimentation tax credits for federal income tax purposes of approximately $1,444,000 and for California income tax purposes of approximately $1,004,000. The federal research and experimentation tax credits will expire, if not utilized, in 2010 through 2019. California research and experimental tax credits carry forward indefinitely until utilized. VeriSign also has federal foreign tax credits of approximately $758,000, which expire, if not utilized, in 2001 through 2002. To date, foreign income taxes have not been significant.

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

Note 8. Commitments

Leases

VeriSign leases its facilities under operating leases that extend through 2005. Future minimum lease payments under non-cancelable operating leases as of December 31, 1999 are as follows:

	(In thousands)
2000	$ 4,337
2001	3,853
2002	3,003
2003	2,831
2004	2,787
Thereafter	971
Total minimum lease payments	$17,782

Net rental expense under operating leases was $3,700,000 in 1999, $1,936,000 in 1998 and $1,722,000 in 1997. VeriSign has sub-leased an office to a company under a non-cancelable operating lease. VeriSign received payments of $507,000 during 1999 and will receive payments of $778,000 during 2000 and $533,000 during 2001.

Note 9. Special Charges

Merger-related expenses

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

VeriFone

In September 1996, VeriFone, Inc. which subsequently became a wholly-owned subsidiary of Hewlett-Packard, filed a lawsuit against VeriSign alleging, among other things, trademark infringement. In November 1997, VeriSign, Hewlett-Packard and VeriFone reached an agreement, under which, among other things, the Company issued 1,000,000 shares of its common stock, which were transferred to Hewlett-Packard, and VeriSign and VeriFone settled all claims. The settlement amount was recorded in the third quarter of 1997 as a $2.0 million charge to operations.

Microsoft

In November 1997, VeriSign entered into a preferred provider agreement with Microsoft Corporation ("Microsoft") whereby the companies will develop, promote and distribute a variety of client-based and server-based digital certificate solutions and VeriSign will be designated as the premier provider of digital certificates for Microsoft customers. In connection with the agreement, VeriSign issued 400,000 shares of common stock to Microsoft resulting in an $800,000 charge to operations.

Note 10. Segment Information

VeriSign has adopted Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information". This statement establishes standards for publicly held entities to follow in reporting information about operating segments in annual financial statements and requires that those entities report selected information about operating segments in interim financial statements. This statement also establishes standards for related disclosures about product and services, geographic areas and major customers. Operating segments are defined by SFAS No. 131 as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. VeriSign has identified one reportable operating segment based on the criteria of SFAS No. 131.

VeriSign operates in the United States, Europe and Japan and derives substantially all of its revenues from sales of Internet-based trust services. VeriSign's Chief Executive and Executive Officers evaluate financial performance based on measures of business segment revenues.

Geographic information

	Year Ended December 31,		
	1999	1998	1997
	(In thousands)		
Revenues:			
United States	$ 61,997	$33,650	$12,122
All other countries	22,779	5,280	1,234
Total	$ 84,776	$38,930	$13,356

In general, revenues are attributed to the country in which the contract originated. However, revenues from all digital certificates issued from the Mountain View, California facility are attributed to the United States because it is impracticable to determine the country of origin.

	Year Ended December 31,		
	1999	1998	1997
	(In thousands)		
Long-lived assets:			
United States	$155,992	$ 8,655	$ 7,619
All other countries	2,332	1,952	2,008
Total	$158,324	$10,607	$ 9,627

Long-lived assets consist primarily of property and equipment and long-term investments.

Major customers

VeriSign had one customer that accounted for 10% of consolidated revenues in 1997 (see Note 1). No customer accounted for 10% or more of consolidated revenues in 1999 or 1998.

Note 11. Pending Acquisitions

Thawte Consulting (Pty) Ltd.

In December 1999, VeriSign announced that it would acquire Thawte Consulting (Pty) Ltd. ("Thawte"), a privately held South African company that provides digital certificates to websites and software developers. VeriSign will issue shares of its common stock with an aggregate market value of $575 million in exchange for all of the outstanding shares of Thawte. The transaction will be accounted for as a purchase. The acquisition is subject to a number of conditions, including regulatory approvals in South Africa and other customary conditions.

Signio,Inc.

In December 1999, VeriSign announced that it would acquire Signio, Inc. ("Signio"), a privately held company that provides payment services that connect online merchants, business-to-business exchanges, payment processors and financial institutions on the Internet. VeriSign will issue approximately 5.6 million shares of its common stock in exchange for all of the outstanding shares of Signio and will assume Signio's outstanding employee stock options. The transaction will be accounted for as a purchase. The acquisition is subject to customary conditions of closing and is expected to be completed in the first quarter of 2000.

Network Solutions, Inc. (Unaudited)

On March 7, 2000, VeriSign announced that is would acquire Network Solutions, Inc. ("Network Solutions"), a publicly held company that provides Internet domain name registration and global registry services. VeriSign will issue 2.15 shares of its common stock for each share of Network Solutions stock as constituted prior to the 2 for 1 split of Network Solutions stock to be completed on March 10, 2000. The transaction will be accounted for as a purchase. The acquisition is subject to customary conditions of closing including approval by both the VeriSign and Network Solutions stockholders.