

VERISIGN INC/CA
Form 10-Q
August 06, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	94-3221585 (I.R.S. Employer Identification No.)
487 East Middlefield Road, Mountain View, CA (Address of principal executive offices) Registrant's telephone number, including area code: (650) 961-7500	94043 (Zip Code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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

Class	Shares Outstanding July 31, 2009
Common stock, \$.001 par value	192,868,550

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
Item 4. <u>Controls and Procedures</u>	47
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	49
Item 1A. <u>Risk Factors</u>	49
Item 2. <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	67
Item 4. <u>Submission of Matters to a Vote of Securities Holders</u>	67
Item 5. <u>Other Information</u>	68
Item 6. <u>Exhibits</u>	71
<u>Signatures</u>	72

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Financial Statement Description	Page
<u>Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008</u>	4
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2009 and 2008</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income (Loss) for the Six Months Ended June 30, 2009</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8

Table of Contents

VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2009	December 31, 2008
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,308,352	\$ 789,068
Accounts receivable, net of allowance for doubtful accounts of \$1,088 at June 30, 2009 and \$1,208 at December 31, 2008	77,372	83,749
Prepaid expenses and other current assets	167,160	268,178
Assets held for sale	263,991	483,840
Total current assets	1,816,875	1,624,835
Property and equipment, net	370,107	385,498
Goodwill	289,681	283,109
Other intangible assets, net	37,333	35,312
Other assets	36,177	38,118
Total long-term assets	733,298	742,037
Total assets	\$ 2,550,173	\$ 2,366,872
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 238,785	\$ 263,535
Accrued restructuring costs	6,882	28,920
Deferred revenues	655,777	629,800
Liabilities related to assets held for sale	49,585	49,160
Other current liabilities	5,411	5,463
Total current liabilities	956,440	976,878
Long-term deferred revenues	222,106	215,281
Long-term accrued restructuring costs	3,610	3,037
Convertible debentures, including contingent interest derivative	570,707	568,712
Other long-term liabilities	76,611	84,543
Total long-term liabilities	873,034	871,573
Total liabilities	1,829,474	1,848,451
Commitments and contingencies		
Stockholders' equity:		
VeriSign, Inc. and subsidiaries stockholders' equity:		
Preferred stock - par value \$.001 per share; Authorized shares: 5,000,000; Issued and outstanding shares: none		

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Common stock par value \$.001 per share; Authorized shares: 1,000,000,000; Issued and outstanding shares: 192,243,161 excluding 113,713,032 held in treasury, at June 30, 2009; and 191,547,795 excluding 112,717,587 held in treasury, at December 31, 2008

	306	304
Additional paid-in capital	22,008,243	21,891,891
Accumulated deficit	(21,340,094)	(21,439,988)
Accumulated other comprehensive income	5,853	17,006
Total VeriSign, Inc. and subsidiaries stockholders equity	674,308	469,213
Noncontrolling interest in subsidiary	46,391	49,208
Total stockholders equity	720,699	518,421
Total liabilities and stockholders equity	\$ 2,550,173	\$ 2,366,872

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**VERISIGN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 256,619	\$ 242,033	\$ 511,614	\$ 477,298
Costs and expenses:				
Cost of revenues	57,476	55,748	117,784	115,233
Sales and marketing	45,299	43,550	83,326	92,133
Research and development	23,234	23,540	48,036	48,764
General and administrative	42,939	48,574	92,087	103,065
Restructuring and other charges	470	85,123	5,245	101,384
Amortization of other intangible assets	3,061	2,537	6,282	5,175
Total costs and expenses	172,479	259,072	352,760	465,754
Operating income (loss)	84,140	(17,039)	158,854	11,544
Other loss, net	(10,266)	(5,219)	(14,559)	(8,858)
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	73,874	(22,258)	144,295	2,686
Income tax expense (benefit)	29,570	(8,059)	53,102	(1,410)
Income (loss) from unconsolidated entities, net of tax		1,171		(590)
Income (loss) from continuing operations, net of tax	44,304	(13,028)	91,193	3,506
(Loss) income from discontinued operations, net of tax	(8,532)	(55,161)	10,094	(78,850)
Net income (loss)	35,772	(68,189)	101,287	(75,344)
Less: Net income attributable to noncontrolling interest in subsidiary	(898)	(989)	(1,393)	(1,895)
Net income (loss) attributable to VeriSign, Inc. and subsidiaries common stockholders	\$ 34,874	\$ (69,178)	\$ 99,894	\$ (77,239)
Basic income (loss) per share attributable to VeriSign, Inc. and subsidiaries common stockholders from:				
Continuing operations	\$ 0.23	\$ (0.07)	\$ 0.47	\$ 0.01
Discontinued operations	(0.05)	(0.28)	0.05	(0.39)
Net income (loss)	\$ 0.18	\$ (0.35)	\$ 0.52	\$ (0.38)
Diluted income (loss) per share attributable to VeriSign, Inc. and subsidiaries common stockholders from:				
Continuing operations	\$ 0.22	\$ (0.07)	\$ 0.47	\$ 0.01
Discontinued operations	(0.04)	(0.28)	0.05	(0.38)
Net income (loss)	\$ 0.18	\$ (0.35)	\$ 0.52	\$ (0.37)

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Shares used to compute net income (loss) per share attributable to VeriSign, Inc. and subsidiaries common stockholders:

Basic	192,649	195,515	192,481	201,032
Diluted	193,426	195,515	193,116	206,488
Amounts attributable to VeriSign, Inc. and subsidiaries common stockholders:				
Income (loss) from continuing operations, net of tax	\$ 43,406	\$ (14,017)	\$ 89,800	\$ 1,611
(Loss) income from discontinued operations, net of tax	(8,532)	(55,161)	10,094	(78,850)
Net income (loss) attributable to VeriSign, Inc. and subsidiaries common stockholders	\$ 34,874	\$ (69,178)	\$ 99,894	\$ (77,239)

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Total Stockholders Equity	VeriSign, Inc. and Subsidiaries Stockholders' Equity			Accumulated Deficit	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest In Subsidiary
		Common Stock Shares	Common Stock Amount	Additional Paid-In Capital				
Balance at December 31, 2008	\$ 50,795	191,548	\$ 304	\$ 21,472,895	\$ (21,439,410)	\$ 17,006	\$ 50,795	\$
Cumulative adjustment to beginning balance upon adoption of FSP APB 14-1 (Note 1)	418,418			418,996	(578)		418,418	
Cumulative adjustment to beginning balance upon adoption of SFAS 160 (Note 1)	49,208							49,208
Adjusted balance at December 31, 2008	518,421	191,548	304	21,891,891	(21,439,988)	17,006	469,213	49,208
Comprehensive income (loss):								
Net income	101,287				99,894		99,894	1,393
Other comprehensive (loss) income:								
Foreign currency translation adjustments	(14,859)					(11,307)	(11,307)	(3,552)
Change in unrealized gain on investments, net of tax	289					154	154	135
Total comprehensive income (loss)	86,717						88,741	(2,024)
Issuance of common stock under stock plans	20,945	1,691	2	20,943			20,945	
Stock-based compensation	29,485			29,471			29,471	14
Dividend declared to noncontrolling interest in subsidiary	(807)							(807)
Income tax associated with stock options	88,575			88,575			88,575	
Repurchase of common stock	(22,637)	(996)		(22,637)			(22,637)	
Balance at June 30, 2009	\$ 720,699	192,243	\$ 306	\$ 22,008,243	\$ (21,340,094)	\$ 5,853	\$ 674,308	\$ 46,391

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**VERISIGN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ 101,287	\$ (75,344)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss (gain) on divestiture of businesses, net of tax	37,305	(33,022)
Depreciation of property and equipment	35,116	61,162
Amortization of other intangible assets	6,282	17,452
Estimated losses (reversals) on assets held for sale	(21,027)	71,415
Stock-based compensation	28,096	56,331
Loss on disposal of property and equipment	1,366	80,418
Impairment of goodwill		45,793
Excess tax benefit associated with stock-based compensation	(94,529)	
Other, net	(1,749)	2,630
Changes in operating assets and liabilities:		
Accounts receivable, net	8,802	31,186
Prepaid expenses and other assets	(10,216)	(5,542)
Accounts payable and accrued liabilities	19,545	(99,581)
Accrued restructuring costs	(21,093)	28,401
Deferred revenues	32,080	65,658
Net cash provided by operating activities	121,265	246,957
Cash flows from investing activities:		
Proceeds from maturities and sales of investments	117,901	100
Proceeds from sale of property and equipment		48,843
Purchases of property and equipment	(40,815)	(60,769)
Proceeds received from divestiture of businesses, net of cash contributed	235,500	60,613
Other investing activities	(3,466)	1,110
Net cash provided by investing activities	309,120	49,897
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	20,945	92,527
Repurchases of common stock	(22,637)	(1,148,380)
Proceeds from credit facility		200,000
Repayment of short-term debt related to credit facility		(200,000)
Excess tax benefit associated with stock-based compensation	94,529	
Dividend paid to noncontrolling interest in subsidiary	(101)	(723)
Net cash provided by (used in) financing activities	92,736	(1,056,576)
Effect of exchange rate changes on cash and cash equivalents	(3,837)	4,017

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Net increase (decrease) in cash and cash equivalents	519,284	(755,705)
Cash and cash equivalents at beginning of period	789,068	1,376,722
Cash and cash equivalents at end of period	\$ 1,308,352	\$ 621,017
Supplemental cash flow disclosures:		
Cash paid for interest, net of capitalized interest	\$ 19,521	\$ 18,218
Dividend payable to noncontrolling interest in subsidiary	\$ 706	\$ 7

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. and its subsidiaries (collectively, VeriSign or the Company) in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in VeriSign's fiscal 2008 Annual Report on Form 10-K (the 2008 Form 10-K) filed with the SEC on March 3, 2009.

Reclassifications

During the first quarter of 2009, the Company disaggregated its Enterprise and Security Services (ESS) disposal group held for sale as of December 31, 2008, into the following three businesses: (i) Global Security Consulting (GSC), (ii) iDefense Security Intelligence Services (iDefense) and (iii) Managed Security Services (MSS). The Company decided to retain its iDefense business and, accordingly, reclassified the assets and liabilities related to iDefense as held and used in 2009. The Company also reclassified the historical results of operations of iDefense from discontinued operations to continuing operations as part of Naming Services for all periods presented.

The Condensed Consolidated Statements of Operations have been reclassified for all periods presented to reflect current discontinued operations treatment. Unless noted otherwise, discussions in the Notes to Condensed Consolidated Financial Statements pertain to continuing operations.

Subsequent Events

The Company evaluated subsequent events through August 6, 2009, the date this Quarterly Report on Form 10-Q was filed with the SEC.

Adoption of New Accounting Standards

Effective January 1, 2009, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 160 (SFAS 160), *Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51*, which requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements, and requires that transactions between entities and noncontrolling interests be treated as equity. The Company reclassified the noncontrolling interest of \$49.2 million as of December 31, 2008 in its consolidated VeriSign Japan subsidiary to Stockholders' equity.

Effective January 1, 2009, the Company retroactively adopted the Financial Accounting Standards Board (FASB) Staff Position (FSP) No. Accounting Principles Board (APB) 14-1 (FSP APB 14-1), *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the borrowing rate for a similar non-convertible debt. The Company's adoption of FSP APB 14-1 affected its

Table of Contents

3.25% junior subordinated convertible debentures due 2037 (the Convertible Debentures). The condensed consolidated financial statements have been retroactively adjusted for all periods presented in accordance with FSP APB 14-1. See Note 9, Junior Subordinated Convertible Debentures, for further information regarding the adoption of FSP APB 14-1.

The following tables present the effects of the retroactive adjustments to the Company's Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2008:

	Three Months Ended June 30, 2008			As Adjusted
	As Reported (1)	Adjustment upon adoption of FSP APB 14-1 (In thousands, except per share data)	Reclassification to Continuing Operations (2)	
Revenues	\$ 239,162	\$	\$ 2,871	\$ 242,033
Cost of revenues	54,087		1,661	55,748
Other costs and expenses	201,547	14(3)	1,763	203,324
Operating loss	(16,472)	(14)	(553)	(17,039)
Other loss, net	(4,827)	(392)(4)		(5,219)
Loss from continuing operations before income taxes and income from unconsolidated entities	(21,299)	(406)	(553)	(22,258)
Income tax benefit	(7,925)	(134)(5)		(8,059)
Income from unconsolidated entities, net of tax	1,171			1,171
Loss from continuing operations, net of tax	(12,203)	(272)	(553)	(13,028)
Loss from discontinued operations, net of tax	(55,695)	(19)(3)	553	(55,161)
Net loss	(67,898)	(291)		(68,189)
Less: Net income attributable to noncontrolling interest in subsidiary	(989)			(989)
Net loss attributable to VeriSign common stockholders	\$ (68,887)	\$ (291)	\$	\$ (69,178)
Basic loss per share attributable to VeriSign common stockholders:				
Continuing operations	\$ (0.07)	\$	\$	\$ (0.07)
Discontinued operations	(0.28)			(0.28)
Net loss	\$ (0.35)	\$	\$	\$ (0.35)
Diluted loss per share attributable to VeriSign common stockholders:				
Continuing operations	\$ (0.07)	\$	\$	\$ (0.07)
Discontinued operations	(0.28)			(0.28)
Net loss	\$ (0.35)	\$	\$	\$ (0.35)

Shares used to compute net loss per share attributable to VeriSign common stockholders:

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Basic	195,515	195,515
Diluted	195,515	195,515

Table of Contents

	Six Months Ended June 30, 2008			
	As Reported (1)	Adjustment upon adoption of FSP APB 14-1 (In thousands, except per share data)	Reclassification to Continuing Operations (2)	As Adjusted
Revenues	\$ 471,695	\$	\$ 5,603	\$ 477,298
Cost of revenues	112,150		3,083	115,233
Other costs and expenses	346,961	24(3)	3,536	350,521
Operating income	12,584	(24)	(1,016)	11,544
Other loss, net	(7,380)	(1,478)(4)		(8,858)
Income from continuing operations before income taxes and loss from unconsolidated entities	5,204	(1,502)	(1,016)	2,686
Income tax benefit	(914)	(496)(6)		(1,410)
Loss from unconsolidated entities, net of tax	(590)			(590)
Income from continuing operations, net of tax	5,528	(1,006)	(1,016)	3,506
Loss from discontinued operations, net of tax	(79,825)	(41)(3)	1,016	(78,850)
Net loss	(74,297)	(1,047)		(75,344)
Less: Net income attributable to noncontrolling interest in subsidiary	(1,895)			(1,895)
Net loss attributable to VeriSign common stockholders	\$ (76,192)	\$ (1,047)	\$	\$ (77,239)
Basic loss per share attributable to VeriSign common stockholders:				
Continuing operations	\$ 0.02	\$	\$ (0.01)	\$ 0.01
Discontinued operations	(0.40)		0.01	(0.39)
Net loss	\$ (0.38)	\$	\$	\$ (0.38)
Diluted loss per share attributable to VeriSign common stockholders:				
Continuing operations	\$ 0.02	\$	\$ (0.01)	\$ 0.01
Discontinued operations	(0.39)		0.01	(0.38)
Net loss	\$ (0.37)	\$	\$	\$ (0.37)
Shares used to compute net loss per share attributable to VeriSign common stockholders:				
Basic	201,032			201,032
Diluted	206,488			206,488

- (1) As reported in or derived from the Company's 2008 Form 10-K, except per share amounts and Net income attributable to noncontrolling interest in subsidiary. Per share amounts have been adjusted to present the net loss per share attributable to VeriSign common stockholders. Net income attributable to noncontrolling interest in subsidiary has been presented after consolidated net loss to derive the net loss attributable to VeriSign common stockholders.

- (2) Reclassification of the results of operations of the Company's iDefense business from discontinued operations to continuing operations.
- (3) Other costs and expenses and Loss from discontinued operations, net of tax, increased during the three and six months ended June 30, 2008, due to additional depreciation expense recorded retroactively as result of an increase in capitalized interest costs.
- (4) Other loss, net, increased during the three and six months ended June 30, 2008, primarily due to additional interest expense recorded retroactively.

Table of Contents

- (5) Income tax benefit increased during the three months ended June 30, 2008, primarily due to an increase in loss from continuing operations before taxes.
- (6) Income tax benefit increased during the six months ended June 30, 2008, primarily due to a decrease in income from continuing operations before taxes.

Note 2. Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Cost of revenues	\$ 1,799	\$ 2,101	\$ 3,463	\$ 4,510
Sales and marketing	2,742	2,768	5,146	6,219
Research and development	1,486	1,833	3,009	4,304
General and administrative	5,691	10,151	10,968	16,625
Restructuring and other charges	68	1,138	798	4,562
Other loss, net		610		610
Stock-based compensation for continuing operations	11,786	18,601	23,384	36,830
Stock-based compensation for discontinued operations	2,383	10,935	4,712	19,501
Total consolidated stock-based compensation	\$ 14,169	\$ 29,536	\$ 28,096	\$ 56,331

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Stock options:				
Volatility	41%	33%	47%	36%
Risk-free interest rate	1.80%	2.92%	1.54%	2.62%
Expected term	3.33 years	3.10 years	3.68 years	3.11 years
Dividend yield	Zero	Zero	Zero	Zero
Employee stock purchase plan awards:				
Volatility	n/a	n/a	54%	31%
Risk-free interest rate	n/a	n/a	0.47%	2.69%
Expected term	n/a	n/a	1.25 years	1.25 years
Dividend yield	n/a	n/a	Zero	Zero

VeriSign's expected volatility is based on the average of the historical volatility over the period commensurate with the expected term of the options and the mean historical implied volatility of traded options. The risk-free interest rates are derived from the average United States (U.S.) Treasury constant maturity rates during the respective periods commensurate with the expected term. The expected terms are based on an analysis of the observed and expected time to post-vesting exercise and/or cancellation of options. The Company does not

Table of Contents

anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option and award forfeitures and records stock-based compensation only for those options and awards that are expected to vest.

The following table presents the nature of the Company's total stock-based compensation, inclusive of amounts for discontinued operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Stock options	\$ 3,280	\$ 5,342	\$ 6,791	\$ 11,965
Employee stock purchase plans	2,668	6,167	5,388	14,694
Restricted stock units	8,485	7,218	15,966	15,186
Stock options/awards acceleration	457	11,385	1,389	15,630
Capitalization (1)	(721)	(576)	(1,438)	(1,144)
Total consolidated stock-based compensation	\$ 14,169	\$ 29,536	\$ 28,096	\$ 56,331

(1) The capitalized amount is included in Property and equipment, net.

During the six months ended June 30, 2009, the Company modified certain stock-based awards to accelerate the vesting of twenty-five percent (25%) of unvested in-the-money stock options outstanding and 25% of unvested restricted stock units outstanding on the termination dates of employees affected by divestitures and workforce reductions. The Company remeasured the fair value of these modified awards and recorded the charges over the future service periods, if any. The modification charges are included in restructuring for continuing operations as well as for discontinued operations.

In the second quarter of 2008, the Company modified certain stock-based awards outstanding for Mr. William A. Roper, Jr., the former chief executive officer. Pursuant to the settlement agreement with Mr. Roper, the Company accelerated the vesting of Mr. Roper's then unvested sign-on options, unvested sign-on restricted stock units, first-year options outstanding that would otherwise have vested had Mr. Roper remained employed with the Company through August 8, 2008, and one-third of the first-year restricted stock units outstanding. Upon acceleration of vesting of Mr. Roper's stock-based awards, the Company recognized an additional amount of \$5.4 million of stock-based compensation in general and administrative expenses during the second quarter of 2008.

Note 3. Assets Held for Sale and Discontinued Operations

In 2007, VeriSign announced a change to its business strategy to allow management to focus its attention on its core competencies and to make additional resources available to invest in its core businesses. The strategy calls for the divestiture or winding down of the following remaining non-core businesses in the Company's portfolio as of June 30, 2009: GSC, MSS (sold in July 2009), Messaging Services, and Pre-Pay billing and payment (Pre-Pay) Services. The Messaging Services business is comprised of Messaging and Mobile Media (MMM) Services and m-Qube Services. The m-Qube Services business is comprised of Content Portal Services (CPS) which was formerly reported as a separate disposal group held for sale as of December 31, 2008, and Mobile Delivery Gateway (MDG) Services which was formerly included as part of the MMM disposal group held for sale as of December 31, 2008. All of the remaining non-core businesses in the Company's portfolio, except for the Pre-Pay Services business, which the Company is currently in the process of winding down, are classified as disposal groups held for sale as of June 30, 2009, and their results of operations have been classified as discontinued operations for all periods presented.

Table of Contents

During the first quarter of 2009, the Company disaggregated its ESS disposal group held for sale as of December 31, 2008, into the following three businesses: (i) GSC, (ii) iDefense and (iii) MSS. The Company decided to retain its iDefense business and, accordingly, reclassified the assets and liabilities related to iDefense as held and used in 2009. The Company also reclassified the historical results of operations of iDefense from discontinued operations to continuing operations as part of Naming Services for all periods presented.

Completed Divestitures

On May 5, 2009, the Company sold its Real-Time Publisher (RTP) Services business which allows organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises, Web-portal developers, application developers and consumers. During the six months ended June 30, 2009, the Company recorded a gain on sale of \$7.7 million, net of an income tax benefit of \$5.8 million, including a reversal of estimated losses on disposal recorded prior to sale.

On May 1, 2009, the Company sold its Communications Services business which provides Billing and Commerce Services, Connectivity and Interoperability Services, and Intelligent Database Services to Transaction Network Services, Inc. (TNS) for cash consideration of \$226.2 million. During the six months ended June 30, 2009, the Company recorded a loss on sale of \$57.3 million, net of an income tax expense of \$55.3 million, including estimated losses on disposal recorded prior to sale. The cash consideration of \$226.2 million was determined after certain initial adjustments to reflect the parties' then-current estimate of working capital associated with the Communications Services business as of the closing date. This divestiture transaction will be subject to a final adjustment to reflect the final agreed-upon working capital balances as of the closing date.

On April 10, 2009, the Company sold its International Clearing business which enables financial settlement and call data settlement for wireless and wireline carriers. The Company recorded a gain on sale of \$12.2 million, net of an income tax benefit of \$6.0 million, primarily representing cumulative translation adjustments associated with the business.

Assets Held for Sale

The following table presents the carrying amounts of major classes of assets and liabilities related to assets held for sale as of June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
	(In thousands)	
Assets:		
Accounts receivable	\$ 25,917	\$ 58,588
Other current assets	60,236	63,516
Goodwill	103,798	237,177
Other long-lived assets	74,040	124,559
 Total assets held for sale	 \$ 263,991	 \$ 483,840
Liabilities:		
Accounts payable and accrued liabilities	\$ 41,845	\$ 35,853
Deferred revenues	7,740	13,307
 Total liabilities related to assets held for sale	 \$ 49,585	 \$ 49,160

Table of Contents

As of June 30, 2009, businesses classified as held for sale and presented as discontinued operations are the following:

Global Security Consulting

The Company's GSC business helps companies understand corporate security requirements, comply with all applicable regulations, identify security vulnerabilities, reduce risk, and meet the security compliance requirements applicable to the particular business and industry.

Managed Security Services

The Company's MSS business enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, every day of the year, while reducing the associated time, expense, and personnel commitments by relying on VeriSign's security platform and experienced security staff. VeriSign sold its MSS business on July 6, 2009, for a net consideration of \$42.9 million.

Messaging Services

The Company's Messaging Services business is comprised of the following two businesses:

Messaging and Mobile Media Services

The Company's MMM Services business consists of the InterCarrier Messaging, PictureMail, Premium Messaging Gateway, and Mobile Enterprise Service offerings. The MMM Services business is an industry-leading global provider of short-messaging, multimedia messaging, and mobile content application services. MMM Services enables messages and multimedia content to be sent globally across any wireless operator and mobile device. MMM Services offers the global connectivity, network reliability, and scalability necessary to capitalize on the fast growing global messaging and media content markets.

m-Qube Services

The Company's m-Qube Services business is comprised of CPS and MDG Services. CPS enables a seamless end-to-end business solution focused on providing best-in-class digital content storefront services. CPS can be used as a content delivery platform for games, ringtones, and other content services. CPS are provided to mobile carriers and media companies primarily located in Canada. MDG Services offer solutions to manage the complex operator interfaces, relationships, distribution, reporting and customer service for the delivery of premium mobile content to customers. The MDG messaging aggregation services enable short messaging and multimedia messaging service connectivity for content providers, aggregators and others to all wireless subscribers of certain carriers and/or countries and regions. MDG Services enable content providers to more rapidly expand their global reach.

The current and historical operations, gains and losses upon disposition, including estimated losses upon disposition, of these disposal groups are presented as discontinued operations for all periods presented in the Company's Condensed Consolidated Statements of Operations. The amounts presented represent direct operating costs of the disposal groups. The Company has determined direct costs consistent with the manner in which the disposal groups were structured and managed during the respective periods. Allocations of indirect costs such as corporate overhead and goodwill impairments that are not directly attributable to a disposal group have not been made.

For a period of time, the Company will continue to generate cash flows and will report income statement activity in continuing operations that are associated with these disposal groups and certain of the completed divestitures. The activities that will give rise to these impacts are transitional in nature and generally result from agreements that ensure and facilitate the orderly transfer of business operations. The nature, magnitude and

Table of Contents

duration of the agreements will vary depending on the specific circumstances of the service, location and/or business need. The agreements can include the following: logistics, customer service, support of financial processes, procurement, human resources, facilities management, data collection and information services. Existing agreements generally extend for periods less than 12 months.

During the three and six months ended June 30, 2009, the Company recorded net gains on disposals including net reversals of estimated losses on disposal, of \$22.1 million and \$26.1 million, respectively, which are included in discontinued operations. During the three and six months ended June 30, 2008, the Company recorded net losses on disposals, including estimated losses on disposal, of \$13.8 million and \$39.8 million, respectively, which are included in discontinued operations. Net gains on disposal are recorded on the date the sale of the disposal group is consummated. Full or partial reversals of previously reported estimated losses on disposals are recorded upon changes in the fair values and/or carrying values of the disposal groups.

The following table presents the revenues and the components of (Loss) income from discontinued operations, net of tax:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Revenues	\$ 69,783	\$ 148,885	\$ 172,437	\$ 307,096
Income (loss) before income taxes	\$ 10,745	\$ (45,516)	\$ 33,637	\$ (50,937)
Income tax expense (benefit)	5,307	(3,623)	13,283	(8,924)
Income (loss) from discontinued operations	5,438	(41,893)	20,354	(42,013)
Gain (loss) on sale of discontinued operations and estimated (losses) reversals on assets held for sale, before income taxes	22,087	(13,820)	26,071	(39,801)
Income tax expense (benefit)	36,057	(552)	36,331	(2,964)
Loss on sale of discontinued operations	(13,970)	(13,268)	(10,260)	(36,837)
Total (loss) income from discontinued operations, net of tax	\$ (8,532)	\$ (55,161)	\$ 10,094	\$ (78,850)

Note 4. Restructuring, Impairments and Other Charges

A comparison of restructuring, impairments and other charges is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Restructuring charges for continuing operations	\$ 408	\$ 6,054	\$ 5,183	\$ 22,315
Other charges for continuing operations	62	79,069	62	79,069
Total restructuring and other charges for continuing operations	470	85,123	5,245	101,384
Restructuring charges for discontinued operations	3,317	13,160	2,913	23,364
Impairments for discontinued operations		45,793		45,793
Total restructuring charges and impairments for discontinued operations	3,317	58,953	2,913	69,157
Total consolidated restructuring, impairments and other charges	\$ 3,787	\$ 144,076	\$ 8,158	\$ 170,541

Table of Contents*Restructuring Charges*

As part of its divestiture strategy, VeriSign initiated a restructuring plan in the first quarter of 2008 (the 2008 Restructuring Plan) which includes workforce reductions, abandonment of excess facilities and other exit costs. The restructuring charges in the table above are substantially related to the 2008 Restructuring Plan. Through June 30, 2009, VeriSign recorded a total of \$77.7 million in restructuring charges, inclusive of amounts for discontinued operations, under its 2008 Restructuring Plan.

The following table presents the nature of the restructuring charges:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(In thousands)				
Continuing operations:				
Workforce reduction severance and benefits	\$ 321	\$ 3,745	\$ 3,131	\$ 15,753
Workforce reduction stock-based compensation	68	1,138	798	4,562
Total workforce reduction	389	4,883	3,929	20,315
Excess facilities	19	274	1,254	288
Other exit costs		897		1,712
Total restructuring charges for continuing operations	\$ 408	\$ 6,054	\$ 5,183	\$ 22,315
Discontinued operations:				
Workforce reduction severance and benefits	\$ 2,716	\$ 9,297	\$ 2,183	\$ 19,084
Workforce reduction stock-based compensation	389	3,863	591	4,280
Total workforce reduction	3,105	13,160	2,774	23,364
Excess facilities	212		139	
Other exit costs				
Total restructuring charges for discontinued operations	\$ 3,317	\$ 13,160	\$ 2,913	\$ 23,364
Consolidated:				
Workforce reduction severance and benefits	\$ 3,037	\$ 13,042	\$ 5,314	\$ 34,837
Workforce reduction stock based compensation	457	5,001	1,389	8,842
Total workforce reduction	3,494	18,043	6,703	43,679
Excess facilities	231	274	1,393	288
Other exit costs		897		1,712
Total consolidated restructuring charges	\$ 3,725	\$ 19,214	\$ 8,096	\$ 45,679

As of June 30, 2009, the consolidated accrued restructuring costs are \$10.5 million and consist of the following:

Accrued Restructuring Costs at December 31, 2008	Restructuring Charges	Cash Payments (In thousands)	Non-cash	Accrued Restructuring Costs at June 30, 2009
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Workforce reduction	\$ 25,374	\$ 6,703	\$ (25,955)	\$ (1,388)	\$ 4,734
Excess facilities	6,583	1,393	(1,868)	(350)	5,758
Total accrued restructuring costs	\$ 31,957	\$ 8,096	\$ (27,823)	\$ (1,738)	\$ 10,492
Included in current portion of accrued restructuring costs					\$ 6,882
Included in long-term portion of accrued restructuring costs					\$ 3,610

Table of Contents

Cash payments totaling \$9.0 million related to the abandonment of excess facilities will be paid over the respective lease terms, the longest of which extends through 2016. The present value of future cash payments related to lease terminations due to the abandonment of excess facilities is expected to be as follows:

	Contractual Lease Payments	Anticipated Sublease Income (In thousands)	Net
2009 (remaining 6 months)	\$ 1,634	\$ (484)	\$ 1,150
2010	2,520	(527)	1,993
2011	2,308	(504)	1,804
2012	589	(223)	366
2013	422	(280)	142
Thereafter	942	(639)	303
	\$ 8,415	\$ (2,657)	\$ 5,758

As part of the 2008 Restructuring Plan, the Company anticipates recording additional charges related to its workforce reduction, excess facilities and other exit costs through 2009. The estimate of these charges is not yet finalized and the total amount and timing of these charges will depend upon the nature, timing, and extent of these future actions.

Impairments and Other Charges

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Impairments of goodwill for discontinued operations	\$	\$ 45,793	\$	\$ 45,793
Other charges for continuing operations	62	79,069	62	79,069
Total consolidated impairments and other charges	\$ 62	\$ 124,862	\$ 62	\$ 124,862

During the three and six months ended June 30, 2008, the Company recorded a goodwill impairment charge of \$45.8 million in discontinued operations related to its divested Post-Pay business.

During the three and six months ended June 30, 2008, the Company recorded a loss of \$79.1 million in continuing operations as a result of the sale of certain Mountain View facilities. The sale of the Mountain View facilities was consummated as a result of the 2008 Restructuring Plan to divest or wind down the Company's non-core businesses.

Note 5. Goodwill

The following table summarizes the changes in the carrying amount of goodwill allocated to the Company's Internet Infrastructure and Identity Services (3IS) segment during the six months ended June 30, 2009. There is no goodwill allocated to the Company's Other Services segment. For a description of our segments, see Note 10, Segment Information.

	3IS (In thousands)
Balance at December 31, 2008	\$ 283,109
Reclassification from assets held for sale	7,000
Other adjustments (1)	(428)

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Balance at June 30, 2009 \$ 289,681

- (1) Other adjustments consist of foreign exchange fluctuations.

Table of Contents

During the six months ended June 30, 2009, the Company disaggregated its ESS disposal group held for sale as of December 31, 2008, into the following three businesses: (i) GSC, (ii) iDefense, and (iii) MSS. The Company decided to retain its iDefense business and, accordingly, reclassified goodwill of \$7.0 million allocated to iDefense as held and used in 2009.

During the second quarter of 2009, the Company performed an annual impairment review of its Naming Services, Authentication Services and VeriSign Japan reporting units related to its core businesses, as well as for an indefinite-lived intangible asset related to the Company's .name generic top-level domain. The estimated fair value of each reporting unit was computed using a combination of the income approach and the market valuation approach. The Company tested goodwill for each of these reporting units for impairment by comparing the fair value of the reporting unit to its carrying value. Each of the reporting units reviewed for impairment had a fair value in excess of its carrying value and no further analysis was required. The estimated fair value of the indefinite-lived intangible asset related to the Company's .name generic top-level domain was computed using the income approach. There were no impairment charges for goodwill and other indefinite-lived intangible assets during the second quarter of 2009. Any changes to the Company's business strategy, growth assumptions and/or discounted cash flow projections could result in an impairment of its indefinite-lived intangible asset in future periods. The indefinite-lived intangible asset has a carrying amount of \$11.7 million as of June 30, 2009, and is included in Other intangible assets, net.

During the second quarter of 2008, the Company recorded a goodwill impairment charge of \$45.8 million in discontinued operations relating to its divested Post-Pay reporting unit.

Note 6. Other Balance Sheet Items*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Prepaid expenses	\$ 23,175	\$ 22,775
Deferred tax assets	65,529	64,482
Non-trade receivables	12,326	13,054
Receivables from buyers	29,597	14,899
Funds held by the Reserve	32,445	150,346
Other	4,088	2,622
Total prepaid expenses and other current assets	\$ 167,160	\$ 268,178

As of June 30, 2009, the Company had an aggregate of \$32.4 million held by The Reserve's Primary Fund (the Primary Fund) and The Reserve International Liquidity Fund, Ltd. (the International Fund), classified as Prepaid expenses and other current assets due to the lack of an active market. During the six months ended June 30, 2009, the Company received distributions of \$13.9 million and \$104.0 million from the Primary Fund and the International Fund, respectively. As of June 30, 2009, Receivables from buyers consists of receivables related to sale consideration of \$10.5 million and receivables for payments made on behalf of buyers under transition services agreements of \$19.1 million for certain divested businesses.

Table of Contents*Property and Equipment, Net*

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

	June 30, 2009	December 31, 2008
	(In thousands)	
Land	\$ 133,746	\$ 133,746
Buildings	129,757	135,242
Computer equipment and software	326,919	342,470
Capital work in progress	10,589	16,595
Office equipment, furniture and fixtures	14,790	15,491
Leasehold improvements	52,590	52,690
Total cost	668,391	696,234
Less: accumulated depreciation and amortization	(298,284)	(310,736)
Total property and equipment, net	\$ 370,107	\$ 385,498

Other Assets

Other assets consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Long-term deferred tax assets	\$ 4,727	\$ 2,562
Long-term investments	6,745	5,996
Debt issuance costs	12,775	13,233
Long-term restricted cash	2,061	1,858
Security deposits and other	9,869	14,469
Total other assets	\$ 36,177	\$ 38,118

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Accounts payable	\$ 27,630	\$ 30,690
Accrued employee compensation	72,760	109,958
Customer deposits, net	26,738	30,432
Taxes payable and other tax liabilities	39,250	18,173
Other accrued liabilities	72,407	74,282
Total accounts payable and accrued liabilities	\$ 238,785	\$ 263,535

Other Long-term Liabilities

Other long-term liabilities consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Other long-term liabilities	\$ 217	\$ 161
Long-term tax liability	16,037	15,549
Deferred tax liability	60,357	68,833
 Total other long-term liabilities	 \$ 76,611	 \$ 84,543

Table of Contents**Note 7. Stockholders Equity***Comprehensive Income (Loss)*

Comprehensive income (loss) consists of Net income (loss) adjusted for unrealized gains and losses on marketable securities classified as available-for-sale and foreign currency translation adjustments. The following table presents the components of Comprehensive income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Net income (loss)	\$ 35,772	\$ (68,189)	\$ 101,287	\$ (75,344)
Foreign currency translation adjustments	(4,905)	(7,365)	(14,859)	9,117
Change in unrealized gain (loss) on investments, net of tax	131	(513)	289	(316)
Comprehensive income (loss)	30,998	(76,067)	86,717	(66,543)
Less: Comprehensive income (loss) attributable to noncontrolling interest in subsidiary	2,090	(3,369)	(2,024)	5,158
Comprehensive income (loss) attributable to VeriSign Inc. common stockholders	\$ 28,908	\$ (72,698)	\$ 88,741	\$ (71,701)

Repurchase of Common Stock

In 2006, the Board of Directors authorized a stock repurchase program (the 2006 Stock Repurchase Program) with no expiration date to repurchase up to \$1.0 billion of its common stock. During the three and six months ended June 30, 2009, VeriSign repurchased approximately 0.9 million shares of its common stock at an average stock price of \$23.15 per share for an aggregate of \$20.0 million under the 2006 Stock Repurchase Program. As of June 30, 2009, approximately \$250.0 million is available under the 2006 Stock Repurchase Program.

In 2008, the Board of Directors authorized the 2008 Stock Repurchase Program (the 2008 Stock Repurchase Program) having an aggregate purchase price of up to \$1.28 billion of its common stock. As of June 30, 2009, \$680.0 million remained available for further repurchase under the 2008 Stock Repurchase Program.

Table of Contents**Note 8. Calculation of Net Income (Loss) Per Share Attributable to VeriSign Common Stockholders**

The Company computes basic net income (loss) per share attributable to VeriSign common stockholders by dividing net income (loss) attributable to VeriSign common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share attributable to VeriSign common stockholders gives effect to dilutive potential common equivalent shares, including unvested stock options, unvested restricted stock units, employee stock purchases and the conversion spread relating to the Convertible Debentures using the treasury stock method. The following table presents the computation of basic and diluted net income (loss) per share attributable to VeriSign common stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(In thousands, except per share data)				
Income (loss) attributable to VeriSign common stockholders:				
Income (loss) from continuing operations, net of tax	\$ 43,406	\$ (14,017)	\$ 89,800	\$ 1,611
(Loss) income from discontinued operations, net of tax	(8,532)	(55,161)	10,094	(78,850)
Net income (loss) attributable to VeriSign common stockholders	\$ 34,874	\$ (69,178)	\$ 99,894	\$ (77,239)
Weighted-average shares:				
Weighted-average shares of common stock outstanding	192,649	195,515	192,481	201,032
Weighted-average potential shares of common stock outstanding:				
Stock options	306		271	2,131
Unvested restricted stock awards	471		364	1,205
Conversion spread related to Convertible Debentures				1,655
Employee stock purchase plans				465
Shares used to compute diluted net income (loss) per share attributable to VeriSign common stockholders	193,426	195,515	193,116	206,488
Income (loss) per share attributable to VeriSign common stockholders:				
Basic:				
Continuing operations	\$ 0.23	\$ (0.07)	\$ 0.47	\$ 0.01
Discontinued operations	(0.05)	(0.28)	0.05	(0.39)
Net income (loss)	\$ 0.18	\$ (0.35)	\$ 0.52	\$ (0.38)
Diluted:				
Continuing operations	\$ 0.22	\$ (0.07)	\$ 0.47	\$ 0.01
Discontinued operations	(0.04)	(0.28)	0.05	(0.38)
Net income (loss)	\$ 0.18	\$ (0.35)	\$ 0.52	\$ (0.37)

Table of Contents

Weighted-average potential shares of common stock do not include stock options with an exercise price that exceeded the average fair market value of VeriSign's common stock for the periods presented. The following table sets forth the weighted-average potential shares of common stock that were excluded from the above calculation because their effect was anti-dilutive, and the respective weighted-average exercise prices of such weighted-average stock options outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 (1)	2009	2008
	(In thousands, except per share data)			
Weighted-average stock options outstanding	7,274	11,635	7,781	2,858
Weighted-average exercise price	\$ 28.39	\$ 25.59	\$ 28.25	\$ 33.87
Weighted-average restricted stock awards outstanding	1,246	4,357	1,800	48
Weighted-average conversion spread related to convertible debentures		3,053		
Employee stock purchase plans	287		428	

- (1) As the Company recognized a net loss from continuing operations during the three months ended June 30, 2008, all potential common shares were excluded as they were anti-dilutive.

Note 9. Junior Subordinated Convertible Debentures

In 2007, the Company issued \$1.25 billion principal amount of 3.25% convertible debentures due August 15, 2037, to an initial purchaser in a private offering. The Convertible Debentures are subordinated in right of payment to the Company's existing and future senior debt and to the other liabilities of the Company's subsidiaries. The Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company common stock at a conversion rate of 29.0968 shares of common stock per \$1,000 principal amount of Convertible Debentures, representing an initial effective conversion price of approximately \$34.37 per share of common stock. The conversion rate will be subject to adjustment for certain events as outlined in the Indenture governing the Convertible Debentures but will not be adjusted for accrued interest. As of June 30, 2009, the if-converted value of the Convertible Debentures does not exceed its principal amount.

Effective January 1, 2009, the Company retroactively adopted FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability (debt) and equity (conversion option) components of such instruments in a manner that reflects the borrowing rate for a similar non-convertible debt.

The Company calculated the carrying value of the liability component at issuance as the present value of its cash flows using a discount rate of 8.5% (borrowing rate for similar non-convertible debt with no contingent payment options), adjusted for the fair value of the contingent interest feature, yielding an effective interest rate of 8.39%. The carrying value of the liability component was determined to be \$550.5 million. The excess of the principal amount of the debt over the carrying value of the liability component is also called debt discount or equity component of the Convertible Debentures. The equity component of the Convertible Debentures on the date of issuance was \$700.7 million. The debt discount will be amortized using the Company's effective interest rate of 8.39% over the term of the Convertible Debentures as a non-cash charge to interest expense included in Other loss, net. As of June 30, 2009, the remaining term of the Convertible Debentures is 28.2 years.

Table of Contents

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

	June 30, 2009	December 31, 2008
	(In thousands)	
Carrying amount of equity component (net of issuance costs of \$14,449)	\$ 686,221	\$ 686,221
Principal amount of Convertible Debentures	\$ 1,250,000	\$ 1,250,000
Unamortized discount of liability component	(688,793)	(691,837)
Carrying amount of liability component	561,207	558,163
Contingent interest derivative	9,500	10,549
Convertible debentures, including contingent interest derivative	\$ 570,707	\$ 568,712

The table below presents the interest expense for the contractual interest and the amortization of debt discount:

	Three Months Ended June 30,	
	2009	2008
	(Dollars in thousands)	
Effective interest rate	8.39%	8.39%
Interest expense contractual interest	\$ 10,156	\$ 10,156
Interest expense amortization of discount on the liability component	\$ 1,544	\$ 1,422

	Six Months Ended June 30,	
	2009	2008
	(Dollars in thousands)	
Effective interest rate	8.39%	8.39%
Interest expense contractual interest	\$ 20,313	\$ 20,313
Interest expense amortization of discount on the liability component	\$ 3,056	\$ 2,798

The embedded features related to the contingent interest payments, over-allotment option, and the Company making specific types of distributions (e.g., extraordinary dividends) qualify as derivatives to be accounted for separately. The fair value of the derivatives at the date of issuance of the Convertible Debentures was \$11.4 million including \$7.8 million for the contingent interest payment features and \$3.6 million for the over-allotment option feature, which is accounted for as a discount on the Convertible Debentures. The over-allotment feature was revalued at \$12.6 million on the date of exercise at August 28, 2007, which is currently accounted for as a premium on the Convertible Debentures. The debt discount and the debt premium are being accreted to the face value of the Convertible Debentures as net interest expense over 30 years. The balances of the debt discount and debt premium are included in the carrying amount of the liability component.

Note 10. Segment Information*Description of segments*

The Company has the following two reportable segments: (1) 3IS, which consists of Naming Services and Authentication Services. Authentication Services is comprised of Business Authentication Services, formerly known as Secure Socket Layer (SSL) Certificate Services; and User Authentication Services, formerly known as Identity and Authentication Services; and (2) Other Services, which consists of the continuing operations of non-core businesses and legacy products and services from divested businesses.

Naming Services is the authoritative directory provider of all .com, .net, .cc, .tv, .name and .jobs domain names. Business Authentication Services enable enterprises and Internet merchants to implement and operate

Table of Contents

secure networks and websites that utilize SSL protocol. Business Authentication Services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. User Authentication Services include identity protection services, fraud detection services, managed public key infrastructure (PKI) services, and unified authentication services. User Authentication Services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials.

The Other Services segment consists of the continuing operations of the Company's non-core Pre-Pay billing and payment (Pre-Pay) Services business, as well as legacy products and services from the divested Content Delivery Network business. The Company is in the process of winding down the operations of the Pre-Pay Services business.

The segments were determined based on how the chief operating decision maker (CODM) views and evaluates VeriSign's operations. VeriSign's Chief Executive Officer on an interim basis has been identified as the CODM. Other factors, including customer base, homogeneity of products, technology and delivery channels, were also considered in determining the reportable segments.

The following tables present the results of VeriSign's reportable segments:

	3IS	Other Services (In thousands)	Total Segments
Three months ended June 30, 2009:			
Revenues:			
Naming Services	\$ 153,418	\$	\$ 153,418
Authentication Services	101,830		101,830
Other Services		1,371	1,371
Total revenues	255,248	1,371	256,619
Cost of revenues	46,173	946	47,119
	\$ 209,075	\$ 425	\$ 209,500

	3IS	Other Services (In thousands)	Total Segments
Three months ended June 30, 2008:			
Revenues:			
Naming Services	\$ 133,981	\$	\$ 133,981
Authentication Services	100,467		100,467
Other Services		7,585	7,585
Total revenues	234,448	7,585	242,033
Cost of revenues	38,393	3,020	41,413
	\$ 196,055	\$ 4,565	\$ 200,620

Table of Contents

	3IS	Other Services (In thousands)	Total Segments
Six months ended June 30, 2009:			
Revenues:			
Naming Services	\$ 301,726	\$	\$ 301,726
Authentication Services	205,734		205,734
Other Services		4,154	4,154
Total revenues	507,460	4,154	511,614
Cost of revenues	93,359	2,238	95,597
	\$ 414,101	\$ 1,916	\$ 416,017
Six months ended June 30, 2008:			
Revenues:			
Naming Services	\$ 261,198	\$	\$ 261,198
Authentication Services	197,096		197,096
Other Services		19,004	19,004
Total revenues	458,294	19,004	477,298
Cost of revenues	77,618	7,196	84,814
	\$ 380,676	\$ 11,808	\$ 392,484

A reconciliation of the totals reported for the reportable segments to the applicable line items in the Condensed Consolidated Statements of Operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Total revenues from reportable segments	\$ 256,619	\$ 242,033	\$ 511,614	\$ 477,298
Total cost of revenues from reportable segments	47,119	41,413	95,597	84,814
Unallocated operating expenses (1)	125,360	217,659	257,163	380,940
Operating income (loss)	84,140	(17,039)	158,854	11,544
Other loss, net	(10,266)	(5,219)	(14,559)	(8,858)
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	\$ 73,874	\$ (22,258)	\$ 144,295	\$ 2,686

- (1) Unallocated operating expenses include unallocated cost of revenues, sales and marketing, research and development, general and administrative, restructuring and other charges, and amortization of other intangible assets.

Table of Contents*Geographic Information*

The Company operates in the U.S.; Australia, Japan and Asia Pacific (APAC); Europe, the Middle East and Africa (EMEA); and certain other countries. The following table presents a comparison of the Company's geographic revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
U.S.	\$ 151,872	\$ 141,831	\$ 301,236	\$ 280,390
EMEA	53,527	51,286	106,534	100,382
APAC	33,654	33,780	69,339	65,855
Other	17,566	15,136	34,505	30,671
Total revenues	\$ 256,619	\$ 242,033	\$ 511,614	\$ 477,298

Revenues are generally attributed to the country of domicile and the respective regions in which the Company's customers are located.

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

	June 30,	December 31,
	2009	2008
	(In thousands)	
U.S.	\$ 346,092	\$ 357,607
APAC	15,036	19,176
EMEA	8,933	8,686
Other	46	29
Total property and equipment, net	\$ 370,107	\$ 385,498

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

Major Customers

One customer accounted for 15% and 14% of the Company's revenues from continuing operations during the three and six months ended June 30, 2009, respectively. One customer accounted for 12% of the Company's revenues from continuing operations for both the three and six months ended June 30, 2008. No customer accounted for 10% or more of accounts receivable at June 30, 2009, and December 31, 2008.

Note 11. Other Loss, Net

The following table presents the components of Other loss, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Interest income	\$ 1,126	\$ 2,728	\$ 2,569	\$ 11,023
Interest expense	(11,805)	(10,824)	(23,610)	(21,745)
Net gain on divestiture of businesses		2,127	909	954

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Unrealized (loss) gain on contingent interest derivative on convertible debentures	(125)	246	1,049	2,084
Income from transition services agreements	1,056	1,366	1,838	1,366
Other, net	(518)	(862)	2,686	(2,540)
Total other loss, net	\$ (10,266)	\$ (5,219)	\$ (14,559)	\$ (8,858)

Table of Contents

Interest income is earned principally from the investment of VeriSign's surplus cash balances. Interest expense is derived principally from interest on VeriSign's Convertible Debentures. During the six months ended June 30, 2009, Other, net, primarily consists of \$3.3 million received from Certicom Corporation (Certicom) due to the termination of the acquisition agreement entered into with Certicom during the three months ended March 31, 2009, and foreign exchange rate gains and losses. During the six months ended June 30, 2008, Other, net primarily consists of net foreign exchange rate losses.

Note 12. Income Taxes

During the three and six months ended June 30, 2009, the Company recorded income tax expense for continuing operations of \$29.6 million and \$53.1 million, respectively. During the three and six months ended June 30, 2008, the Company recorded income tax benefit for continuing operations of \$8.1 million and \$1.4 million, respectively. On February 20, 2009, the State of California enacted changes in tax laws that are expected to have a beneficial impact on the Company's effective tax rate beginning in 2011. As a result, the Company revalued certain state deferred tax assets and liabilities that are expected to reverse after the effective date of the change, and recognized a discrete income tax benefit adjustment of \$4.1 million during the six months ended June 30, 2009.

The Company applies a valuation allowance to certain deferred tax assets when management does not believe that it is more likely than not that they will be realized. These deferred tax assets consist primarily of investments with differing book and tax bases and net operating losses related to certain foreign operations.

As of June 30, 2009, and December 31, 2008, the Company had gross unrecognized tax benefits for income taxes associated with uncertain tax positions of \$33.5 million and \$31.9 million, respectively. As of June 30, 2009 and December 31, 2008, \$33.5 million and \$31.7 million, respectively, of unrecognized tax benefit, including penalties and interest could affect the Company's tax provision and effective tax rate. During the three and six months ended June 30, 2009, the Company recorded an increase in unrecognized tax benefits associated with uncertain tax positions of \$0.6 million and \$1.6 million, respectively.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of Income tax expense. During the three months ended June 30, 2009, and June 30, 2008, the Company expensed \$0.3 million and \$0.7 million, respectively, for interest and penalties related to income tax liabilities through Income tax expense.

The Company is not currently under examination by the Internal Revenue Service or the Virginia Department of Revenue. The Company is currently under examination by the California Franchise Tax Board for the years ended December 31, 2004 and December 31, 2005. Because the Company uses historic net operating loss carryforwards and other tax attributes to offset its taxable income in current and future years' income tax returns for U.S. Federal, California and Virginia, such attributes can be adjusted by these taxing authorities until the statute closes on the year in which such attribute was utilized. The Company is not currently under examination by the Japan National Tax Agency. The years which remain subject to examination by the Japan National Tax Agency are those ended on December 31, 2007 and December 31, 2008.

The balance of the gross unrecognized tax benefits is not expected to materially change in the next 12 months.

Table of Contents**Note 13. Fair Value of Financial Instruments***Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

	Total Fair Value as of June 30, 2009	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments in money market funds and time deposits	\$ 1,199,611	\$ 1,199,611	\$	\$
Equity investments	457	457		
Total	\$ 1,200,068	\$ 1,200,068	\$	\$
Liabilities:				
Foreign currency forward contracts	\$ 460	\$	\$ 460	\$
Contingent interest derivative on Convertible Debentures	9,500			9,500
Total	\$ 9,960	\$	\$ 460	\$ 9,500

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

The fair value of the Company's foreign currency forward contracts is based on foreign currency rates quoted by banks or foreign currency dealers and other public data sources. The Company recorded unrealized gains and losses related to changes in the fair value of its foreign currency forward contracts in Other loss, net. The Company recorded an unrealized gain of \$1.6 million and an unrealized loss of \$1.4 million during the three months ended June 30, 2009 and 2008, respectively, related to changes in the fair value of its foreign currency forward contracts. The Company recorded an unrealized gain of \$0.7 million and an unrealized loss of \$1.4 million during the six months ended June 30, 2009 and 2008, respectively, related to changes in the fair value of its foreign currency forward contracts.

Equity investments relate to the Company's investments in the securities of other public companies. The fair value of these investments is based on the quoted market prices of the underlying shares. Such investments are included in Prepaid expenses and other current assets.

The Company's Convertible Debentures have contingent interest payments that are considered to be an embedded derivative. The Company accounts for the embedded derivative separately from the Convertible Debentures at fair value, with gains and losses reported in Other loss, net. The Company has utilized a valuation model based on simulations of stock prices, interest rates, credit ratings and bond prices to estimate the value of the embedded derivative. The inputs to the model include risk adjusted interest rates, volatility and average yield curve observations and stock price. As several significant inputs are not observable, the overall fair value measurement of the embedded derivative is classified as Level 3.

Table of Contents

The following table summarizes the change in the fair value of the Company's Level 3 contingent interest derivative on Convertible Debentures during the six months ended June 30, 2009 (in thousands):

Fair value at December 31, 2008	\$ 10,549
Unrealized gain on contingent interest derivative on Convertible Debentures (1)	(1,049)
Fair value at June 30, 2009	\$ 9,500

(1) Included in Other loss, net.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

The Company measures its disposal groups held for sale at the lower of their carrying amount or fair value less cost to sell. The following table summarizes the Company's net assets of those disposal groups held for sale which are measured at fair value as of June 30, 2009:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Total gain for the three months ended June 30, 2009 (1)	Total gain for the six months ended June 30, 2009 (1)
		(In thousands)	
Net assets of disposal groups held for sale	\$ 154,500	\$ 15,550	\$ 11,664

(1) Included in (Loss) income from discontinued operations, net of tax.

The Company has classified the net assets of its disposal groups held for sale as Level 3 due to the lack of observable inputs to determine the fair values of such net assets. The fair value of net assets of disposal groups held for sale is determined considering active bids from potential buyers. Significant unobservable inputs used in the income or market valuation approaches primarily include internal cash flow projections, discount rates and control premium. Discount rates are calculated using mathematical models that utilize observable inputs such as risk-free interest rates and beta, adjusted for company specific characteristics. Control premium is determined based on industry studies.

During the three months ended June 30, 2009, net assets of the disposal groups held for sale which are measured at fair value as of June 30, 2009, with a carrying amount of \$138.9 million, were written up to their fair value of \$154.5 million less costs to sell of \$2.6 million (or \$151.9 million), resulting in a net reversal of estimated losses previously reported of \$15.6 million.

During the six months ended June 30, 2009, the Company recorded a net gain of \$11.7 million related to net reversals of estimated losses on the disposal groups which are measured at fair value as of June 30, 2009.

Other

The fair value of other financial instruments including accounts receivable, restricted cash and investments, and accounts payable, approximates the carrying amount, which is the amount for which the instrument could be exchanged in a current transaction between willing parties. The fair value of the Company's Convertible Debentures at June 30, 2009, is \$833.4 million, and is based on quoted market prices.

Table of Contents**Note 14. Contingencies***Legal Proceedings*

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the U.S. District Court for the District of Arizona asserting infringement of certain patents. The complaint alleged that VeriSign's Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of one of the patents and the Court has dismissed with prejudice all claims of infringement of such patent. In its ruling on the claim construction issues, the Court found some of the claims asserted against VeriSign to be valid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Only one claim remains in the case. On July 13, 2007, the Court issued an order granting summary judgment in favor of VeriSign based on the Court's finding that such claim is invalid, and denying all other pending dispositive motions. On August 29, 2007, plaintiff filed a Notice of Appeal. On September 19, 2007, the U.S. Court of Appeals for the Federal Circuit docketed the appeal. On October 20, 2008, the appellate court issued a decision that affirmed in part and reversed in part the summary judgment order and remanded the case for further proceedings in the trial court. VeriSign and NetMoney entered into a settlement agreement in July 2009. The case against VeriSign has been dismissed.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against VeriSign in the U.S. District Court for the Northern District of California, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in the U.S. District Court for the Northern District of California (Port Authority v. Bidzos, et al., and VeriSign), and one in the Superior Court of the State of California, Santa Clara County (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. The state court derivative action is stayed pending resolution of the federal actions. The current directors and officers named in this state action are D. James Bidzos, William L. Chenevich, Roger H. Moore and Louis A. Simpson. The Company is named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. The current directors and officers named in this consolidated federal action are D. James Bidzos, William L. Chenevich, Roger H. Moore, Louis A. Simpson and Timothy Tomlinson. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Those motions were granted on September 14, 2007. On November 16, 2007, a second amended shareholder derivative complaint was filed in the federal action wherein the Company was again named as a nominal defendant. By stipulation and Court order, defendants' obligation to respond to the second amended shareholder derivative complaint has been continued pending informal efforts by the parties to resolve the action.

On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in Superior Court for the State of California, Santa Clara County, naming the Company and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned the Company's common stock between April 3, 2002, and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin the Company from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The identical case was filed in the Superior Court for the State of California, Santa Clara County under a separate name (Pace v. Bidzos, et al., and VeriSign) on June 19, 2007, and on October 3, 2007 (Mehdian v. Bidzos, et al.). On December 3, 2007, a consolidated complaint was filed in Superior Court for the State of California, Santa Clara County. The current directors and officers named in this consolidated class action are D. James Bidzos, William L. Chenevich, Roger H. Moore, Louis A. Simpson and

Table of Contents

Timothy Tomlinson. VeriSign and the individual defendants dispute all of these claims. Defendants' collective pleading challenges to the putative consolidated class action complaint were granted with leave to amend in August 2008. By stipulation and Court order, plaintiff's obligation to file an amended consolidated class action complaint has been continued pending informal efforts by the parties to resolve the action.

On November 7, 2006, a judgment was entered against VeriSign by a trial court in Terni, Italy, in the matter of Penco v. VeriSign, Inc. in the amount of Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. The Company was granted a stay on execution of the judgment and the Company filed an appeal. On July 9, 2008, the appellate court rejected all of plaintiff's claims. On or about April 2, 2009, plaintiff filed an appeal in the Supreme Court of Cassation, Rome, Italy. VeriSign filed a Writ of Reply on May 5, 2009. While the Company cannot predict the outcome of these proceedings, it believes the allegations against it are without merit.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers (*Herbert*), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show *Deal or No Deal* to incur premium text message charges in order to participate in an interactive television promotion called *Lucky Case Game*. The lawsuit is pending in the U.S. District Court for the Central District of California, Western Division. On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers (*Bentley*), filed a complaint against VeriSign, m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show *The Apprentice* to incur premium text message charges in order to participate in an interactive television promotion called *Get Rich With Trump*. The Bentley matter is currently stayed. A motion to dismiss ruling in Herbert is on appeal in the U.S. Court of Appeals for the Ninth Circuit. While the Company cannot predict the outcome of any of these matters, it believes that the allegations in each of them are without merit and intends to vigorously defend against them.

On September 12, 2008, Leon Stambler filed a declaratory judgment complaint against VeriSign in the U.S. District Court for the Eastern District of Texas. The complaint seeks an order permitting Stambler to proceed with patent infringement actions against VeriSign SSL certificate customers in actions in which VeriSign is not a party in view of Stambler's prior unsuccessful action in 2003 against VeriSign on the same patents in which a verdict was returned against Stambler and a judgment was entered thereon. VeriSign has received requests to indemnify certain SSL certificate customers in the patent infringement actions brought by Stambler. VeriSign and Stambler entered into a confidential settlement agreement on June 1, 2009. The confidential settlement agreement with Stambler does not resolve the indemnity requests received from certain SSL certificate customers. The declaratory judgment complaint against VeriSign was dismissed on June 8, 2009.

On June 5, 2009, the U.S. Court of Appeals for the Ninth Circuit reversed and remanded a district court order dismissing a second amended complaint filed by plaintiff Coalition for ICANN Transparency, Inc. (*CFIT*). CFIT filed its initial complaint and an application for a temporary restraining order against VeriSign and ICANN in the U.S. District Court for the Northern District of California on November 28, 2005, asserting claims under Sections 1 and 2 of the Sherman Antitrust Act (the *Sherman Act*), the Cartwright Act, and Cal. Bus. & Prof. Code § 17200. The district court denied CFIT's application for a temporary restraining order on November 30, 2005. Shortly after the action was initiated and CFIT's application was denied, the district court granted defendants' Motion for Judgment on the Pleadings on February 28, 2006, with leave to amend. CFIT filed a First Amended Complaint on March 14, 2006. The Court granted defendants' Motion to Dismiss the First Amended Complaint, with leave to amend, on December 8, 2006. CFIT filed a Second Amended Complaint on December 28, 2006; ICANN was not included as a defendant in the Second Amended Complaint. The Second Amended Complaint, which VeriSign has not yet answered, asserted claims, among others, under Sections 1 and 2 of the Sherman Act against VeriSign, challenging in part VeriSign's conduct in entering into, and the pricing, renewal and certain other terms of, the *.com* and *.net* registry agreements with ICANN. The same renewal and pricing terms in the *.com* registry agreement are incorporated by reference in the Cooperative Agreement between VeriSign and the U.S. Department of Commerce, which approved the *.com* Registry Agreement as in the

Table of Contents

public interest. The Court granted VeriSign's Motion to Dismiss the Second Amended Complaint on May 14, 2007, without leave to amend, and entered judgment for VeriSign. CFIT filed a Notice of Appeal to the U.S. Court of Appeals for the Ninth Circuit on June 13, 2007. After briefing, the appeal was argued on December 8, 2008. The Ninth Circuit filed its Opinion reversing and remanding the dismissal of the Second Amended Complaint on June 5, 2009. VeriSign filed a motion for rehearing in the Ninth Circuit on July 2, 2009. While the Company cannot predict the outcome of these proceedings, it believes the allegations against it are without merit and intends to vigorously defend against them.

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

Note 15. Subsequent Events

On July 6, 2009, the Company sold its MSS business for a net consideration of \$42.9 million.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix.

Forward-looking statements include, among others, those statements including the words expects, anticipates, intends, believes and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q. You should also carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2009 and our 2008 Form 10-K, which was filed on March 3, 2009, which discuss our business in greater detail. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We are the trusted provider of Internet infrastructure services for the networked world. We offer a comprehensive spectrum of products and services that help a growing number of organizations and individuals to communicate and conduct commerce with confidence.

We have the following two reportable segments: Internet Infrastructure and Identity Services (3IS) which consists of Naming Services and Authentication Services. Authentication Services is comprised of Business Authentication Services, formerly known as Secure Socket Layer (SSL) Certificate Services; and User Authentication Services, formerly known as Identity and Authentication Services; and (2) Other Services, which consists of the continuing operations of non-core businesses and legacy products and services from divested businesses. See Note 10,

Segment Information, for further information regarding our reportable segments. In our 2008 Form 10-K, we presented VeriSign Japan as a separate component of our 3IS segment. Beginning in the first quarter of 2009, we have reclassified the results of operations of VeriSign Japan into the results of operations of our Authentication Services which is also a component of our 3IS segment, as VeriSign Japan is a majority-owned subsidiary whose operations primarily consist of Business and User Authentication Services.

Naming Services is the authoritative directory provider of all .com, .net, .cc, .tv, .name and .jobs domain names. Business Authentication Services enable enterprises and Internet merchants to implement and operate secure networks and websites that utilize SSL protocol. Business Authentication Services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt communications between client browsers and Web servers. User Authentication Services includes identity protection services, fraud detection services, managed public key infrastructure (PKI) services, and unified authentication services. User Authentication Services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. The Other Services segment consists of the continuing operations of our non-core Pre-Pay billing and payment (Pre-Pay) Services business, as well as legacy products and services from the divested Content Delivery Network (CDN) business. We are in the process of winding down the operations of the Pre-Pay Services business.

During the fourth quarter of 2007, we announced a change to our business strategy to allow management to focus its attention on our core competencies and to make additional resources available to invest in our core

Table of Contents

businesses. The strategy calls for a divestiture or winding down of all the non-core businesses. These businesses, except the Pre-Pay Services business, are classified as disposal groups held for sale as of June 30, 2009, and their results of operations have been classified as discontinued operations for all periods presented. The continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions, including further developments in the current global economic environment and potential continued deterioration of the credit markets. While we are executing our divestiture plan, we will experience additional risks, including, but not limited to the disruption of our business and the potential loss of key employees; difficulties separating operations, services, products and personnel; the potential damage to relationships with our existing customers; and the delay in completion of transition services. For example, our divestiture plan requires a substantial amount of management, administrative and operational resources. Once our divestiture plan is completed, the scale and scope of our operations will decrease in absolute terms, which we expect will allow our remaining core services to benefit from a more efficient and streamlined operational structure. However, we cannot assure you that we will be able to achieve the full strategic and financial benefits we expect from the divestiture of our non-core businesses and there is no guarantee that the planned divestitures will occur or will not be significantly delayed, all of which may result in future variability in our results of operations. By divesting our non-core businesses, additional resources should be available to invest in our core services that will remain: Naming Services and Authentication Services.

Our Core Services

Our core services consist of our Naming Services and Authentication Services.

Naming Services

As of June 30, 2009, we had approximately 93.5 million domain names registered under the *.com* and *.net* registries, which are our principal registries. The number of domain names registered is largely driven by Internet usage and broadband penetration rates. Although growth in absolute number of registrations remains greatest in mature markets such as the United States (U.S.) and Western Europe, growth on an annual percentage basis is expected to be greatest in markets outside of the U.S. and Western Europe where Internet penetration has demonstrated the greatest potential for growth. We are largely insulated from the risk posed by fluctuations in exchange rates due to the fact that all revenues paid to us for *.com* and *.net* registrations are in U.S. dollars.

Authentication Services***Business Authentication Services***

We currently offer the following Business Authentication Services: VeriSign[®], thawte[®], and GeoTrust[®] branded SSL certificates. As of June 30, 2009, we had an installed base of SSL certificates of approximately 1.2 million. The major factors impacting the growth and performance of our Business Authentication Services are the penetration and adoption of the Internet, especially through broadband services, the spread of e-commerce, the utilization of electronic means for executing financial transactions (such as credit card payments), and the extent to which advertising through search engines encourages consumers to engage in e-commerce. As a result of the growing impact of the Internet on global commercial transactions and the current economic environment, we expect continued but slowing revenue growth in our business, primarily in markets outside of the U.S. where e-commerce has the largest growth potential.

User Authentication Services

As with our Business Authentication Services, the major factors impacting the growth and performance of our User Authentication Services are the penetration and adoption of the Internet, especially through broadband services, the spread of e-commerce, the utilization of electronic means for executing financial transactions (such as credit card payments), and the extent to which advertising through search engines encourages consumers to engage in e-commerce.

Table of Contents

From time to time we engage in promotional activities in both our Naming Services and Authentication Services.

Business Highlights and Trends Three and six months ended June 30, 2009

We recorded revenues of \$256.6 and \$511.6 million during the three and six months ended June 30, 2009, an increase of 6% and 7%, respectively, as compared to the same periods last year. The increase was primarily due to an increase in revenues from both our Naming Services as well as Authentication Services.

We recorded income from continuing operations of \$43.4 million and \$89.8 million during the three and six months ended June 30, 2009, respectively, compared to a loss from continuing operations of \$14.0 million and income from continuing operations of \$1.6 million during the three and six months ended June 30, 2008, respectively. The increase is primarily due to an increase in revenues, a decrease in operating costs and expenses due to the implementation of strategic cost-saving initiatives and a decrease in restructuring charges.

We received \$18.3 million and \$104.0 million from The Reserve International Liquidity Fund, Ltd. (the International Fund) during the three and six months ended June 30, 2009, respectively. We received \$5.6 million and \$13.9 million from The Reserve's Primary Fund (the Primary Fund) during the three and six months ended June 30, 2009, respectively. As of June 30, 2009, we have an aggregate of \$32.4 million outstanding in the Primary Fund and the International Fund.

On May 5, 2009, we sold our Real-Time Publisher (RTP) Services business. During the three and six months ended June 30, 2009, we recorded a gain on sale of \$7.7 million, net of an income tax benefit of \$5.8 million, including a reversal of estimated losses on disposal recorded prior to sale.

On May 1, 2009, we sold our Communications Services business to Transaction Network Services, Inc. (TNS) for cash consideration of \$226.2 million. During the three and six months ended June 30, 2009, we recorded a loss on sale of \$57.3 million, net of an income tax expense of \$55.3 million, including estimated losses on disposal recorded prior to sale.

On April 10, 2009, we sold our International Clearing business which enables financial settlement and call data settlement for wireless and wireline carriers. During the three and six months ended June 30, 2009, we recorded a gain on sale of \$12.2 million, net of an income tax benefit of \$6.0 million, primarily representing cumulative translation adjustments associated with the business.

Assets Held for Sale and Discontinued Operations

During the first quarter of 2009, we disaggregated our Enterprise and Security Services (ESS) disposal group held for sale as of December 31, 2008, into the following three businesses: (i) Global Security Consulting (GSC), (ii) iDefense Security Intelligence Services (iDefense) and (iii) Managed Security Services (MSS). We decided to retain our iDefense business and, accordingly, reclassified the assets and liabilities related to iDefense as held and used in 2009. We also reclassified the historical results of operations of iDefense from discontinued operations to continuing operations as part of Naming Services for all periods presented. See Note 3, Assets Held for Sale and Discontinued Operations, of our Notes to Condensed Consolidated Financial Statements for further information.

As of June 30, 2009, businesses classified as held for sale and presented as discontinued operations are the following:

Global Security Consulting

Our GSC business, part of our former ESS disposal group, helps companies understand corporate security requirements, comply with all applicable regulations, identify security vulnerabilities, reduce risk, and meet the security compliance requirements applicable to the particular business and industry.

Table of Contents

Managed Security Services

Our MSS business, part of our former ESS disposal group, enables enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, every day of the year, while reducing the associated time, expense, and personnel commitments by relying on VeriSign's security platform and experienced security staff. We sold our MSS business on July 6, 2009, for a net consideration of \$42.9 million.

Messaging Services

Our Messaging Services business consists of the following two businesses:

Messaging and Mobile Media Services

Our Messaging and Mobile Media (MMM) Services business consists of the InterCarrier Messaging, PictureMail, Premium Messaging Gateway, and Mobile Enterprise Service offerings. The MMM Services business is an industry-leading global provider of short-messaging, multimedia messaging, and mobile content application services. MMM Services enables messages and multimedia content to be sent globally across any wireless operator and mobile device. MMM Services offers the global connectivity, network reliability, and scalability necessary to capitalize on the fast growing global messaging and media content markets.

m-Qube Services

Our m-Qube Services business is comprised of Mobile Delivery Gateway (MDG) Services and CPS. MDG Services offer solutions to manage the complex operator interfaces, relationships, distribution, reporting and customer service for the delivery of premium mobile content to customers. MDG messaging aggregation services enable short messaging and multimedia messaging service connectivity for content providers, aggregators and others to all wireless subscribers of certain carriers and/or countries and regions. MDG services enable content providers to more rapidly expand their global reach. CPS enables a seamless end-to-end business solution focused on providing best-in-class digital content storefront services. CPS can be used as a content delivery platform for games, ringtones, and other content services. CPS are provided to mobile carriers and media companies primarily located in Canada.

Subsequent Events

On July 6, 2009, we sold our MSS business for a net consideration of \$42.9 million.

Table of Contents**Results of Operations**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	100%	100%	100%	100%
Costs and expenses				
Cost of revenues	22	23	23	24
Sales and marketing	18	18	16	19
Research and development	9	10	9	10
General and administrative	17	20	18	22
Restructuring and other charges		35	1	21
Amortization of other intangible assets	1	1	1	1
Total costs and expenses	67	107	68	97
Operating income (loss)	33	(7)	32	3
Other loss, net	(4)	(2)	(4)	(2)
Income (loss) from continuing operations before income taxes and income (loss) from unconsolidated entities	29	(9)	28	1
Income tax expense (benefit)	12	(3)	10	
Income (loss) from unconsolidated entities, net of tax				
Income (loss) from continuing operations, net of tax	17	(6)	18	1
(Loss) income from discontinued operations, net of tax	(3)	(23)	2	(17)
Net income (loss)	14	(29)	20	(16)
Less: Net income attributable to noncontrolling interest in subsidiary				
Net income (loss) attributable to VeriSign common stockholders	14%	(29)%	20%	(16)%

Revenues

We have two reportable segments: 3IS and Other Services. A comparison of revenues is presented below:

	Three Months Ended June 30,		% Change
	2009 (Dollars in thousands)	2008	
3IS:			
Naming Services	\$ 153,418	\$ 133,981	15%
Authentication Services	101,830	100,467	1%
Total 3IS	255,248	234,448	9%
Other Services	1,371	7,585	(82)%

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Total revenues	\$ 256,619	\$ 242,033	6%
	Six Months Ended June 30,		%
	2009	2008	Change
	(Dollars in thousands)		
3IS:			
Naming Services	\$ 301,726	\$ 261,198	16%
Authentication Services	205,734	197,096	4%
Total 3IS	507,460	458,294	11%
Other Services	4,154	19,004	(78)%
Total revenues	\$ 511,614	\$ 477,298	7%

Table of Contents

The changes in revenues during the three and six months ended June 30, 2009, are described in the segment discussions that follow.

3IS:*Naming Services*

Revenues related to our Naming Services are derived from registrations for domain names in the *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain name registries. Revenues from *.cc*, *.tv*, *.name* and *.jobs* are not significant. For domain names registered with the *.com* and *.net* registries, we receive a fee per annual registration that is fixed pursuant to our agreements with the Internet Corporation for Assigned Names and Numbers (ICANN). Individual customers contract directly with third-party registrars or their resellers, and the third-party registrars in turn register the *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain names with VeriSign. Changes in revenues are driven largely by increases in the number of new domain name registrations and the renewal rate for existing registrations, as well as fee increases as permitted under our agreements with ICANN. As of June 30, 2009, we have the contractual right to increase the fees for *.com* domain name registrations up to 7% each year during any two years over the remaining term of our agreement with ICANN through November 30, 2012. As of June 30, 2009, we have the contractual right to increase the fees for *.net* domain name registrations up to 10% each year during the remaining three years of our agreement with ICANN through June 30, 2011. We frequently offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate.

The following table compares active domain names ending in *.com* and *.net* managed as part of our Naming Services as of June 30, 2009 and 2008:

	2009	June 30, 2008	%
			Change
Active domain names ending in <i>.com</i> and <i>.net</i>	93.5 million	87.3 million	7%

During the three and six months ended June 30, 2009, the growth in the number of domain names registered was primarily driven by continued Internet growth and adoption primarily within international markets and new domain name promotion programs. We expect that new name registrations and renewals from customers engaged in the business of registering domain names for the purpose of on-line advertising networks will continue to have a diminishing impact on our domain name base through 2009. During 2008, we started seeing signs of the slowing of growth in some areas of new traditional name registrations due to the current macro-economic environment. We expect that the current and expected state of the economic environment may contribute to a continued slowing of growth rates in 2009 for the total worldwide domain name zone as well as for the *.com* and *.net* domain name zones under our management, even as we continue to add to the net names in our domain name zones in absolute terms. We continue to experience growth in targeted international markets where we have focused efforts to develop regions of growth with potential in both our *.com* and *.net* domain name zones over time.

Our Naming Services revenues increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to a 7% year-over-year increase in the number of active domain names ending in *.com* and *.net* and increases in our *.com* and *.net* registry fees in October 2008 of 7% and 10%, respectively, to \$6.86 and \$4.23, respectively as per our agreements with ICANN.

Authentication Services

Our Authentication Services revenues increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to an 11% year-over-year increase in the installed base of SSL certificates and increased demand for our unified authentication and identity protection services.

Table of Contents*Business Authentication Services*

Revenues related to our Business Authentication Services are derived from licensing and service fees charged to our customers for the issuance of SSL certificates that authenticate their identity to the third parties with whom they carry out secured transactions. Revenues in the Business Authentication Services are related to fees charged per certificate, which are based upon a number of factors, including: (i) the brand name under which the certificate is issued, which determines the level of encryption and rigor of authentication; (ii) the number of servers authenticated, and (iii) the duration of the certification.

The following table compares the approximate installed base of SSL certificates in our Business Authentication Services as of June 30, 2009 and 2008:

	June 30,		%
	2009	2008	Change
Installed base of SSL certificates	1,172,000	1,056,000	11%

During the three and six months ended June 30, 2009, our installed base of SSL certificates from our GeoTrust® and thawte® brands increased at a higher rate than our higher-priced VeriSign® brand, and as a result, our average-unit-revenue decreased compared to prior periods. We expect that the number of our SSL certificates issued will continue to increase at a higher rate than the revenues recognized from our Business Authentication Services. As we have a market share leadership at the high end of the SSL certificates market, our unit growth rate for the high end is limited by the overall segment growth. In the mid and low segments, we expect to see good growth opportunities for market share gains as these markets are growing faster than the high end market. Our Extended Validation (EV) SSL certificate sales, while still a small portion of our Business Authentication Services, continue to increase year-over-year. Due to the effect of the economic slowdown, however, EV SSL certificates adoption has slowed as large-scale customers delay their orders. We expect the mainstream adoption of EV SSL certificates will be deferred until we see improvements in the macro-economic environment. The weakening economy is affecting our Business Authentication Services and, while we expect to experience growth, we expect those growth rates to decline in 2009 compared to 2008.

User Authentication Services

Revenues related to our User Authentication Services are derived from one-time credential sales to customers seeking network services and one-time set-up fees. We also charge an annual service fee based upon the number of individual users authorized by the customer to access its network and a customer support fee. Our managed PKI services are characterized by lower growth rates than other product lines within User Authentication Services, reflecting the greater maturity of our managed PKI services. We expect User Authentication Services revenues to continue to grow in 2009 primarily from growth in our VeriSign Identity Protection (VIP) services and fraud detection services, but at a lower growth rate than in 2008.

Other Services

Other services revenues are derived from our non-core Pre-Pay Services business as well as legacy products and services from divested businesses. We are in the process of winding down the operations of our Pre-Pay Services business.

Other services revenues decreased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to a decrease in revenues from our Pre-Pay Services business resulting from management's decision to wind down the business, the divestiture of our CDN business in 2008 and termination of revenues from a service agreement with our former Jamba joint ventures.

Table of Contents

Our expectations and trends for our segments are based on what we are observing and can project about the current macro-economic environment. Our outlook is subject to broader changes in the market and could alter significantly over time.

Geographic Revenues

We operate in the U.S.; Australia, Japan and Asia Pacific (APAC); Europe, the Middle East and Africa (EMEA); and certain other countries.

A comparison of our geographic revenues is presented below:

	Three Months Ended June 30,		% Change
	2009	2008	
	(Dollars in thousands)		
U.S.	\$ 151,872	\$ 141,831	7%
EMEA	53,527	51,286	4%
APAC	33,654	33,780	(0)%
Other	17,566	15,136	16%
Total revenues	\$ 256,619	\$ 242,033	6%

	Six Months Ended June 30,		% Change
	2009	2008	
	(Dollars in thousands)		
U.S.	\$ 301,236	\$ 280,390	7%
EMEA	106,534	100,382	6%
APAC	69,339	65,855	5%
Other	34,505	30,671	13%
Total revenues	\$ 511,614	\$ 477,298	7%

Revenues are generally attributed to the country of domicile and the respective regions in which our customers are located.

Revenues from the U.S. increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to increases in revenues from our Naming Services and Authentication Services. Revenues from the EMEA region increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to an increase in revenues from our Naming Services. Revenues from the APAC region increased during the six months ended June 30, 2009, as compared to the same period last year, primarily due to an increase in revenues from our Authentication Services. Revenues from Other regions increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to increases in revenues from our Naming Services and Authentication Services.

Mature markets, such as the U.S. and Western Europe, where broadband and e-commerce have seen strong market penetration, may be expected to see consistent incremental growth reflecting the maturity of these markets. We expect to see larger increases in revenues from other EMEA and APAC countries driven by greater growth in international regions, resulting from greater broadband and Internet penetration and expanding e-commerce as electronic means of payment are increasingly adopted.

Cost of revenues

Cost of revenues consist primarily of costs related to providing digital certificate enrollment and issuance services, billing services, operational costs associated with the delivery of our services, customer support and

Table of Contents

training, consulting and development services, labor costs to provide security, costs of facilities and computer equipment used in these activities and allocations of indirect costs such as corporate overhead. All allocations of indirect costs are included in continuing operations.

A comparison of cost of revenues is presented below:

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2009	2008	Change	2009	2008	Change
	(Dollars in thousands)			(Dollars in thousands)		
Cost of revenues	\$ 57,476	\$ 55,748	3%	\$ 117,784	\$ 115,233	2%

Cost of revenues increased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to increases in registry fees paid to ICANN to maintain domain name registrations and outside consulting costs, and telecommunication expenses, partially offset by decreases in salary and employee benefits, and allocated overhead expenses. Registry fees paid to ICANN increased primarily due to an increase in the number of .com and .net domain names registered coupled with an increase in the cost of registry fees effected in the latter half of fiscal 2008 per the ICANN agreement. Outside consulting costs increased primarily resulting from an increase in projects associated with our Naming Services. Telecommunication expenses increased primarily due to increased spending on capacity for global constellation sites that support our .com and .net registries and an increase in expenses to support our new data centers that became operational in the latter half of 2008. Salary and employee benefits, which include stock-based compensation, and allocated overhead expenses decreased primarily due to a reduction in average headcount resulting from the 2008 restructuring plan and decreased corporate overhead expenses.

Sales and marketing

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

A comparison of sales and marketing expenses is presented below:

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2009	2008	Change	2009	2008	Change
	(Dollars in thousands)			(Dollars in thousands)		
Sales and marketing	\$ 45,299	\$ 43,550	4%	\$ 83,326	\$ 92,133	(10)%

Sales and marketing expenses increased during the three months ended June 30, 2009, as compared to the same period last year, primarily due to an increase in advertising and marketing expenses, partially offset by a decrease in salary and employee benefits and travel expenses.

Advertising and marketing expenses increased primarily due to increased spending as a result of management's strategy to increase market penetration of our Business Authentication Services. Salary and employee benefits, which include stock-based compensation, decreased primarily due to lower average headcount resulting from the 2008 restructuring plan. Travel expenses decreased primarily due to lower average headcount and management's cost-saving initiatives.

Sales and marketing expenses decreased during the six months ended June 30, 2009, as compared to the same period last year, primarily due to a decrease in salary and employee benefits, and travel expenses. Salary and employee benefits, which include stock-based compensation, decreased primarily due to lower average headcount resulting from the 2008 restructuring plan and the divestiture of our Content Delivery Network (CDN) business in April 2008. Travel expenses decreased primarily due to lower average headcount and management's cost-saving initiatives.

Table of Contents**Research and development**

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

A comparison of research and development expenses is presented below:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2009 (Dollars in thousands)	2008 (Dollars in thousands)		2009 (Dollars in thousands)	2008 (Dollars in thousands)	
Research and development	\$ 23,234	\$ 23,540	(1)%	\$ 48,036	\$ 48,764	(1)%

Research and development expenses decreased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to decreases in salary and employee benefits, partially offset by an increase in depreciation expenses. Salary and employee benefits, which include stock-based compensation, decreased primarily due to lower average headcount resulting from the 2008 restructuring plan, the divestiture of our CDN business in April 2008, and the ongoing wind-down of our Pre-Pay Services business. Depreciation expenses increased primarily due to an increase in capitalized projects placed into service during the latter half of 2008.

General and administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees, bad debt expense and allocations of indirect costs such as corporate overhead. All allocations of indirect costs are included in continuing operations.

A comparison of general and administrative expenses is presented below:

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2009 (Dollars in thousands)	2008 (Dollars in thousands)		2009 (Dollars in thousands)	2008 (Dollars in thousands)	
General and administrative	\$ 42,939	\$ 48,574	(12)%	\$ 92,087	\$ 103,065	(11)%

General and administrative expenses decreased during the three and six months ended June 30, 2009, as compared to the same periods last year, primarily due to decreases in salary and employee benefits, and contractor and professional services; partially offset by an increase in legal expenses. Salary and employee benefits, which include stock-based compensation, decreased primarily due to lower average headcount resulting from the 2008 restructuring plan. Contractor and professional services decreased primarily due to decreased professional services costs incurred for accounting and auditing services. Legal expenses increased primarily due to reversals of certain previously accrued litigation expenses recorded in the first half of 2008.

Table of Contents**Restructuring, impairments and other charges**

A comparison of restructuring, impairments and other charges is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Restructuring charges for continuing operations	\$ 408	\$ 6,054	\$ 5,183	\$ 22,315
Other charges for continuing operations	62	79,069	62	79,069
Total restructuring and other charges for continuing operations	470	85,123	5,245	101,384
Restructuring charges for discontinued operations	3,317	13,160	2,913	23,364
Impairments for discontinued operations		45,793		45,793
Total restructuring charges and impairments for discontinued operations	3,317	58,953	2,913	69,157
Total consolidated restructuring, impairments and other charges	\$ 3,787	\$ 144,076	\$ 8,158	\$ 170,541

Restructuring Charges

As part of our divestiture strategy, we initiated a restructuring plan in the first quarter of 2008 (2008 Restructuring Plan) which includes workforce reductions, abandonment of excess facilities and other exit costs. The restructuring charges in the table above are substantially related to the 2008 Restructuring Plan. Through June 30, 2009, we recorded \$77.7 million in restructuring charges, inclusive of amounts for discontinued operations, under our 2008 Restructuring Plan.

The following table presents the nature of the restructuring charges:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Continuing operations:				
Workforce reduction severance and benefits	\$ 321	\$ 3,745	\$ 3,131	\$ 15,753
Workforce reduction stock-based compensation	68	1,138	798	4,562
Total workforce reduction	389	4,883	3,929	20,315
Excess facilities	19	274	1,254	288
Other exit costs		897		1,712
Total restructuring charges for continuing operations	\$ 408	\$ 6,054	\$ 5,183	\$ 22,315
Discontinued operations:				
Workforce reduction severance and benefits	\$ 2,716	\$ 9,297	\$ 2,183	\$ 19,084
Workforce reduction stock-based compensation	389	3,863	591	4,280
Total workforce reduction	3,105	13,160	2,774	23,364
Excess facilities	212		139	
Other exit costs				

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Total restructuring charges for discontinued operations	\$ 3,317	\$ 13,160	\$ 2,913	\$ 23,364
Consolidated:				
Workforce reduction severance and benefits	\$ 3,037	\$ 13,042	\$ 5,314	\$ 34,837
Workforce reduction stock based compensation	457	5,001	1,389	8,842
Total workforce reduction	3,494	18,043	6,703	43,679
Excess facilities	231	274	1,393	288
Other exit costs		897		1,712
Total consolidated restructuring charges	\$ 3,725	\$ 19,214	\$ 8,096	\$ 45,679

Table of Contents

As part of the 2008 Restructuring Plan, we anticipate recording additional charges related to our workforce reduction, excess facilities and other exit costs through 2009. While the estimate of these charges is not yet finalized, the total amount and timing of these charges will depend upon the nature, timing, and extent of these future actions.

Impairments and Other Charges

During the three and six months ended June 30, 2008, we recorded a goodwill impairment charge of \$45.8 million in discontinued operations related to our divested Post-Pay business.

During the three and six months ended June 30, 2008, we recorded a loss of \$79.1 million in continuing operations as a result of the sale of certain Mountain View facilities. The sale of the Mountain View facilities was consummated as a result of our 2008 Restructuring Plan to divest or wind down our non-core businesses.

Other loss, net

Other loss, net, consists primarily of interest earned on our cash, cash equivalents, and investments, interest expense related to our borrowings, net gains or losses on the divestiture of certain businesses, realized and unrealized gains and losses on the contingent interest derivative on the Convertible Debentures, income from transition services agreements, and the net effect of foreign currency gains and losses. The net effect of foreign currency gains and losses is included in Other, net, in the table below.

A comparison of other loss, net, is presented below:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	(In thousands)			
Interest income .	\$ 1,126	\$ 2,728	\$ 2,569	\$ 11,023
Interest expense	(11,805)	(10,824)	(23,610)	(21,745)
Net gain on divestiture of businesses		2,127	909	954
Unrealized (loss) gain on contingent interest derivative on convertible debentures	(125)	246	1,049	2,084
Income from transition services agreements .	1,056	1,366	1,838	1,366
Other, net	(518)	(862)	2,686	(2,540)
Total other loss, net .	\$ (10,266)	\$ (5,219)	\$ (14,559)	\$ (8,858)

Other loss, net, increased during the three months ended June 30, 2009, as compared to the same period last year. During the three months ended June 30, 2009, interest income decreased primarily due to lower average interest rates. During the three months ended June 30, 2008, we recorded a gain on divestiture of our CDN business.

Other loss, net, increased during the six months ended June 30, 2009, as compared to the same period last year, primarily due to a decrease in interest income that resulted from lower average interest rates, partially offset by a gain recorded upon termination of the acquisition agreement entered into with Certicom during the first quarter of 2009.

Income taxes

During the three and six months ended June 30, 2009, we recorded income tax expense for continuing operations of \$29.6 million and \$53.1 million, respectively. During the three and six months ended June 30, 2008, we recorded income tax benefit for continuing operations of \$8.1 million and \$1.4 million, respectively.

Table of Contents

The increase in income tax expense during the three and six months ended June 30, 2009, compared to the three and six months ended June 30, 2008, was primarily attributable to the increase in income from continuing operations before income taxes. On February 20, 2009, the State of California enacted changes in tax laws that are expected to have a beneficial impact on our effective tax rate beginning in 2011. As a result, we revalued certain state deferred tax assets and liabilities that are expected to reverse after the effective date of the change, and recognized a discrete income tax benefit adjustment of \$4.1 million during the six months ended June 30, 2009.

(Loss) income from discontinued operations, net of tax

As of June 30, 2009, businesses classified as held for sale and presented as discontinued operations included the following: GSC, MSS (sold in July 2009), and Messaging Services. Businesses that have been divested and whose results of operations are reflected as discontinued operations for all periods presented, include the following: Communications Services, Communications Consulting, Digital Brand Management Services, EMEA Mobile Media, International Clearing, Post-Pay, RTP Services and Self-Care and Analytics.

The following table presents the revenues and the components of (Loss) income from discontinued operations, net of tax:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)			
Revenues	\$ 69,783	\$ 148,885	\$ 172,437	\$ 307,096
Income (loss) before income taxes	\$ 10,745	\$ (45,516)	\$ 33,637	\$ (50,937)
Income tax expense (benefit)	5,307	(3,623)	13,283	(8,924)
Income (loss) from discontinued operations	5,438	(41,893)	20,354	(42,013)
Gain (loss) on sale of discontinued operations and estimated (losses) reversals on assets held for sale, before income taxes	22,087	(13,820)	26,071	(39,801)
Income tax expense (benefit)	36,057	(552)	36,331	(2,964)
Loss on sale of discontinued operations	(13,970)	(13,268)	(10,260)	(36,837)
Total (loss) income from discontinued operations, net of tax	\$ (8,532)	\$ (55,161)	\$ 10,094	\$ (78,850)

During the three and six months ended June 30, 2009, we recorded net gains on disposals including net reversals of estimated losses on disposal, of \$22.1 million and \$26.1 million, respectively, which are included in discontinued operations. During the three and six months ended June 30, 2008, we recorded net losses on disposals, including estimated losses on disposal, of \$13.8 million and \$39.8 million, respectively, which are included in discontinued operations. Net gains on disposal are recorded on the date the sale of the disposal group is consummated. Full or partial reversals of previously reported estimated losses on disposals are recorded upon changes in the fair values and/or carrying values of the disposal groups. See Note 3, Assets Held for Sale and Discontinued Operations, of our Notes to Condensed Consolidated Financial Statements for further information on our discontinued operations.

The continued execution of our divestiture plan is subject to the availability of financing, identification of buyers, and general market conditions, including further developments in the current economic environment and potential continued deterioration of the credit markets.

Table of Contents**Liquidity and Capital Resources**

	June 30, 2009	December 31, 2008
	(In thousands)	
Cash and cash equivalents	\$ 1,308,352	\$ 789,068
Restricted cash	2,061	1,858
Total	\$ 1,310,413	\$ 790,926

As of June 30, 2009, our principal source of liquidity was \$1.3 billion of cash and cash equivalents and restricted cash.

During the six months ended June 30, 2009, we received \$235.5 million in cash upon divestiture of businesses, net of \$1.7 million of cash contributed.

During the six months ended June 30, 2009, we received distributions of \$13.9 million and \$104.0 million from the Primary Fund and the International Fund, respectively.

During the three and six months ended June 30, 2009, we repurchased approximately 0.9 million shares of our common stock at an average stock price of \$23.15 per share for an aggregate of \$20.0 million under the 2006 Stock Repurchase Program.

In summary, our cash flows were as follows:

	Six Months Ended June 30,	
	2009	2008
	(In thousands)	
Net cash provided by operating activities	\$ 121,265	\$ 246,957
Net cash provided by investing activities	309,120	49,897
Net cash provided by (used in) financing activities	92,736	(1,056,576)
Effect of exchange rate changes on cash and cash equivalents	(3,837)	4,017
Net increase (decrease) in cash and cash equivalents	\$ 519,284	\$ (755,705)

Cash flows from operating activities

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

Net cash provided by operating activities decreased during the six months ended June 30, 2009, compared to the same period last year, primarily due to a decrease in cash received from customers resulting from a decrease in consolidated revenues, inclusive of revenues from discontinued operations, coupled with the timing of receipts from customers. The decrease in cash receipts was partially offset by a decrease in cash payments to suppliers and employees primarily resulting from lower headcount during the six months ended June 30, 2009.

Cash flows from investing activities

The changes in cash flows from investing activities primarily relate to the divestiture of businesses; timing of purchases, maturities and sales of investments; and purchases of property and equipment.

Table of Contents

Net cash provided by investing activities increased during the six months ended June 30, 2009, compared to the same period last year, primarily due to an increase in proceeds received upon divestiture of businesses, distributions from the Primary Fund and the International Fund and a decrease in cash paid for purchases of property and equipment. During the three and six months ended June 30, 2008, we sold certain property and equipment in our Mountain View, California, location.

Cash flows from financing activities

The changes in cash flows from financing activities primarily relate to borrowings and payments under debt obligations as well as stock repurchase and stock option exercise activities.

Net cash provided by financing activities increased during the six months ended June 30, 2009, compared to the same period last year, primarily due to excess tax benefits on stock-based compensation and a decrease in stock repurchases, partially offset by a decrease in proceeds received from issuance of common stock from stock option exercises and employee stock purchase plans.

Other Liquidity and Capital Resources Information

Our credit facility is available for cash borrowings up to a maximum of \$500.0 million and for the issuance of letters of credit up to a maximum limit of \$50.0 million. As of June 30, 2009, we had no outstanding borrowings under our credit facility and we had utilized \$4.1 million for outstanding letters of credit.

Future operating lease payments include payments related to leases on excess facilities included in restructuring. If sublease rates decrease in these markets, or if it takes longer than expected to sublease these facilities, the actual lease expense relating to our excess facilities under our restructuring plans could exceed this estimate by an additional \$2.9 million over the next eight years. Cash payments totaling \$9.0 million related to the abandonment of excess facilities under our restructuring plans will be paid over the next eight years. See Note 4, Restructuring, Impairments and Other Charges, of our Notes to Condensed Consolidated Financial Statements.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures during the three and six months ended June 30, 2009.

ITEM 4. CONTROLS AND PROCEDURES

Based on our management's evaluation, with the participation of our Chief Executive Officer, on an interim basis (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Table of Contents

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

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

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under Legal Proceedings in Note 14, Contingencies, of our Notes to Condensed Consolidated Financial Statements in Part I, Item 1, of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

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

Risks relating to our business

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

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

the uncertainties, costs and risks related to our proposed divestiture plan, including any income statement charges we incur in connection therewith and any further delays we may encounter;

the current global economic environment as well as its impact on e-commerce, financial services, and the telecommunications and Internet industries;

the long sales and implementation cycles for, and potentially large order sizes of, some of our security services and the timing and execution of individual customer contracts;

volume of new domain name registrations and customer renewals in our Naming Services business;

changes in the payment structures of on-line advertising network providers and compensation levels, as well as policies proposed and implemented by ICANN, which could impact the number of domain name registrations;

the mix of all our services sold during a period;

seasonal fluctuations in business activity;

our success in marketing and market acceptance of our services by our existing customers and by new customers;

changes in marketing expenses related to promoting and distributing our services;

customer renewal rates and turnover of customers of our services;

potential attacks by hackers, which could threaten the perceived reliability of our products and services;

continued development of our direct and indirect distribution channels for our products and services, both in the U.S. and abroad;

changes in the level of spending for information technology-related products and services by enterprise customers;

the impact of price changes in our products and services or our competitors' products and services; and

Table of Contents

the impact of decisions by channel partners and resellers to offer competing products or modify their marketing practices. Our operating expenses may increase. If an increase in our expenses is not accompanied by a corresponding increase in our revenues, our operating results will suffer, particularly as revenues from some of our services are recognized ratably over the term of the service, rather than immediately when the customer pays for them, unlike our sales and marketing expenditures, which are expensed in full when incurred.

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

Our operating results have been adversely affected by the current economic downturn, unfavorable market and economic conditions.

The current global economic downturn may have a significant negative impact on demand for our services and our ability to conduct our business. As the economic downturn continues to deepen and spread overseas, these conditions have also negatively impacted our foreign operations. The economic downturn has or may negatively impact, among other things:

current and future demand for our services, including decreases as a result of reduced spending on information technology and communications by our customers;

our liquidity;

our ability to service our debt, to obtain financing or assume new debt obligations;

our ability to execute on any stock repurchase plans;

the price of our common stock;

the ability of our suppliers to continue to fill our orders;

our customers' continued growth and development of their businesses;

our ability to obtain payment for outstanding debts owed to us by our customers or other parties with whom we do business; and

price competition for our products and services.

In addition, to the extent that the economic downturn impacts specific industry and geographic sectors in which many of our customers are concentrated, that may further negatively impact our business. If the economic and market conditions in the U.S. and globally do not improve, or if they further deteriorate, we may experience material adverse impacts on our business, operating results and financial position as a consequence of the above factors or otherwise.

Our diversified business structure may result in significant fluctuations of our financial results.

The successful operation of our business depends on numerous factors, many of which are not entirely under our control, including, but not limited to, the following:

the use of the Internet and other IP networks for e-commerce and communications;

the extent to which digital certificates and domain names are used for e-commerce or telecommunications;

growth in demand for our services;

Table of Contents

the competition for any of our services;

the perceived security of e-commerce and telecommunications over the Internet and other IP networks;

the perceived security of our services, technology, infrastructure and practices;

the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services;

our continued ability to maintain our current, and enter into additional, strategic relationships;

our ability to successfully market our services to new and existing customers;

our success in attracting, integrating, training, retaining and motivating qualified personnel;

our response to competitive developments;

the successful introduction of new products and services;

seasonal fluctuations in business activity; and

the successful introduction of enhancements to our services to address new technologies and standards and changing market conditions.

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

As of June 30, 2009, we had 886 or 32% of our employees outside the U.S. Expansion into international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. law or regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violation of such policies, procedures, laws and/or regulations. Violations of laws, regulations or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

competition with foreign companies or other domestic companies entering the foreign markets in which we operate;

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differing and uncertain regulatory requirements;

legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;

export and import restrictions on cryptographic technology and products incorporating that technology;

tariffs and other trade barriers and restrictions;

difficulties in staffing and managing foreign operations;

longer sales and payment cycles;

problems in collecting accounts receivable;

currency fluctuations, as our international revenues are not always denominated in U.S. dollars; and some of our costs are denominated in foreign currencies;

difficulty in repatriating profits to the U.S.;

Table of Contents

potential problems associated with adapting our services to technical conditions existing in different countries;

the necessity of developing foreign language portals and products for our services;

difficulty of authenticating customer information for digital certificates and other purposes;

political instability;

failure of foreign laws to protect our U.S. proprietary rights adequately;

more stringent privacy policies in some foreign countries;

additional vulnerability from terrorist groups targeting U.S. interests abroad;

seasonal reductions in business activity; and

potentially adverse tax consequences.

We are exposed to risks faced by financial institutions.

We have entered into hedging transactions with counterparties in the financial services industry which have been adversely impacted by the current economic environment. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. The hedging transactions we have entered into expose us to credit risk in the event of default by one of our counterparties. Despite the risk control measures we have in place, a default by one of our counterparties, or liquidity problems in the financial services industry in general, could have a material adverse effect on our business, financial condition and results of operations.

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

Application of new and existing laws and regulations to the Internet and wireless communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation.

Foreign, federal or state laws could have an adverse impact on our business. For example, laws designed to restrict the on-line distribution of certain materials deemed harmful to children, on-line gambling, cybersecurity and cyber squatting may impose significant additional costs on our business or subject us to additional liabilities.

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

While we believe we currently have effective internal control over financial reporting, we may identify a material weakness in our internal controls over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our securities.

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We will continue to evaluate, upgrade and enhance our internal controls. Because of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions, including those caused by human error, the circumvention of overriding controls, the violation of company policies or practices (whether negligent or willful) or fraud, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate

Table of Contents

because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations and there could be a material adverse effect on our business.

We have expended significant resources in connection with our efforts to comply with the requirements of the Sarbanes-Oxley Act. In future periods, we will likely continue to expend substantial amounts in connection with these compliance efforts and with ongoing evaluation of, and improvements and enhancements to, our internal control over financial reporting. These expenditures may make it difficult for us to control or reduce the growth of our general and administrative and other expenses, which could adversely affect our results of operations.

Issues arising from our agreements with ICANN and the DOC could harm our registry business.

The U.S. Department of Commerce (DOC) has adopted a plan for the phased transition of its responsibilities for the domain name system (DNS) to ICANN. As part of this transition, we have entered into agreements with ICANN and the DOC as the exclusive registry of domain names within the .com and .net generic top-level domains (gTLDs) and with ICANN with respect to being the exclusive registry for the .name gTLD.

We face risks arising from our agreements with ICANN and the DOC and from the planned transition of the DOC s responsibilities for the DNS to ICANN, including the following:

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

the DOC could not renew its agreement with ICANN, in which case there would no longer be DOC oversight of ICANN;

one or more of the Registry Agreements may not renew when they expire in 2011 (.net) and 2012 (.com and .name), which in the case of .com or .net, could have a material adverse effect on our business;

ICANN s relationship with the DOC could terminate and another entity could exercise oversight of ICANN;

the U.S. Government could refuse to transfer certain responsibilities for DNS administration to ICANN due to security, stability or other reasons, which could result in fragmentation or other instability in DNS administration;

under certain circumstances, ICANN could terminate one or more of our agreements to be the registry for the .com, .net or .name gTLDs and the DOC could terminate the .com Registry Agreement, in which case terminations of the .com or .net Registry Agreements could have a material adverse impact on our business;

the DOC s or ICANN s interpretation of provisions of our agreements with either of them could differ from ours;

the DOC could revoke its recognition of ICANN, as a result of which the DOC could take the place of ICANN for purposes of our agreements with ICANN, and could take actions that are harmful to us and could disrupt current or future business plans; and

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our registry business could face legal or other challenges resulting from our activities or the activities of registrars and registrants.

Table of Contents

Challenges to ongoing privatization of Internet administration could harm our Naming Services business.

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

legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with the DOC or ICANN, or to the legal authority underlying the roles and actions of the DOC, ICANN or us;

the U.S. Congress could take action that is unfavorable to us;

ICANN could fail to maintain its role, potentially resulting in instability in DNS administration; and

some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. Government and us relating to the DNS. These foreign governments or governmental authorities may take actions or adopt policies or programs that are harmful to our business.

As a result of these and other risks, it may be difficult for us to introduce new services in our domain name registry business and we could also be subject to additional restrictions, which may not also apply to our competitors, on how this business is conducted.

We may encounter difficulties renewing irrevocable letters of credit provided by customers of our Naming Services business as security for payment of registration fees if we are forced to draw down on such letters of credit to collect payment.

With respect to our Naming Services business, some registrars who register domain names on behalf of their customers utilize irrevocable letters of credit to secure payment for the registration of domain names. In the event that we are unable to obtain payment for the registration of these domain names, we may draw down on the letter of credit. In some cases, withdrawals may be made until we utilize the full amount of the letter of credit, at which point the registrar's ability to process new billable transactions and their agreement may be terminated. If registrars are unwilling or unable to provide new letters of credit once we have drawn down the full amount, we may need to reevaluate our approach for security for payment of registration fees.

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

We currently administer and operate only two of the thirteen root zone servers. The others are administered and operated by independent operators on a non-regulated basis. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and data needed to locate name servers that contain authoritative data for the top-level domains. Because of the importance to the functioning of the Internet of these root zone servers, our Naming Services business could be harmed if these independent operators fail to maintain these servers properly or abandon these servers, which would place additional capacity demands on the two root zone servers we operate.

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

Changes in customer behavior, either as a result of evolving technologies or user practices, may impact the demand for domain names.

Currently, Internet users navigate to a website either by directly typing in its domain name or through the use of a search engine. If browser or search technologies were to change significantly or if user behavior were to shift away from direct navigation, the demand for domain names could decrease.

Table of Contents

Changes in the level of spending on on-line advertising and/or the way that on-line and pay-per-click advertisers compensate owners of websites could impact the demand for domain names.

Some domain name registrars and registrants seek to generate revenue through advertising on their websites; changes in the way these registrars and registrants are compensated (including changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google and Yahoo!, could adversely affect the market for those domain names favored by such registrars and registrants resulting in a decrease in demand and/or the renewal rate for those domain names. As a result of the general economic downturn, spending on on-line advertising and marketing may not increase or may be reduced, which in turn may result in a further decline in the demand for those domain names.

Services offered by our 3IS segment rely on the continued integrity of public key cryptography technology and various hashing algorithms that may be compromised or proven obsolete over time.

Services offered by our 3IS segment depend on public key cryptography technology. With public key cryptography technology, a user possesses a public key and a private key, both of which are required to perform encryption and decryption operations. The security afforded by this technology depends on the integrity of a user's private key and ensuring that it is not lost, stolen or otherwise compromised. The integrity of private keys also depends in part on the application of specific mathematical principles known as factoring. This integrity is predicated on the assumption that the factoring of large numbers into their prime number components is difficult. Should an easy factoring method or other method be developed which make currently used asymmetric key sizes such as 1024, 2048 and 4096 bits inadequate, the security of encryption products utilizing public key cryptography technology may require significant modifications or would be reduced or eliminated. Furthermore, any significant advance in techniques for attacking cryptographic systems could also render some or all of our existing PKI services obsolete or unmarketable. Likewise, hashing algorithms, such as SHA1 or SHA2, are also utilized in public key cryptography technology and as new methods of attacking these algorithms are created, it could render our PKI services obsolete or unmarketable. If improved techniques for attacking cryptographic systems were ever developed that make attacks practical, we would likely have to reissue digital certificates to some or all of our customers, which could damage our reputation and brand or otherwise harm our business. In the past there have been public announcements of the successful attack upon cryptographic keys of certain kinds and lengths and of the potential misappropriation of private keys and other activation data. This type of publicity could also hurt the public perception as to the safety of the public key cryptography technology included in our digital certificates. This negative public perception could harm our business.

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

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

Table of Contents

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

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

power loss, transmission cable cuts and other telecommunications failures;

damage or interruption caused by fire, earthquake, and other natural disasters;

attack by hackers;

computer viruses or software defects; and

physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control.

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

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

A failure in the operation of our domain name zone servers, the domain name root zone servers, or other events could result in the deletion of one or more domain names from the Internet for a period of time. A failure in the operation of our shared registration system could result in the inability of one or more other registrars to register and maintain domain names for a period of time. A failure in the operation or update of the master database that we maintain could result in the deletion of one or more top-level domains from the Internet and the discontinuation of second-level domain names in those top-level domains for a period of time. Any of these problems or outages could decrease customer satisfaction, harming our business or resulting in adverse publicity that could adversely affect the market's perception of the security of e-commerce and communications over IP networks as well as of the security or reliability of our services.

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

We retain certain confidential customer information in our secure data centers and various registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Our domain name registry operations also depend on our ability to maintain our computer and telecommunications equipment in effective working order and to reasonably protect our systems against interruption, and potentially depend on protection by other registrars in the shared registration system. The root zone servers and top-level domain name zone servers that we operate are critical hardware to our registry services operations. Therefore, we may have to expend significant time and money to maintain or increase the security of our facilities and infrastructure. Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure

Table of Contents

data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards based compliance certifications needed for certain of our businesses. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over IP networks as well as of the security or reliability of our services.

The reliance of our Messaging Services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

The success of our Messaging Services depends on our network infrastructure, including the capacity leased from telecommunications suppliers. In particular, we rely on AT&T, Sprint Nextel Corporation and other telecommunications providers for leased long-haul and local loop transmission capacity. These companies provide the dedicated links that connect our network components to each other and to our customers.

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

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

Our success depends in part on our internally developed technologies and intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the U.S. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. Additionally, we have filed patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the U.S. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources.

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

We rely on the strength of our VeriSign brand to differentiate ourselves in the marketing of our products, particularly with respect to our SSL certificates. Dilution of our brand could harm our business.

Table of Contents

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

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

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

We are involved in a number of investigations, claims and lawsuits against us that may result in adverse outcomes.

In addition to intellectual property litigation and infringement claims, we are involved in a number of investigations, claims and lawsuits. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in some or all of these investigations, claims and lawsuits may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business and may have a material adverse effect on our financial condition and results of operations. Additionally, these investigations, claims and lawsuits may involve significant expense and diversion of management's attention and resources from other matters.

We must establish and maintain strategic, channel and other relationships.

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

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

Furthermore, our ability to achieve future growth also depends on our ability to continue to establish direct seller channels and to develop multiple distribution channels. In addition, any changes by our channel partners to their existing marketing strategies could have a material adverse effect on our business. Failure of one or more of our strategic or channel relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

Table of Contents

Under the .com, .net and .name Registry Agreements, we are prohibited from holding a greater than 15% ownership interest in an ICANN accredited registrar. This prohibition on cross-ownership currently applies to all sixteen ICANN gTLDs, but does not apply to ccTLDs. If other gTLD registries were allowed to acquire registrars, access to certain distribution channels could be adversely affected or blocked.

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

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

Our VeriSign Identity Protection services depend in part on the acceptance of our services.

The future growth of our VeriSign Identity Protection (VIP) services, which form a part of User Authentication Services, depends in part on the commercial success and acceptance, and reliability of our VIP services. Our VIP services will suffer if our target customers do not use our VIP services. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced VIP services. We are not certain that our target customers will choose our VIP services or continue to use our VIP services once adopted.

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

We target our 3IS segment at the market for trusted and secure e-commerce and communications over IP and other networks. Our Naming Services business is developing managed services in emerging markets that involve naming and directory services other than registry and related infrastructure services. Our Authentication Services business is working to expand our portfolio of business and consumer based authentication solutions through the development of new services that build on or complement current offerings. These emerging markets are rapidly evolving, may never gain wide acceptance and may not grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance of our services in these markets include the following:

market acceptance of products and services based upon technologies other than those we use;

public perception of the security of our technologies and of IP and other networks;

the introduction and consumer acceptance of new generations of mobile handsets;

the ability of the Internet infrastructure to accommodate increased levels of usage; and

government regulations affecting e-commerce and telecommunications over IP networks.

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

Table of Contents

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

We depend on the performance of our senior management team and other key employees, including key employees in the businesses we intend to divest. Our success also depends on our ability to attract, integrate, train, retain (particularly with respect to key employees in the businesses we intend to divest) and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad.

All of the members of our senior management team and other key employees are at-will employees and we do not maintain key person life insurance for any of our senior management team members or key employees. The loss of the services of any of our senior management team or other key employees, including key employees in the businesses we intend to divest, or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

We have experienced changes in our senior management team, and these changes may result in operating inefficiencies.

In August 2009, Mr. McLaughlin, our current President and Chief Operating Officer, was appointed Chief Executive Officer and effective August 17, 2009, will be President and Chief Executive Officer. Concurrently with this appointment, the Board of Directors accepted Mr. Bidzos' resignation from the position of Chief Executive Officer on an interim basis, and appointed him to the position of Executive Chairman, effective August 17, 2009. In addition, on August 4, 2009 and effective immediately, Mr. Robins, our current acting Chief Financial Officer and Senior Vice President, Finance, was appointed Chief Financial Officer and Executive Vice President. During the period of transition following these appointments, we may experience operational inefficiencies as these executives familiarize themselves with their new roles.

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

Ongoing compliance with the corporate governance requirements of the Sarbanes-Oxley Act and the NASDAQ Stock Market has increased the scope, complexity and cost of our corporate governance, reporting and disclosure practices, and our compliance efforts have required significant management attention. It is more difficult and more expensive for us to obtain director and officer liability insurance, and we have been required to accept reduced coverage and incur substantially higher costs to obtain the reduced level of coverage. Further, our board members, chief executive officer and chief financial officer face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

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

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

our stockholders may take action only at a duly called meeting and not by written consent;

special meetings of our stockholders may be called only by the chief executive officer, the president or our Board of Directors, and cannot be called by our stockholders;

Table of Contents

our board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;

vacancies on our Board of Directors can be filled until the next annual meeting of stockholders by majority vote of the members of the Corporate Governance and Nominating Committee or a majority of directors then in office if no such committee exists or a sole remaining director; and

our Board of Directors has the ability to designate the terms of and issue new series of preferred stock without stockholder approval. VeriSign has also adopted a stockholder rights plan that may discourage, delay or prevent a change of control or the acquisition of a substantial bloc of our common stock and may make any future unsolicited acquisition attempt more difficult. Under the rights plan:

The rights will generally become exercisable if a person or group acquires 20% or more of VeriSign's outstanding common stock (unless such transaction is approved by our Board of Directors) and thus becomes an acquiring person.

Each right, when exercisable, will entitle the holder, other than the acquiring person, to acquire shares of VeriSign's common stock at a 50% discount to the then-prevailing market price.

As a result, the rights plan will cause substantial dilution to a person or group that becomes an acquiring person on terms that our Board of Directors does not believe are in our best interests and those of our stockholders and may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares.

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

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

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

Risks relating to the competitive environment in which we operate

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

General: Several of our current and potential competitors have longer operating histories and/or significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer

Table of Contents

requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, the demand for our products and services might be substantially reduced and the ability to distribute our products successfully and the utilization of our services would be substantially diminished.

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

Competition in Naming Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the .info, .org, .mobi, .biz, .pro, .aero, .museum and .coop gTLDs and registries offering services related to ccTLDs. ICANN currently has registry agreements with 14 registries for the operation of 16 gTLDs. In addition, there are over 240 ccTLD registries.

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

In addition, to the extent end-users navigate using search engines as opposed to direct navigation, we may face competition from search engine operators such as Google and Yahoo!.

Additional competition to our business may arise from the upcoming introduction of new Internationalized Domain Name TLDs (IDN TLDs) and new gTLDs by ICANN. These new domain extensions could become available by the first half of 2010. We do not yet know the impact, if any, these new domain extensions may have on our business, but the increase of name availability in the marketplace could introduce new choices for end-users as well as create end-user confusion around brand preference, which could have a material adverse effect on our business. While we may apply for one or more of these new domain extensions, there is no certainty that we will ultimately be successful and even if we are successful in obtaining one or more of these new domain extensions, there is no guarantee that such extensions will be any more successful than the domain name extensions obtained by our competitors.

Competition in Authentication Services: Our Business Authentication Services and User Authentication Services are targeted at the rapidly evolving market for Internet security services, including network security, authentication and validation, which enable secure e-commerce and telecommunications over wireline and wireless IP networks. Principal competitors generally fall within one of the following categories: (1) companies such as RSA, the security division of EMC, and Entrust Technologies, which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as Digital Signature Trust Company (a subsidiary of IdenTrust Inc.) that primarily offer digital certificate and certification authority-related services; (3) companies focused on providing a bundled offering of products and services; and (4) companies offering competing SSL certificate and other security services, including domain name registrars.

The market for Business Authentication Services and User Authentication Services is intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants. We also experience competition from a number of smaller companies, and we believe that our primary long-term competitors may not yet have entered the market. Furthermore, AOL and

Table of Contents

Microsoft have introduced software products that enable the issuance and management of digital certificates, and we believe that other companies could introduce similar products. If these or other companies introduce new products or services that compete with our Authentication Services, our business could be materially harmed.

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

Competition in Messaging Services: The market for messaging services is extremely competitive. Competitors include companies that deliver various mobile messaging services in a range of domestic and international markets, such as Sybase, Syniverse, Aicent, mBlox, Open Market, Clickatell, and OpenWave. This business also faces competition from mobile network operators such as AT&T, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, and others who may elect to internally develop services that would be competitive to our Messaging Services.

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

The Internet and communications network services industries are characterized by rapid technological change and frequent new product and service announcements which require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings. In order to remain competitive and retain our market share, we must continually improve our access technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and customer preferences. We cannot assure you that we will be able to adapt to these challenges or respond successfully or in a cost effective way to adequately meet them. Our failure to do so would adversely affect our ability to compete and retain customers or market share.

Risks related to our divestiture plan

We may face difficulties and incur costs associated with our divestiture plan and our financial condition, results of operations or cash flows could be adversely affected.

Until the divestitures are complete, we will experience additional risks, including, but not limited to the disruption of our business and the potential loss of key employees; difficulties separating operations, services, products and personnel; and the potential damage to relationships with our existing customers.

For example, our divestiture plan requires a substantial amount of management, administrative and operational resources. These demands may distract our employees from the day-to-day operation of VeriSign's core businesses.

There is also risk that we may incur additional charges associated with an impairment of a portion of goodwill and other intangible assets due to changes in market conditions for acquisitions and dispositions. Under generally accepted accounting principles, we are required to evaluate goodwill for impairment on an annual basis, and to re-evaluate goodwill and to evaluate other intangible assets as events or circumstances indicate that such assets may be impaired. Further, we are likely to incur income statement charges to complete the divestiture plan, which could be material.

If we are unable to successfully address any of these risks for future dispositions, our financial condition, results of operations or cash flows could be adversely affected.

Table of Contents

We may be unable to achieve some or all of the benefits we expect from the divestiture plan and such benefits may be delayed or not occur at all.

We may not be able to achieve the full strategic and financial benefits we expect from the divestiture of VeriSign's non-core businesses. For example, we have encountered and may continue to encounter difficulties identifying buyers for certain businesses or be unable to sell businesses identified for divestiture, and there can be no assurance that analysts and investors will place greater value on VeriSign following completion of the divestiture plan than the value placed on us pre-divestiture.

In addition, there is no guarantee that the planned divestitures will occur or will not be further delayed. Completion of the divestiture plan is subject to a number of factors, including:

business, political and economic environment in the U.S. and in other countries in which the Company currently operates;

governmental regulations and policies, actions and approvals of regulatory bodies;

the operating performance of the Company or the businesses or assets offered for sale;

identification of buyers and negotiation of sale agreements;

the willingness of buyers to assume certain liabilities associated with the businesses or assets offered for sale;

our ability to identify and separate the assets associated with the businesses offered for sale from the core businesses we choose to retain; and

the availability of financing or other sources of funding to buyers under reasonable terms and conditions.

In the third quarter of 2008, management determined that due in large part to the downturn in the economy and the condition of the credit markets, the divestiture plan would take longer than originally expected. Buyers continue to be more conservative, which makes it more difficult to consummate dispositions and has required some modifications to our original approach to individual dispositions. For example, some potential buyers have asked for more detailed financial information than we originally anticipated, which has increased the time and expense required to conduct the sale process. In addition, the condition in the credit markets has limited sources of financing for potential purchasers, which has affected the number of proposals we have received and prospective buyers' ability to borrow the funds necessary to complete the purchase of our businesses being divested which has impacted the number of divestitures we have been successful in completing. These developments are having an adverse effect on the timing and our chances of completing the divestiture plan.

We may be adversely affected under certain covenants in our credit facility.

The Credit Agreement governing our \$500.0 million credit facility (the "Facility") contains a negative covenant that limits our ability to sell assets and freely deploy the proceeds we receive from such sales, subject to exceptions based on the size and timing of the sales. Therefore, depending on the size and timing of any dispositions that we decide to pursue as part of our divestiture plan, we may find it necessary to seek an amendment to our Credit Agreement or to structure the sales in a manner that complies with the covenant but that is potentially less favorable to the Company than would otherwise be the case. There can be no guarantee that we will be successful in obtaining any such amendment on acceptable terms or at all or be able to structure potential dispositions accordingly.

We continue to be responsible for a portion of our contingent and other corporate liabilities following the divestiture of certain businesses.

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Under the agreements reached with buyers for certain businesses divested under the divestiture plan, we remain liable for certain contingent and corporate liabilities. In addition, it is possible that we may enter into agreements with similar contingent and corporate liabilities in connection with future businesses we may divest.

Table of Contents

There is a possibility that we will incur costs and expenses associated with the management of these contingent and other corporate liabilities. These contingent and other corporate liabilities could potentially relate to consolidated securities litigation, as well as actions brought by third parties as a result of the divestiture plan. Where responsibility for such liabilities is to be shared with the buyer, it is possible that the buyer or another party may be in default for payments for which they are responsible, obligating us to pay amounts in excess of our agreed-upon share of the assumed obligations.

Following the divestiture of certain businesses, our ability to compete in certain market sectors is restricted.

Under the agreements reached with buyers for certain businesses divested under the divestiture plan, we are restricted from competing, either directly or indirectly, with those businesses or from entering certain market sectors for a defined period of time pursuant to negotiated non-compete arrangements. It is possible that the Company will be subject to similar restrictions with respect to other businesses as they are divested.

Risks related to our securities

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

As of June 30, 2009, we had one billion authorized common shares, of which 192.2 million shares were outstanding. In addition, of our authorized common shares, 36.5 million common shares were reserved for issuance pursuant to outstanding employee stock option and employee stock purchase plans (Equity Plans), and 36.4 million shares were reserved for issuance upon conversion of the Convertible Debentures. As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

As a result of the sale of the Convertible Debentures, we have a substantial amount of long term debt outstanding. In addition to the Convertible Debentures, we have a Facility with a borrowing capacity of \$500.0 million. As of June 30, 2009, we had no outstanding borrowings under the Facility and we had utilized \$4.1 million of the \$50.0 million limit for outstanding letters of credit. The availability of borrowing capacity under the Facility allows us immediate access to working capital if we identify opportunities for the use of this cash. Our maintenance of substantial levels of debt could adversely affect our flexibility to take advantage of corporate opportunities and could adversely affect our financial condition and results of operations.

We may not have the ability to repurchase the Convertible Debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of Convertible Debentures, as required by the indenture governing the Convertible Debentures.

Holders of our outstanding Convertible Debentures will have the right to require us to repurchase the Convertible Debentures upon the occurrence of a fundamental change as defined in the Indenture dated as of August 20, 2007 (the Indenture) between the Company and U.S. Bank National Association, as Trustee. Although we currently intend to settle the principal amount of the Convertible Debentures in cash as required under the Indenture, we may not have sufficient funds to repurchase the Convertible Debentures in cash or have the ability to arrange necessary financing on acceptable terms or at all. In addition, upon conversion of the Convertible Debentures, we will be required to make cash payments to the holders of the Convertible Debentures equal to the lesser of the principal amount of the Convertible Debentures being converted and the conversion value (as defined in the Indenture) of those debentures. Such payments could be significant, and we may not have sufficient funds to make them at such time.

Table of Contents

A fundamental change may also constitute an event of default or prepayment under, or result in the acceleration of the maturity of, our then-existing indebtedness. Our ability to repurchase the Convertible Debentures in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the Convertible Debentures or pay cash in respect of conversions when required would result in an event of default with respect to the Convertible Debentures.

While we currently have the intent and ability to settle the principal in cash, if we conclude that we no longer have the ability, in the future, we will be required to change our accounting policy for earnings per share from the treasury stock method to the if-converted method.

There may be potential new accounting pronouncements or regulatory rulings which may have an impact on our future financial position and results of operations.

New accounting pronouncements could, when adopted, require us to implement different accounting methods which could have a material adverse impact on future or past results of operations, which could in turn materially adversely affect the trading price of our common stock.

Certain other risks

The following risks are primarily related to businesses we expect to divest as part of our divestiture plan. Until our divestiture plan is complete, any one or more of these risks could have a significant impact on our financial condition, results of operations or cash flows. In addition, the materialization of any one or more of these risks could affect the timing of future dispositions, the price at which we dispose our businesses or whether we are able to dispose our businesses at all.

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

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

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

A significant portion of revenue for our Messaging Services business is derived from a small number of customers. If one or more of these customers terminates their agreement with us, our business could be harmed.

Revenue related to our Messaging Services business is concentrated in a small number of customers. If any of these customers experiences a substantial adverse change in their economic condition or terminates their relationship with us, our Messaging Services business could be materially harmed.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On May 16, 2006, the Board of Directors authorized the 2006 Stock Repurchase Program (the 2006 Stock Repurchase Program) with no expiration date to repurchase up to \$1.0 billion of our common stock. During the three months ended June 30, 2009, we repurchased approximately 0.9 million shares of our common stock at an average stock price of \$23.15 per share for an aggregate cost of \$20.0 million under the 2006 Stock Repurchase Program. As of June 30, 2009, approximately \$250.0 million remained available for further repurchases under the 2006 Stock Repurchase Program.

On January 31, 2008, the Board of Directors of VeriSign authorized the 2008 Stock Repurchase Program (the 2008 Stock Repurchase Program) with no expiration date having an aggregate purchase price of up to \$600.0 million of our common stock. On August 5, 2008, our Board of Directors authorized additional stock repurchases under our 2008 Stock Repurchase Program having an aggregate purchase price of up to \$680.0 million of our common stock. As of June 30, 2009, \$680.0 million remained available for further repurchase under the 2008 Stock Repurchase Program.

The following table presents the share repurchases during the three months ended June 30, 2009.

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (2)
April 1 - 30, 2009		\$		\$ 950.0 million
May 1 - 31, 2009	691,773	\$ 23.10	691,773	\$ 934.0 million
June 1 - 30, 2009	171,974	\$ 23.36	171,974	\$ 930.0 million
	863,747		863,747	

(1) Represent shares repurchased under the 2006 Stock Repurchase Program.

(2) Represents the remaining amount available for further repurchases under the 2008 and 2006 Stock Repurchase Programs.

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

The 2009 Annual Meeting of Stockholders was held on May 28, 2009, at our corporate offices, located at 487 East Middlefield Road, Mountain View, California. Two proposals were voted on at the meeting. The results of each proposal are as follows:

Proposal No. 1 to elect seven directors of VeriSign, each to serve a one-year term, or until a successor has been elected and qualified or until the director's earlier resignation or removal, was approved by the stockholders. The nominees received the following votes:

	For	Withheld
D. James Bidzos	162,978,285	7,434,992
William L. Chenevich	158,837,318	11,575,959
Kathleen A. Cote	164,101,816	6,311,461
Roger H. Moore	160,249,634	10,163,643
John D. Roach	168,762,371	1,650,906
Louis A. Simpson	161,463,212	8,950,065
Timothy Tomlinson	168,377,001	2,036,276

Table of Contents

In Proposal No. 2, stockholders ratified the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009. This proposal received the following votes:

	Votes
For	165,742,974
Against	4,160,119
Abstain	510,183

Abstentions and broker non-votes were included in the determination of the number of shares represented at the meeting for purposes of determining the presence of a quorum at the Annual Meeting of Stockholders.

ITEM 5. OTHER INFORMATION**Appointment of President and Chief Executive Officer**

On August 4, 2009, our Board of Directors appointed Mark D. McLaughlin, our current President and Chief Operating Officer, as Chief Executive Officer, effective August 17, 2009. From August 17, 2009, Mr. McLaughlin will be President and Chief Executive Officer, and will cease to have the title of Chief Operating Officer. Mr. McLaughlin, 43, has served as President and Chief Operating Officer of the Company since January 14, 2009. From November 1, 2008 and until his appointment as President and Chief Operating Officer, Mr. McLaughlin served as a consultant to the Company. From January 2007 through November 2007, he served as the Company's Executive Vice President, Products and Marketing. From May 2006 to January 2007, he served as the Company's Executive Vice President and General Manager, Information Services. From December 2004 to May 2006, he served as the Company's Senior Vice President and General Manager, Information Services. From November 2003 through December 2004, Mr. McLaughlin was the Company's Senior Vice President and Deputy General Manager of Information Services. From 2002 to 2003, he served as the Company's Vice President, Corporate Business Development and from 2000 to 2001 he was Vice President, General Manager of VeriSign Payment Services. Prior to joining the Company, Mr. McLaughlin was the Vice President, Business Development of Signio, an Internet payment company acquired by the Company in February 2000.

In connection with Mr. McLaughlin's appointment as Chief Executive Officer, the Company's independent directors approved the following compensation package effective with his appointment: (a) a cash salary of \$750,000 per annum, (b) eligibility for a target bonus of 100% of his annual base salary, and (c) a grant of 30,000 restricted stock units, which will vest annually over a four-year period from the date of the grant, subject to Mr. McLaughlin continuing to be employed by the Company. The stock options and restricted stock units will be granted pursuant to the Company's 2006 Equity Incentive Plan and will have a grant date of August 17, 2009.

Mr. McLaughlin will also enter into a Change-in-Control and Retention Agreement in connection with his appointment as Chief Executive Officer, the terms of which are identical to the terms contained in the Company's form of Change-in-Control and Retention Agreements for VeriSign Section 16 Executive Officers (the "CIC Agreement"), as previously approved by the Compensation Committee on August 24, 2007 and disclosed in the Current Report on Form 8-K, filed with the SEC on August 30, 2007, except that Mr. McLaughlin's agreement will provide for cash severance of two times his base salary plus bonus and continuation of health benefits for Mr. McLaughlin and his dependents for two years. In addition, Mr. McLaughlin's agreement will reflect the change to the CIC Agreement approved by the Company's Board of Directors on August 4, 2009 whereby the threshold for triggering a Change-in-Control through the acquisition of shares will be triggered when a person, other than a trustee or other fiduciary holding securities of the Company or its subsidiaries, becomes the beneficial owner, directly or indirectly, of securities of the Company representing at least thirty-five percent (35%) of (a) the then-outstanding shares of common stock of the Company, or (b) the combined voting power of the Company's then-outstanding shares.

Table of Contents

Mr. McLaughlin provided consulting services to the Company from November 1, 2008 to January 13, 2009, and pursuant to this arrangement received cash payments of \$60,000 per month.

In connection with Mr. McLaughlin's resignation from the Company on December 1, 2007, VeriSign entered into a Separation and General Release Agreement (the "Separation Agreement") with Mr. McLaughlin, effective December 8, 2007. Pursuant to the terms of the Separation Agreement, Mr. McLaughlin (a) provided consulting services to VeriSign from December 2, 2007 to December 1, 2008 and received an aggregate of \$60,000 for such services; (b) received accelerated vesting of 19,811 shares subject to outstanding stock options with a weighted average exercise price of approximately \$22.54 per share and (c) was paid a bonus for 2007 of \$145,800. Mr. McLaughlin received \$234,941 to compensate him for his election as of December 31, 2006 to increase the exercise price of certain of VeriSign stock options ("Affected Options") in order to avoid unfavorable tax consequences under Section 409A of the Internal Revenue Code as well as to reimburse him (on a fully grossed-up basis) for the estimated amount of tax owed in connection with his exercise in 2006 of certain Affected Options. In addition, Mr. McLaughlin executed a release in favor of the Company and agreed not to solicit the Company's employees, consultants and employees for 12 months after his resignation date.

Appointment to the Board of Directors

By resolution, the Board of Directors increased the size of the Board from 7 members to 8 members and the Corporate Governance and Nominating Committee appointed Mr. McLaughlin to fill the new directorship effective August 4, 2009. Mr. McLaughlin will not serve on any Committees of the Board of Directors and will not receive any compensation in connection with his service on the Board.

Appointment of Executive Chairman and Resignation of Chief Executive Officer, on an Interim Basis

Concurrently with the appointment of Mr. McLaughlin as Chief Executive Officer, the Board of Directors accepted the resignation of D. James Bidzos from the position of Chief Executive Officer, on an interim basis, effective August 17, 2009. The Board of Directors also approved the appointment of Mr. Bidzos to the position of Executive Chairman of the Company, effective August 17, 2009, upon his resignation from the position of Chief Executive Officer. Mr. Bidzos was previously Executive Chairman on an interim basis.

On June 30, 2008, the Board appointed Mr. D. James Bidzos as the Company's Executive Chairman, President and Chief Executive Officer on an interim basis. On January 14, 2009, Mr. Bidzos resigned from his position as President on an interim basis, which is the date that Mr. McLaughlin commenced employment at the Company as President and Chief Operating Officer. Mr. Bidzos, 54, has served as Chairman of the Board since August 2007. Mr. Bidzos served as Vice Chairman of the Board from December 2001 to August 2007, and was Chairman of the Board from April 1995 to December 2001. Mr. Bidzos served as Vice Chairman of RSA Security, an Internet identity and access management solution provider, from March 1999 to May 2002 and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security from 1986 to February 1999.

In connection with Mr. Bidzos' appointment as Executive Chairman, the Company's independent directors approved the following compensation package effective with his appointment: (a) a cash salary of \$500,000 per annum and (b) a grant of restricted stock units with a value of \$2 million based on the closing price of the Company's common stock on August 17, 2009, which will vest quarterly over a two-year period from the date of the grant, subject to Mr. Bidzos continuing to be affiliated with the Company. The restricted stock units will be granted pursuant to the Company's 2006 Equity Incentive Plan and will have a grant date of August 17, 2009.

Appointment of Chief Financial Officer and Executive Vice President

On August 4, 2009, our Board of Directors appointed Brian G. Robins, our current acting Chief Financial Officer and Senior Vice President, Finance, as Chief Financial Officer and Executive Vice President, effective

Table of Contents

August 4, 2009. Mr. Robins, 39, has served as acting Chief Financial Officer of the Company since April 2008, and has served as Senior Vice President, Finance since August 2007. From January to August 2007, Mr. Robins was Vice President, Finance. Prior to joining VeriSign in January 2007, Mr. Robins was employed by NeuStar, a provider of clearinghouse services for communication service providers and enterprises, in a number of capacities since 2001, including as Vice President of Finance and Treasurer.

In connection with Mr. Robins' appointment as Chief Financial Officer and Executive Vice President, the Company's independent directors approved the following compensation package effective with his appointment: (a) a cash salary of \$400,000 per annum, (b) eligibility for a target bonus of 75% of his annual base salary, and (c) a grant of 10,000 restricted stock units, which will vest annually over a four-year period from the date of the grant, subject to Mr. Robins continuing to be employed by the Company. The restricted stock units were granted pursuant to the Company's 2006 Equity Incentive Plan and have a grant date of August 4, 2009.

Mr. Robins will also enter into a Change-in-Control and Retention Agreement in connection with his appointment as Chief Financial Officer, the terms of which are identical to the terms contained in the Company's CIC Agreement, as previously approved by the Compensation Committee on August 24, 2007 and disclosed in the Current Report on Form 8-K, filed with the SEC on August 30, 2007, except that Mr. Robins' agreement will reflect the change to the CIC Agreement approved by the Company's Board of Directors on August 4, 2009 whereby the threshold for triggering a Change-in-Control through the acquisition of shares will be triggered when a person, other than a trustee or other fiduciary holding securities of the Company or its subsidiaries, becomes the beneficial owner, directly or indirectly, of securities of the Company representing at least thirty-five percent (35%) of (a) the then-outstanding shares of common stock of the Company, or (b) the combined voting power of the Company's then-outstanding shares.

Amendment to the Change-in-Control and Retention Agreement

On August 4, 2009, the Company's Board of Directors approved a change in the Company's form of CIC Agreement, as previously approved by the Compensation Committee on August 24, 2007. Pursuant to the amendment, the Board raised the threshold for triggering a Change-in-Control through the acquisition of shares, such that effective August 4, 2009, a Change-in-Control will be triggered when a person, other than a trustee or other fiduciary holding securities of the Company or its subsidiaries, becomes the beneficial owner, directly or indirectly, of securities of the Company representing at least thirty-five percent (35%) of (a) the then-outstanding shares of common stock of the Company, or (b) the combined voting power of the Company's then-outstanding shares. Prior to the amendment, a Change-in-Control, would have been triggered by the beneficial ownership by any such person of at least thirty percent (30%) of the outstanding shares of common stock or combined voting power of the Company's outstanding shares.

The Board also resolved to apply the thirty-five percent (35%) ownership threshold within the definition of a Change-in-Control to the CIC Agreement entered into by Mr. McLaughlin in his position as President and Chief Executive Officer and Mr. Robins in his position as Chief Financial Officer and Executive Vice President. The thirty-five percent (35%) ownership threshold will apply to the Company's existing Section 16 Officers that are already party to a CIC Agreement effective August 4, 2009, subject to the terms of the CIC Agreement.

Table of Contents**ITEM 6. EXHIBITS**

(a) Index to Exhibits

Exhibit

Number	Exhibit Description
10.01	Letter Agreement dated May 1, 2009 to Asset Purchase Agreement between VeriSign, Inc. and Transaction Network Services, Inc., dated March 2, 2009.
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase.**
101.LAB	XBRL Taxonomy Extension Label Linkbase.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**

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

** Furnished herewith.

Table of Contents

SIGNATURES

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

VERISIGN, INC.

Date: August 6, 2009

By:

/s/ D. JAMES BIDZOS
D. James Bidzos

Interim Chief Executive Officer

(Principal Executive Officer)

Date: August 6, 2009

By:

/s/ BRIAN G. ROBINS
Brian G. Robins

Chief Financial Officer

(Principal Accounting Officer)

Table of Contents**EXHIBITS**

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

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** Furnished herewith.