

VERISIGN INC/CA  
Form 10-K  
February 26, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 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)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**487 East Middlefield Road, Mountain View, CA**  
(Address of principal executive offices)

**94-3221585**  
(I.R.S. Employer  
Identification No.)  
**94043**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: Common Stock \$0.001 Par Value Per Share, and the Associated Stock Purchase Rights

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

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

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

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

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 30, 2009, was \$2,114,335,874 based upon the last sale price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant's Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, \$0.001 par value, outstanding as of the close of business on February 17, 2010: 183,448,405 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2010 Annual Meeting of Stockholders are incorporated by reference into Part III.

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

VeriSign's mission is to bring trust to the Internet. We offer a comprehensive spectrum of products and services that enable confidence among Internet users, website owners and operators of digital networks. VeriSign's Naming Services capabilities enable domain name registration through our registrar partners and provide network availability for registrars and Internet users alike. VeriSign's Authentication Services capabilities make it easier for consumers to identify websites that are authentic, safe and secure. We enhance business reputations, security and website uptime resulting in improved online traffic, sales conversion and customer loyalty for websites.

We have the following two reportable segments: (1) Internet Infrastructure and Identity Services ( IIS ), which consists of Naming Services and Authentication Services; and (2) Other Services, which consists of the continuing operations of our Content Portal Services ( CPS ), our remaining non-core business, and legacy products and services from divested businesses. Comparative segment revenues and related financial information for 2009, 2008 and 2007 are presented in Note 16, Segment Information, *Description of Segments*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We have operations inside as well as outside the United States ( U.S. ). For a geographic breakdown of revenues and changes in revenues, see Note 16, Segment Information, *Geographic Revenues*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

Naming Services is the authoritative directory provider of all .com, .net, .cc, .tv, .name, .jobs and .edu domain names. Authentication Services is comprised of Business Authentication Services and User Authentication Services. Business Authentication Services enable enterprises and Internet merchants to implement and operate secure networks and websites that utilize Secure Socket Layer ( SSL ) protocol. Business Authentication Services provide customers the means to authenticate themselves to their end users and website visitors and to encrypt transactions and communications between client browsers and Web servers. User Authentication Services includes identity protection services, fraud detection services, and managed public key infrastructure ( PKI ) services. User Authentication Services are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials.

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 businesses. The strategy called for the divestiture or winding-down of our non-core businesses.

During 2009, we substantially completed all of our divestitures, and the winding-down of our non-core businesses. In October 2009, we decided to wind down the operations of the CPS business after termination of active negotiations with a potential buyer. We expect the winding-down to be completed no later than the end of 2010. The assets and liabilities related to CPS have been reclassified to held and used as of December 31, 2009, and the results of operations of the CPS business have been reclassified from discontinued operations to continuing operations as part of our Other Services segment for all periods presented. The Pre-pay billing and payment services ( Pre-pay ) business was fully wound down in October 2009, and its results of operations were reclassified into discontinued operations for all periods presented. Having divested our non-core businesses, additional resources are available to invest in our core services that remain; namely, Naming Services and Authentication Services. The proceeds from the divestiture of non-core businesses will be used for, but will not be limited to, investment in growth opportunities in or adjacent to our core services.

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We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 487 East Middlefield Road, Mountain View, California 94043. Our telephone number at that address is

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(650) 961-7500. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. The information on our website is not a part of this Form 10-K. VERISIGN, the VeriSign logo, the checkmark circle, GEOTRUST, THAWTE, and certain other product or service names are trademarks or registered trademarks of VeriSign and/or its subsidiaries in the U.S. and other countries. Other names used in this Form 10-K may be trademarks of their respective owners. Our primary website is [www.verisign.com](http://www.verisign.com).

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available, free of charge, through our website at <http://investor.verisign.com> as soon as is reasonably practicable after filing such reports with the Securities and Exchange Commission (the SEC).

## **Internet Infrastructure and Identity Services Group**

Our 3IS group consists of our Naming Services and Authentication Services.

### *Naming Services*

### *Registry Services*

The Registry Services business operates the authoritative directory of all *.com*, *.net*, *.cc*, *.tv*, *.name*, *.jobs* and *.edu* domain names, allowing individuals and brand name organizations to establish their online identities, while providing the secure, always-on access they need to communicate and transact reliably with large-scale online audiences.

We are the exclusive registry of domain names within the *.com*, *.net* and *.name* generic top-level domains (gTLDs) under agreements with the Internet Corporation for Assigned Names and Numbers (ICANN) and the United States (U.S.) Department of Commerce (DOC). As a registry, we maintain the master directory of all second-level domain names in these top-level domains (e.g., johndoe.com and janedoe.net). These top-level domains are supported by our global constellation of domain name servers. In addition, we own and maintain the shared registration system that allows all registrars to enter new second-level domain names into the master directory and to submit modifications, transfers, re-registrations and deletions for existing second-level domain names (Shared Registration System).

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

With our existing gTLDs and ccTLDs, we also provide internationalized domain name (IDN) services that enable Internet users to access websites in characters representing their local language. Currently, IDNs may be registered in as many as 350 different native languages and scripts. We also support the Domain Name Systems (DNS) by locating and translating certain Internet Protocol (IP) addresses into Internet domain names.

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Domain names can be registered for between one and ten years, and the fees charged for *.com* and *.net* may only be increased according to adjustments prescribed in our agreements with ICANN over the applicable term. Revenues for registrations of *.name* are not subject to the same pricing restrictions as those applicable to *.com* and *.net*, however fees charged are subject to our agreement with ICANN over the applicable term. Revenues for *.cc* and *.tv* domain names are based on a similar fee system and registration system, though the fees charged are not subject to the same pricing restrictions as those imposed by ICANN. The fees received from operating the *.jobs* registry infrastructure are based on the terms of VeriSign's agreement with the registry operator of *.jobs*. No fees are received from operating the *.edu* registry infrastructure.



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### *VeriSign Internet Defense Services*

VeriSign Internet Defense Services provides infrastructure assurance to organizations and is comprised of VeriSign iDefense Security Intelligence Service ( iDefense ) and VeriSign Internet Defense Network ( VIDN ).

iDefense provides enterprise security teams with comprehensive intelligence, in the form of alerts, reports and analyst access, to help companies keep up with ever-evolving cyberthreats. Our teams enable companies to improve vulnerability management, incident response, fraud mitigation, and proactive mitigation of the particular threats targeting their industry or global operations. Customers include banks, large corporations and governmental and quasi-governmental organizations. Customers pay an annual fee for iDefense.

VIDN supports online business continuity by providing the monitoring and mitigation services against Distributed Denial of Service ( DDoS ) attacks. Unlike on-premise solutions, which require significant upfront investment, and other service-based solutions, VeriSign's Internet-based service leverages our infrastructure to ensure protection against today's increasingly complex attacks. Customers include online businesses and organizations. Customers pay a monthly fee for VIDN.

### *Authentication Services*

#### *Business Authentication Services*

Business Authentication Services enable confidential online interactions between individuals and organizations, while providing visual assurances that verify website ownership and affirm that interactions are safe and secure. We currently offer the following Business Authentication Services: VeriSign®, thawte®, and GeoTrust® branded SSL certificates. These 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. Revenues are generated through the issuance of SSL certificates for periods ranging from one to five years. The average certification issued by our Business Authentication Services business is approximately sixteen months. The SSL certificate also contains information about the certificate subscriber and the website domain to which the certificate was issued.

We currently offer the following SSL certificate services:

*VeriSign Secure Site with Extended Validation ( EV ) SSL certificates and Secure Site Pro with EV SSL certificates:* EV SSL certificates offer the same level of encryption as VeriSign's Secure Site and Secure Site Pro certificates but provide a higher level of business authentication. These certificates enable high security Web browsers to prominently display a green address bar and identify a website's organizational identity. EV SSL certificates also rely on high assurance authentication standards promulgated by the Certificate Authority ( CA )/Browser Forum, a voluntary organization of leading CAs working together to define the guidelines and means of implementation for the EV SSL certificate standards.

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*VeriSign Secure Site and Secure Site Pro certificates:* Both our Secure Site and Secure Site Pro certificates enable up to 256-bit SSL encryption when both the Web server and the client browser support such encryption. Secure Site Pro, our premium certificate offering, implements Server Gated Cryptography, a technology which automatically steps-up encryption levels to 128-bit in certain client-browser/operating system configurations that would otherwise encrypt at lower levels. The VeriSign branded certificates validate and authenticate the organization requesting the certificate.

*GeoTrust and thawte branded certificates:* We also offer SSL certificate services under the GeoTrust and thawte brands. These services use similar underlying infrastructure as VeriSign branded certificates and are targeted at small businesses, Internet service providers and Web hosting companies. The GeoTrust and thawte branded certificates primarily validate the ownership or control of a domain.

### *User Authentication Services*

User Authentication Services offer a variety of strong authentication methods to help enterprises deploy secure remote access and secure business applications through PKI, digital certificates, or one-time passwords.

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We offer a suite of User Authentication products and services, including our VeriSign Identity Protection ( VIP ) Service, our Fraud Detection Service, and our VeriSign PKI Service. Revenues in our User Authentication Services are derived from a one-time credential sale to the customer seeking network services and a one-time set-up fee. 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.

*VeriSign Identity Protection Service:* Our VIP Service allows organizations to secure username and password access credentials with a one time password, before permitting access to protected online resources. Unlike traditional measures to provide such account security, VIP Service is delivered through the Internet as a standards-based managed service, which reduces deployment and operational costs.

*Fraud Detection Service:* Our Fraud Detection Service provides an invisible means of delivering proactive protection to consumers by detecting fraudulent logins and transactions in real-time without affecting a legitimate user's Web experience.

*VeriSign PKI Service:* VeriSign PKI Service helps organizations reduce risk and comply with security standards through the creation of an independently verifiable trust framework. This framework is used by organizations to both create and validate unique identities for users and devices which can then be leveraged as credentials for accessing sensitive information and systems. While alternative solutions can be developed for such needs, VeriSign PKI solutions are deployment- and future-ready, leveraging a highly available infrastructure that supports open standards and protocols. Customers may choose from a fully hosted solution where VeriSign operates the entire infrastructure, a partially hosted PKI Service with a customer's own network, or, in very specialized cases, leverage VeriSign's in-premise PKI solutions.

## **Divestiture Transactions and Presentation of Results of Operations**

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 businesses. The strategy called for the divestiture or winding-down of our non-core businesses. We substantially completed this strategy during 2009.

During the first quarter of 2009, the Company disaggregated its Enterprise and Security Services disposal group held for sale into the following three businesses: (i) Global Security Consulting ( GSC ), (ii) 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. The Company also reclassified the historical results of operations of iDefense from discontinued operations to continuing operations as part of our Naming Services business for all periods presented.

In October 2009, we decided to wind down the operations of the CPS business after termination of active negotiations with a potential buyer. We expect the winding-down to be completed no later than the end of 2010. The assets and liabilities related to CPS have been reclassified to held and used and the results of operations of CPS have been reclassified from discontinued operations to continuing operations as part of our Other Services segment for all periods presented. The Pre-pay business was fully wound down in October 2009, and its results of operations were reclassified into discontinued operations.

The historical results of operations of our divested businesses have been reclassified as discontinued operations for all periods presented unless otherwise noted.

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During 2009, we completed the divestiture or winding-down of the following businesses:

The Mobile Delivery Gateway Services which offered solutions to manage the complex operator interfaces, relationships, distribution, reporting, and customer service for the delivery of premium mobile content to customers.

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The Pre-pay business which licensed and managed solutions for prepay billing customers to deliver rating and billing services.

Messaging and Mobile Media ( MMM ) Services which consisted of the InterCarrier Messaging, PictureMail, Premium Messaging Gateway, and Mobile Enterprise Service offerings. The MMM Services business was an industry-leading global provider of short-messaging, multimedia messaging, and mobile content application services.

The GSC business which helped 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.

The MSS business which enabled 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 the MSS business security platform and experienced security staff.

The Real-Time Publisher Services business which allowed 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.

The Communications Services business which provided Billing and Commerce Services, Connectivity and Interoperability Services, and Intelligent Database Services.

The International Clearing business which enabled financial settlement and call data settlement for wireless and wireline carriers.

During 2008, we completed the divestiture of the following businesses:

The EMEA Mobile Media business which offered mobile application services that included interactive messaging applications, content portal services, and messaging gateway services.

The Post-pay business which enabled advanced billing and customer care services to wireless telecommunications carriers.

The Communications Consulting business which offered a full range of strategy and technology consulting, business planning, sourcing, and implementation services to help telecommunications operators and equipment manufacturers drive profitable new business and technology strategies.

The Digital Brand Management Services business which offered a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity.

The Content Delivery Network ( CDN ) business which offered broadband content services that enable the delivery of high-quality video and other rich media securely and efficiently at a very large scale. We retained an equity ownership in the CDN business and have accounted for our investment in the CDN business as an equity method investment with a carrying value of zero. As a result of our continuing involvement in the CDN business, the historical results of operations of the CDN business have not been classified as discontinued operations.

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The Self-Care and Analytics business which provided on-line analysis applications for mobile communications customers and on-line customer self-service with a single view of billing across multiple systems.

During 2007, we completed the divestiture of the following businesses:

The Retail Data Solutions ( RDS ) business which specialized in intelligent supply chain services. The historical results of operations of the RDS business have not been classified as discontinued operations because they were not significant. The historical results of operations of RDS are included in our Other Services segment.

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### *Sale of other businesses*

In addition to the divestiture of the non-core businesses as part of our divestiture strategy, we also sold the following businesses:

In 2007, we sold 51% of our ownership interest in our wholly-owned Jamba subsidiary to Fox Entertainment ( Fox ), a subsidiary of News Corporation, and simultaneously entered into two joint venture agreements ( Jamba joint ventures ) with Fox. In 2008, we sold the remaining 49% ownership interest in the Jamba joint ventures to Fox. The historical results of operations of the Jamba subsidiary and the Jamba joint ventures are classified as continuing operations for all periods presented.

In 2007, we sold our Jamba Service GmbH subsidiary ( Jamba Service ) which marketed insurance and extended service warranties to consumers for mobile electronic equipment and products. The historical results of operations of Jamba Service are classified as discontinued operations for all periods presented.

## **Operations Infrastructure**

Our operations infrastructure consists of secure data centers in Mountain View, California; Dulles, Virginia; New Castle, Delaware; Melbourne, Australia; London, England; Kawasaki, Japan; and Fribourg, Switzerland. Most of these secure data centers operate on a 24-hour a day, every day basis, supporting our business units and services. The performance and scale of our infrastructure are critical for both our Naming Services and Authentication Services, and give us the platform to maintain our leadership position in our core services. Key features of our operations infrastructure include:

*Distributed Servers:* We deploy a large number of high-speed servers to support capacity and availability demands that, in conjunction with our proprietary software, offer automatic failover, global and local load balancing and threshold monitoring on critical servers.

*Advanced Telecommunications:* We deploy and maintain redundant telecommunications and routing hardware and maintain high-speed connections to multiple Internet service providers ( ISPs ) to ensure that our critical services are readily accessible to customers at all times.

*Network Security:* We incorporate architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. We have also developed proprietary communications protocols within and between software modules that are designed to prevent most known forms of electronic attacks. In addition, we employ firewalls and intrusion detection software, and contract with security consultants who perform periodic probes to test our systems and security risk assessments.

As part of our operations infrastructure for our Naming Services business, we operate all authoritative domain name servers that answer domain name lookups for the .com and .net zones, as well as for the other top-level domains for which we are the registry. We also operate two of the thirteen externally visible root zone server addresses, including the A root, which is considered to be the authoritative root zone server of the Internet's DNS. The domain name servers provide the associated name server and IP address for every .com and .net domain name on the Internet and a large number of other top-level domain queries, resulting in an annual average of over 55 billion responses per day. These name servers are located around the world, providing local domain name service throughout North America, South America, Europe, and Asia. Each server facility is a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the Internet's DNS infrastructure.

In 2009 VeriSign completed most elements of Project Titan, a large-scale infrastructure upgrade intended to increase the capacity of domain name queries handled by our DNS infrastructure. Project Titan also further fortified our infrastructure to repel significant DDoS attacks, and provide enhanced monitoring and logging capabilities. As part of the Project Titan implementation between 2007 and 2009, all of VeriSign's infrastructure sites have been upgraded, and more than 40 regional resolution sites were deployed.



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*Call Centers and Help Desk:* We provide customer support services through our phone-based call centers, email help desks and Web-based self-help systems. Our California call center is staffed 24 hours a day, every day of the year and employs an automated call directory system to support our Authentication Services business. Our Virginia call center is staffed 24 hours a day, every day of the year to support our Naming Services business. All call centers have a staff of trained customer support agents and provide Web-based support services utilizing customized automatic response systems to provide self-help recommendations.

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

*Disaster Recovery Plans:* We have disaster recovery and business continuity capabilities that are designed to deal with the loss of entire data centers and other facilities. Our Naming Services business maintains dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity. Our Authentication Services business is similarly protected by having service capabilities that exist in both of our East and West Coast data center facilities. Our critical data services (including digital certificates, domain name registration, telecommunications services and global resolution) use advanced storage systems that provide data protection through techniques such as mirroring and remote replication.

## **Marketing, Sales and Distribution**

We market our Naming Services worldwide through registrars. We market our Authentication Services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, direct marketing through all media, mass merchandisers, value-added resellers, systems integrators and VeriSign International Affiliates (each a VeriSign Affiliate). VeriSign established the VeriSign International Affiliate Program in the 1990s to recruit resale partners to resell PKI Services in regions where VeriSign does not offer PKI Services. VeriSign enables each VeriSign Affiliate to operate all aspects of a PKI Service business by licensing to the VeriSign Affiliate the VeriSign Processing Center software platform, which provides a scalable certificate authority service platform capable of supporting thousands of enterprises and millions of end users. Each VeriSign Affiliate is responsible for localizing PKI Services according to its local country regulations and requirements.

Our direct sales and marketing organization at December 31, 2009, consisted of 488 employees. We have field sales offices throughout the world.

## **Research and Development**

As of December 31, 2009, we had 571 employees dedicated to research and development. We believe that timely development of new and enhanced Internet security, e-commerce, information, and technologies is necessary to remain competitive in the marketplace. During 2009, 2008 and 2007 our research and development expenses were \$83.6 million, \$88.9 million and \$94.4 million, respectively.

Our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and services. In the past, we developed our services both independently and through efforts with leading application developers and major customers. We have also, in

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certain circumstances, acquired or licensed technology from third parties. Although we will continue to work closely with developers and major customers in our development efforts, we expect that most of the future enhancements to existing services and new services will be developed internally or acquired through business acquisitions.

The markets for our services are dynamic, characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The constantly changing nature of these markets and their

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rapid evolution will require us to continually improve the performance, features and reliability of our services, particularly in response to competitive offerings, and to introduce both new and enhanced services as quickly as possible and prior to our competitors.

### **Competition**

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

*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. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net and .name on pricing, bundling and use of registrars that do not apply to ccTLDs and therefore may create a competitive disadvantage for us.

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 Neustar, Inc., Afiliis Limited and Nominum, Inc.

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 Inc., Microsoft Corporation and Yahoo! Inc.

Additional competition to our business may arise from the upcoming introduction of new Internationalized Domain Name TLDs ( IDN TLDs ) and new gTLDs by ICANN. On October 30, 2009, ICANN approved a fast track process for awarding new IDN TLDs by the first half of 2010. Other new domain extensions (including ones for which we could apply) could become available by the end of 2011. We do not yet know the impact, if any, that these new domain extensions may have on our business, including the extent to which the earlier introduction of ccTLDs in local languages and scripts by other registries will constitute a competitive advantage. While we may apply for one or more of these new domain extensions and seek to enter into agreements with other gTLD applicants to provide back-end registry services, 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. 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.

*Competition in Business and User 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 Security, Inc. ( RSA ), the security division of EMC Corporation, and Entrust, Inc. which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as 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.

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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

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believe that our primary long-term competitors may not yet have entered the market. Furthermore, AOL Inc. and Microsoft Corporation 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.

## **Industry Regulation**

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

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

*.com* Registry Agreement: On November 29, 2006, the DOC approved the Registry Agreement between ICANN and VeriSign for the *.com* gTLD (the *.com* Registry Agreement). The *.com* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The *.com* Registry Agreement provides that it shall be renewed for successive terms unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.com* Registry Agreement and has failed to cure such breach. The DOC shall approve such renewal if it concludes that approval will serve the public interest in (a) the continued security and stability of the Internet DNS and the operation of the *.com* registry including, in addition to other relevant factors, consideration of VeriSign's compliance with Consensus policies and technical specifications and its service level agreements as set forth in the *.com* Registry Agreement and the investment associated with improving the security and stability of the DNS, and (b) the provision of registry services as defined in the *.com* Registry Agreement at reasonable prices, terms and conditions. The parties have an expectancy of renewal of the *.com* Registry Agreement so long as the foregoing public interest standard is met and VeriSign is not in breach of the *.com* Registry Agreement.

We are required to comply with and implement temporary specifications or policies and consensus policies, as well as other provisions pursuant to the 2006 *.com* Registry Agreement relating to handling of data and other registry operations. The 2006 *.com* Registry Agreement also provides a procedure for VeriSign to propose, and ICANN to review and approve, additional registry services.

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Cooperative Agreement: In connection with the DOC's approval of the .com Registry Agreement, VeriSign and the DOC entered into Amendment No. Thirty (30) to their Cooperative Agreement - Special Awards Conditions NCR-92-18742, regarding operation of the .com gTLD registries, which extends the term of Cooperative Agreement through November 30, 2012, and provides that any renewal or extension of the .com

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Registry Agreement is subject to prior written approval by the DOC. As described above, the Amendment provides that the DOC shall approve such renewal if it concludes that it is in the public interest and in the continued security and stability of the DNS and that the provision of registry services is offered on reasonable terms.

*.net* Registry Agreement: On July 1, 2005, we entered into a Registry Agreement with ICANN for the *.net* gTLD (the *.net* Registry Agreement ). The *.net* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.net* top-level domain through June 30, 2011. The *.net* Registry Agreement provides that it shall be renewed unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.net* Registry Agreement and has failed to cure such breach.

*.name* Registry Agreement: On October 1, 2008, we acquired The Global Name Registry Ltd. ( GNR ), the holder of the *.name* Registry Agreement which provides that GNR will continue to be the sole registry operator for domain names in the *.name* top-level domain through August 15, 2012. The renewal provisions are the same as for the *.net* Registry Agreement.

The descriptions of the *.com* Registry Agreement and Amendment No. 30 of the Cooperative Agreement are qualified in their entirety by the text of the complete agreements that are incorporated by reference as exhibits to this Form 10-K.

*Authentication Services:* Some of our security services utilize and incorporate encryption technology. Exports of software and hardware products utilizing encryption technology are generally restricted by the U.S. and various non-U.S. governments. We have obtained approval to export many of the security services we provide to customers globally under applicable U.S. export law. As the list of products and countries for which export approval is expanded or changes, government restrictions on the export of software and hardware products utilizing encryption technology may grow and become an impediment to our growth in international markets. If we do not obtain required approvals or we violate applicable laws, we may not be able to sell some of our security services in international markets and may be subject to fines and other penalties.

There are currently no U.S. federal laws or regulations that specifically control certification authorities, but a limited number of states have enacted legislation or regulations with respect to certification authorities. If we do not comply with these state laws and regulations, we will lose the statutory benefits and protections that would be otherwise afforded to us. Moreover, if our market for digital certificates grows, the U.S. federal, state, or foreign governments may choose to enact further regulations governing certification authorities or other providers of digital certificate products and related services. These regulations or the costs of complying with these regulations could have a material, adverse impact on our business.

## **Intellectual Property**

We rely primarily on a combination of copyrights, trademarks, service marks, patents, restrictions on disclosure and other methods to protect our intellectual property. We also enter into confidentiality and/or invention assignment agreements with our employees, consultants and current and potential affiliates, customers and business partners. We also generally control access to and distribution of proprietary documentation and other confidential information.

We have been issued numerous patents in the U.S. and abroad, covering a wide range of our technology. Additionally, we have filed numerous 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.

We have obtained trademark registrations for various VeriSign marks in the U.S. and other countries, including VERISIGN, the VeriSign logo, the checkmark circle, GEOTRUST, and THAWTE. We have also filed



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numerous applications to register VeriSign trademarks and claims, and have common law rights in many other proprietary names. We take steps to enforce and police VeriSign's trademarks. 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.

With regard to our Naming Services business, our principal intellectual property consists of, and our success is dependent upon, proprietary software used in our registry service business and certain methodologies and technical expertise we use in both the design and implementation of our current and future registry services and Internet-based products and services businesses, including the conversion of IDNs. We own our proprietary Shared Registration System through which competing registrars submit second-level domain name registrations for each of the registries we operate. Some of the software and protocols used in our registry services are in the public domain or are otherwise available to our competitors.

With regard to our Authentication Services business, we also rely on certain licensed third-party technology, such as public key cryptography technology licensed from RSA, and other technology that is used in our security services to perform key functions. RSA has granted us a perpetual, royalty-free, nonexclusive, worldwide license to use certain RSA products relating to certificate issuing, management and processing functionality. We develop services that contain or incorporate the RSA BSAFE products and that relate to digital certificate-issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, and software for customers to preview and forward digital certificate requests to them. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications.

**Employees**

The following table shows a comparison of our consolidated employee headcount, by function, including historical headcount associated with the divested and wound-down businesses:

	<b>As of December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Employee headcount by function:</b>			
Cost of revenues	658	1,164	1,673
Sales and marketing	488	607	809
Research and development	571	769	954
General and administrative	611	757	815
 Total	 2,328	 3,297	 4,251

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



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### **ITEM 1A. RISK FACTORS**

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

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

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

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

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;

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

customer renewal rates and turnover of customers of our services;

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

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

the impact of decisions by channel partners and resellers to offer competing products or modify their marketing practices;

the mix of all our services sold during a period;

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seasonal fluctuations in business activity;

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

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

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

the uncertainties, costs and risks related to our divestiture plan, including any income statement charges we incur in connection therewith and costs related to our transition services agreements.

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

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should not rely upon them as an indication of future performance. Also, operating results may fall below our expectations and the expectations of securities analysts or investors in one or more future periods. If this were to occur, the market price of our common stock would likely decline.

**Our operating results may continue to be adversely affected by the current economic environment, unfavorable market and economic conditions.**

The current global economic environment may continue to have a negative impact on demand for our services, our business and our foreign operations. The economic environment 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 customers' continued growth and development of their businesses and our customers' ability to continue as going concerns;

the ability of our customers to maintain their business;

price competition for our products and services;

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

the price of our common stock;

our liquidity;

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

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

our ability to execute on any stock repurchase plans.

In addition, to the extent that the economic environment 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, and the extent to which digital certificates and domain names are used, for e-commerce and communications;

growth in demand for our services;

the competition for any of our services;

the perceived security of e-commerce and communications 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;

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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 December 31, 2009, we had 864 or 37% 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;

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.;

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;



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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, and cyber squatting and laws designed to promote cyber security 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 state or foreign governments might attempt to regulate Internet transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. 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.

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In addition, we are required to comply with state laws and regulations regarding certification authorities and if we fail to do so, we could lose the statutory benefits and protections that would otherwise be afforded to us.

**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.**

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 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

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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.

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

The DOC has adopted a plan for the phased transition of its responsibilities for the DNS to ICANN. As part of this transition, we are parties to agreements with ICANN and the DOC as the exclusive registry of domain names within the *.com* gTLD and with ICANN with respect to being the exclusive registry for the *.name* and *.net* gTLDs.

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;

Under the Affirmation of Commitments entered into between ICANN and the DOC effective October 1, 2009 (the Affirmation of Commitments), the DOC became one of several parties working together with other representative constituency members in providing an on-going review of ICANN's performance and accountability. The Affirmation of Commitments provides for more defined international participation in this review. It is not known what, if any, role these review committees will play in the oversight of ICANN's contracting process with various gTLD providers including VeriSign, and they could make recommendations that are adverse to our business;

one or more of the *.com*, *.net*, or *.name* 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;

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 refuse to grant its approval to the renewal of 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; and

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

In addition, 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. ICANN is currently considering allowing the vertical integration of registries and registrars in terms of partners and owners in the upcoming round of new gTLD registries. This proposal is currently under review by the ICANN community and the timing and outcome is unknown. Additionally, vertical integration of existing gTLD registries may be considered by ICANN. If vertical integration is permitted, the impact to the distribution channel is uncertain but could have a material adverse effect on our business.



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**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. The Affirmation of Commitments, which calls for the establishment of multi-party review panels, contemplates a greater involvement by foreign governments and governmental authorities in the oversight of ICANN. These periodic review panels may take positions that are unfavorable to VeriSign.

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 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. These root zone servers are critical to the functioning of the Internet. Consequently, 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 the independent 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.**

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Currently, Internet users navigate to a website either by directly typing in its domain name into a web browser or through the use of a search engine. If (i) web browser or Internet search technologies were to change significantly; (ii) Internet search engines changed the value of their algorithms on the use of a domain for finding a website; (iii) Internet users were to shift away from direct navigation, or (iv) Internet users increase the use of second or third level domains or alternate identifiers, the demand for domain names could decrease.

**Changes in the level of spending on on-line advertising and/or the way that on-line networks 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

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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 environment, 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 making 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, they 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 could contain undetected defects or errors. Despite testing, defects or errors may occur in our existing or new services, which could result in compromised customer data, 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.

### **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;



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attacks 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); New Castle, Delaware; Dulles, Virginia; Melbourne, Australia; London, England; and Fribourg, Switzerland. To the extent we are unable to partially or completely switch over to secondary or tertiary sites, any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage 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 other 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 top-level 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 domain name 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 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.



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### **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 the strength of our brand could harm our business.

### **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 was 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 are a significant number of U.S. and foreign patents and patent applications in our areas of interest, and we believe that there has been, and is likely to continue to be, significant litigation in the industry regarding patent and other intellectual property rights.

### **We 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

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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. If we fail to enter into additional relationships, we would have to devote substantially more resources to the distribution, sale and marketing of our Internet infrastructure 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. Similarly, if one or more of our channel partners were to encounter financial difficulties, it 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.

### **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 VeriSign 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.**

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The future growth of our 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 even after adoption.

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

We target 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 could be materially harmed.

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

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

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, or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

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

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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;

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.



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VeriSign has also adopted a stockholder rights plan that may discourage, delay or prevent a change of control or the acquisition of a substantial block 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, as well as in the execution of our divestitures, 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.

In February 2010, the U.S. President's administration announced various legislative proposals that could change the U.S. international tax laws. We are unable to predict whether these and other proposals will be implemented. We have not yet determined whether or the extent to which these proposals will ultimately impact VeriSign.

### ***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 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

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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 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. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net and .name on pricing, bundling and use of registrars that do not apply to ccTLDs and therefore may create a competitive disadvantage.

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 Neustar Inc., Afilias Limited and Nominum, Inc.

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 Inc., Microsoft Corporation, and Yahoo! Inc.

Additional competition to our business may arise from the upcoming introduction of new IDN TLDs and new gTLDs by ICANN. On October 30, 2009, ICANN approved a fast track process for awarding of new IDN TLDs by the first half of 2010. Other new domain extensions (including ones for which we could apply) could become available by the end of 2011. We do not yet know the impact, if any, that these new domain extensions may have 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 information security division of EMC Corporation, and Entrust, Inc., which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as IdenTrust, Inc. which 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 Inc. and Microsoft Corporation 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.

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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.

### **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, or launch entirely new products and services in anticipation of market trends. 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 continue to be responsible for certain liabilities and transition services following the divestiture of certain businesses.**

Under the agreements reached with the buyers of certain businesses divested under the divestiture plan, we remain liable for certain liabilities related to the divested businesses. In addition, we have entered into, and may in the future amend or extend, transition services agreements with buyers in connection with the divestiture of certain businesses. These transition services may be required for a longer period of time than anticipated by management. In addition, we have agreed to perform certain transition services for a fixed price or for fixed hourly rates, but our actual costs to provide such services may exceed the fees buyers are contractually obligated to pay us under the relevant transition services agreements.

There is a possibility that we will incur costs and expenses associated with the management of liabilities related to the businesses we have divested, including requests for indemnification by buyers. These liabilities could potentially relate to (i) breaches of contractual representations and warranties we gave to buyers of the divested businesses, or (ii) certain liabilities relating to the divested businesses which we retained under the agreements reached with buyers of the divested businesses. Such liabilities include certain litigation matters, including actions brought by third parties. Where responsibility for such liabilities is to be contractually allocated to the buyer or shared with the buyer or another party, it is possible that the buyer or the other 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 those 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.

*Risks related to our securities*

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

As of December 31, 2009, we had one billion authorized common shares, of which 183.3 million shares were outstanding. In addition, of our authorized common shares, 29.3 million common shares were reserved for

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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 3.25% junior subordinated convertible debentures due 2037 (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 credit facility ( Facility ) with a borrowing capacity of \$500.0 million. As of December 31, 2009, we had no outstanding borrowings under the Facility and we had utilized \$1.7 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.

### **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.

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.





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None.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located in Mountain View, California. We have administrative, sales, marketing, research and development and operations facilities located in the U.S., Canada, Brazil, Europe, Asia, Australia and South Africa. As of December 31, 2009, we owned approximately 364,000 square feet of space, which includes portions of our headquarters complex in Mountain View, California and facilities in Dulles, Virginia and New Castle, Delaware. As of December 31, 2009, we leased approximately 720,000 square feet of space, primarily in the U.S. and to a lesser extent, in Europe and Asia Pacific. Our facilities are under lease agreements that expire at various dates through 2017. We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future. The following table lists our major locations and primary use for continuing operations:

Major Locations	Approximate Square Footage	Use
United States: Mountain View, California	290,000	Corporate Headquarters; and Internet, Infrastructure and Identity Services
Dulles, Virginia	237,000	Internet, Infrastructure and Identity Services; and Corporate Services
New Castle, Delaware	105,000	Internet, Infrastructure and Identity Services
Europe/Middle East/Africa: Cape Town, South Africa	21,000	Internet, Infrastructure and Identity Services; and Corporate Services
Geneva, Switzerland	17,000	Internet, Infrastructure and Identity Services; and Corporate Services
Asia Pacific/Japan: Bangalore, India	42,000	Internet, Infrastructure and Identity Services; and Corporate Services
Melbourne, Australia	16,000	Internet, Infrastructure and Identity Services; and Corporate Services
Kawasaki, Japan	20,000	Internet, Infrastructure and Identity Services
Tokyo, Japan	15,000	Internet, Infrastructure and Identity Services; and Corporate Services

At December 31, 2009, on a worldwide basis, we had an aggregate of approximately 162,000 square feet that was vacant and in restructuring, which is not included in the table above. In addition, at December 31, 2009, approximately 86,000 square feet is being subleased to third parties, which is not included in the table above.

**ITEM 3. LEGAL PROCEEDINGS**

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

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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

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plaintiffs filed a consolidated complaint on November 20, 2006 ( Federal Action ). 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 Federal Action. The parties have reached an agreement to resolve the option grant related matters. The Federal Action is subject to approval of the U.S. District Court for the Northern District of California. A motion for preliminary approval was filed on January 27, 2010 and the motion is scheduled to be heard on March 3, 2010. The parties have agreed that upon final approval of the settlement and dismissal of the Federal Action the parallel state court proceedings will be dismissed.

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 and Louis A. Simpson. 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. The parties have reached an agreement to resolve all of the option grant related matters. The Federal Action is subject to approval of the U.S. District Court for the Northern District of California. A motion for preliminary approval was filed on January 27, 2010 in that court and the motion is scheduled to be heard on March 3, 2010. The parties have agreed that upon final approval of the settlement and dismissal of the Federal Action the parallel state court proceedings will be dismissed.

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.

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 the ruling in Herbert is on appeal in the U.S. Court of Appeals for the Ninth Circuit.

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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. Certain indemnity requests from customers are still pending. 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 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.

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.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2009.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth information regarding our executive officers as of February 1, 2010:

Name	Age	Position
D. James Bidzos	54	Executive Chairman

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Mark D. McLaughlin	44	President and Chief Executive Officer
Brian G. Robins	40	Executive Vice President and Chief Financial Officer
Christine C. Brennan	57	Senior Vice President, Human Resources
Richard H. Goshorn	53	Senior Vice President, General Counsel and Secretary
Russell S. Lewis	55	Executive Vice President, Strategy and Technical Operations
Kevin A. Werner	49	Senior Vice President, Corporate Development and Strategy

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

**Mark D. McLaughlin** has served as President and Chief Executive Officer and as a director since August 2009. He served as President and Chief Operating Officer from January 2009 to August 2009. From November 2008 to January 2009, Mr. McLaughlin provided consulting services 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 Executive Vice President and General Manager, Information Services. From December 2004 to May 2006, he served as Senior Vice President and General Manager, Information Services and from November 2003 through December 2004, Mr. McLaughlin was Senior Vice President and Deputy General Manager of Information Services. From 2002 to 2003, he served as 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, Sales and Business Development, of Signio Inc., an Internet payment company acquired by the Company in February 2000. Mr. McLaughlin holds a B.S. degree from the U.S. Military Academy at West Point and a J.D. degree from Seattle University.

**Brian G. Robins** has served as Chief Financial Officer since August 2009. He served as acting Chief Financial Officer from April 2008 to August 2009 and served as Senior Vice President, Finance, from August 2007 to August 2009. From January 2007 to August 2007, Mr. Robins was Vice President, Finance. Prior to joining VeriSign in January 2007, Mr. Robins was employed by NeuStar Inc., 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. Mr. Robins has served as a director of VeriSign Japan K.K. since March 2009. Mr. Robins holds a B.A. degree in Finance from Lipscomb University and an M.B.A. degree from Vanderbilt University.

**Christine C. Brennan** has served as Senior Vice President, Human Resources since February 2010. She served as the Head of Group Human Resources for the Bank of Ireland from October 2007 through January 2010. Prior to joining the Bank of Ireland, Ms. Brennan served as Director of Human Resources for Barclays PLC from May 2005 to September 2007. She was Vice President, Human Resources for AT&T Inc. from May 2002 to May 2005. Ms. Brennan holds a B.S. degree in Business Administration from the University of Maryland.

**Richard H. Goshorn** has served as Senior Vice President, General Counsel and Secretary since June 2007. From October 2004 to May 2007, he served as General Counsel for Akin Gump Strauss Hauer & Feld, LLP, an international law firm. From 2002 to 2003, Mr. Goshorn was Corporate Vice President, General Counsel and Secretary of Acterna Corporation Inc., a public communications test equipment company. From 1991 to 2001 he held a variety of senior executive legal positions with London-based Cable and Wireless PLC, a telecommunications company, including the position of Senior Vice President and General Counsel, Cable & Wireless Global. Mr. Goshorn holds a B.A. degree in Economics from the College of Wooster and a J.D. degree from Duke University School of Law.

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**Russell S. Lewis** has served as Executive Vice President, Strategy and Technical Operations since November 2008. From August 2007 to November 2008, he served as Senior Vice President, Strategic Development, and from January 2005 to July 2007, he served as Senior Vice President, Corporate Development. From February 2002 to December 2004, he served as General Manager, Naming and Directory Services and from March 2000 to February 2002, he served as Senior Vice President, Corporate Development. Since August 1999, he has served as President of Lewis Capital Group, LLC, an investment firm. Mr. Lewis holds a B.A. degree in Economics from Haverford College and an M.B.A. degree with a concentration in finance and marketing from Harvard Business School.

**Kevin A. Werner** has served as Senior Vice President, Corporate Development and Strategy since September 2007. From February 2004 until joining VeriSign in September 2007, Mr. Werner served as Senior Vice President, Director of Strategic Development Activities of SAIC, Inc., a diversified information technology services company. From April 2000 until January 2004, he was President and Managing Director of SAIC Venture Capital Corporation, an SAIC subsidiary. Mr. Werner holds a B.A. degree in Political Science from George Washington University and a J.D. degree from Harvard Law School.

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

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

	<b>Price Range</b>	
	<b>High</b>	<b>Low</b>
<b>Year ending December 31, 2010:</b>		
First Quarter (through February 25, 2010) .	\$ 25.14	\$ 21.21
<b>Year ended December 31, 2009:</b>		
Fourth Quarter .	\$ 24.99	\$ 21.28
Third Quarter .	23.95	17.59
Second Quarter .	24.88	17.54
First Quarter .	\$ 21.65	\$ 16.89
<b>Year ended December 31, 2008:</b>		
Fourth Quarter .	\$ 25.91	\$ 16.23
Third Quarter .	38.81	22.49
Second Quarter .	42.50	32.72
First Quarter .	\$ 38.06	\$ 30.14

On February 17, 2010, there were 833 holders of record of our common stock, although we believe there are approximately 87,450 beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders. On February 25, 2010, the reported last sale price of our common stock was \$24.86 per share as reported by the NASDAQ Global Select Market.

The market price of our common stock has been and is likely to continue to be highly volatile and significantly affected by factors such as:

general market and economic conditions and market conditions affecting technology and Internet stocks generally;

announcements of technological innovations, acquisitions or investments by us or our competitors;

developments in Internet governance; and

industry conditions and trends.



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The market price of our common stock also has been and is likely to continue to be significantly affected by expectations of analysts and investors. Reports and statements of analysts do not necessarily reflect our views. To the extent we have met or exceeded analyst or investor expectations in the past does not necessarily mean that we will be able to do so in the future. In the past, securities class action lawsuits have often followed periods of volatility in the market price of a particular company's securities. This type of litigation could result in substantial costs and a diversion of our management's attention and resources.

We have never declared or paid any cash dividends on our common stock or other securities and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for stock repurchase programs designed to return value to our stockholders and minimize dilution from stock issuances, and for future growth of our core businesses. Information regarding our equity compensation plans may be found in Part III, Items 11 and 12, of this Form 10-K.

**Table of Contents****Share Repurchases**

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

On August 5, 2008, the Board of Directors authorized the repurchase of up to \$680.0 million of our common stock, in addition to the \$320.0 million of our common stock remaining available for repurchase under a previous 2006 stock repurchase program, for a total repurchase of up to \$1 billion of our common stock (collectively, the 2008 Share Buyback Program). The 2008 Share Buyback Program has no expiration date. As of December 31, 2009, \$697.2 million remained available for further repurchases under the 2008 Share Buyback Program.

The following table presents the stock repurchase activity during the three months ended December 31, 2009:

		<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs</b>
October 1	31, 2009		\$		\$ 905.0 million
November 1	30, 2009	1,948,223	22.08	1,948,223	862.0 million
December 1	31, 2009	7,359,613	\$ 22.39	7,359,613	\$ 697.2 million
		9,307,836		9,307,836	

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*The information contained in the Performance Graph shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission (the SEC) or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.*

The following graph compares the cumulative total stockholder return on our common stock, the Standard and Poors ( S&P ) 500 Index, and the S&P 500 Information Technology Index. The graph assumes that \$100 was invested in our common stock, the S&P 500 Index and the S&P 500 Information Technology Index on December 31, 2004, and calculates the return annually through December 31, 2009. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
VeriSign, Inc	\$ 100	\$ 66	\$ 71	\$ 111	\$ 57	\$ 72
S&P 500 Index	\$ 100	\$ 105	\$ 121	\$ 127	\$ 80	\$ 103
S&P 500 Information Technology Index	\$ 100	\$ 101	\$ 107	\$ 125	\$ 71	\$ 118

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

The following table sets forth selected financial data as of and for the last five fiscal years. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, to fully understand factors that may affect the comparability of the information presented below.

We have reclassified the selected financial data for all periods presented to reflect our discontinued operations as described in Note 4, Assets Held for Sale and Discontinued Operations, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

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

	Year Ended December 31,				
	2009 (2)	2008 (1) (3) (4)	2007 (1) (5)	2006 (1) (6)	2005 (1) (7)
<b>Continuing Operations:</b>					
Revenues	\$ 1,031	\$ 965	\$ 851	\$ 948	\$ 1,074
Operating income (loss)	\$ 314	\$ 64	\$ (232)	\$ 19	\$ 138
Income (loss) attributable to VeriSign, Inc. and subsidiaries common stockholders	\$ 198	\$ 85	\$ (139)	\$ 357	\$ 119
Income (loss) per share attributable to VeriSign, Inc and subsidiaries common stockholders:					
Basic	\$ 1.03	\$ 0.43	\$ (0.59)	\$ 1.46	\$ 0.46
Diluted	\$ 1.03	\$ 0.43	\$ (0.59)	\$ 1.45	\$ 0.45
<b>Discontinued Operations:</b>					
Revenues	\$ 225	\$ 591	\$ 651	\$ 620	\$ 586
Operating income (loss)	\$ 20	\$ (20)	\$ 3	\$ 70	\$ 98
Income (loss) attributable to VeriSign, Inc. and subsidiaries common stockholders	\$ 48	\$ (459)	\$ (11)	\$ 26	\$ 304
Income (loss) per share attributable to VeriSign, Inc and subsidiaries common stockholders:					
Basic	\$ 0.25	\$ (2.33)	\$ (0.04)	\$ 0.11	\$ 1.19
Diluted	\$ 0.25	\$ (2.30)	\$ (0.04)	\$ 0.10	\$ 1.16
<b>Consolidated Total:</b>					
Net income (loss) attributable to VeriSign Inc. and subsidiaries common stockholders	\$ 246	\$ (374)	\$ (150)	\$ 383	\$ 423
Net income (loss) per share attributable to VeriSign, Inc. and subsidiaries common stockholders:					
Basic	\$ 1.28	\$ (1.90)	\$ (0.63)	\$ 1.57	\$ 1.65
Diluted	\$ 1.28	\$ (1.87)	\$ (0.63)	\$ 1.55	\$ 1.61

- (1) The information presented reflects the adjustments made to our prior periods' results of operations, which are more fully described in Note 1, Description of Business and Summary of Significant Accounting Policies, *Reclassifications*, in our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. The reclassifications of income from continuing operations to income from discontinued operations were approximately \$5.0 million and \$1.0 million in 2006 and 2005, respectively.
- (2) Operating income from continuing operations for 2009 includes a \$9.7 million impairment charge related to our .name generic top-level domain (.gTLD) and \$7.3 million in restructuring charges. Income from discontinued operations attributable to VeriSign Inc., and subsidiaries common stockholders for 2009 includes \$35.2 million gain upon divestiture of businesses.
- (3) Operating income from continuing operations for 2008 includes a goodwill impairment charge of \$77.6 million for our VeriSign Japan reporting unit, \$31.2 million in restructuring charges and a loss of \$79.1 million on the sale of a portion of our Mountain View facilities. Income from continuing operations

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attributable to VeriSign Inc., and subsidiaries common stockholders, includes gain on sale of \$77.9 million, upon the divestiture of our remaining 49% ownership interest in the Jamba joint ventures.

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- (4) Operating loss from discontinued operations for 2008 includes \$39.2 million in restructuring charges and a goodwill impairment charge of \$45.8 million related to our Post-pay reporting unit. Loss from discontinued operations attributable to VeriSign Inc., and subsidiaries common stockholders for 2008 includes \$424.8 million in losses upon divestiture of businesses.
- (5) Operating loss from continuing operations for 2007 includes impairment charges of \$216.0 million of goodwill and other long-lived assets. Loss from continuing operations attributable to VeriSign Inc., and subsidiaries common stockholders for 2007 was offset by a \$68.2 million gain recognized upon the divestiture of our majority ownership interest in Jamba. Operating income from discontinued operations for 2007 includes impairment charges of \$46.8 million for other long-lived assets.
- (6) Income from continuing operations attributable to VeriSign Inc., and subsidiaries common stockholders for 2006 includes \$349.8 million in income tax benefits that resulted from the release of our valuation allowance of \$236.4 million from our deferred tax assets and the recognition of a non-recurring benefit of \$113.4 million due to a favorable ruling received in the second quarter of 2006 relating to a capital loss generated in 2003.
- (7) Income from discontinued operations attributable to VeriSign Inc., and subsidiaries common stockholders for 2005 includes a gain on sale of our payment gateway business of \$250.6 million.

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

	<b>As of December 31,</b>				
	<b>2009</b>	<b>2008 (1)</b>	<b>2007 (1)</b>	<b>2006</b>	<b>2005</b>
Cash, cash equivalents and short term investments (2) (3)	\$ 1,477	\$ 789	\$ 1,377	\$ 677	\$ 855
Total assets	2,470	2,367	3,795	3,985	3,181
Deferred revenues (2)	888	845	774	637	521
Convertible debentures, including contingent interest derivative	574	569	567		
Stockholders' equity (4)	\$ 599	\$ 518	\$ 1,969	\$ 2,403	\$ 2,040

- (1) The information presented reflects adjustments made to our prior periods' financial position, which are more fully described in Note 1, Description of Business and Summary of Significant Accounting Policies, *Reclassifications*, in our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.
- (2) Excludes assets and liabilities classified as held for sale as reported at each Balance Sheet date, if applicable.
- (3) We did not have any significant short-term investments at December 31, 2009, 2008 and 2007.
- (4) Stockholders' equity has been adjusted to include Noncontrolling interest in subsidiary for all periods presented, which is more fully described in Note 1, Description of Business and Summary of Significant Accounting Policies, *Reclassifications*, in our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

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

**FORWARD-LOOKING STATEMENTS**

*This Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act 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 I, Item 1A of this Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.*

**Overview**

VeriSign's mission is to bring trust to the Internet. We offer a comprehensive spectrum of products and services that enable confidence among Internet users, website owners and operators of digital networks. VeriSign's Naming Services capabilities enable domain name registration through our registrar partners and provide network availability for registrars and Internet users alike. VeriSign's Authentication Services capabilities make it easier for consumers to identify websites that are authentic, safe and secure. We enhance business reputations, security and website uptime resulting in improved online traffic, sales conversion and customer loyalty for websites.

We have the following two reportable segments: (1) Internet Infrastructure and Identity Services ( IIS ), which consists of Naming Services and Authentication Services; and (2) Other Services, which consists of the continuing operations of our Content Portal Services ( CPS ), our remaining non-core business, and legacy products and services from divested businesses.

Naming Services is the authoritative directory provider of all .com, .net, .cc, .tv, .name, .jobs and .edu domain names. As of December 31, 2009, we had approximately 96.7 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. VeriSign Internet Defense Services provide infrastructure assurance to organizations and is comprised of VeriSign iDefense Security Intelligence Service ( iDefense ) and VeriSign Internet Defense Network ( VIDN ). Revenues from VeriSign Internet Defense Services are not significant.

Authentication Services is comprised of Business Authentication Services and User Authentication Services.

Business Authentication Services enable enterprises and Internet merchants to implement and operate secure networks and websites that utilize Secure Socket Layer ( SSL ) protocol. Business Authentication Services provide customers the means to authenticate themselves to their end

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users and website visitors and to encrypt transactions and communications between client browsers and Web servers. We currently offer the following Business Authentication Services: VeriSign®, thawte®, and GeoTrust® branded SSL certificates. As of December 31, 2009, we had an installed base of SSL certificates of approximately 1.2 million. The major factors



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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 are intended to help enterprises secure intranets, extranets and other applications and devices, and provide authentication credentials. We currently offer the following User Authentication Services: VeriSign Identity Protection ( VIP ), managed public key infrastructure ( PKI ), and fraud detection 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.

We are working to expand our Business Authentication Services business offerings and solutions through the development of new services, including the VeriSign Trust Seal, which will build on or complement current offerings. The VeriSign Trust Seal authenticates that a customer is a legitimate business entity that owns and operates a website domain as well as provides assurance to website users that the website is free from malware. We expect that revenues from the VeriSign Trust Seal will not be significant in 2010.

## ***2009 Business Highlights***

We recorded revenues of \$1.0 billion from continuing operations in 2009, an increase of 7% as compared to 2008. The increase was primarily due to an increase in revenues from our Naming Services and to a lesser extent from our Authentication Services.

We recorded income from continuing operations of \$197.5 million in 2009, 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 and impairment activity during 2009.

We sold certain non-core businesses for an aggregate net cash consideration of \$477.4 million and recorded an aggregate gain on sale of \$35.2 million.

We repurchased 11.3 million shares of our common stock for an aggregate cost of \$252.8 million under the 2008 Share Buyback Program.

We received distributions of \$16.3 million and \$113.2 million from The Reserve Primary Fund (the Primary Fund ) and The Reserve International Liquidity Fund, Ltd (the International Fund ), respectively. As of December 31, 2009, we had \$20.9 million outstanding in the Primary Fund and the International Fund.

## ***Divestiture Transactions and Sale of Other Businesses***

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 businesses. The strategy called for the divestiture or winding-down

of our non-core businesses. We substantially completed this strategy during 2009.

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During 2008 and 2009, we substantially completed all of our divestitures and the winding-down of our non-core businesses. In October 2009, we decided to wind down the operations of the CPS business after termination of active negotiations with a potential buyer. We expect the winding-down to be completed no later than the end of 2010. The assets and liabilities related to CPS have been reclassified to held and used and the results of operations of CPS have been reclassified from discontinued operations to continuing operations as part of our Other Services segment for all periods presented. The Pre-pay billing and payment ( Pre-pay ) Services business was fully wound down in October 2009, and its results of operations were reclassified into discontinued operations for all periods presented. Having divested our non-core businesses, additional resources are available to invest in our core services that remain: Naming Services and Authentication Services. The proceeds from the divestiture of non-core businesses will be used for, but will not be limited to, investment in growth opportunities in or adjacent to our core services.

*Completed Divestitures in 2009*

During 2009, we completed the divestiture or winding-down of the following businesses, for aggregate net cash consideration of \$477.4 million, and recorded an aggregate gain on sale of \$35.2 million. The historical results of operations of our divested businesses have been reclassified as discontinued operations for all periods presented.

We sold our Mobile Delivery Gateway ( MDG ) Services business which offered solutions to manage the complex operator interfaces, relationships, distribution, reporting and customer service for the delivery of premium mobile content to customers for net cash consideration of \$21.6 million.

We sold our Messaging and Mobile Media ( MMM ) Services business which consisted of the InterCarrier Messaging, PictureMail, Premium Messaging Gateway, and Mobile Enterprise Service offerings for net cash consideration of \$174.4 million. As of December 31, 2009, the Company retained the Indian operations of the MMM Services business ( MMM India ) upon the sale of the MMM Services business on October 23, 2009, until certain regulatory matters were finalized within India. The Company completed the sale of MMM India in January 2010.

We completed the winding-down of our Pre-pay Services business which licensed and managed solutions for prepay billing customers to deliver rating and billing services.

We sold our Global Security Consulting ( GSC ) business which helped 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 for net cash consideration of \$4.9 million.

We sold our Managed Security Services ( MSS ) business which enabled 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 the MSS business security platform and experienced security staff for net cash consideration of \$42.9 million.

We sold our Real-Time Publisher ( RTP ) Services business which allowed 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 for net cash consideration of \$3.6 million.

We sold our Communications Services business which provided Billing and Commerce Services, Connectivity and Interoperability Services, and Intelligent Database Services for net cash consideration of \$230.0 million.

We sold our International Clearing business which enabled financial settlement and call data settlement for wireless and wireline carriers.

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*Completed Divestitures in 2008*