VERISIGN INC/CA
Form 10-Q
April 24, 2014

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

_____

FORM 10-Q

_____

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

o 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	94-3221585
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12061 Bluemont Way, Reston, Virginia	20190
(Address of principal executive offices)	(Zip Code)

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

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

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 x NO o

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

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

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

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

Class	Shares Outstanding April 18, 2014
Common stock, $.001 par value	131,449,939

TABLE OF CONTENTS

		Page
	PART I—FINANCIAL INFORMATION	
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
	PART II—OTHER INFORMATION	
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	43
Item 6.	Exhibits	44
Signatures		45

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As required under Item 1—Financial Statements included in this section are as follows:

Financial Statement Description	Page
Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013	4
Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2014 and 2013	5
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013	6
Notes to Condensed Consolidated Financial Statements	7

Table of Contents

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

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$267,053	$339,223
Marketable securities	1,450,155	1,384,062
Accounts receivable, net	15,437	13,631
Income tax receivables and other current assets	57,553	66,283
Total current assets	1,790,198	1,803,199
Property and equipment, net	329,711	339,653
Goodwill	52,527	52,527
Long-term deferred tax assets	409,616	437,643
Other long-term assets	27,297	27,745
Total long-term assets	819,151	857,568
Total assets	$2,609,349	$2,660,767
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$108,994	$149,276
Deferred revenues	620,593	595,221
Subordinated convertible debentures, including contingent interest derivative	621,061	624,056
Deferred tax liabilities	693,149	660,633
Total current liabilities	2,043,797	2,029,186
Long-term deferred revenues	265,627	260,615
Senior notes	750,000	750,000
Other long-term tax liabilities	7,544	44,524
Total long-term liabilities	1,023,171	1,055,139
Total liabilities	3,066,968	3,084,325
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value $.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share; Authorized shares: 1,000,000; Issued shares: 321,301 at March 31, 2014 and 320,358 at December 31, 2013; Outstanding shares: 131,994 at March 31, 2014 and 133,724 at December 31, 2013	321	320
Additional paid-in capital	18,806,804	18,935,302
Accumulated deficit	(19,261,672)	(19,356,095)
Accumulated other comprehensive loss	(3,072)	(3,085)
Total stockholders' deficit	(457,619)	(423,558)
Total liabilities and stockholders' deficit	$2,609,349	$2,660,767

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended March 31,	
	2014	2013
Revenues	$248,796	$236,447
Costs and expenses:		
Cost of revenues	48,026	47,254
Sales and marketing	20,289	18,104
Research and development	18,439	18,176
General and administrative	22,457	19,649
Total costs and expenses	109,211	103,183
Operating income	139,585	133,264
Interest expense	(21,385)	(12,596)
Non-operating income (loss), net	6,516	(5,777)
Income before income taxes	124,716	114,891
Income tax expense	(30,293)	(30,378)
Net income	94,423	84,513
Unrealized gain (loss) on investments, net of tax	8	(267)
Realized loss (gain) on investments, net of tax, included in net income	5	(20)
Other comprehensive income (loss)	13	(287)
Comprehensive income	$94,436	$84,226
Income per share:		
Basic	$0.71	$0.55
Diluted	$0.64	$0.52
Shares used to compute net income per share		
Basic	133,417	152,543
Diluted	148,600	161,346

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income	$94,423	$84,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment and amortization of other intangible assets	16,008	15,118
Stock-based compensation	9,993	7,594
Excess tax benefit associated with stock-based compensation	—	(11,808)
Deferred income taxes	22,179	4,787
Unrealized (gain) loss on contingent interest derivative on Subordinated Convertible Debentures	(5,269)	6,433
Other, net	2,371	4,309
Changes in operating assets and liabilities		
Accounts receivable	(1,806)	(2,280)
Prepaid expenses and other assets	7,925	3,210
Accounts payable and accrued liabilities	(34,579)	4,549
Deferred revenues	30,384	34,212
Net cash provided by operating activities	141,629	150,637
Cash flows from investing activities:		
Proceeds from maturities and sales of marketable securities	718,177	706,244
Purchases of marketable securities	(784,090)	(764,268)
Purchases of property and equipment	(11,262)	(17,115)
Other investing activities	34	(3,426)
Net cash used in investing activities	(77,141)	(78,565)
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	8,668	8,733
Repurchases of common stock	(145,556)	(142,892)
Excess tax benefit associated with stock-based compensation	—	11,808
Net cash used in financing activities	(136,888)	(122,351)
Effect of exchange rate changes on cash and cash equivalents	230	(1,837)
Net decrease in cash and cash equivalents	(72,170)	(52,116)
Cash and cash equivalents at beginning of period	339,223	130,736
Cash and cash equivalents at end of period	$267,053	$78,620
Supplemental cash flow disclosures:		
Cash paid for interest, net of capitalized interest	$20,209	$20,393
Cash paid for income taxes, net of refunds received	$7,651	$729

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VERISIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. ("Verisign" or the "Company") in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in Verisign's fiscal 2013 Annual Report on Form 10-K (the "2013 Form 10-K") filed with the SEC on February 21, 2014.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.

Note 2. Cash, Cash Equivalents, and Marketable Securities

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

	March 31, 2014	December 31, 2013
	(In thousands)	
Cash	$81,076	$72,232
Money market funds	190,331	246,492
Time deposits	4,091	3,978
Debt securities issued by the U.S. Treasury	1,450,155	1,409,062
Total	$1,725,653	$1,731,764
Included in Cash and cash equivalents	$267,053	$339,223
Included in Marketable securities	$1,450,155	$1,384,062
Included in Other long-term assets (Restricted cash)	$8,445	$8,479

The fair value of the debt securities held as of March 31, 2014 was $1.5 billion, including less than $0.1 million of gross and net unrealized gains. All of the debt securities held as of March 31, 2014 are scheduled to mature in less than one year.

Table of Contents

Note 3. Fair Value of Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2013:

		Fair Value Measurement Using		
	Total Fair Value (In thousands)	(Level 1)	(Level 2)	(Level 3)
As of March 31, 2014:				
Assets:				
Investments in money market funds	$190,331	$190,331	$—	$—
Debt securities issued by the U.S. Treasury	1,450,155	1,450,155	—	—
Foreign currency forward contracts (1)	90	—	90	—
Total	$1,640,576	$1,640,486	$90	$—
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	$23,735	$—	$—	$23,735
Foreign currency forward contracts (2)	216	—	216	—
Total	$23,951	$—	$216	$23,735
As of December 31, 2013:				
Assets:				
Investments in money market funds	$246,492	$246,492	$—	$—
Debt securities issued by the U.S. Treasury	1,409,062	1,409,062	—	—
Foreign currency forward contracts (1)	141	—	141	—
Total	$1,655,695	$1,655,554	$141	$—
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	$29,004	$—	$—	$29,004
Foreign currency forward contracts (2)	131	—	131	—
Total	$29,135	$—	$131	$29,004

(1) Included in Income tax receivables and other current assets
(2) Included in Accounts payable and accrued liabilities

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

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

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

The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the subordinated convertible debentures due 2037 ("the Subordinated Convertible Debentures"). The inputs to the model include stock price, bond price, risk adjusted interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant unobservable inputs. As of March 31, 2014, the valuation of the contingent interest derivative assumed a volatility rate of approximately 26%. A hypothetical 5% increase or decrease in the volatility rate would not significantly change the fair value of the

contingent interest derivative. The credit spread assumed in the valuation was approximately 4% at March 31, 2014. A hypothetical 1% increase or decrease in the credit spread would not significantly change the fair value of the contingent interest derivative.

Table of Contents

The following table summarizes the change in the fair value of the Company's contingent interest derivative on the Subordinated Convertible Debentures during the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Beginning balance	$29,004	$11,203
Unrealized (gain) loss	(5,269)	6,433
Ending balance	$23,735	$17,636

Other

The Company's other financial instruments include cash, accounts receivable, restricted cash, and accounts payable. As of March 31, 2014, the carrying value of these financial instruments approximated their fair value. The fair values of the Company's Subordinated Convertible Debentures and the senior notes due 2023 (the "Senior Notes") as of March 31, 2014, are $2.0 billion and $741.1 million, respectively, and are based on available market information from public data sources. These fair value measurements are classified as Level 2.

Note 4. Other Balance Sheet Items

Income Tax Receivables and Other Current Assets

Income tax receivables and other current assets consist of the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Income tax and other receivables	$27,385	$39,884
Prepaid expenses	17,300	13,502
Debt issuance costs	10,672	10,705
Deferred tax assets	1,759	1,743
Other	437	449
Total income tax receivables and other current assets	$57,553	$66,283

Income tax and other receivables primarily relates to a federal income tax receivable recognized during the fourth quarter of 2013 in connection with a worthless stock deduction for the Company's 2013 federal income tax return as discussed in Note 13, "Income Taxes," of our 2013 Form 10-K.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Accounts payable	$22,688	$24,843
Accrued employee compensation	29,296	49,974
Customer deposits, net	21,610	20,869
Income taxes payable and other tax liabilities	8,752	19,853
Other accrued liabilities	26,648	33,737
Total accounts payable and accrued liabilities	$108,994	$149,276

Accrued employee compensation primarily consists of liabilities for employee leave, salaries, payroll taxes, employee contributions to the employee stock purchase plan, and incentive compensation. Accrued employee incentive compensation as of December 31, 2013, was paid during the three months ended March 31, 2014. Income taxes payable as of December 31, 2013, included approximately $11.2 million of non-U.S. income tax liabilities that were paid during the first quarter of 2014. Other accrued liabilities include miscellaneous vendor payables, interest on the Subordinated Convertible Debentures which is paid semi-annually in arrears on August 15 and February 15, and interest on the Senior Notes which is paid semi-annually in arrears on May 1 and November 1.

9

Table of Contents

Note 5. Stockholders' Deficit

On January 31, 2014, the Company's Board of Directors authorized the repurchase of up to $527.6 million of common stock, in addition to the $472.4 million of its common stock remaining available for repurchase under the previous 2013 Share Buyback Program, for a total repurchase authorization of up to $1.0 billion of its common stock (collectively, the "2014 Share Buyback Program"). The 2014 Share Buyback Program has no expiration date. Purchases made under the 2014 Share Buyback Program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. During the three months ended March 31, 2014 the Company repurchased 2.4 million shares of its common stock at an average stock price of $54.39 for an aggregate cost of $131.7 million. As of March 31, 2014, $868.3 million remained available for further repurchases under the 2014 Share Buyback Program.

During the three months ended March 31, 2014, the Company placed 0.3 million shares, at an average stock price of $55.16 and for an aggregate cost of $13.9 million, into treasury stock for purposes related to tax withholding upon vesting of Restricted Stock Units ("RSUs").

Since inception the Company has repurchased 189.3 million shares of its common stock for an aggregate cost of $6.1 billion, which is presented as a reduction of Additional paid-in capital.

Note 6. Calculation of Net Income per Share

The Company computes basic net income per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share gives effect to dilutive potential common shares, including the conversion spread relating to the Subordinated Convertible Debentures, unvested RSUs, outstanding stock options, and employee stock purchases, using the treasury stock method. The following table presents the weighted-average number of shares used in the calculation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Weighted-average shares of common stock outstanding	133,417	152,543
Weighted-average potential shares of common stock outstanding:		
Conversion spread related to the Subordinated Convertible Debentures	14,286	7,904
Unvested RSUs	817	787
Stock options	37	104
Employee stock purchase plan	43	8
Shares used to compute diluted net income per share	148,600	161,346

The following table presents the weighted-average potential shares of common stock that were excluded from the above calculation because their effect was anti-dilutive:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Weighted-average RSUs outstanding	19	301
Employee stock purchase plan	90	86

Performance based RSUs granted by the Company are excluded from the above calculation of diluted weighted average shares outstanding until the relevant performance criteria are achieved. There were less than 0.3 million such shares excluded from the calculation for each of the periods presented.

Table of Contents

Note 7. Stock-based Compensation

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Cost of revenues	$1,598	$1,540
Sales and marketing	1,848	1,487
Research and development	1,872	1,895
General and administrative	4,675	2,672
Total stock-based compensation expense	$9,993	$7,594

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
RSUs	$7,715	$6,449
Performance-based RSUs	1,868	72
Employee stock purchase plan	1,040	1,707
Stock options	—	83
Capitalization (Included in Property and equipment, net)	(630)	(717)
Total stock-based compensation expense	$9,993	$7,594

Note 8. Interest Expense

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Contractual interest on the Subordinated Convertible Debentures	$10,156	$10,156
Contractual interest on Senior Notes	8,672	—
Amortization of debt discount on the Subordinated Convertible Debentures	2,282	2,101
Credit facility and amortization of debt issuance costs	491	607
Interest capitalized to Property and equipment, net	(216)	(268)
Total interest expense	$21,385	$12,596

Note 9. Non-operating Income (Loss), Net

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Unrealized gain (loss) on contingent interest derivative on Subordinated Convertible Debentures	$5,269	$(6,433)
Interest income	316	643
Other, net	931	13
Total non-operating income (loss), net	$6,516	$(5,777)

Unrealized loss on the contingent interest derivative on the Subordinated Convertible Debentures reflects the change in value of the derivative that results primarily from changes in the Company's stock price. Interest income is earned

principally from the Company’s surplus cash balances and marketable securities.

Table of Contents

Note 10. Income Taxes

The following table presents income tax expense and the effective tax rate:

	Three Months Ended March 31,	
	2014	2013
	(Dollars in thousands)	
Income tax expense	$30,293	$30,378
Effective tax rate	24 %	26 %

The effective tax rate for the three months ended March 31, 2014 and 2013 is lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock-based compensation.

In the three months ended March 31, 2014, the Company adopted Accounting Standards Update (ASU) 2013-11, “Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, Or a Tax Credit Carryforward Exists.” This ASU generally requires that unrecognized tax benefits be presented as a reduction to a deferred tax asset for a net operating loss, similar tax loss or a tax credit carryforward that is available to settle additional income taxes that would result from the disallowance of a tax position, presuming disallowance at the reporting date. As a result of the adoption of this ASU, approximately $36.9 million of unrecognized tax benefits, which had previously been included in Other long-term tax liabilities, have been reclassified on the Condensed Consolidated Balance Sheet to offset the carryforwards that are available to settle the liabilities as of March 31, 2014.

Long-term deferred tax assets as of March 31, 2014 reflects the reclassification of unrecognized tax benefits and the allocation of valuation allowances between current and long-term deferred tax assets. Current deferred tax liabilities as of March 31, 2014 reflects the use of a portion of U.S. federal net operating losses during the first quarter of 2014, an increase in the deferred tax liability related to the Subordinated Convertible Debentures, the reclassification of unrecognized tax benefits and the allocation of valuation allowances between current and long-term deferred tax assets.

Note 11. Contingencies

Legal Proceedings

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

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

Indemnifications

In connection with the sale of the Authentication Services business to Symantec in August 2010, the Company has agreed to indemnify Symantec for certain potential legal claims arising from the operation of the Authentication Services business for a period of sixty months after the closing of the sale transaction. The Company’s indemnification obligations in this regard are triggered only when indemnifiable claims exceed in the aggregate $4.0 million. Thereafter, the Company is obligated to indemnify Symantec for 50% of all indemnifiable claims. The Company’s maximum indemnification obligation with respect to these claims is capped at $50.0 million.

12

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You should also carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2014 and our 2013 Form 10-K, which was filed on February 21, 2014, which discuss our business in greater detail. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We are a global provider of domain name registry services which power the navigation of the Internet by operating a global infrastructure for a portfolio of TLD's that includes .com, .net, .tv, .edu, .gov, .jobs, .name and .cc as well as two of the world's 13 Internet root servers ("Registry Services"). Our product suite also includes Network Intelligence and Availability ("NIA Services") consisting of DDoS Protection Services, iDefense and Managed DNS. We have one reportable segment consisting of Registry Services and NIA Services. As of March 31, 2014, we had approximately 128.5 million domain names registered under the .com and .net registries, our principal registries. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of Internet users, which is partially driven by greater availability of broadband, as well as advertising and promotional activities carried out by us and third-party registrars. Growth in the number of domain names has been hindered by certain factors, including changes to the marketing strategies of certain registrars, overall economic conditions and ongoing changes to search algorithms used by Google and other Internet search engines that negatively affect the profitability of certain types of websites, and as a result, reduce demand for new domain name registrations and renewals. Revenues from NIA Services are not significant in relation to our consolidated revenues.

Business Highlights and Trends

- We recorded revenues of $248.8 million during the three months ended March 31, 2014. This represents an increase of 5% as compared to the same period in 2013.
- We recorded operating income of $139.6 million during the three months ended March 31, 2014. This represents an increase of 5% as compared to the same period last year.
- We added 1.28 million net new names during the first quarter, ending with 128.5 million active domain names in the zone for .com and .net, which represents a 4% increase over the zone at the end of the first quarter in 2013.
- In the first quarter, we processed 8.6 million new domain name registrations for .com and .net as compared to 8.8 million for the same period in 2013.
- The final .com and .net renewal rate for the fourth quarter of 2013 was 72.2% compared with 72.9% for the same quarter in 2012. Renewal rates are not fully measurable until 45 days after the end of the quarter.
- On January 31, 2014, our Board of Directors authorized the repurchase of up to $527.6 million of common stock, in addition to the $472.4 million of our common stock remaining available for repurchase under the previous 2013 Share Buyback Program, for a total repurchase authorization of up to $1.0 billion of its common stock.
- During the three months ended March 31, 2014, we repurchased 2.4 million shares of our common stock under the 2014 Share Buyback Program for $131.7 million. As of March 31, 2014, $868.3 million remained available for further repurchases under the 2014 Share Buyback Program.

- Through April 23, 2014, we repurchased an additional 0.7 million shares for $35.2 million under the 2014 Share Buyback Program.
- We generated cash flows from operating activities of $141.6 million during the three months ended March 31, 2014, a decrease of 6% as compared to the same period last year.

Table of Contents

- Effective February 1, 2014, the domain name registration fees for the .net TLD increased from $5.62 to $6.18, per our agreement with ICANN.

Pursuant to our agreements with ICANN, Verisign makes available on its website at www.verisigninc.com/zone files containing all active domain names registered in the .com and .net registries. At the same website address, Verisign makes available a summary of the number of active domain names registered in the .com and .net registries and the number of .com and .net domain names that are registered but are not configured for use. These files and the related summary data are updated at least once per day. The update times may vary each day. The summary data provided on the website includes domain names that, at the time of publication, were recently purchased and subject to a five day grace period during which the domain names may be deleted and a credit may be issued to a registrar (the "add grace period"). The number of active domain names subject to the add grace period is typically immaterial. The numbers provided in this Form 10-Q are the numbers as of midnight of the date reported, include domain names registered but not configured for use, and do not include domain names subject to the add grace period and therefore cannot be compared to the summary posted on our website. Information available on, or accessible through, this website is not incorporated herein by reference.

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

https://www.facebook.com/Verisign
http://www.twitter.com/Verisign
http://www.LinkedIn.com/company/verisign
http://www.youtube.com/user/verisign
http://www.verisigninc.com
http://blogs.verisigninc.com

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

Results of Operations

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

	Three Months Ended March 31,	
	2014	2013
Revenues	100 %	100 %
Costs and expenses:		
Cost of revenues	19	20
Sales and marketing	8	8
Research and development	8	8
General and administrative	9	8
Total costs and expenses	44	44
Operating income	56	56
Interest expense	(9)	(5)
Non-operating income (loss), net	3	(2)
Income before income taxes	50	49
Income tax expense	(12)	(13)
Net income	38 %	36 %

14

Table of Contents

Revenues

Revenues related to our Registry Services are primarily derived from registrations for domain names in the .com, .net, .cc, .tv, .name, .gov, and .jobs domain name registries. Revenues from .cc, .tv, .name, .gov, and .jobs are not significant in relation to our consolidated revenues. For domain names registered with the .com and .net registries, we receive a fee from third-party registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with third-party registrars or their resellers, and the third-party registrars in turn register the .com, .net, .cc, .tv, .name and .jobs domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted, by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of Internet users, which is partially driven by greater availability of broadband, as well as advertising and promotional activities carried out by us and third-party registrars. We increased our .net domain name registration fees from $5.11 to $5.62 on July 1, 2013 and from $5.62 to $6.18 on February 1, 2014. We have the contractual right to increase the fees for .net domain name registrations by up to 10% each year during the term of our .net agreement with ICANN through June 30, 2017. The price of .com domain names is fixed at $7.85 for the duration of the current .com Registry Agreement through November 30, 2018, except that prices may be raised by up to 7% each year due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security and Stability (each as defined in the .com Registry Agreement) of the DNS, subject to approval of the DOC. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All fees paid to us for .com and .net registrations are in U.S. dollars. Revenues from NIA Services are not significant in relation to our total consolidated revenues.

A comparison of revenues is presented below:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
Revenues	$248,796	5 %	$236,447

The following table compares domain names ending in .com and .net managed by our Registry Services business:

	March 31, 2014	% Change	March 31, 2013
Active domain names ending in .com and .net	128.5 million	4 %	123.1 million

Revenues increased by $12.3 million during the three months ended March 31, 2014, as compared to the same period last year, primarily due to an increase of $11.8 million in revenues from the operation of the registries for the .com and .net TLDs. The increase in revenues from the operation of the registries for the .com and .net TLDs is primarily due to a 4% increase in the number of domain names ending in .com and .net and an increase in the .net domain name registration fees in July 2013 and February 2014.

The growth in the number of active domain names was primarily driven by continued Internet growth and new domain name promotional programs. However, ongoing economic uncertainty and changing marketing strategies by certain registrars has limited the rate of growth of the domain name base. Further, according to published reports, Google periodically makes changes to its search algorithms, which may decrease traffic to certain websites, and pay-per-click advertising policies, which may provide less compensation for certain types of websites. This could make such websites less profitable and hinder domain name registration growth. We believe these algorithm changes had a negative effect on the first time renewal rate for registrations in recent years.

We expect to see continued growth in the number of active domain names during the remainder of 2014 as a result of further Internet growth. In addition we expect to see continued growth internationally in the domain name base, resulting from greater broadband availability, Internet adoption, and expanding e-commerce. We believe certain registrars made changes to their marketing strategies and offered fewer discount programs for domain name registrations during the three months ended March 31, 2014 and may continue to do so in the future. We believe these

marketing changes by registrars along with overall economic conditions may limit growth in the number of active domain names during 2014. Although growth in the domain name base may be limited by these factors, we expect revenues will continue to increase in fiscal 2014 as compared to fiscal 2013 as a result of continued growth in the number of active domain names ending in .com and .net and increases in the .net domain name registration fees in July 2013 and February 2014.

Table of Contents

Geographic revenues

We generate revenues in the U.S.; Australia, China, India and other Asia Pacific countries ("APAC"); Europe, the Middle East and Africa ("EMEA"); and certain other countries including Canada and Latin American countries. The following table presents a comparison of our geographic revenues:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
U.S.	151,761	7 %	$142,147
EMEA	45,149	13 %	40,001
APAC	32,194	(4)%	33,659
Other	19,692	(5)%	20,640
Total revenues	$248,796		$236,447

Revenues for our Registry Services business are attributed to the country of domicile and the respective regions in which our registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. These changes are reflected in the revenue growth in EMEA and the decline in revenue in APAC.

Cost of revenues

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

A comparison of cost of revenues is presented below:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
Cost of revenues	$48,026	2 %	$47,254

Cost of revenues remained consistent during the three months ended March 31, 2014, as compared to the same period last year.

We expect cost of revenues as a percentage of revenues to remain consistent during the remainder of 2014 compared to the three months ended March 31, 2014.

Sales and marketing

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

A comparison of sales and marketing expenses is presented below:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
Sales and marketing	$20,289	12 %	$18,104

Sales and marketing expenses increased during the three months ended March 31, 2014, as compared to the same period last year, primarily due to a $2.8 million increase in consulting and advertising expenses resulting from an increase in product marketing initiatives promoting Registry and NIA services and an increase in corporate marketing

expenses.

Table of Contents

We expect sales and marketing expenses as a percentage of revenues to increase during the remainder of 2014 compared to the three months ended March 31, 2014 as the volume of marketing initiatives increases. We expect sales and marketing expenses as a percent of revenues for full year 2014 to be at comparable levels to 2013.

Research and development

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

A comparison of research and development expenses is presented below:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
Research and development	$18,439	1 %	$18,176

Research and development expenses remained consistent during the three months ended March 31, 2014, as compared to the same period last year.

We expect research and development expenses as a percentage of revenues to remain consistent during the remainder of 2014 compared to the three months ended March 31, 2014.

General and administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, costs of facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees, and bad debt expense, offset by allocations of indirect costs such as facilities and shared services expenses to other cost types.

A comparison of general and administrative expenses is presented below:

	Three Months Ended March 31,		
	2014	% Change	2013
	(Dollars in thousands)		
General and administrative	$22,457	14 %	$19,649

General and administrative expenses increased during the three months ended March 31, 2014, as compared to the same period last year, primarily due to $2.0 million increase in stock-based compensation expenses due to higher expected attainment levels for performance-based RSUs granted in 2013 and a decrease in expense recognized during the three months ended March 31, 2013 as a result of lower actual attainment level for performance-based RSUs granted in 2012.

We expect general and administrative expenses as a percentage of revenues to remain consistent during the remainder of 2014 compared to the three months ended March 31, 2014.

Table of Contents

Interest expense

The following table presents the components of Interest expense:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Contractual interest on the Subordinated Convertible Debentures	$10,156	$10,156
Contractual interest on Senior Notes	8,672	—
Amortization of debt discount on the Subordinated Convertible Debentures	2,282	2,101
Credit facility and amortization of debt issuance costs	491	607
Interest capitalized to Property and equipment, net	(216)	(268)
Total interest expense	$21,385	$12,596

Contractual interest on the Senior Notes during the three months ended March 31, 2014 is the result of the issuance of the Senior Notes in April 2013. We expect interest expense to remain consistent during each of the remaining quarters of 2014 as compared to the three months ended March 31, 2014.

Non-operating income (loss), net

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Unrealized gain (loss) on contingent interest derivative on Subordinated Convertible Debentures	$5,269	$(6,433)
Interest income	316	643
Other, net	931	13
Total non-operating income (loss), net	$6,516	$(5,777)

Unrealized gain (loss) on the contingent interest derivative on the Subordinated Convertible Debentures reflects the change in value of the derivative that results primarily from changes in our stock price. Interest income is earned principally from our surplus cash balances and marketable securities.

Income tax expense

The following table presents income tax expense and the effective tax rate:

	Three Months Ended March 31,	
	2014	2013
	(Dollars in thousands)	
Income tax expense	$30,293	$30,378
Effective tax rate	24%	26%

The effective tax rate for the three months ended March 31, 2014 and 2013 is lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock-based compensation.

Table of Contents

Liquidity and Capital Resources

	March 31, 2014	December 31, 2013
	(In thousands)	
Cash and cash equivalents	$267,053	$339,223
Marketable securities	1,450,155	1,384,062
Total	$1,717,208	$1,723,285

As of March 31, 2014, our principal source of liquidity was $267.1 million of cash and cash equivalents and $1.5 billion of marketable securities. The marketable securities consist of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist of amounts invested in money market funds. As of March 31, 2014, all of our marketable securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, “Cash, Cash Equivalents, and Marketable Securities,” of our Notes to Condensed Consolidated Financial Statements in Part I, Item I of this Quarterly Report on Form 10-Q.

As of March 31, 2014, the amount of cash and cash equivalents and marketable securities held by foreign subsidiaries was $1.5 billion. During the second quarter of 2014, we expect to complete the repatriation of approximately $700.0 million to $800.0 million of cash held by foreign subsidiaries in a tax efficient manner by using the tax benefits resulting from the worthless stock deduction, which was recognized in the fourth quarter of 2013, to offset the taxable income generated in the U.S. as a result of the repatriation. The repatriation amount is expected to utilize substantially all of the projected available distributable capital reserves of our foreign subsidiaries under applicable foreign statutes. For any funds remaining in the foreign subsidiaries after the repatriation that have not been previously taxed in the U.S., our intent remains to indefinitely reinvest those funds outside of the U.S. and accordingly, we have not provided deferred U.S. taxes for such funds. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds.

As of March 31, 2014, we had $750.0 million principal amount outstanding of the 4.625% senior unsecured notes due 2023. The Senior Notes are scheduled to mature in May 2023. We also continue to maintain our unsecured revolving credit facility which has a borrowing capacity of $200.0 million. There were no borrowings outstanding under the credit facility as of March 31, 2014.

As of March 31, 2014, we had $1.25 billion principal amount outstanding of 3.25% subordinated convertible debentures due 2037. The price of our common stock continued to exceed the Conversion Price Threshold Trigger, currently $44.68, during the first quarter of 2014. Accordingly, the Subordinated Convertible Debentures are convertible at the option of the holder through June 30, 2014. We do not expect a material amount of the Subordinated Convertible Debentures to be converted in the near term as the trading price of the debentures exceeds the value that is likely to be received upon conversion. However, we cannot provide any assurance that the trading price of the debentures will continue to exceed the value that would be derived upon conversion or that the holders will not elect to convert the Subordinated Convertible Debentures.

If a holder elects to convert its Subordinated Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the conversion value (as defined in the Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures that holders actually elect to convert exceeds our cash on hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert.

We believe existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our borrowing capacity under the unsecured revolving credit facility should be sufficient to meet our working capital, capital expenditure requirements, and to service our debt for at least the next 12 months. We regularly assess our cash management approach and activities in view of our current and potential future needs.

Table of Contents

In summary, our cash flows for the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Net cash provided by operating activities	$141,629	$150,637
Net cash used in investing activities	(77,141)	(78,565)
Net cash used in financing activities	(136,888)	(122,351)
Effect of exchange rate changes on cash and cash equivalents	230	(1,837)
Net decrease in cash and cash equivalents	$(72,170)	$(52,116)

Cash flows from operating activities

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

Net cash provided by operating activities decreased during the three months ended March 31, 2014 primarily due to an increase in income tax payments made during the first quarter of 2014 which related primarily to certain non-US jurisdictions. An increase in cash paid to employees and vendors was offset by an increase in cash received from customers. Payments to employees increased primarily due to an increase in payments made during the first quarter of 2014 for 2013 annual bonuses. Cash received from customers increased primarily due to an increase in the number of renewed domain name registrations during the three months ended March 31, 2014, and the increases in the .net domain name registration fees in July 2013 and February 2014.

Cash flows from investing activities

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

Net cash used in investing activities decreased during the three months ended March 31, 2014, due to a decrease in purchases of property and equipment and an increase in proceeds from maturities and sales of marketable securities, partially offset by an increase in purchases of marketable securities.

Cash flows from financing activities

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

Net cash used in financing activities increased during the three months ended March 31, 2014 primarily due to a decrease in realized excess tax benefits from exercises of stock options and vesting of RSUs, partially offset by an increase in the amount of share repurchases, compared to the same period of the prior year.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures since December 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of March 31, 2014, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

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

Table of Contents

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Legal Proceedings" in Note 11, "Contingencies," of our Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

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

Risks relating to our business

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

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

- deterioration of global economic and financial conditions as well as their impact on e-commerce, financial services, and the communications and Internet industries;
- volume of new domain name registrations and renewals;
- our success in direct marketing and promotional campaigns and the impact of such campaigns on new registrations and renewal rates;
- any changes to the scope and success of marketing efforts by third-party registrars or their resellers in the case of our Registry Services business, and by our sales channels, including resellers, referrers and OEMs, in the case of our NIA Services business;
- market acceptance of our services by our existing customers and by new customers;
- customer renewal rates and turnover of customers of our services, and in the case of our Registry Services business, the customers of the distributors of our services;
- continued development of our 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 the removal of the right to increase prices for .com domain names in four of six years up to seven percent, as was permitted under the 2006 .com Registry Agreement;
- the impact of decisions by distributors to offer competing or replacement products, including ccTLDs and new gTLDs, or modify or cease their marketing practices, including with respect to new gTLDs;
- the impact of ICANN's Registry Agreement for new gTLDs, which requires the distribution of new gTLDs only through registrars who have executed the new RAA;
- the availability of alternatives to our products;
- seasonal fluctuations in business activity;
- the introduction of new gTLDs, which could cause security, stability and resiliency problems that could substantially and permanently harm our business;
- in the case of our NIA Services business, the long sales cycles for some of our services and the timing and execution of individual customer contracts;
- potential attacks, including hacktivism, by nefarious actors, which could threaten the reliability or the perceived reliability of our products and services;
- potential attacks on the service offerings of our distributors, such as DDoS attacks, which could limit the availability of their service offerings and their ability to offer our products and services;
-

changes in policies regarding Internet administration imposed by governments or governmental authorities inside or outside the U.S.;

- potential disruptions in regional registration behaviors due to catastrophic natural events or armed conflict;
- changes in the level of spending for information technology-related products and services by our customers; and
- the uncertainties, costs and risks as a result of the sale of our Authentication Services business, including costs related to any retained liability related to existing and future claims.

Table of Contents

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 expenses, which are expensed in full when incurred.

Any or all of the above factors could impact our revenues and operating results. Therefore, we believe that period-to-period comparisons of our operating results may not necessarily be meaningful. 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 as a result of unfavorable market, economic, social and political conditions.

An unstable global economic, social and political environment may have a negative impact on demand for our services, our business and our foreign operations, including the ongoing hostilities in the Middle East, natural disasters, conflicts in Europe, currency fluctuations, potential fallout from the disclosures related to the U.S. Internet and communications surveillance and the uncertainties of the U.S. economic environment. For example, recently the ongoing challenging economic conditions in Europe have possibly limited the rate of growth of the domain name base and may continue to do so in the future. More generally, the economic, social and political environment has or may negatively impact, among other things:

- our customers' continued growth and development of their businesses and our customers' ability to continue as going concerns or maintain their businesses, which could affect demand for our products and services;
- current and future demand for our services, including decreases as a result of reduced spending on information technology and communications by our customers;
- price competition for our products and services;
- the price of our common stock;
- our liquidity;
- 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 share repurchase plans.

In addition, to the extent that the economic, social and political environment impacts specific industry and geographic sectors in which many of our customers are concentrated, that may further negatively impact our business. If the market, economic, social and political 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, financial condition and cash flows as a consequence of the above factors or otherwise.

Table of Contents

The operation of our business depends on numerous factors.

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 domain names and the DNS are used for e-commerce and communications;
- changes in Internet user behavior, Internet platforms, mobile devices and web-browsing patterns;
- growth in demand for our services;
- the competition for any of our services;
- the perceived security of e-commerce and communications over the Internet;
- the perceived security of our services, technology, infrastructure and practices;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services;
- our continued ability to maintain our current, and enter into additional, strategic relationships;
- our ability to successfully market our services to new and existing distributors and customers;
- our ability to develop new products, services or other offerings;
- our success in attracting, integrating, training, retaining and motivating qualified personnel;
- our response to competitive developments;
- the successful introduction, and acceptance by our current or new customers, of new products and services;
- potential disruptions in regional registration behaviors due to catastrophic natural events, armed conflict and currency fluctuations;
- seasonal fluctuations in business activity;
- our ability to implement remedial actions in response to any attacks by nefarious actors;
- the successful introduction of enhancements to our services to address new technologies and standards, alternatives to our products and services and changing market conditions; and
- the successful introduction and compliance with consensus policies as they pertain to thick WHOIS and privacy issues for personally identifiable information of .com and .net registrants.

Substantially all of our revenue is derived from our Registry Services business. Limitations on our ability to raise prices on .com registrations and any failure to renew key agreements could materially and adversely affect our business, results of operations, financial condition and cash flows.

Our Registry Services business, which derives most of its revenues from registration fees for domain names, generates substantially all of our revenue. If there is a disruption in the Registry Services business, including any disruption from changes in the domain name industry, changes in or challenges to our agreements with ICANN, including any changes resulting from legal challenges to these agreements, changes in our customers' or Internet users' preferences, a downturn in the economy or changes in technology related to the use of domain names, there may be a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, a failure of the DOC to approve the renewal of the .com Registry Agreement prior to the expiration of its current term on November 30, 2018 could have a material adverse effect on our business.

Under the terms of the Cooperative Agreement, the Company has the right to petition for potential relief from the .com Registry Agreement's pricing restrictions. However, there is uncertainty whether the DOC will approve any exercise by the Company of its right to increase the price per .com domain name under certain circumstances and whether the Company will be able to successfully demonstrate to the DOC that market conditions warrant removal of the pricing restrictions on .com domain names, each of which could materially and adversely affect our business and results of operations. There is also uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to the potential increase in expenses and costs coupled with such factors as restrictions on increasing prices under the .com Registry Agreement and the Cooperative Agreement or any other changes to pricing terms in these agreements upon renewal.

Table of Contents

Issues arising from our agreements with ICANN, the DOC and the GSA could harm our Registry Services business.
We are parties to agreements (i) with the DOC with respect to certain aspects of the DNS, (ii) with ICANN and the DOC as the exclusive registry of domain names within the .com gTLD and (iii) with ICANN with respect to being the exclusive registry for the .net and .name gTLDs.
We face risks arising from our agreements with ICANN and the DOC, including the following:

- ICANN could adopt or promote policies, including Consensus 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;
- ICANN has adopted registry agreements for new gTLDs that include the right for ICANN to amend the agreement without a registry operator's consent, which could impose unfavorable contract obligations on us that could impact our plans and competitive positions with respect to new gTLDs. ICANN might seek to impose this same unilateral right to amend other registry agreements with us under certain conditions. ICANN has also included new mandatory obligations on registry operators that may increase the risks and potential liabilities associated with providing new gTLDs;
- 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 on similar terms, or at all, and if any of the foregoing events occur, in the case of the .com and .net Registry Agreements, it would have a material adverse impact on our business;
- if we seek a price increase with respect to .com domain names during the term of the .com Registry Agreement or at the time of the renewal of the .com Registry Agreement, the DOC could refuse to approve price increases with respect to .com domain names;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- under certain circumstances, the GSA could terminate our agreement to be the registry for the .gov gTLD, which could have a material adverse impact on how the Registry Services business is perceived; and
- contracts within our Registry Services business have faced, and could continue to face, challenges, including possible legal challenges resulting from our activities or the activities of ICANN, registrars, registrants and others, and any adverse outcome from such challenges could have a material adverse effect on our business.

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

Table of Contents

Challenges to Internet administration or changes to our pricing terms could harm our Registry 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 operation 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, or seek to change its role, potentially resulting in changes to Internet governance that could pose a risk to our business, including instability in DNS administration;
- ICANN is mandated by the Affirmation of Commitments by the DOC and ICANN to uphold a "bottom-up" or "multi-stakeholder" Internet governance approach. We believe recent actions by ICANN have signaled a willingness to abandon this model on certain important issues that impact our business and the Internet community. If ICANN fails to uphold or significantly redefines the multi-stakeholder model, it could harm our business and our relationship with ICANN;
- 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 (the "AOC") established several multi-party review panels and contemplates a greater involvement by foreign governments and governmental authorities in the oversight and review of ICANN. These periodic review panels may take positions that are unfavorable to Verisign; and
- the AOC could be terminated and replaced with a different agreement between ICANN and some other authority which may establish other review panels or review procedures that may be unfavorable to Verisign.

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

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

As of March 31, 2014, we had 132, or 12% of our employees outside the U.S. Doing business in international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may fail to maintain our ability to conduct business in some international locations or we may not succeed in expanding our services into new international markets or expand our presence in existing markets. Failure to do so could 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 internal policies and procedures 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 services and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate, as well as foreign governments actively promoting ccTLDs which we do not operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
-

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

- high costs associated with repatriating profits to the U.S., which could impact us due to the large percentage of our cash currently held by us outside the U.S. (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources”);
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying customer information;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;

Table of Contents

- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity;
- potentially conflicting or adverse tax consequences;
- reliance on third parties in foreign markets in which we only recently started doing business; and
- potential concerns of international customers and prospects regarding doing business with U.S. technology companies due to alleged U.S. government data collection policies.

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

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

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

Due to the nature of the Internet, it is possible that state or foreign governments might attempt to regulate Internet transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could increase the costs of regulatory compliance for us, affect our reputation, force us to change our business practices or otherwise materially harm our business. In addition, any such new laws could impede growth of or result in a decline in domain name registrations, as well as impact the demand for our services.

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

We administer and operate two of the 13 root zone servers. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and DNS configuration data necessary to locate name servers that contain authoritative data for the TLDs. These root zone servers are critical to the functioning of the Internet. Under the Cooperative Agreement with the National Telecommunications and Information Administration ("NTIA") of the DOC, we play a supporting role in the Internet Assigned Numbers Authority ("IANA") function as the Root Zone Maintainer. In this role, we provision and publish the authoritative data for the root zone itself and periodically distribute it to all root zone server operators.

Under its new gTLD program, ICANN intends to recommend for delegation into the root zone up to 1,400 new gTLDs potentially within a compressed timeframe. On October 23, 2013, NTIA began to authorize, and Verisign began effectuating, the delegation of the new gTLDs. In view of our role as the Root Zone Maintainer, and as a root operator, we face increased risks should ICANN's delegation of these new gTLDs cause security and stability problems within the DNS and/or for parties who rely on the DNS. Such risks include potential instability of the DNS including potential fragmentation of the DNS should ICANN's delegations create sufficient instability, and potential claims based on our role in the root zone provisioning and delegation process. These risks, alone or in the aggregate, have the potential to cause serious harm to our Registry Services business. Further, our business could also be harmed through security, stability and resiliency degradation if the delegation of new gTLDs into the root zone causes problems to certain components of the DNS ecosystem or if the third parties routing Internet communications present inconsistent data for these new gTLDs, or other aspects of the global DNS or other relying parties are negatively

impacted as a result of unaddressed domain name collisions.

Table of Contents

On March 14, 2014, the National Telecommunications and Information Administration announced its intent to transition key internet domain name functions potentially impacting our Root Zone Maintainer function.
On March 14, 2014, NTIA announced its intent to transition its oversight of the IANA function to the global multi-stakeholder community. NTIA asked ICANN to convene global stakeholders to develop a proposal to transition the current role played by NTIA in the coordination of the DNS. It is uncertain whether the transition of oversight of the IANA function will affect our role as Root Zone Maintainer. Although our Root Zone Maintainer function is separate from our Registry Services business, and the NTIA announcement does not affect Verisign's operation of the .com and .net registries, there can be no assurance that the transition will not negatively impact our business.
Changes in Internet user behavior, either as a result of evolving technologies or user practices, may impact the demand for domain names.
Currently, Internet users often navigate to a website either by directly typing 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 were to change the value of their algorithms on the use of a domain for finding a website; (iii) Internet users' preferences or practices were to shift away from direct navigation; (iv) Internet users were to significantly increase the use of web and mobile device applications to locate and access content; or (v) Internet users were to increasingly use third level domains or alternate identifiers, such as social networking and microblogging sites, in each case the demand for domain names could decrease.
Changes in the level of spending on online advertising and/or the way that online 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 metrics) by advertisers and advertisement placement networks, such as Google, Yahoo! and Bing, have, and may continue to, adversely affect the market for those domain names favored by such registrars and registrants which has resulted in, and may continue to result in, a decrease in demand and/or the renewal rate for those domain names. For example, according to published reports, Google has in the past changed (and may change in the future) its search algorithm, which may decrease site traffic to certain websites, and pay-per-click advertising policies to provide less compensation for certain types of websites. This has made such websites less profitable which has resulted in, and may continue to result in, fewer domain registrations and renewals. In addition, as a result of the general economic environment, spending on online advertising and marketing may not increase or may be reduced, which in turn, may result in a further decline in the demand for those domain names.
Changes in federal or state tax laws and regulations may discourage the registration or renewal of domain names for e-commerce.
Many Internet merchants are not currently required to collect sales taxes in respect of shipments of goods into states where they lack physical presence. However, state tax laws and regulations may change in the future and one or more states may seek to impose sales tax collection obligations on out-of-state companies that engage in online commerce. Several states have enacted "affiliate nexus" laws which require online retailers without a physical presence in the state to begin collecting sales taxes if a significant number of local sales are generated by brick and mortar affiliates operating in the state. In addition, it is possible that national legislation may be enacted requiring online retailers with greater than $1 million in sales in a state, but without any physical presence in the state, to begin collecting sales taxes. This federal legislation, the Marketplace Fairness Act of 2013 (S. 743), passed the Senate in 2013 and is currently before the House Judiciary Committee. The enactment of any such state or federal laws may impair the growth of e-commerce and discourage the registration or renewal of domain names for e-commerce.
Reduced marketing efforts or other operational changes among registrars or their resellers as a result of consolidation or changes in ownership, management, or strategy could harm our Registry Services business.
Registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names. Our Registry Services business, which generates

substantially all of our revenue, derives most of its revenues from registrations and renewals of domain names, and decreased demand for and/or renewals of domain names could cause a material adverse effect on our business, results of operations, financial condition and cash flows.

Table of Contents

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, more broadly, on Internet users and consumers, and third-party applications and services that utilize our services, which could result in legal claims against us, harming our business. 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 or failures, we could be exposed to liability and our reputation and business could suffer.

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

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- attacks, including hacktivism, by hackers or nefarious actors;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control;
- State suppression of Internet operations; and
- any failure to implement effective and timely remedial actions in response to any damage or interruption.

Most of the computing infrastructure for our Shared Registration System is located at, and most of our customer information is stored in, our facilities in New Castle, Delaware; Dulles, Virginia; and Fribourg, Switzerland. To the extent we are unable to partially or completely switch over to our primary alternate or tertiary sites, any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage, we do not carry insurance or financial reserves for such interruptions, or for potential losses arising from terrorism.

In addition, our Registry Services business and certain of our other services depend on the efficient operation of the Internet connections 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 beyond our scope of control.

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

In addition, a failure in our NIA Services could have a negative impact on our reputation and our business could suffer.

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

We retain certain customer and employee information in our secure data centers and various domain name registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. The Company, as an operator of critical infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated forms of attacks, such as advanced persistent threat ("APT") attacks and zero-hour threats, which means that the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched, making these attacks virtually impossible to anticipate and difficult to

Table of Contents

defend against. The Shared Registration System, the root zone servers and TLD name servers that we operate are critical hardware and software to our Registry Services operations. We expend significant time and money on the security of our facilities and infrastructure. Despite our security measures, we have been subject to a security breach, as first disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, outages resulting from destructive malcode, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our 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, all or any of which could adversely affect our reputation and harm our business. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

We are frequently subject to large-scale DDoS attacks.

Our networks have been and likely will continue to be subject to DDoS attacks of increasing size and sophistication. We have adopted mitigation techniques, procedures and strategies to defend against such attacks but there can be no assurance that we will be able to defend against every attack especially as the attacks increase in size and sophistication. Any successful attack, or partially successful attack, could disrupt our networks, increase response time, and generally hamper our ability to provide reliable service to our Registry Services customers and the broader Internet community. Further, we sell DDoS protection services to NIA Services customers. Although our contracts with these customers provide that we may prioritize all or part of these services at no liability to us in order to preserve our operational stability, the provision of such services might expose us to very large-scale DDoS attacks against those customers, in addition to any directed specifically against us and our networks.

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

Our success depends in part on our internally developed technologies and 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, third parties may seek to oppose or otherwise challenge our applications, and such patents' scope may differ significantly from what was requested in the patent applications and may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation is inherently unpredictable and, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources. Some of the software and protocols used in our business are based on standards set by standards setting organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered "standards essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms.

We also license third-party technology that is used in our products and services to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms or at all. The loss of or our inability to obtain or maintain any of these technology licenses could hinder or increase the cost of our launching new products and services, entering into new markets and/or otherwise harm our business. Some of the

software and protocols used in our Registry Services business are in the public domain or may otherwise become publicly available, which means that such software and protocols are equally available to our competitors.

We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products. Dilution of the strength of our brand could harm our business. We are at risk that we will be unable to fully register, build equity in, or enforce the new logo for Verisign in all markets where Verisign products and services are sold.

Table of Contents

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

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

A third party could claim that the technology we license from other parties infringes a patent or other proprietary right. Litigation between the licensor and a third party or between us and a third party could lead to royalty obligations for which we are not indemnified or for which indemnification is insufficient, or we may not be able to obtain any additional license on commercially reasonable terms or at all.

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

We could become involved in claims, lawsuits or investigations that may result in adverse outcomes.

In addition to possible intellectual property litigation and infringement claims, we are, and may in the future, become involved in other claims, lawsuits and investigations. Such proceedings may initially be viewed as immaterial but could prove to be material. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business and may have a material adverse effect on our financial condition, results of operations and cash flows. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of management's attention and resources from other matters. See Note 11, "Contingencies" Legal Proceedings, of our Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

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, including in international markets. 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 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, any changes by our distributors to their existing marketing strategies could have a material adverse effect on our business. Similarly, if one or more of our distributors were to encounter financial difficulties, or if there were a significant reduction in marketing expenditures by our distributors (including registrars or their resellers), as a result of industry consolidation or otherwise, it could have a material adverse effect on our business, including a

decrease in domain name registrations and renewals. Failure of one or more of our strategic, channel or other 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 existing relationships or to enter into additional relationships, this could harm our business.

Table of Contents

With the introduction of new gTLDs, many of our registrars, based upon their registrant needs, may choose to focus their short- or long-term marketing efforts on these new offerings and/or reduce the prominence or visibility of our products and services on their e-commerce platforms, and if we are unable to maintain their focus on our products and services or move through them to engage the same registrants, this could harm our business.

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

We are exploring a variety of possible strategic initiatives which may include, among other things, the pursuit of new revenue streams, services or products, changes to our offerings or initiatives to leverage our patent portfolio.

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

The success of our NIA Services depends in part on the acceptance of our services.

We are investing in our NIA Services, and the future growth of these services depends, in part, on the commercial success, acceptance, and reliability of our NIA Services. We continually evaluate and evolve the terms and conditions upon which these services are sold. These services may not experience success or acceptance as a result of changes to the terms and conditions. Also, these services will suffer if our target customers do not adopt or use these services. We are not certain that our target customers will choose our NIA Services or continue to use these services even after adoption.

We rely on third parties to provide products which are incorporated in our NIA Services.

The NIA Services incorporate and rely on third party hardware and software products, many of which have unique capabilities. If Verisign is unable to procure these third party products, the NIA Services may malfunction, not perform as well as they should perform, not perform as well as they have been performing or not perform as planned, and our business could suffer.

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.

Our Registry Services and NIA Services businesses are developing services in emerging markets, including services that involve naming and directory services other than registry and related infrastructure services. 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 devices;
- the ability of the Internet infrastructure to accommodate increased levels of usage; and
- government regulations affecting Internet access and availability, e-commerce and telecommunications over the Internet.

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.

32

Table of Contents

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

We depend on the performance of our senior management team and other key employees, and we have experienced changes in our management team during the last few years. If we are unable to attract, integrate, retain and motivate these individuals and additional highly skilled technical and sales and marketing employees, and implement succession plans for these personnel, our business may suffer.

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

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

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chief executive officer, the president or our Board, 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 can be filled until the next annual meeting of stockholders by majority vote of the members of the Corporate Governance and Nominating Committee, or a majority of directors then in office if no such committee exists, or a sole remaining director; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

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

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

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by various tax authorities. In accordance with U.S. GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, an adverse effect on our income tax provision and net income in the period or periods for which that determination is made could result. A significant portion of our foreign earnings for the current fiscal year was earned by our Swiss subsidiaries. Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates.

As described further in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our 2013 Form 10-K, we expect to claim a worthless stock deduction on our 2013 federal income tax return and have recorded, during the fourth quarter of 2013, an income tax benefit of $375.3 million, net of valuation allowances and accrual for uncertain tax positions recorded as required under U.S. GAAP. This worthless stock deduction may be subject to audit and adjustment by the IRS, which could result in the reversal of all, part or none of the income tax benefit, or could result in a benefit higher than the net amount recorded. If the IRS rejects or reduces the amount of the income tax benefit related to the worthless stock deduction, we may have to pay additional cash

income taxes, which could adversely affect our results of operations, financial condition and cash flows. We cannot guarantee what the ultimate outcome or amount of the benefit we receive, if any, will be.

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

Table of Contents

Our inability to indefinitely reinvest our foreign earnings could materially adversely affect our results of operations, financial condition and cash flows.

As described further in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our 2013 Form 10-K, during the second quarter of 2014, we expect to complete the repatriation of approximately $700.0 million to $800.0 million of cash held by foreign subsidiaries in a tax efficient manner by using the tax benefits resulting from the worthless stock deduction to offset the taxable income generated in the U.S. as a result of the intended repatriation. The repatriation amount utilizes substantially all of the projected available distributable capital reserves of our foreign subsidiaries under applicable foreign statutes. Deferred income taxes are not provided for any funds remaining in the foreign subsidiaries after the intended repatriation because these earnings are intended to be indefinitely reinvested.

We consider the following matters, among others, in evaluating our plans for indefinite reinvestment: the forecasts, budgets and financial requirements of the parent and subsidiaries for both the long and short term; the tax consequences of a decision to reinvest; and any U.S. and foreign government programs designed to influence remittances. If these factors change and as a result we are unable to indefinitely reinvest the foreign earnings, the income tax expense and payments may differ significantly from the current period and could materially adversely affect our results of operations, financial condition and cash flows.

We are exposed to risks faced by financial 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, results of operations and cash flows.

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

As of March 31, 2014, we had $1.7 billion in cash, cash equivalents, marketable securities and restricted cash, of which $1.5 billion was invested in marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through the investment in investment grade securities. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

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

We may be exposed to potential risks if we do not have an effective system of disclosure controls or internal controls over financial reporting.

As a public company, we are subject to the rules and regulations of the SEC, including those that require us to report on and receive an attestation from our independent registered public accounting firm regarding our internal control over financial reporting. Despite our efforts, if we were to fail to maintain an effective system of disclosure controls or internal control over financial reporting, we may not be able to accurately or timely report on our financial results or adequately identify and reduce fraud. As a result, our financial condition could be harmed and current and potential future security holders could lose confidence in us and/or our reported financial results, which may cause a negative effect on our stock price, and we could be exposed to litigation or regulatory proceedings, which may be costly or divert management attention.

Table of Contents

We are subject to the risks of owning real property.

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

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

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

Competition in Registry Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence. In addition to the three gTLDs we operate (.com, .net and .name), and the 18 other operational gTLDs delegated before October 23, 2013, there are over 250 Latin script ccTLD registries and 38 IDN ccTLD registries. Under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net and .name on pricing, bundling, methods of distribution, the introduction of new registry services and use of registrars that do not apply to ccTLDs and therefore may create a competitive disadvantage. If other registries launch marketing campaigns for new or existing TLDs, including forms of marketing campaigns that we are prohibited from running under the terms of our agreements with ICANN, which result in registrars or their resellers giving other TLDs greater prominence on their websites, advertising or marketing materials, we could be at a competitive disadvantage and our business could suffer.

In addition, on October 23, 2013, the DOC began to authorize, and Verisign began effectuating, the delegation of the new gTLDs. ICANN is executing registry agreements with new gTLD applicants, awarding up to 1,400 new gTLDs in an initial round under its new gTLD program, and plans on offering a second round of new gTLDs after the the completion of the initial round, the timing of which is uncertain. For additional information about the potential risks presented by these new gTLDs, see “-We may face additional competition, operational and other other risks from the introduction of new gTLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.”

We also face competition from service providers that offer outsourced domain name registration, resolution and other DNS services to organizations that require a reliable and scalable infrastructure. Among the competitors are Neustar, Inc., Afilias Limited, ARI Registry Services, Donuts Inc. and RightSide Inc. In addition, to the extent end-users navigate using search engines or social media, as opposed to direct navigation, we may face competition from search engine operators such as Google, Microsoft, and Yahoo!, operators of social networks such as Facebook, and operators of microblogging tools such as Twitter. Furthermore, to the extent end-users increase the use of web and phone applications to locate and access content, we may face competition from providers of such web and mobile applications.

U.S. and most other countries’ trademark laws do not permit the registration of TLDs such as .com and .net as trademarks. Accordingly, Verisign’s ability to prevent other registries from using the .com and .net brand in their

marketing materials may be limited.

Table of Contents

Competition in NIA Services: Several of our current and potential competitors have longer operating histories and/or significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, we may experience difficulty establishing or increasing demand for our products and services or distributing our products successfully. In addition, it may be difficult to compete against consolidation and partnerships among our competitors which create integrated product suites.

We face competition in the network intelligence and availability services industry from companies or services such as iSight Partners, IBM X-Force, Secunia ApS, Dell SecureWorks, McAfee, Inc., Prolexic Technologies, Inc. (acquired by Akamai Technologies, Inc.), AT&T Inc., Verizon Communications, Inc., Dyn, Inc., Neustar, Inc., OpenDNS, BlueCat Networks, Inc., Infoblox Inc., Nominum, Inc., Afilias Limited and Akamai Technologies, Inc.

We may face additional competition, operational and other risks from the introduction of new gTLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. Additional competition to our business may arise from the introduction of new gTLDs by ICANN. On October 30, 2009, ICANN approved a fast track process for the awarding of new IDN ccTLDs requested by country code managers, resulting in the ongoing delegation of new IDN ccTLDs to the DNS root zone. Additionally, on June 13, 2012, ICANN announced it received 1,930 applications to operate over 1,400 unique new gTLDs. ICANN has begun executing registry agreements with these new gTLD applicants in connection with this initial round of gTLD applications and intends to continue recommending up to 1,400 new gTLDs for delegation into the root zone. On October 23, 2013, the DOC began to authorize, and Verisign began effectuating, the delegation of the new gTLDs. ICANN plans on offering a second round of new gTLDs after the completion of the initial round, the timing of which is uncertain. As set forth in the Verisign Labs Technical Report #1130007 version 2.2: New gTLD Security and Stability Considerations released on March 28, 2013, and reiterated in our further publications since then, we continue to believe there are issues regarding the deployment of the new gTLDs that should have been addressed before any new gTLDs were delegated, and despite our efforts, some of these issues have not been addressed by ICANN sufficiently, if at all. We do not yet know the impact, if any, that these new gTLDs may have on our business, including if or how the introduction of these new gTLDs will affect registrations for .com and .net and therefore have a material adverse effect on our business, results of operations, financial condition and cash flows.

Applicants for new gTLDs include companies which may have greater financial, marketing and other resources than we do, including companies that are existing competitors, domain name registrars and new entrants into the domain name industry. In addition, under the .com, .net and .name Registry Agreements with ICANN, as well as the Cooperative Agreement with the DOC, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar. Historically, all gTLD registry operators were subject to this vertical integration prohibition. However, ICANN has established a process whereby these registry operators may seek ICANN’s approval to remove this restriction, and ICANN has approved such removal in some instances. Additionally, ICANN’s registry agreement for new gTLDs generally permits such vertical integration, with certain limitations including ICANN’s right, but not the obligation, to refer such vertical integration activities to competition authorities. Furthermore, unless prohibited by ICANN as noted above, such vertical integration restrictions do not generally apply to ccTLD operators.

If Verisign were to seek removal of the vertical integration restrictions contained in our agreements with respect to existing gTLDs, or in the future with respect to new gTLDs, it is uncertain whether ICANN and/or the DOC approval would be obtained; without such changes, we may be at a competitive disadvantage.

We applied for 14 new gTLDs, including 12 IDN gTLDs. We have been invited by ICANN to begin the contracting process for 13 of these new gTLD applications. The remaining application was for a transliteration of “.com” in Traditional Chinese script, which was a variant of a string we applied for in another IDN application, and has been withdrawn at the request of ICANN. Because ICANN had not yet developed a policy to address such variants, ICANN requested that we withdraw one of the variant applications, which we have done. We may continue with this

application, or a new one for the same string, once ICANN develops and implements a policy to address variant strings. There is no certainty that we will ultimately obtain any of these new gTLDs.

ICANN has stated that it will need to limit the maximum number of new gTLDs that may be delegated in a year to 1,000, which could delay the activation of some approved new gTLDs. Even though IDN gTLDs have been given priority, other factors related to the application process could delay or disrupt an application and the timing of revenue generation, if any, from these gTLDs. Even if we are successful in obtaining one or more of these new gTLDs, there is no guarantee that such new gTLDs will be any more successful than the new gTLDs obtained by our competitors. For example, some of the gTLDs we have applied for face additional universal acceptability and usability challenges in that current desktop and mobile device software

Table of Contents

does not ubiquitously recognize these new gTLDs and may be slow to adopt standards or support these gTLDs, even if demand for such products is strong. This is particularly true for IDN gTLDs, but applies to conventional gTLDs as well.

Similarly, while we originally entered into agreements to provide back-end registry services to other applicants for approximately 220 new gTLDs, and applicants for approximately 200 new gTLDs currently continue to contract with us to provide back-end registry services, there is no guarantee that such applicants with which we have entered into agreements will be successful in obtaining one or more of these new gTLDs or that such new gTLDs will be successful due to the same factors discussed above in connection with our gTLD applications. We also cannot guarantee that we will ultimately provide back-end registry services for such amount of new gTLDs. ICANN's Registry Agreement for new gTLDs requires the distribution of new gTLDs only through registrars who have executed the new RAA. If registrars do not execute the new RAA, our ability to provide back-end services would be reduced, negatively impacting the sale of our back-end services for new gTLDs. Even if we are able to provide such services, the timing of revenue may also be dependent on how diligently our customers proceed to delegation and launch following the completion of the application process and our customers' respective launch plans for the new gTLDs.

In addition, our agreements to provide back-end registry services directly to other applicants and indirectly through reseller relationships expose us to operational and other risks. For example, the increase in the number of gTLDs for which we provide registry services on a standalone basis or as a back-end service provider could further increase costs or increase the frequency or scope of targeted attacks from nefarious actors.

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 or alternatives to our products and services. 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 our customers' and Internet users' preferences and practices, or launch entirely new products and services in anticipation of, or in response to, market trends. We cannot assure that we will be able to adapt to these challenges or anticipate 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 the sale of our Authentication Services business and the completion of our divestitures

We face risks related to the terms of the sale of the Authentication Services business.

Under the agreement reached with Symantec for the sale of our Authentication Services business (the "Symantec Agreement"), we agreed to several terms that may pose risks to us, including the potential for confusion by the public with respect to Symantec's right to use certain of our trademarks, brands and domain names, as well as the risk that current or potential investors in or customers of the Company may incorrectly attribute to the Company problems with Symantec products or services that currently use the VERISIGN brand pursuant to a license granted by the Company to Symantec. Any such confusion may have a negative impact on our reputation, our brand and the market for our products and services. In addition, we may determine that certain assets transferred to Symantec could have been useful in our Naming Services businesses or in other future endeavors, requiring us to forego future opportunities or design or purchase alternatives which could be costly and less effective than the transferred assets.

Under the terms of the Symantec Agreement, we have licensed rights to certain of our domain name registrations to Symantec. We are at risk that our customers will go to a URL for a licensed domain name and be unable to locate our Registry or NIA Services. In addition, we will continue to maintain the registration rights for the domain names licensed to Symantec for which Symantec has sole control over the displayed content, and we may be subject to claims of infringement if Symantec posts content that is alleged to infringe the rights of a third party.

Table of Contents

We continue to be responsible for certain liabilities following the divestiture of certain businesses.

Under the agreements reached with the buyers of certain divested businesses, including the Authentication Services business, we remain liable for certain liabilities related to the divested businesses. There is a possibility that we will incur unanticipated costs and expenses associated with management of liabilities relating to the businesses we have divested, including requests for indemnification by the buyers of the divested businesses. These liabilities could potentially relate to (i) breaches of contractual representations and warranties we gave to the buyers of the divested businesses, or (ii) certain liabilities relating to the divested businesses that we retained under the agreements reached with the buyers of the divested businesses. Such liabilities could 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 the Authentication Services business, our ability to compete with that business is restricted.

Under the Symantec Agreement, we are restricted from directly competing with the Authentication Services business for a defined period of time pursuant to a negotiated non-compete arrangement.

Risks related to our securities

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

As of March 31, 2014, we had one billion authorized common shares, of which 132.0 million shares were outstanding. In addition, of our authorized common shares, 15.3 million common shares were reserved for issuance pursuant to outstanding equity and employee stock purchase plans (“Equity Plans”), and 36.4 million shares were reserved for issuance upon conversion of the Subordinated Convertible Debentures. As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Subordinated Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

As a result of the sale of the Subordinated Convertible Debentures and our Senior Notes, we have a substantial amount of long-term debt outstanding. In addition to the Subordinated Convertible Debentures and the Senior Notes, we have an unsecured credit facility with a borrowing capacity of $200.0 million (the “Unsecured Credit Facility”) and the ability to request from time to time that the lenders thereunder agree on a discretionary basis to increase the aggregate commitments amount by up to $150.0 million. As of March 31, 2014, we had no borrowings under the Unsecured Credit Facility.

It is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Unsecured Credit Facility and the Indenture governing the Senior Notes allow us to incur additional debt subject to certain limitations and will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. If new debt is added to current debt levels, the risks and limitations related to our level of indebtedness could intensify. Specifically, a high level of indebtedness could have adverse effects on our flexibility to take advantage of corporate opportunities, including the following:

- making it more difficult for us to satisfy our debt obligations;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring us to make non-strategic divestitures, particularly when the availability of financing in the capital markets is limited;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- having to repatriate cash held by foreign subsidiaries which would require us to accrue and pay additional U.S. taxes;
- increasing our vulnerability to general adverse economic and industry conditions;
-

limiting our flexibility in planning for and reacting to changes in our businesses and the markets in which we compete;

- placing us at a possible competitive disadvantage compared to other, less leveraged competitors and competitors that may have better access to capital resources; and
- increasing our cost of borrowing.

Table of Contents

In addition, the Indenture that governs the Senior Notes and the credit agreement that governs our Unsecured Credit Facility contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. Moreover, in the event funds from foreign operations are needed to repay our debt obligations and U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

Our Unsecured Credit Facility restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a significant portion of our operations through our subsidiaries, which are not guarantors of the Senior Notes or our other indebtedness. Repayment of our indebtedness is substantially dependent on the generation of cash flow by VeriSign, Inc. Our non-guarantor subsidiaries do not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Future guarantor subsidiaries, if any, may not be able to, or may not be permitted to, on commercially reasonable terms, or at all, make distributions to enable us to make payments in respect of our indebtedness. Such subsidiaries are distinct legal entities, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries on commercially reasonable terms, or at all. While our Unsecured Credit Facility limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. If we cannot service our debt obligations with our cash flows and domestic cash on hand, we may be required to repatriate cash from our foreign subsidiaries, which would be subject to U.S. federal income tax, or may otherwise be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our debt obligations. If we cannot make scheduled payments on our debt, we will be in default and holders of the Senior Notes could declare all outstanding principal and interest to be due and payable, the lenders under our Unsecured Credit Facility could terminate their commitments to loan money, certain holders of our Subordinated Convertible Debentures could declare all outstanding principal and interest to be due and payable and we could be forced into bankruptcy or liquidation.

The terms of our Unsecured Credit Facility and the Indenture governing the Senior Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions and create the risk of default on such indebtedness.

The credit agreement that governs our Unsecured Credit Facility and the Indenture governing the Senior Notes contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including, subject to certain exceptions, restrictions

on our ability to:

- permit our subsidiaries to incur or guarantee indebtedness;
- pay dividends or other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;

Table of Contents

- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- consolidate, merge or sell all or substantially all of our assets; and
- engage in certain sale/leaseback transactions.

In addition, the restrictive covenants in our Unsecured Credit Facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under our Unsecured Credit Facility or the Indenture governing the Senior Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our Unsecured Credit Facility would permit the lenders under our Unsecured Credit Facility to terminate all commitments to extend further credit under that agreement. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

Some of the cash, cash equivalents and marketable securities that appear on our consolidated balance sheet may not be available for use in our business or to meet our debt obligations without adverse income tax consequences.

As of March 31, 2014, the amount of cash, cash equivalents and marketable securities held by our foreign subsidiaries that are not guarantors of the Senior Notes or our other indebtedness, was $1.5 billion. As described further in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our 2013 Form 10-K, during the second quarter of 2014, we expect to complete the repatriation of approximately $700.0 million to $800.0 million of cash held by foreign subsidiaries. For any funds remaining in the foreign subsidiaries after the intended repatriation that have not been previously taxed in the U.S., our intent is to indefinitely reinvest those funds outside of the U.S.

In the event that funds from our foreign operations are needed to fund operations in the United States or to meet our debt obligations, and if U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate those funds. In light of the foregoing, the amount of cash, cash equivalents and marketable securities that appear on our balance sheet may overstate the amount of liquidity we have available to meet our business or debt obligations, including obligations under the Senior Notes.

We may not be able to repurchase the Senior Notes upon a change of control.

Upon the occurrence of specific kinds of change of control events and if the Senior Notes are rated below investment grade by both rating agencies that rate the Senior Notes, we will be required to offer to repurchase all outstanding Senior Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. Additionally, under our Unsecured Credit Facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the Unsecured Credit Facility and the commitments to lend would terminate. The source of funds for any repurchase of the Senior Notes and repayment of borrowings under our Unsecured Credit Facility would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Senior Notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay our other indebtedness that will become due. If we fail to repurchase the Senior Notes in that circumstance, we will be in default under the Indenture that governs the Senior Notes. We may require additional financing from third parties to fund any such repurchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the Senior Notes may be limited by law. In order to avoid the obligation to repurchase the Senior Notes and events of default and potential

breaches of our Unsecured Credit Facility, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture that governs the Senior Notes, constitute a “change of control” that would require us to repurchase the Senior Notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Senior Notes. Additionally, holders may not be able to require us to purchase their Senior Notes in

Table of Contents

certain circumstances involving a significant change in the composition of our board of directors, including a proxy contest where our board of directors approves for purposes of the change of control provisions of the Indenture, but does not endorse, a dissident slate of directors. In this regard, decisions of the Delaware Chancery Court (not involving us or our securities) considered a change of control redemption provision contained in an indenture governing publicly traded debt securities that was substantially similar to the change of control redemption provision in the Indenture that governs the Senior Notes with respect to "continuing directors." In these cases, the court noted that the board of directors may "approve" a dissident shareholder's nominees solely to avoid triggering the change of control redemption provision of the indenture without supporting their election if the board determines in good faith that the election of the dissident nominees would not be materially adverse to the interests of the corporation or its stockholders (without taking into consideration the interests of the holders of debt securities in making this determination). Further, according to these decisions, the directors' duty of loyalty to shareholders under Delaware law may, in certain circumstances, require them to give such approval.

Furthermore, the exercise by the holders of Senior Notes of their right to require us to repurchase the Senior Notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing Senior Notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing Senior Notes. In that case, our failure to purchase tendered Senior Notes would constitute an event of default under the Indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of Senior Notes upon a repurchase pursuant to a change of control offer may be limited by our then existing financial resources.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Any rating assigned to our debt securities could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Any lowering of our rating likely would make it more difficult or more expensive for us to obtain additional debt financing in the future.

We may not have the ability to repurchase the Subordinated Convertible Debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of Subordinated Convertible Debentures; occurrence of certain events related to our Subordinated Convertible Debentures might have significant adverse accounting, disclosure, tax, and liquidity implications.

As a result of the sale of the Subordinated Convertible Debentures, we have a substantial amount of debt outstanding. Holders of our outstanding Subordinated Convertible Debentures will have the right to require us to repurchase the Subordinated Convertible Debentures upon the occurrence of a fundamental change as defined in the indenture governing the Subordinated Convertible Debentures dated as of August 20, 2007 between the Company and U.S. Bank National Association, as Trustee (the "2007 Indenture"). Although, in certain situations, the 2007 Indenture requires us to pay this repurchase price in cash, we may not have sufficient funds to repurchase the Subordinated Convertible Debentures in cash or have the ability to arrange necessary financing on acceptable terms or at all.

The Subordinated Convertible Debentures continue to be convertible due to our stock price exceeding the conversion price threshold trigger, and, if holders elect to convert their Subordinated Convertible Debentures, we are permitted under the 2007 Indenture to pursue an exchange in lieu of conversion or to settle the Settlement Amount (as defined in the 2007 Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of a conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures due to holders as a result of rights to convert or require repurchase exceeds our cash on hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we

assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert or require the Company to repurchase.

If we do not have adequate cash available, either from cash on hand, funds generated from operations or existing financing arrangements, or cannot obtain additional financing arrangements, we will not be able to settle the principal amount of the Subordinated Convertible Debentures in cash and, in the case of settlement of conversion elections, will be required to settle the principal amount of the Subordinated Convertible Debentures in stock. If we settle any portion of the principal amount of the Subordinated Convertible Debentures in stock, it will result in immediate dilution to the interests of existing security holders and the dilution could be material to such security holders.

Table of Contents

If our intent to settle the principal amount in cash changes, or 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. Earnings per share will most likely be lower under the if-converted method as compared to the treasury stock method.

If the amount paid (in cash or stock) to settle the Subordinated Convertible Debentures (i.e., the Settlement Amount) is less than the adjusted issue price, under the Internal Revenue Code and the regulations thereunder, the difference is included in taxable income as recapture of previous interest deductions. The adjusted issue price grows over the term of the Subordinated Convertible Debentures due to the difference between the interest deduction for tax, using a comparable yield rate of 8.5%, and the coupon rate of 3.25%, compounded annually. The settlement amount will vary based on the stock price at settlement date. Depending on the Settlement Amount for the Subordinated Convertible Debentures at the settlement date, the amount included in taxable income as a result of this recapture could be substantial, which could adversely impact our cash flow.

A fundamental change may 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 Subordinated 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 Subordinated Convertible Debentures when required would result in an event of default with respect to the Subordinated Convertible Debentures.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the share repurchase activity during the three months ended March 31, 2014:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)	
	(Shares in thousands)				
January 1 – 31, 2014	—	$—	—	$1.0	billion
February 1 – 28, 2014	926	$54.85	926	$949.2	million
March 1 – 31, 2014	1,495	$54.10	1,495	$868.3	million
	2,421		2,421		

(1) On January 31, 2014, our Board of Directors authorized the repurchase of up to $527.6 million of our common stock, in addition to the $472.4 million of our common stock remaining available for repurchase under the 2013 Share Buyback Program, for a total repurchase authorization of up to $1.0 billion of our common stock (collectively “the 2014 Share Buyback Program”). The 2014 Share Buyback Program has no expiration date. Purchases made under the 2014 Share Buyback Program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

Table of Contents

ITEM 6. EXHIBITS

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

Exhibit Number	Exhibit Description
10.01	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement. +
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

+ Indicates a management contract or compensatory plan or arrangement

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

Table of Contents

SIGNATURES

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

Date: April 24, 2014	By: /S/ D. JAMES BIDZOS D. James Bidzos Chief Executive Officer
Date: April 24, 2014	By: /S/ GEORGE E. KILGUSS, III George E. Kilguss, III Chief Financial Officer