VERISIGN INC/CA
Form 10-K
February 29, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

OR

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

For the transition period from __________ to __________

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**94-3221585** **(I.R.S. Employer** **Identification No.)**
487 E. Middlefield Road, Mountain View, CA **(Address of principal executive offices)**	**94043** **(Zip Code)**

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 29, 2007, was approximately $6,600,973,618 based upon the last sale price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant s Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, $0.001 par value, outstanding as of the close of business on January 31, 2008: 213,389,263 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Overview

VeriSign operates infrastructure services that enable and protect billions of interactions every day across the world s voice, video and data networks. We offer a variety of Internet and communications-related services which are marketed through Web site sales, direct field sales, channel sales, telesales, and member organizations in our global affiliate network.

Our business consists of two reportable segments: the Internet Services Group and the Communications Services Group. The Internet Services Group consists of the Information and Security Services business and the Naming Services business. The Information and Security Services business provides products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risks. The Naming Services business is the authoritative directory provider of all *.com, .net, .cc, and .tv* domain names. The Communications Services Group provides communications services, such as connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services, and mobile commerce services; and content services, such as digital content and messaging services. See Note 16, Segment Information, of our Notes to Consolidated Financial Statements for further information.

In late 2007, we announced a change to our business strategy to be more tightly-aligned with our core competencies, which is to provide highly scaleable, reliable and secure Internet infrastructure services to customers around the world. The strategy calls for divesture of a number of non-core businesses in our portfolio, such as communications, billing and commerce, content delivery, messaging and enterprise security services. By divesting these non-core businesses, additional resources should be available to invest in the core businesses that will remain: Naming Services, Secure Socket Layer (SSL) Certificate Services, and Identity and Authentication services. We face a number of risks associated with our plan to divest ourselves of several non-core businesses. These risks are described in Item 1A, Risk Factors , of this report. The operations of these businesses will be classified as discontinued operations when all criteria of Statement of Financial Accounting Standards (SFAS) No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long Lived Assets,* are met. All of such criteria were not met as of December 31, 2007. As a result of these divestitures in 2008, we would expect revenues, operating expenses and operating income from continuing operations to decrease in absolute dollars and expect a reduction in the number of employees.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 487 East Middlefield Road, Mountain View, California 94043. Our telephone number at that address is (650) 961-7500. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. The information on our Web site is not a part of this annual report. VeriSign, the VeriSign logo, GeoTrust, thawte, and certain other product or service names are trademarks or registered trademarks of VeriSign, Inc., and/or its subsidiaries in the United States and other countries. Other names used in this report may be trademarks of their respective owners. Our primary Web site is www.verisign.com.

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

Internet Services Group

The Internet Services Group consists of the Information and Security Services business and Naming Services business. The Information and Security Services business provides products and services that protect

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online and network interactions, enabling companies to manage reputational, operational and compliance risks. The following types of services are included in the Information and Security Services business: SSL Certificate services; managed security services; iDefense security intelligence services; identity and authentication services, including managed public key infrastructure (PKI) services, unified authentication services, and VeriSign Identity Protection services; global security consulting services; intelligent supply chain services; real-time publisher services; and digital brand management services. The Naming Services business operates the authoritative directory of all *.com, .net, .cc*, and *.tv* domain names.

As part of our strategy to be more tightly aligned with our core competencies, we expect to divest all business lines in the Internet Services Group except the following: SSL Certificate Services, Identity and Authentication Services and Naming Services.

Information and Security Services

SSL Certificate Services. SSL Certificate services enable enterprises and Internet merchants to implement and operate secure networks and Web sites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and Web site visitors and to encrypt communications between client browsers and Web servers.

We currently offer the following SSL Certificate Services.

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

GeoTrust®, RapidSSL and thawte® Branded Certificates. We offer SSL Certificate Services under the GeoTrust, RapidSSL and thawte brands. These services use similar underlying infrastructure as VeriSign branded certificates and are targeted at Internet providers, Web hosting companies, domain name registrars, small businesses and independent software developers.

Extended Validation Certificates. Extended Validation SSL Certificates give high security Web browsers information to clearly identify a Web site s organizational identity by providing third party verification through a visual green address bar display in the browser. Extended Validation SSL Certificates also rely on high assurance authentication standards promulgated by the CA/Browser Forum.

Identity and Authentication Services. We offer a suite of Identity and Authentication products and services, including our Managed PKI service, our Unified Authentication service, and our VeriSign Identity Protection service.

Managed PKI Service. Our Managed PKI service helps enterprises to easily secure intranets, extranets, VPNs, email, and e-commerce applications while retaining full control of access to information and leveraging VeriSign's service infrastructure for cost effective provisioning and validation.

Unified Authentication Service. Our Unified Authentication service provides a single, integrated platform for provisioning and managing all types of two-factor authentication credentials used to validate users, devices or applications for a variety of purposes, such as remote access, windows logon, and Wi-Fi access. Unified Authentication supports strong authentication using smart cards, device-generated one-time passwords and digital certificates, as well as PKI-based encryption, digital signing and non-repudiation. Unified Authentication can be run at the enterprise or through VeriSign s infrastructure.

VeriSign Identity Protection Service. Our VeriSign Identity Protection (VIP) services are a comprehensive suite of identity protection and authentication services that help enable consumer-facing applications to provide a secure online experience for end users. Our VIP Fraud Detection service

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provides an invisible means of delivering proactive protection to consumers by detecting fraudulent logins and transactions in real-time without affecting a legitimate user s Web experience. Our VIP Authentication service provides a visible means for businesses to easily issue and/or accept multiple credentials from users. As part of the VIP Authentication service, we provide access to the VIP Shared Authentication Network where it is anticipated that consumers will be able to use a single second factor authentication device to access multiple online accounts.

Managed Security Services (MSS). Our MSS services enable enterprises to effectively monitor and manage their network security infrastructure 24 hours per day, 365 days per year while reducing the associated time, expense, and personnel commitments by relying on VeriSign s security platform and experienced security staff. Our MSS services include: Firewall Management Services, Intrusion Prevention Management Service, Intrusion Detection Management Service, Security Risk Profiling Service, Log Management Service, Vulnerability Management Service, and Phishing Response Service.

iDefense Security Intelligence Services. Our iDefense Security Intelligence services deliver comprehensive, actionable intelligence to help companies decide how to respond to threats and manage risk on networks. Our teams identify, verify and track vulnerabilities, malicious code, and global threats, providing unique insight into the evolution of security risks and early discovery of software vulnerabilities.

Global Consulting Services. Our Global Consulting Services organization enables companies to scope, define, and implement Internet infrastructure services that help drive new revenue streams and improve customer loyalty. We offer Global Consulting Services in the fields of media and entertainment, and security.

Digital Brand Management Services. We offer a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity. These services include domain name management, global brand expansion services and digital brand monitoring solutions.

Intelligent Supply Chain Services. Our intelligent supply chain services enable trusted, secure and scalable information exchange and collaboration among global supply chain participants. We have been selected by EPCglobal, a not-for-profit joint-venture formed by The Uniform Code Council, Inc. and EAN International, to operate the authoritative root directory for the EPCglobal Network™, the authoritative directory of information sources that are available to describe products assigned electronic product codes (EPCs). Additionally, we offer radio frequency identification (RFID) consulting services and managed services that are designed to work in conjunction with RFID and bar code technology and the EPC root directory to facilitate the secure sharing of product data across diverse supply chains.

Real-Time Publisher Services. Our Real-Time Publisher services allow organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises, Web-portal developers, application developers and consumers. The real-time publisher services also make it easier for publishers of all sizes to distribute and track their content feeds, which may improve the reliability and quality of their real-time content.

Naming Services

Naming Services. We are the exclusive registry of domain names within the *.com* and *.net* generic top-level domains (gTLDs) under agreements with the Internet Corporation for Assigned Names and Numbers (ICANN) and the Department of Commerce (DOC). As a registry, we maintain the master directory of all second-level domain names in these top-level domains. We own and maintain the shared registration system that allows all registrars to enter new second-level domain names into the master directory and to submit modifications, transfers, re-registrations and deletions for existing second-level domain names.

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We are also the exclusive registry for domain names within the *.tv* and *.cc* country code top-level domains (ccTLDs). These top-level domains are supported by our global name server constellation and shared registration system. We also provide internationalized domain name, (IDN), services that enable Internet users to access Web sites in characters representing their local language. Currently, IDNs are available in more than 350 languages including Chinese, Greek, Korean and Russian.

Communications Services Group

The Communications Services Group provides managed solutions to fixed line, broadband, mobile operators and enterprise customers through our integrated communications, content and commerce platforms. Our communications services offerings include network connectivity and interoperability services and intelligent database services; our content services offerings include digital content services and messaging services; and our commerce services offerings include billing and OSS service and, mobile commerce services,.

As part of our strategy to be more tightly aligned with our core competencies, we expect to divest all business lines in the Communications Services Group.

Commerce and Communications Services

Commerce Services

Billing and Operational Support System (OSS) Services. We offer advanced billing, payment and customer care services to wireless providers that support advance pay, prepaid and post-paid wireless services. Our Billing & OSS services give wireless providers a single point of access for adding billing features, securing payment options, engaging content, and other operational support services. As part of a converged suite of billing and payment services, our Billing & OSS services support operations at each stage of the customer lifecycle, so providers can: activate new products and services with network provisioning solutions; mediate diverse networks and platforms; differentiate their offering with content and applications; and support multiple payment models and methods with secure payment processing.

Mobile Commerce Services. Our Mobile Commerce services enable and protect a full range of mobile commerce transactions for a mobile service provider's subscribers in a trusted environment by offering mobile service providers a comprehensive suite of solutions, including our Mobile Payment services and Secure Mobile Device Management services, that enable wireless payments, mobile coupon delivery to support mobile marketing campaigns and other banking services.

Communications Services

Connectivity and Interoperability Services. Through our connectivity and interoperability services, we provide connections and services that signal and route information within and between telecommunication carrier networks.

SS7 Connectivity and Signaling Services. Our Signaling System 7 (SS7) network is an industry-standard system of protocols and procedures that is used to control telephone communications and provide routing information in association with vertical calling features, such as calling card validation, local number portability, toll-free number database access and caller identification. Our SS7 trunk signaling service reduces post-dial delay, allowing call connection almost as soon as dialing is completed which enables telecommunications carriers to deploy a full range of intelligent database services more quickly and cost effectively. By using our trunk-signaling service, carriers simplify SS7 link provisioning, and reach local exchange carriers and wireless carriers networks through our direct access to hundreds of carriers.

Voice and Data Roaming Services. We offer wireless carriers roaming services using the ANSI-41 and GSM Mobile Application Part signaling protocols that allow carriers to provide support for roamers visiting their service area and for their customers when they roam outside their service area. This data is transported over the SS7 network, and we act as a network hub for carriers to efficiently deliver this data to roaming partners. Our International Roaming service manages signaling conversion and implementation anomalies between different countries to provide activation processing, seamless international roaming, international customer care, and fraud protection, while our Wireless Data Roaming service enables carriers to offer wireless data roaming to their subscribers over Wi-Fi, CDMA2000 and GSM/GPRS networks.

Voice Over Internet Protocol (VoIP) Services. The VeriSign® IP Connect service allows VoIP providers, cable operators, Multi-Service Operator s (MSO) and mobile operators to extend VoIP services across multiple access methods and provides routing directory services to support interconnection of VOIP networks. VeriSign s directory routing services also enable efficient delivery of mobile messaging and mobile content. VeriSign® SIP-7 Service integrates Session Initiation Protocol (SIP) based VoIP platforms with the existing SS7 network, allowing interconnection between IP networks and the Public Switch Telephone Network.

CALEA Compliance Services. Our NetDiscovery services help telecommunications carriers to meet the requirements of the Communications Assistance for Law Enforcement Act (CALEA) through provisioning, access and delivery of call information from carriers to law enforcement agencies.

Intelligent Database Services. Through our Intelligent Database services, we enable carriers to find and interact with network databases and conduct database queries that are essential for many advanced services, including the following:

Number Portability. Our Number Portability services deliver essential network and database capabilities so providers can port numbers, route calls to ported numbers, and process orders when subscribers change service providers.

Calling Name (CNAM) Database Services. With our CNAM Database services, carriers can enable enhanced caller ID for wireline, broadband, and wireless devices; store subscriber names in the database all major CNAM providers access for call delivery; and minimize inaccurate call information and reduce unavailable data responses on inbound calls.

Line Information Database (LIDB). LIDB provides subscriber information (such as the subscriber s service profile and billing specifications) to other carriers enabling them to respond to calls (e.g., whether to block certain calls, allow collect calls, etc.).

Toll-free Database Services. Leveraging VeriSign s SS7 network, our Toll-free Database services allow customers to complete toll-free calls throughout the United States and Canada.

Telecommunications Consulting Services. Our Telecommunication Consulting Services organization offers a full range of strategy and technology consulting, business planning, sourcing, and implementation services to help telecommunications operators and equipment manufacturers drive profitable new business and technology strategies.

Content Services

Digital Content Services. Our Digital Content services provide secure and scalable media and content delivery solutions for Internet, broadband, and mobile applications, including network connections, digital rights management, mobile storefronts and video-on-demand. With our Digital Content services, providers can deliver a wide range of content, including DVD-quality video-on-demand and IPTV solutions, business video delivery platforms for enterprises, mobile tickets, quickly-deployable mobile marketing, interactive-TV applications, such as voting, and white-label mobile storefronts with an extensive content library.

Messaging Services. Our Inter-Carrier Messaging services allow wireless subscribers to send text and multi-media messages between different service providers and devices. Our Inter-Carrier Multi-Media

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Messaging (MMS) services allow subscribers to send pictures, audio and video between different service providers and devices and are provided on a service bureau basis that connects to wireless service providers multimedia messaging centers and routes MMS messages between service providers. Through our hosted services we also facilitate the sharing, distribution and storage of multimedia messages for our customers in the United States, Canada, New Zealand and Mexico. Through our Metcalf™ Inter-Carrier send short messaging services (SMS), we enable wireless carriers to send SMS text messages between carrier systems and devices, and across disparate networks and technologies so that customers can exchange messages outside the carrier s network.

Mobile Delivery Services. Our Mobile Content Delivery Network enables providers to deliver and bill for nearly any type of mobile content and messaging using a distribution network for mobile media and applications that reaches wireless subscribers throughout North America, Europe, and other countries. The Mobile Content Delivery Network may be used to distribute messages, premium content, and Java applications through SMS, MMS, and WAP Push; bill for premium-rated messages and receive real-time transaction data from carriers billing systems; deliver mass messages to large customer segments; create and offer monthly auto-renew subscription plans; and monitor all mobile programs, measure effectiveness, and customize reporting.

Operations Infrastructure

Our operations infrastructure consists of secure data centers in Mountain View, California; Dulles, Virginia; Lacey, Washington; Providence, Rhode Island; Overland Park, Kansas; Melbourne, Australia; and Kawasaki, Japan. For financial information by geographic area, see Note 16, Segment Information, of our Notes to Consolidated Financial Statements. We are currently in the process of building a new secure data center in New Castle, Delaware. Most of these secure data centers operate on a 24-hour a day, 7 days per week, 365 days a year basis, supporting our business units and services. Key features of our operations infrastructure include:

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

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

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

As part of our operations infrastructure for our domain name registry services, we operate all domain name servers that answer domain name lookups for the *.com* and *.net* zones. We also operate two of the thirteen externally visible root zone server addresses, including the A root, which is considered to be the authoritative root zone server of the Internet s domain name system (DNS). The domain name servers provide the associated name server and IP address for every *.com* and *.net* domain name on the Internet and a large number of other top-level domain queries, resulting in an average of over 26 billion responses per day during 2007. These name servers are located around the world, providing local domain name service throughout North America, Europe, and Asia. Each server facility is a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the Internet s DNS infrastructure.

To provide our communications services, we operate a SS7 network composed of specialized switches, computers and databases strategically located across the United States. These elements interconnect our

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customers and U.S. telecommunications carriers through leased lines. Our network currently consists of 16 mated pairs of SS7 signal transfer points (STPs) that are specialized switches that route SS7 signaling messages, and into which our customers connect. We own ten pairs of STPs and lease capacity on six pairs of STPs from regional providers. Our SS7 network control center, located in Overland Park, Kansas, is staffed 24 hours a day, 365 days a year.

Call Centers and Help Desk. We provide customer support services through our phone-based call centers, email help desks and Web-based self-help systems. Our California call center is staffed 24 hours a day, 365 days a year and employs an automated call directory system to support our Security Services business. Our Georgia call center is staffed from 8:00 a.m. to 7:00 p.m. Eastern Time and our Washington state call center is staffed from 8:00 a.m. to 5:00 p.m. Pacific Time and employs an automated call directory system to support our Communications Services business. Our Virginia call center is staffed 24 hours a day, 365 days a year to support our Information Services business. All call centers have a staff of trained customer support agents and provide Web-based support services that are available 24 hours a day, 365 days a year, utilizing customized automatic response systems to provide self-help recommendations.

Operations Support and Monitoring. We have an extensive monitoring capability that enables us to track the status and performance of our critical database systems and our global resolution systems. Our distributed Network Operations Centers are staffed 24 hours a day, 365 days a year.

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

Marketing, Sales and Distribution

We market our services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, direct marketing through all media, mass merchandisers, value-added resellers, systems integrators and VeriSign Affiliates. Our direct sales and marketing organization at December 31, 2007 consisted of 814 individuals, including managers, sales representatives, marketing, technical and customer support personnel. We have field sales offices throughout the world.

Research and Development

As of December 31, 2007, we had 954 employees dedicated to research and development. We believe that timely development of new and enhanced Internet security, e-commerce, information, and technologies are necessary to remain competitive in the marketplace.

Our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and services. In the past, we have developed our services both independently and through efforts with leading application developers and major customers. We have also, in certain circumstances, acquired or licensed technology from third parties. Although we will continue to work closely with developers and major customers in our development efforts, we expect that most of the future enhancements to existing services and new services will be developed internally or acquired through business acquisitions.

The markets for our services are dynamic, characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The constantly changing nature of these markets and their rapid evolution will require us to continually improve the performance, features and reliability of our services, particularly in response to competitive offerings, and to introduce both new and enhanced services as quickly as possible and prior to our competitors.

Competition

We compete in markets with our naming services, security services, commerce services, communication services, content services, and managed security services. We compete with numerous companies in each of these services categories. The overall number of our competitors may increase and the identity and composition of competitors may change over time.

Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, the demand for our products and services might be substantially reduced and the ability to distribute our products successfully and the utilization of our services would be substantially diminished.

New technologies and the expansion of existing technologies may increase competitive pressure. We cannot assure you that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our security services or technologies noncompetitive or obsolete. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers. As a result of the foregoing and other factors, we may not be able to compete effectively with current or future competitors, and competitive pressures that we face could materially harm our business. See the section titled 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 of Item 1A Risk Factors for additional details regarding our competition.

Industry Regulation

Naming Services. Within the U.S. Government, oversight of Internet administration is provided by the U.S. DOC. On September 29, 2006, the DOC and ICANN signed a Joint Project Agreement to continue the transition of the coordination of the technical functions relating to the management of the Internet Domain Name and Addressing System to the private sector.

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

.com Registry Agreement. On November 29, 2006, the DOC approved the Registry Agreement between ICANN and VeriSign for the *.com* gTLD (the *.com* Registry Agreement). The *.com* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The *.com* Registry Agreement provides that it shall be renewed for successive terms unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.com* Registry Agreement and has failed to cure such breach. The DOC shall approve such renewal if it concludes that it is in the public interest and in the continued security and stability of the domain name system and that the provision of registry services is offered on reasonable terms.

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

Cooperative Agreement. In connection with the DOC s approval of the *.com* Registry Agreement, VeriSign and the DOC entered into Amendment No. Thirty (30) to its Cooperative Agreement Special Awards Conditions NCR-92-18742 regarding operation of the *..com* and *.net* gTLD registries, which extends the term of Cooperative Agreement through November 30, 2012 and provides that any renewal or extension of the *.com* Registry Agreement is subject to prior written approval by the DOC. The Amendment provides that the DOC shall approve such renewal if such approval serves the public interest and in the continued security and stability of the domain name system and that the provision of registry services is offered on reasonable terms.

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

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

Information and Security Services. Some of our security services utilize and incorporate encryption technology. Exports of software and hardware products utilizing encryption technology are generally restricted by the United States and various non-United States governments. We have obtained approval to export many of the security services we provide to customers globally under applicable United States export law, including our server digital certificate services. As the list of products and countries for which export approval is expanded or changed, government restrictions on the export of software and hardware products utilizing encryption technology may grow and become an impediment to our growth in international markets. If we do not obtain required approvals, we may not be able to sell some of our security services in international markets.

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

Communications Services. Our communications customers are subject to regulations of the Federal Communications Commission, which indirectly affects our communications services business. We cannot predict when, or upon what terms and conditions, further regulation or deregulation might occur or the effect of regulation or deregulation on our business. Several services that we offer may be indirectly affected by regulations imposed upon potential users of those services, which may increase our costs of operations. In addition, future services we may provide could be subject to direct government regulation.

Intellectual Property

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

We have been issued numerous patents in the United States and abroad, covering a wide range of our technology. Additionally, we have filed numerous patent applications with respect to certain of our technology in

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the U.S. Patent and Trademark Office and patent offices outside the United States. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection of our intellectual property.

We have obtained trademark registrations for various VeriSign marks in the United States and other countries. We have also filed numerous applications to register VeriSign trademarks and claims, and have common law rights in many other proprietary names. We take steps to enforce and police VeriSign s marks.

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

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

With regard to our Communications Services Group, we offer a wide variety of services, including network connectivity and interoperability, intelligent database, content and applications, and clearing and settlement services, each of which are protected by trade secret, patents and/or patent applications. We have also entered into agreements with third-party providers and licensors, including third party providers of content such as music, games and logos.

Employees

The following table shows a comparison of our employee headcount by function:

	As of December 31,		
	2007	2006	2005
Employee headcount from operations:			
Cost of revenues	1,673	2,342	1,807
Sales and marketing	809	989	763
Research and development	954	1,022	801
General and administrative	815	978	705
Total	4,251	5,331	4,076

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

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ITEM 1A. RISK FACTORS

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

Risks relating to our business

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

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

- the uncertainties, costs and risks related to our proposed divestiture plan, including any income statement charges we incur in connection therewith;
- the long sales and implementation cycles for, and potentially large order sizes of, some of our security services and the timing and execution of individual customer contracts;
- volume of domain name registrations and customer renewals in our naming services business;
- the mix of all our services sold during a period;
- our success in marketing and market acceptance of our services by our existing customers and by new customers;
- changes in marketing expenses related to promoting and distributing our services;
- customer renewal rates and turnover of customers of our services;
- continued development of our direct and indirect distribution channels for our information and security services, both in the United States and abroad;
- changes in the level of spending for information technology-related products and services by enterprise customers;

the impact of price changes in our communications services and information and security services or our competitors products and services; and

general economic and market conditions as well as economic and market conditions specific to the telecommunications and Internet industries.

Our operating expenses may increase. If an increase in our expenses is not accompanied by a corresponding increase in our revenues, our operating results will suffer, particularly as revenues from some of our services are recognized ratably over the term of the service, rather than immediately when the customer pays for them, unlike our sales and marketing expenditures, which are expensed in full when incurred.

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

Our operating results may be adversely affected by the uncertain geopolitical environment and unfavorable economic and market conditions.

Adverse economic conditions worldwide have contributed to downturns in the telecommunications and technology industries in the past and could impact our business in the future, resulting in:

- reduced demand for our services as a result of a decrease in information technology and telecommunications spending by our customers;
- increased price competition for our products and services; and
- higher overhead costs as a percentage of revenues.

Recent political turmoil in many parts of the world, including terrorist and military actions, may continue to put pressure on global economic conditions. If the economic and market conditions in the United States and globally do not improve, or if they deteriorate, we may experience material adverse impacts on our business, operating results, and financial condition as a consequence of the above factors or otherwise.

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

Many of the companies we have acquired during the past 7 years operated in different businesses from our then-current business. Although we plan on divesting many of these businesses, until our divestiture plan is complete, our success will depend on many factors, many of which are not entirely under our control, including, but not limited to, the following:

- the use of the Internet and other Internet Protocol (IP) networks for electronic commerce and communications;
- the extent to which digital certificates and domain names are used for electronic commerce or communications;
- growth in demand for our services;
- the competition for any of our services;
- the perceived security of electronic commerce and communications over the Internet and other IP networks;
- the perceived security of our services, technology, infrastructure and practices;

- the success in marketing and overall demand for our content services to consumers and businesses;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services; and
- our continued ability to maintain our current, and enter into additional, strategic relationships.

To address these risks we must, among other things, continue to:

- successfully market our services to new and existing customers;
- attract, integrate, train, retain and motivate qualified personnel;
- respond to competitive developments;
- successfully introduce new services; and
- successfully introduce enhancements to our services to address new technologies and standards and changing market conditions.

We may not realize the benefits we are seeking from our investments in the Jamba joint ventures as a result of lower than predicted operating results, larger funding requirements or lower cash distributions or otherwise.

We have a 49% equity interest in two joint ventures related to our former Jamba business. We will recognize our proportionate share of the income or losses of these joint ventures in our consolidated statements of operations. We do not have control over the budget, day-to-day management or many of the other operating expenditures of the joint ventures, and therefore, we cannot predict with certainty the extent of the impact on our financial statements of these joint ventures for any particular period. Accordingly, our share of the income or losses of these joint ventures could materially affect our results of operations in future periods.

The joint venture agreements contain provisions requiring minimum cash distributions to the members. However, these provisions are subject to conditions and limitations, and therefore, we cannot assure you that we will ever receive cash distributions from these joint ventures. If the joint ventures require capital to fund their operations, we could be required to make capital contributions or loans to the joint ventures. The business operated by the U.S. joint venture is a newer business and therefore it may be more likely to require additional funding, although we cannot assure you that the Netherlands joint venture will not require additional funding as well. Additionally, we could be required to pay additional amounts to the joint ventures if it is later determined that we breached any of the representations or warranties in the formation agreement for the joint ventures.

The value of our investment in these joint ventures is subject to general economic, technological and market trends, as well as to the operating and financial decisions of the management team of the joint venture, all of which are outside of our control. In addition, these joint ventures may not gain the expected number of customers and/or generate the expected level of revenues, and consequently, we may never receive any cash distributions from these joint ventures, and in fact, they may require additional funding, any of which could diminish the value of or dilute our investment. Our investments in these joint ventures may not provide the economic returns we are seeking and may not increase in value above the minimum amounts at which we can require Fox or News Corporation to buy our shares from us. We cannot assure you that the commercial agreements, including the Gateway Services Agreement, will provide us any benefit. It is also possible that Fox and News Corporation could purchase our shares from us in the future, prior to the businesses of the joint ventures reaching their full potential. Therefore, we cannot provide you with any assurance as to whether we will achieve a favorable return on our investment.

We also entered into various other commercial relationships with the joint ventures; however, we cannot assure you that we will derive significant revenues from these other relationships.

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

As of December 31, 2007, we had approximately 1,200 employees outside the United States, including Europe, Asia, Australia, and the Americas. Expansion into international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our other services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the United States. 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 United States regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violations of them. Violations of laws or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the

importation or exportation of our products and could have a material adverse effect on our business. In addition, there are risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability and compliance with foreign laws;
- export and import restrictions on cryptographic technology and products incorporating that technology;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- currency fluctuations, as our international revenues from Europe, South Africa, Japan, South America and Australia are not denominated in U.S. Dollars;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- the necessity of developing foreign language portals and products for our services;
- difficulty of authenticating customer information for digital certificates and other purposes;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;

seasonal reductions in business activity; and

potentially adverse tax consequences.

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

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

Foreign, federal or state laws could have an adverse impact on our business. For example, recent laws include those designed to restrict the on-line distribution of certain materials deemed harmful to children and impose additional restrictions or obligations for on-line services when dealing with minors. Such legislation may impose significant additional costs on our business or subject us to additional liabilities.

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

We have identified a material weakness in our internal controls over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our securities.

Our management has identified a material weakness in our internal control over financial reporting as of December 31, 2007, arising from internal control deficiencies in our stock administration policies and practices, as discussed in Part II, Item 9A, Controls and Procedures. In addition, due to the identification of a material weakness in internal control over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2007, and the date of this report, our disclosure controls and procedures were not effective.

We will continue to evaluate, upgrade and enhance our internal controls. Because of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more significant deficiencies (as defined by the relevant auditing standards) or material weaknesses in our internal control over financial reporting will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations and there could be a material adverse effect on the price of our securities.

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

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

The U.S. DOC has adopted a plan for the phased transition of the DOC s responsibilities for the domain name system to ICANN. As part of this transition, as the exclusive registry of domain names within the *.com* and *.net* gTLDs, we have entered into agreements with ICANN and with the DOC.

We face risks from the transition of the DOC s responsibilities for the domain name system to ICANN, including the following:

- ICANN could adopt or promote policies, procedures or programs that are unfavorable to us as the registry operator of the *.com* and *.net* gTLDs or that are inconsistent with our current or future plans;
- the DOC or ICANN could terminate our agreements to be the registry for the *.com* or *.net* gTLDs under the circumstances described elsewhere in this report;

if the *.com* and/or *.net* Registry Agreements are terminated, it could have a material adverse impact on our business;

the renewal of the *.com* Registry Agreement is not approved by the DOC;

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

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

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- the U.S. Government could refuse to transfer certain responsibilities for domain name system administration to ICANN due to security, stability or other reasons, resulting in fragmentation or other instability in domain name system administration; and

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

Challenges to ongoing privatization of Internet administration could harm our domain name registry business.

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

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

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

- ICANN could fail to maintain its role, potentially resulting in instability in domain name system administration; and

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

As a result of these and other risks, it may be difficult for us to introduce new services in our domain name registry business and we could also be subject to additional restrictions on how this business is conducted.

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

We currently administer and operate only two of the thirteen root zone servers. The others are administered and operated by independent operators on a non-regulated basis. Because of the importance to the functioning of the Internet of these root zone servers, our registry services business could be harmed if these independent operators fail to maintain these servers properly or abandon these servers, which would place additional capacity demands on the two root zone servers we operate.

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

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

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

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

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

- power loss, transmission cable cuts and other telecommunications failures;

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

- computer viruses or software defects; and

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

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

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

A failure in the operation of our domain name zone servers, the domain name root servers, or other events could result in the deletion of one or more domain names from the Internet for a period of time. A failure in the operation of our shared registration system could result in the inability of one or more other registrars to register and maintain domain names for a period of time. A failure in the operation or update of the master database that we maintain could result in the deletion of one or more top-level domains from the Internet and the discontinuation of second-level domain names in those top-level domains for a period of time. Any of these problems or outages could decrease customer satisfaction, which could harm our business.

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

We retain certain confidential customer information in our secure data centers and various registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Our domain name registry operations also depend on our ability to maintain our computer and telecommunications equipment in effective working order and to reasonably protect our systems against interruption, and potentially depend on protection by other registrars in the shared registration system. The root zone servers and top-level domain name zone servers that we operate are critical hardware to our registry services operations. Therefore, we may have to expend significant time and money to maintain or increase the security of our facilities and infrastructure.

Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure 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 and customers could be reluctant to use our services. Such an occurrence could also result in adverse publicity and therefore adversely affect the market s perception of the security of electronic commerce and communications over IP networks as well as of the security or reliability of our services.

The reliance of our network connectivity and interoperability services and content services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

The success of our network connectivity and interoperability services and content services depends on our network infrastructure, including the capacity leased from telecommunications suppliers. In particular, we rely on AT&T, Sprint and other telecommunications providers for leased long-haul and local loop transmission capacity. These companies provide the dedicated links that connect our network components to each other and to our customers. Our business also depends upon the capacity, reliability and security of the infrastructure owned by third parties that is used to connect telephone calls. Specifically, we currently lease capacity from regional providers on four of the fourteen mated pairs of SS7 signal transfer points that comprise our network.

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

Our signaling and SS7 services rely on links, equipment and software provided to us from our vendors, the most important of which are gateway equipment and software from Tekelec and Agilent Technologies, Inc. We cannot assure you that we will be able to continue to purchase equipment from these vendors on acceptable terms, if at all. If we are unable to maintain current purchasing terms or ensure product availability with these vendors, we may lose customers and experience an increase in costs in seeking alternative suppliers of products and services.

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

Our success depends on our internally developed technologies, patents and other 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 United States. 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 United States. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation, regardless of its outcome, could result in substantial costs and diversion of management and technical resources.

We also license third-party technology that is used in our products and services to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms

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or at all. Our business could suffer if we lost the rights to use these technologies. Additionally, another party could claim that the licensed software infringes a patent or other proprietary right. Litigation between the licensor and a third-party or between us and a third-party could lead to royalty obligations for which we are not indemnified or for which indemnification is insufficient, or we may not be able to obtain any additional license on commercially reasonable terms or at all. The loss of, or our inability to obtain or maintain, any of these technology licenses could delay the introduction of our Internet infrastructure services until equivalent technology, if available, is identified, licensed and integrated. This could harm our business.

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

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

In addition, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights in Internet-related businesses are uncertain and still evolving. Because of the growth of the Internet and Internet-related businesses, patent applications are continuously and simultaneously 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 must establish and maintain strategic and other relationships.

One of our significant business strategies has been to enter into strategic or other similar collaborative relationships in order to reach a larger customer base than we could reach through our direct sales and marketing efforts. We may need to enter into additional relationships to execute our business plan. We may not be able to enter into additional, or maintain our existing, strategic relationships on commercially reasonable terms. If we fail to enter into additional relationships, we would have to devote substantially more resources to the distribution, sale and marketing of our information and security services than we would otherwise. Our success in obtaining results from these relationships will depend both on the ultimate success of the other parties to these relationships and on the ability of these parties to market our services successfully.

Furthermore, our ability to achieve future growth will also depend on our ability to continue to establish direct seller channels and to develop multiple distribution channels. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

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

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

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stringent hiring practices for some of our key personnel, which consist of background checks into prospective employees criminal and financial histories, further limit the number of qualified persons for these positions.

We have no employment agreements with any of our key executives that prevent them from leaving VeriSign at any time. In addition, we do not maintain key person life insurance for any of our officers or key employees. The loss of the services of any of our senior management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

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

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

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

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

- our stockholders may take action only at a meeting and not by written consent;
- 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 may be filled until the next annual meeting of stockholders *only* by majority vote of the directors then in office; and
- special meetings of our stockholders may be called only by the chief executive officer, the president or the board, and not by our stockholders.

VeriSign has also adopted a stockholder rights plan that may discourage, delay or prevent a change of control and make any future unsolicited acquisition attempt more difficult. Under the rights plan:

- The rights will become exercisable only upon the occurrence of certain events specified in the plan, including the acquisition of 20% of VeriSign s outstanding common stock by a person or group.

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

VeriSign s Board of Directors may redeem outstanding rights at any time prior to a person becoming an acquiring person, at a price of $0.001 per right. Prior to such time, the terms of the rights may be amended by VeriSign s Board of Directors without the approval of the holders of the rights.

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

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

Risks relating to the competitive environment in which we operate

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

Competition in Information and Security Services. Our information and security services are targeted at the rapidly evolving market for Internet security services, including network security, authentication and validation, which enable secure electronic commerce and communications over wireline and wireless IP networks. The market for information and security services is intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

Principal competitors generally fall within one of the following categories: (1) companies such as RSA, the security division of EMC, and Entrust Technologies, which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as Digital Signature Trust Company (a subsidiary of Identrus) that primarily offer digital certificate and certification authority-related services; (3) companies focused on providing a bundled offering of products and services; and (4) companies offering competing SSL certificate and other security services, including GoDaddy and other domain name registrars. We also experience competition from a number of smaller companies, and we believe that our primary long-term competitors may not yet have entered the market. Furthermore, Netscape and Microsoft have introduced software products that enable the issuance and management of digital certificates, and we believe that other companies could introduce similar products.

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

Competition in Managed Security Services. Consulting companies or professional services groups of other companies with Internet expertise are current or potential competitors to our managed security services. These companies include large systems integrators and consulting firms, such as Accenture, IBM Global Services, Getronics and Lucent NetCare. We also compete with security product companies that offer managed security services in addition to other security services, such as Symantec and ISS, as well as a number of providers such as BT Counterpane that offer managed security services. Telecommunications providers, such as Verizon Business, a provider of managed security services, are also potential competitors. In addition, we compete with some companies that have developed products that automate the management of IP addresses and name maps throughout enterprise-wide intranets, and with companies with internally developed systems integration efforts.

Competition in Real-Time Publisher Services. We face competition from various smaller companies providing similar services.

Competition in Digital Brand Management Services. We face competition from companies providing services similar to some of our Digital Brand Management Services. In the monitoring services, registration and domain name asset management area of our business, our competition comes primarily from ICANN accredited registrars and various smaller companies providing similar services.

Competition in Communications Services. The market for communications services is extremely competitive and subject to significant pricing pressure. Competition in this area arises from two primary sources.

Incumbent carriers provide competing in-house services in their respective regions. In addition, we face direct competition from national, unregulated companies, including Syniverse Technologies, Telcordia, NeuStar and other carriers such as Southern New England Telephone Diversified Group, a unit of AT&T. Furthermore, customers are increasingly likely to deploy internally developed communications technologies and services which may reduce the demand for technologies and services from third party providers, such as VeriSign, and further increase competitive pricing pressures.

Competition in Commerce Services. Our wireless billing and payment services are also subject to competition from providers such as Comverse, Amdocs, Convergys Corporation and Boston Communications Group. We are also aware of major Internet service providers, software developers and smaller entrepreneurial companies that are or may in the future be focusing significant resources on developing and marketing products and services that may compete directly with ours. Furthermore, customers are increasingly likely to deploy internally developed communications technologies and services which may reduce the demand for technologies and services from third-party providers such as VeriSign and further increase competitive pricing pressures.

Competition in Content Services. The market for content services is extremely competitive. Competitors include developers of content and entertainment products and services in a variety of domestic and international markets, such as Infospace, Itouch, Arvato mobile, Monstermob, and Motricity. This business also faces competition from mobile network operators such as Cingular, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, O_2, Orange, E-Plus and Telefónica, as well as Internet portal operators such as Yahoo!, AOL, T-Online and Google. Additional competitors are handset manufacturers such as Nokia and software providers such as Microsoft and Apple. As the market for wireless data, including information and entertainment data, matures, new categories of competitors, such as mobile phone companies, broadcasters, music publishers, other content providers or others have begun to develop competing products or services.

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

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

Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, the demand for our products and services might be substantially reduced and the ability to distribute our products successfully and the utilization of our services would be substantially diminished. New technologies and the expansion of existing technologies may increase the competitive pressure.

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

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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 industry are characterized by rapid technological change and frequent new product and service announcements which require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings. In order to remain competitive and retain our market share, we must continually improve our access technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and customer preferences.

We cannot assure you that we will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. Our failure to do so would adversely affect our ability to compete and retain customers or market share.

Risks related to our divestiture plan

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

Transitioning disposed businesses involves a number of risks, including, but not limited to difficulties separating operations, services, products and personnel; the potential impairment of relationships with our existing customers; the disruption of our business and the potential loss of key employees.

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

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

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

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

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

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

- business, political and economic conditions in the United States and in other countries in which the Company currently operates;

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

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the operating performance of the Company; and

identification of buyers and negotiation of sale agreements.

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

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

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

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

Completion of the divestiture plan may restrict our ability to compete in certain market sectors.

It is possible that under the agreements reached with buyers for businesses divested under the plan, we will be restricted from competing, either directly or indirectly, with those businesses or from entering certain market sectors for a defined period of time pursuant to negotiated non-compete arrangements.

Risks related to our securities

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

As of December 31, 2007, we had one billion authorized common shares, of which 222.8 million shares were outstanding. In addition approximately, 46.6 million common shares were reserved for issuance pursuant to employee stock option and employee stock purchase plans (Equity Plans), and approximately 36.4 million shares were reserved for issuance upon conversion or repurchase of the 3.25% junior subordinated convertible debentures due 2037. The availability of substantial amounts of our common stock resulting from the exercise or settlement of equity awards outstanding under our Equity Plans or the conversion or repurchase of debentures using common stock, which 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.

We have not historically maintained substantial levels of indebtedness, and 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 $1.25 billion principal amount of 3.25% junior subordinated convertible debentures, we have a substantially greater amount of long term debt than we have maintained in the past. In addition to the debentures, we have a revolving credit facility with a borrowing capacity of $500 million. While we currently have no outstanding borrowings under our credit facility, its availability allows us immediate access

to working capital if we identify opportunities for the use of this cash. Our maintenance of substantial levels of debt could adversely affect our flexibility to take advantage of corporate opportunities and could adversely affect our financial condition and results of operations.

We may not have the ability to repurchase the debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of debentures, as required by the indenture governing the 3.25% junior subordinated convertible debentures.

Holders of our outstanding 3.25% junior subordinated convertible debentures will have the right to require us to repurchase the debentures upon the occurrence of a fundamental change as defined in the Indenture dated as of August 20, 2007 (the Indenture). Although we currently have the intent and the ability to settle the principal amount of the convertible debentures in cash as required under the Indenture, we may not have sufficient funds to repurchase the debentures in cash or to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms. In addition, upon conversion of the debentures, we will be required to make cash payments to the holders of the debentures equal to the lesser of the principal amount of the debentures being converted and the conversion value of those debentures. Such payments could be significant, and we may not have sufficient funds to make them at such time.

A fundamental change may also constitute an event of default or prepayment under, or result in the acceleration of the maturity of, our then-existing indebtedness. Our ability to repurchase the 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 debentures or pay cash in respect of conversions when required would result in an event of default with respect to the debentures.

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

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

There may be potential new accounting pronouncements or regulatory rulings, which may have an impact on our future financial condition and results of operations. For example, in August 2007, the Financial Accounting Standards Board (FASB) issued for comment, the proposed FASB Staff Position (FSP) No. APB 14-a (FSP APB 14-a), *Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, that would significantly affect the accounting for convertible debt. Our 3.25% convertible debentures due 2037 would be affected by this proposed FSP. The proposed FSP would require the issuer to separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. Further, the proposed FSP would require bifurcation of a component of the debt, classification of that component as equity, and then accretion of the resulting discount on the debt to result in the economic interest cost being reflected in the consolidated statement of income. In applying this FSP, the FASB emphasized that the FSP would be applied to the terms of the instruments as they existed for the time periods they existed, therefore, the application of the FSP would be applied retrospectively to all periods presented. If the FSP is approved, it is expected to be effective for fiscal years beginning after December 15, 2007, and will require retrospective application. The Company would be required to implement the proposed standard during the first quarter of 2008, which begins on January 1, 2008. Although FSP APB 14-a would have no impact on our actual past or future cash flows, it would require us to record a significant amount of non-cash interest expense as the debt discount is amortized. In addition, if our convertible debt is redeemed or converted prior to maturity, any unamortized debt discount would result in a loss on extinguishment. As a result, there could be a material adverse impact on our results of operations and earnings per share. These impacts could adversely affect the trading price of our common stock and in turn negatively impact the trading price of the debentures.

See Note 10, Junior Subordinated Convertible Debentures, of our Notes to Consolidated Financial Statements for further information.

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Certain other risks

Our communications services business depends in part on the acceptance of our SS7 network and the telecommunications industry s continuing use of SS7 technology.

Our future growth in our communications services business depends, in part, on the commercial success and reliability of our SS7 network. Our SS7 network is a vital component of our network services and has been a significant source of revenues for our Communications Services Group. Our communications services business will suffer if our target customers do not use our SS7 network. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced SS7-based services. We are not certain that our target customers will choose our particular SS7 network solution or continue to use our SS7 network.

The inability of our customers to successfully implement our signaling and network services with their existing systems could adversely affect our business.

Significant technical challenges exist in our signaling and network services business because many of our customers:

- purchase and implement SS7 network services in phases;
- deploy SS7 connectivity across a variety of telecommunication switches and routes; and
- integrate our SS7 network with a number of legacy systems, third-party software applications and engineering tools.

Customer implementation currently requires participation by our order management and our engineering and operations groups, each of which has limited resources. Some customers may also require us to develop costly customized features or capabilities, which increases our costs and consumes a disproportionate share of our limited customer service and support resources. Also, we typically charge one-time fees for initially connecting a customer to our SS7 network and a monthly recurring flat rate fee after the connection is established. If new or existing customers have difficulty deploying our products or require significant amounts of our engineering service support, we may experience reduced operating margins. Our customers ability to deploy our network services to their own customers and integrate them successfully within their systems depends on our customers capabilities and the complexity involved. Difficulty in deploying those services could reduce our operating margins due to increased customer support and could cause potential delays in recognizing revenues until the services are implemented.

Our failure to achieve or sustain market acceptance of our communications services at desired pricing levels and industry consolidation could adversely impact our revenues and cash flow.

The telecommunications industry is characterized by significant price competition. Competition and industry consolidation in our communications services could result in significant pricing pressure and an erosion in our market share. Pricing pressure from competition could cause large reductions in the selling price of our services. For example, our competitors may provide customers with reduced communications costs for Internet access or private network services, reducing the overall cost of services and significantly increasing pricing pressures on us.

We would need to offset the effects of any price reductions by increasing the number of our customers, generating higher revenues from enhanced services or reducing our costs, and we may not be able to do so successfully. We believe that the business of providing network connectivity and related network services will see increased consolidation in the future. Consolidation could decrease selling prices and increase competition in these industries, which could erode our market share, revenues and operating margins in our Communications Services Group. Furthermore, customers may choose to deploy internally developed communications technologies and services thereby reducing the demand for technologies and services we offer which could harm our business.

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Services offered by our Internet Services Group rely on public key cryptography technology that may compromise our system s security.

Services offered by our Internet Services Group depend on public key cryptography technology. With public key cryptography technology, a user is given a public key and a private key, both of which are required to perform encryption and decryption operations. The security afforded by this technology depends on the integrity of a user s private key and that it is not lost, stolen or otherwise compromised. The integrity of private keys also depends in part on the application of specific mathematical principles known as factoring. This integrity is predicated on the assumption that the factoring of large numbers into their prime number components is difficult. Should an easy factoring method be developed, the security of encryption products utilizing public key cryptography technology would be reduced or eliminated. Furthermore, any significant advance in techniques for attacking cryptographic systems could also render some or all of our existing PKI services obsolete or unmarketable. If improved techniques for attacking cryptographic systems were ever developed, we would likely have to reissue digital certificates to some or all of our customers, which could damage our reputation and brand or otherwise harm our business. In the past there have been public announcements of the successful attack upon cryptographic keys of certain kinds and lengths and of the potential misappropriation of private keys and other activation data. This type of publicity could also hurt the public perception as to the safety of the public key cryptography technology included in our digital certificates. This negative public perception could harm our business.

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

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

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

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

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

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

We target our information and security services at the market for trusted and secure electronic commerce and communications over IP and other networks. Our Naming Services business unit is developing managed services designed to work with the EPCglobal Network and RFID, technology, point-of-sale data services and

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real-time publisher services. These are rapidly evolving markets that may not continue to grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services is very uncertain. The factors that may affect market acceptance of our services include the following:

- market acceptance of products and services based upon technologies other than those we use;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile handsets;
- demand for supply chain information services, including acceptance of RFID technology, the EPCglobal Network and point-of-sale data services;
- the ability of the Internet infrastructure to accommodate increased levels of usage; and
- government regulations affecting electronic commerce and communications over IP networks.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

VeriSign s corporate headquarters are located in Mountain View, California. We have administrative, sales, marketing, research and development and operations facilities located in the United States, Central America, South America, Europe, Asia, Australia and Africa. We own approximately 512,000 square feet of space, which includes our headquarters complex in Mountain View, California and facilities in Savannah, Georgia, Lacey, Washington and New Castle, Delaware. As of December 31, 2007, we leased approximately 954,000 square feet of space, primarily in the United States and to a lesser extent, Europe and the Asia Pacific. Our facilities are under lease agreements that expire at various dates through 2017. We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future.

Major Locations	Approximate Square Footage	Use
United States:		
Mountain View, California (owned)	290,000	

		Corporate Headquarters; Internet Services Group; and Communications Services Group
Dulles, Virginia	241,000	Internet Services Group; and Corporate Services
New Castle, Delaware (owned)	105,000	Internet Services Group; and Communication Services Group
Lacey, Washington (owned)	67,000	Communications Services Group
Savannah, Georgia (owned)	50,000	Communications Services Group
Europe:		
Geneva, Switzerland	17,000	Corporate European Headquarters; and Internet Services Group
Asia:		
Bangalore, India	119,000	Corporate Headquarters and Communication Services
Tokyo, Japan	15,000	VeriSign Japan K.K. Corporate Headquarters

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We are committed to vacate properties, in the U.S and internationally, according to our 2002, 2003 and 2007 restructuring plans (Plans). At December 31, 2007, on a worldwide basis related to our Plans, we had an aggregate of approximately 92,000 square feet that was vacant and approximately 26,000 square feet that was being subleased to third parties. See Note 5, Restructuring, Impairments and Other Charges (Reversals), Net, of our Notes to Consolidated Financial Statements for further information about our restructuring plans.

ITEM 3. LEGAL PROCEEDINGS

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the United States District Court for the District of Arizona asserting infringement of certain patents. The complaint alleged that VeriSign s Payflow payment products and services directly infringe certain claims of NetMoneyIN s three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN s damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of one of the patents and the Court has dismissed with prejudice all claims of infringement of such patent. In its ruling on the claim construction issues, the Court found some of the claims asserted against VeriSign to be valid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Only one claim remains in the case. On July 13, 2007, the Court issued an order granting summary judgment in favor of VeriSign based on the Court s finding that such claim is invalid, and denying all other pending dispositive motions. On August 29, 2007, Plaintiff filed a Notice of Appeal. On September 19, 2007, the U.S. Court of Appeals for the Federal Circuit docketed the appeal. While we cannot predict the outcome of this lawsuit, we believe that the allegations are without merit.

On February 14, 2005, Southeast Texas Medical Associates, LLP filed a putative class action lawsuit in the Superior Court of California, alleging violations of the unfair competition laws, breach of express warranty and unjust enrichment relating to our Secure Site Pro SSL certificates. The complaint is brought on behalf of a class of persons who purchased the Secure Site Pro certificate from February 2001 to present. On April 17, 2006, the class was certified and class notice was issued on May 21, 2007. VeriSign disputes these claims. While we cannot predict the outcome of this matter, we believe that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the U.S. District Court for the District of Delaware alleging that VeriSign s Go Secure suite of application and related hardware and software products and its Unified Authentication solution and related hardware and software products, including the VeriSign Identity Protection (VIP) product infringe U.S. Patent No. 6,516,416, entitled Subscription Access System for Use With an Untrusted Network. Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys fees and costs. On April 2, 2007, the Court issued a ruling from the Markman claim construction hearing. On April 13, 2007, the Court granted Defendants Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the Markman claim construction ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal. On February 5, 2008, the U.S. Court of Appeals for the Federal Circuit affirmed the district court's claim construction ruling and dismissal in our favor.

On June 26, 2006, we received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to our stock option grants and practices. We also received an informal inquiry from the Securities and Exchange Commission (SEC) requesting documents related to VeriSign s stock option grants and practices. On February 9, 2007, we received a formal order of investigation from the SEC. On October 29, 2007, the SEC issued a letter to us stating that the investigation had been terminated with no enforcement action recommended to the Commission.

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On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in United States District Court for the Northern District of California (Port Authority v. Bidzos, et al., and VeriSign), and one in state court (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. We are named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Those motions were granted on September 14, 2007. Motions to stay the state court action are pending. On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in Superior Court for the State of California, Santa Clara County naming the Company and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned our common stock between April 3, 2002, and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin defendants from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The identical case was filed in state court under a separate name (Pace. v. Bidzos, et al., and VeriSign) on June 19, 2007, and on October 3, 2007 (Mehdian v. Bidzos, et al.). On December 3, 2007, a consolidated complaint was filed in Superior Court for the State of California, Santa Clara County. VeriSign and the individual defendants dispute all of these claims.

On November 7, 2006, a judgment was entered against VeriSign by an Italian trial court in the matter of Penco v. VeriSign, Inc., for Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. We were granted a stay on execution of the judgment. We have appealed the lower court s ruling on the merits and the hearing on the appeal is scheduled in May 2008. We believe the claims are without merit.

On November 30, 2006, Freedom Wireless, Inc. filed a complaint against VeriSign and other defendants alleging that we infringe certain patents by making, using, selling or supplying products, methods or services relating to supplying prepaid wireless telephone services to telecommunications companies. VeriSign filed an answer to the complaint on January 25, 2007. The lawsuit is pending in the United States District Court for the Eastern District of Texas. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On January 31, 2007, VeriSign and News Corporation finalized a joint venture giving News Corporation a controlling interest in VeriSign s wholly owned Jamba subsidiary. Accordingly, effective January 31, 2007, VeriSign transferred to the joint venture direction and control of all litigation, described in prior reports filed with the SEC, relating to Jamba! GmbH and Jamster International Sarl.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show Deal or No Deal to incur premium text message charges in order to participate in an interactive television promotion called Lucky Case Game. The lawsuit is pending in the United States District Court for the Central District of California, Western Division. On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show The Apprentice to incur premium text message charges in order to participate in an interactive television promotion called Get Rich With Trump. The lawsuit is pending in the United States District Court for the Central District of California, Western Division. On June 7, 2007, plaintiffs Michael and Michele Hardin, on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc. and other defendants alleging that defendants collectively operate various gambling games in violation of Georgia state law. Plaintiffs allege that interactive television promotions contained in various broadcasts, including NBC s Deal or No Deal, wrongly permit participants to incur premium text message charges in order to participate in the promotions to win a prize. The lawsuit is pending in the United States District Court for the Northern District of Georgia, Gainesville Division. While we cannot predict the outcome of any of these matters, we believe that the allegations in each of them are without merit and intend to vigorously defend against them.

On October 9, 2007, the Associated Press (AP) filed a complaint in federal court in New York against Moreover Technologies, Inc. and VeriSign, Inc. for copyright and trademark infringement and other claims arising from the Real Time Publishing business. The complaint seeks unspecified compensatory, punitive and treble damages and a permanent injunction. While we cannot predict the outcome of this matter, we intend to vigorously defend against the claims.

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

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2007.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers as of January 31, 2008:

Name	Age	Position
William A. Roper, Jr.	61	President, Chief Executive Officer and Director
Albert E. Clement	45	Chief Financial Officer
Grant L. Clark	53	Senior Vice President and Chief Administrative Officer
John M. Donovan	47	Executive Vice President, Sales, Operations, Customer Care and Product Development
Richard H. Goshorn	51	Senior Vice President, General Counsel and Secretary
Anne-Marie Law	40	Senior Vice President, Global Human Resources
Russell S. Lewis	53	Senior Vice President, Strategic Development
Kevin A. Werner	47	Senior Vice President, Corporate Development and Strategy

William A. Roper, Jr. has served as President and Chief Executive Officer since May 2007 and has served as a director since November 2003. From April 2000 through May 2007, he served as Corporate Executive Vice President of Science Applications International Corporation (SAIC), a diversified technology services company, and has previously served as SAIC s Senior Vice President from 1990 to 1999, Chief Financial Officer from 1990 to 2000, and Executive Vice President from 1999 to 2000. Mr. Roper holds a B.A. degree in Mathematics from the University of Mississippi and graduate degrees from Southwestern Graduate School of Banking at Southern Methodist University and Stanford University, Financial Management Program.

Albert E. Clement has served as Chief Financial Officer since July 2007. He served as Senior Vice President, Finance, and Controller from January 2001 to June 2007. From January to December 2000, he served as Controller of Network Solutions, which was acquired by VeriSign in June 2000. Prior to joining Network Solutions, Mr. Clement held senior financial positions at BroadPoint Communications and MCI from 1996 to 2000. Prior to that, Mr. Clement spent twelve years in various capacities at PricewaterhouseCoopers LLP. He is a certified public accountant and holds a Bachelor of Accountancy from George Washington University.

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Grant L. Clark has served as Senior Vice President and Chief Administrative Officer since October 2007. From January 2004 until joining VeriSign, Mr. Clark served as senior vice president and chief deputy counsel of SAIC, Inc., a diversified information technology services company. From November 1999 until January 2004, he was senior vice president and general counsel of Telcordia Technologies, a SAIC subsidiary. Mr. Clark holds a B.A. degree in English from Framingham State College and a J.D. degree from Suffolk Law School.

John M. Donovan has served as Executive Vice President, Sales, Operations, Customer Care and Product Development since November 2006 when VeriSign acquired inCode Telecom Group, Inc., a wireless consulting company. He served as Chief Executive Officer and Chairman of the Board of Directors of inCode from November 2000 to November 2006. Prior to joining inCode, Mr. Donovan was with Deloitte Consulting from 1994 to 2000, where he was a partner from 1997 to 2000 and held the position of Americas Industry Practice Director for Telecom. Mr. Donovan serves as a director of NII Holdings, Inc. Mr. Donovan holds a B.S. degree in Electrical Engineering from the University of Notre Dame and an MBA degree in Finance from the University of Minnesota.

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

Anne-Marie Law has served as Senior Vice President, Global Human Resources since August 2007. From May 2007 to July 2007, she served as Vice President, Global Human Resources. From 1999 to April 2007, Ms. Law served in a variety of senior capacities within the human resources department of Xilinx, Inc, a provider of programmable solutions. Ms. Law holds a B.A. degree in Art History from Leicester University in the United Kingdom.

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

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

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

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

	Price Range	
	High	Low
Year ending December 31, 2008:		
First Quarter (through February 28, 2008)	$ 38.06	$ 30.14
Year ended December 31, 2007:		
Fourth Quarter	$ 41.96	$ 31.52
Third Quarter	34.68	27.77
Second Quarter	32.12	24.83
First Quarter	26.78	22.92
Year ended December 31, 2006:		
Fourth Quarter	$ 26.77	$ 19.90
Third Quarter	23.27	15.95
Second Quarter	25.45	20.91
First Quarter	25.00	20.75

On January 31, 2008, there were 809 holders of record of our common stock; although we believe there are approximately 150,000 beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders. On February 28, 2008, the reported last sale price of our common stock was $36.00 per share as reported by the NASDAQ Global Select Market.

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

- general market and economic conditions and market conditions affecting technology and Internet stocks generally;
- announcements of technological innovations, acquisitions or investments by us or our competitors;
- developments in Internet governance; and
- industry conditions and trends.

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

We have never declared or paid any cash dividends on our common stock or other securities and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for future growth. Information regarding our equity compensation plans may be found in Part III, Items 11 and 12, of this Form 10-K. See Note 11, Stockholders Equity, of our Notes to Consolidated Financial Statements for further information regarding our equity compensation plans.

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Share Repurchases

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

On January 31, 2008, our Board of Directors authorized a stock repurchase program (2008 stock repurchase program) having an aggregate purchase price of up to $600 million of our common stock.

On February 8, 2008, we announced that we entered into an Accelerated Share Repurchase (ASR) agreement to repurchase $600 million of our common stock under the 2008 stock repurchase program and announced an intent to repurchase up to an additional $200 million in open market transactions under the stock repurchase program the Board of Directors authorized in 2006 (2006 stock repurchase program). We paid $600 million to a financial institution in exchange for a number of shares, which will be determined, subject to a cap, based on market prices during the term of the ASR agreement. Through February 28, 2008 we received 15.1 million shares under the ASR agreement. We expect to complete the ASR by the end of the third quarter of 2008, although in certain circumstances the completion date may be shortened or extended.

On August 7, 2007, our Board of Directors authorized the use of the net proceeds from the issuance of the convertible debentures as described in Note 10, Junior Subordinated Convertible Debentures, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, to repurchase shares of our common stock in addition to the 2006 stock repurchase program.

In August 2007, we used the proceeds from the issuance of the convertible debentures to repurchase 12.2 million shares of our common stock for an aggregate cost of approximately $350 million. Additionally, we entered into a $200 million Guaranteed Share Repurchase (GSR) agreement and a $600 million ASR agreement with two independent financial institutions. Under the terms of the GSR agreement, we received approximately 6.3 million shares of our common stock. Under the terms of the ASR agreement we received approximately 19.5 million shares, of which 12.9 million were settled during the third quarter of 2007 and 6.6 million were settled in the fourth quarter. These agreements have been accounted for under Emerging Issues Task Force Issue (EITF) No. 99-7, *Accounting for an Accelerated Share Repurchase Program,* and EITF No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock.*

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (2)
October 1 31, 2007	5,440,000	$ 30.70	5,440,000	$ 984.7 million
November 1 30, 2007	800,572	30.70	800,572	984.7 million
December 1 31, 2007	400,286	$ 30.70	400,286	$ 984.7 million
	6,640,858		6,640,858	

(1) These shares purchased represent shares from the August 2007 ASR agreement that were settled during the fourth quarter of 2007.
(2) This amount represents the remaining value of the 2006 stock repurchase program at December 31, 2007.

In 2006, the Board of Directors authorized the 2006 stock repurchase program with no expiration date to repurchase up to $1.0 billion of our common stock. In January and February of 2008, we repurchased 13.3 million shares of our common stock under the 2006 stock repurchase program for an aggregate cost of $451.9 million. In 2007, we did not repurchase any shares under the 2006 stock repurchase program. In 2006, we repurchased approximately 0.7 million shares under the 2006 stock repurchase program for an aggregate cost of

$15.3 million. As of February 28, 2008, we have approximately $532.7 million available under the 2006 stock repurchase program.

In 2005, the Board of Directors authorized a stock repurchase program (2005 stock repurchase program) to repurchase up to $500 million of our common stock. In 2006, we repurchased approximately 5.7 million shares under the 2005 stock repurchase program for an aggregate cost of approximately $119.7 million. In 2005, we repurchased approximately 16.5 million shares under the 2005 stock repurchase program for an aggregate cost of approximately $380.3 million. This stock repurchase program was completed in the second quarter of 2006.

In 2001, the Board of Directors authorized a stock repurchase program (2001 stock repurchase program) to repurchase up to $350 million of our common stock. In 2005, we repurchased approximately 6.3 million shares under the 2001 stock repurchase program for an aggregate cost of approximately $167 million. This stock repurchase program was completed in the third quarter of 2005.

From the inception of the stock repurchase program in 2001 to February 28, 2008, we have repurchased approximately 101.7 million shares of our common stock for an aggregate cost of approximately $3.1 billion.

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Performance Graph

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

The following graph compares the cumulative total stockholder return on our common stock, the Nasdaq Composite Index, and the S&P 500 Information Technology Index. The graph assumes that $100 was invested in our common stock, the Nasdaq Composite Index and the S&P 500 Information Technology Index on December 31, 2002, and calculates the return quarterly through December 31, 2007. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/30/2006	12/29/2007
VeriSign, Inc.	$ 100	$ 203	$ 419	$ 273	$ 300	$ 469
Nasdaq Composite Index	$ 100	$ 151	$ 165	$ 168	$ 186	$ 205
S&P 500 Information Technology Index	$ 100	$ 147	$ 151	$ 152	$ 165	$ 192

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ITEM 6. SELECTED FINANCIAL DATA

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

We have completed a number of acquisitions since 2005 as described in Note 3, Business Combinations, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. The results of the acquired companies operations are included in our Consolidated Financial Statements from their respective dates of acquisition.

We account for discontinued operations in accordance with SFAS 144, and accordingly, we have reclassified the selected financial data for all periods presented to reflect our discontinued operations as described in Note 4, Discontinued Operations, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

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

	Year Ended December 31,				
	2007 (1)	**2006 (2)**	**2005 (3)**	**2004**	**2003 (4)**
Continuing Operations:					
Revenues	$ 1,496	$ 1,563	$ 1,605	$ 1,117	$ 1,017
Operating (loss) income	$ (222)	$ 91	$ 215	$ 73	$ (241)
Net (loss) income	$ (145)	$ 374	$ 162	$ 134	$ (294)
Net (loss) income from continuing operations per share:					
Basic	$ (0.61)	$ 1.53	$ 0.63	$ 0.53	$ (1.23)
Diluted	$ (0.61)	$ 1.51	$ 0.62	$ 0.52	$ (1.23)
Discontinued Operations:					
Revenues	$ 12	$ 12	$ 60	$ 51	$ 38
Net income	$ 5	$ 5	$ 267	$ 19	$ 7
Net income from discontinued operations per share:					
Basic	$ 0.02	$ 0.02	$ 1.04	$ 0.08	$ 0.03
Diluted	$ 0.02	$ 0.02	$ 1.01	$ 0.08	$ 0.03
Consolidated Total:					
Net (loss) income	$ (140)	$ 379	$ 429	$ 153	$ (287)
Net (loss) income per share:					
Basic	$ (0.59)	$ 1.55	$ 1.67	$ 0.61	$ (1.20)
Diluted	$ (0.59)	$ 1.53	$ 1.63	$ 0.60	$ (1.20)

(1) In accordance with SFAS No. 142 (SFAS 142), *Goodwill and Other Intangible Assets* and SFAS 144, operating loss includes an impairment charge of $182.2 million, $62.6 million and $4.3 million for goodwill, other intangible assets and property and equipment, respectively, related to our Content Services business reporting unit. Net loss includes a $68.2 million gain recognized upon the divestiture of our majority ownership interest in Jamba.

(2) Net income includes $349.8 million in income tax benefits that resulted from the release of our valuation allowance of $236.4 million from our deferred tax assets and recognizing a non-recurring benefit to tax expense of $113.4 million due to a favorable ruling received in the second quarter of 2006 relating to a capital loss generated in 2003.

(3) Net income for 2005 includes a gain on sale of discontinued operations of $250.6 million, net of tax.
(4) Operating loss includes a $335.2 million in charges relating to the impairment of goodwill and the amortization and impairment of other intangible assets.

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Consolidated Balance Sheet Data: (in millions)

	As of December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Total assets	$ 4,023	$ 3,974	$ 3,181	$ 2,599	$ 2,102
Convertible debentures	1,265				
Stockholders equity	1,528	2,377	2,023	1,691	1,377

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

FORWARD-LOOKING STATEMENTS

Except for historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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 Item 1A Risk Factors. You should 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 filed in 2007. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Business Overview

We operate infrastructure services that enable and protect billions of interactions every day across the world s voice, video and data networks. We offer a variety of Internet and communications-related services, which are marketed through Web site sales, direct field sales, channel sales, telesales, and member organizations in our global affiliate network.

Our business consists of two reportable segments: the Internet Services Group and the Communications Services Group. The Internet Services Group consists of the Information and Security Services business and the Naming Services business. The Information and Security Services business provides products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risks. The Naming Services business is the authoritative directory provider of all *.com, .net, .cc, and .tv* domain names. The Communications Services Group provides communications services, such as connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services, and mobile commerce services; and content services, such as digital content and messaging services.

In late 2007, we announced a change to our business strategy to be more tightly aligned with our core competencies, which is providing highly scaleable, reliable and secure Internet infrastructure services to customers around the world. The strategy calls for divesture of a number of non-core businesses in our portfolio, such as communications, billing and commerce, content delivery, messaging and enterprise security services. By divesting these non-core businesses, additional resources should be available to invest in the core businesses that will remain: Naming Services, SSL Certificate Services, and Identity and Authentication services. We face a number of risks associated with our plan to divest ourselves of several non-core businesses. The operations of these businesses will be classified as discontinued operations when all criteria of Statement of Financial Accounting Standards (SFAS) No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long Lived Assets,* are met. All of such criteria were not met as of December 31, 2007. As a result of these divestitures in 2008, we would expect revenues, operating expenses and operating income from continuing operations to decrease in absolute dollars and expect a reduction in the number of employees.

Effective January 1, 2007, we adopted a functional business structure that realigned the Internet Services Group and the Communications Services Group to deliver products and services on an integrated basis through two main functional units: Sales and Consulting Services and Products and Marketing. The Sales and Consulting Services group is aligned by vertical industry and combines our multiple sales functions, in-market consulting services, and business development teams. The Products and Marketing group combines our product management, product development, marketing and customer support functions, as well as a new innovation team chartered with looking at longer term product line synergies and emerging market trends. With our decision to divest all non-core business lines, the businesses identified for sale have retained (or are in the process of developing) separate sales, consulting, product marketing and other capabilities that would have otherwise been delivered through our Sales and Consulting Services and Products and Marketing organizations.

2007 Business Highlights

Total revenues from our Internet Services Group increased $158.2 million, primarily due to continued growth in our Naming Services and Information and Security Services businesses. Total revenues from our Communications Services Group decreased $224.9 million, primarily due to a decline in revenues that resulted from the divestiture of our majority ownership interest in our Jamba business unit in January 2007.

We saw a 24% increase in 2007 in active domain names for *.com* and *.net* under management. The increase is primarily due to increased demand for new domain names and high renewal rates for existing domain names.

We saw a 16% increase in 2007 in our installed base of SSL certificates. The growth is driven by increased demand for our VeriSign, GeoTrust and thawte branded certificates.

In January 2007, we sold 51% of our ownership interest in our Jamba subsidiary to Fox Entertainment (Fox), a subsidiary of News Corporation, for approximately $192.4 million in cash. Our total net gain from the divestiture was approximately $68.2 million.

In August 2007, we issued $1.25 billion principal amount of 3.25% junior subordinated convertible debentures due August 15, 2037, to an initial purchaser in a private offering. We received net proceeds of $1.22 billion after deduction of issuance costs of $25.8 million.

We used the proceeds from the issuance of the convertible debentures to repurchase approximately 38.0 million shares of our common stock for an aggregate cost of approximately $1.15 billion.

In the fourth quarter of 2007, we recorded an impairment charge of $182.2 million, $62.6 million and $4.3 million for goodwill, other intangible assets and property and equipment, respectively, related to our Content Services business reporting unit.

Acquisitions

We did not make any acquisitions in fiscal 2007.

In 2006, we paid approximately $633.3 million to acquire the following companies: *inCode Telecom Group, Inc*., a privately held consulting firm for the wireless industry in November 2006; *GeoTrust, Inc.,* a privately-held provider of digital certificates and identity verification solutions in September 2006*; m-Qube, Inc*., a privately-held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services in May 2006; *Kontiki, Inc*., a provider of broadband content services in March 2006*; 3united Mobile Solutions ag*, a provider of wireless application services in February 2006; *CallVision, Inc.,* a privately-held provider of online analysis applications for mobile communications customers in January 2006; and other acquisitions that were not material on a individual basis or in the aggregate.

In 2005, we paid approximately $436.4 million to acquire the following companies: *Retail Solutions International, Inc.,* a privately-held provider of operational point-of-sale data to the retail industry in October 2005; *Moreover Technologies, Inc.,* a privately-held wholesale aggregator of real-time internet content in October 2005; *siteRock K.K.,* a Japan based privately-held remote network monitoring and outage managing handling firm in October 2005; *iDefense, Inc*., a privately-held provider of detailed intelligence on network-based threats, vulnerabilities and malicious code July 2005; *LightSurf Technologies, Inc.,* a privately-held provider of multimedia messaging and interoperability solutions for the wireless market in April 2005; and another acquisition that was not material on an individual basis.

We account for all of our significant acquisitions as business combinations using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations.* Accordingly, the acquired companies revenues, costs and expenses have been included in our results of operations beginning with their dates of acquisition. As a result of our acquisitions in 2006 and 2005, revenues, costs and expenses for the years ended December 31, 2007, 2006, and 2005 may not be comparable.

See Note 3, Business Combinations, of our Notes to Consolidated Financial Statements for further information regarding our business acquisitions over the last three years.

Joint Ventures

On January 31, 2007, we entered into two joint venture agreements with Fox, a subsidiary of News Corporation, to provide mobile entertainment to consumers on a global basis. Fox paid VeriSign approximately $192.4 million in cash for a 51% ownership interest in Jamba and we paid Fox approximately $4.9 million in cash for its contribution of Fox Mobile Entertainment assets. As a result, Fox owns a 51% interest and VeriSign owns a 49% interest in the joint ventures. We recognized a gain of approximately $68.2 million upon the divestiture of our majority ownership interest in Jamba and recorded our interests in the joint ventures as Investments in unconsolidated entities as of December 31, 2007. During the third quarter of 2007, we invested $17.2 million in the joint ventures pursuant to capital calls approved by the board of managers of the joint ventures. The purpose of the capital calls was to fund the ongoing business and working capital needs of the joint ventures. Under the terms of the joint venture agreements, we have agreed to invest an additional amount of approximately $15.6 million in the two joint ventures. In 2007, we provided a working capital loan of $15.0 million under a promissory note to the joint ventures. This loan is outstanding as of December 31, 2007, and is included in Other assets.

In connection with the joint ventures, VeriSign and Fox entered into various put and call agreements. We calculated the initial fair value of our written call options to be $10.9 million using the Black-Scholes option-pricing model. We recorded the fair value of the call options within other long-term liabilities, and will mark-to-market the call options at each reporting period. For the year ended December 31, 2007, we recorded an unrealized gain of $10.9 million, on joint venture call options within Other income, net.

See Note 2, Joint Ventures, of our Notes to Consolidated Financial Statements for further information regarding our joint ventures.

Discontinued Operations

We account for discontinued operations when all criteria of SFAS 144 are met. Accordingly, we have reclassified the financial data for all periods presented to reflect the following discontinued operations:

Jamba Service business

In September 2007, we sold our wholly-owned Jamba Service GmbH subsidiary (Jamba Service), which marketed insurance and extended service warranties to consumers for mobile electronic equipment and products, for approximately $12.8 million in cash and recorded a net gain of $1.4 million. Jamba Service operations were recorded through August 31, 2007. Jamba Service was part of the Communications Services Group segment.

Payment Gateway business

On November 18, 2005, we completed the sale of certain assets related to our Payment Gateway business to PayPal, Inc. and PayPal International Limited for $370 million in cash. The Payment Gateway business was part of the Internet Services Group.

Subsequent Events

In January and February of 2008, we repurchased 13.3 million shares of our common stock under the 2006 stock repurchase program for an aggregate cost of $451.9 million. As of February 28, we have approximately $532.7 million available under the 2006 stock repurchase program.

On January 31, 2008, our Board of Directors authorized a stock repurchase program (2008 stock repurchase program) having an aggregate purchase price of up to $600 million of our common stock.

On February 8, 2008, we announced that we entered into an Accelerated Share Repurchase (ASR) agreement to repurchase $600 million of our common stock under the 2008 stock repurchase program and announced an intent to repurchase up to an additional $200 million in open market transactions under the 2006 stock repurchase program. We paid $600 million to a financial institution in exchange for a number of shares, which will be determined, subject to a cap, based on market prices during the term of the ASR agreement. Through February 28, 2008 we received 15.1 million shares under the ASR agreement. We expect to complete the ASR by the end of the third quarter of 2008, although in certain circumstances the completion date may be shortened or extended.

On February 20, 2008, our Board of Directors approved the sale of our Digital Brand Management Services business unit, one of the businesses within the Internet Services Group. In accordance with SFAS 144, the associated assets and liabilities of this business will be classified as held for sale and its operations will be reported as discontinued operations in the first quarter of 2008.

Critical Accounting Policies and Significant Management Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, goodwill, long-lived assets, restructuring liability, contingent convertible debt, stock-based compensation and income taxes. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies have the most significant impact on our judgment and estimates used in preparing our consolidated financial statements:

Revenue recognition

We recognize revenues in accordance with current generally accepted accounting principles. Revenue recognition requirements are complex rules which require us to make judgments and estimates. In applying our revenue recognition policy, we must determine which portions of our revenue are recognized currently and which portions must be deferred. In order to determine current and deferred revenue, we make judgments and estimates with regard to the products and services to be provided. Our assumptions and judgments regarding products and services could differ from actual events.

Revenues from consulting services are recognized either on a time and materials basis as the services are performed, or for fixed price consulting as services are performed, completed and accepted. In some cases, fixed price consulting is measured using the proportional performance method of accounting. Proportional performance is based upon the ratio of hours incurred to total hours estimated to be incurred for the project. We

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have a history of accurately estimating project status and the hours required to complete projects. If different conditions were to prevail such that accurate estimates could not be made, then the use of the completed contract method would be required and all revenue and costs would be deferred until the project was completed. Revenues from time-and-materials are recognized as services are performed.

In June 2006, the FASB issued EITF No. 06-3 (EITF 06-3), *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement*. EITF 06-3 provides guidance on an entity s disclosure of its accounting policy regarding the gross or net presentation of certain taxes and provides that if taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of EITF 06-3 are those that are imposed on and concurrent with a specific revenue-producing transaction. We record transaction-based taxes on a net basis. These taxes are recorded as current liabilities until remitted to the relevant government authority.

Allowance for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We regularly review the adequacy of our accounts receivable allowance after considering the size of the accounts receivable balance, each customer s expected ability to pay and our collection history with each customer. We review significant invoices that are past due to determine if an allowance is appropriate based on the risk category using the factors described above. In addition, we maintain a general reserve for certain invoices by applying a percentage based on the age category. We require all acquired companies to adopt our credit policies. The allowance for doubtful accounts represents our best estimate, but changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. As of December 31, 2007, the allowance for doubtful accounts represented approximately 3% of total accounts receivable, or approximately $6.3 million. A change of 100 basis points in our estimate would amount to approximately $2.1 million.

The following table shows a comparison of our bad debt expense:

	2007	2006	2005
Provision for doubtful accounts	$ 850	$ (1,165)	$ 1,041

Valuation of goodwill and other intangible assets

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill and other intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142 (SFAS 142), *Goodwill and Other Intangible Assets.* In accordance with SFAS 142, such goodwill and other intangible assets may also be tested for impairment between annual tests in the presence of impairment indicators such as: (a) a significant adverse change in legal factors or in the business climate; (b) an adverse action or assessment by a regulator; (c) unanticipated competition; (d) loss of key personnel; (e) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; (f) testing for recoverability under SFAS 144 of a significant asset group within a reporting unit; (g) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

We performed our annual impairment tests as of June 30, 2007, 2006 and 2005. The fair value of our reporting units is determined using either the income or the market valuation approach or a combination thereof. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life. Under the market approach, the value of the reporting unit is based on an analysis that compares the value of the reporting unit to values of publicly traded companies in similar lines of business. In the application of the income and market valuation approaches, we are required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates. There were no impairment charges for goodwill from the annual impairment tests conducted as of June 30, 2007, 2006 and 2005.

At December 31, 2007, we performed an additional impairment test primarily as a result of our decision to divest our non-core businesses. As a result of the impairment test, we recorded an impairment charge of $182.2 million, $62.6 million and $4.3 million for goodwill, other intangible assets and property and equipment, respectively, related to our Content Services business reporting unit. See Note 7, Goodwill and Other Intangible Assets, of our Notes to Consolidated Financial Statements for further information.

The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. In estimating the fair value of the businesses with recognized goodwill for the purposes of its annual or periodic analyses, the Company makes estimates and judgments about the future cash flows of these businesses. Although the Company s cash flow forecasts are based on assumptions that are consistent with the plans and estimates it is using to manage the underlying businesses, there is significant judgment in determining the cash flows attributable to these businesses over their estimated remaining useful lives. The Company also considers its market capitalization on the date it performs the analysis.

As the Company divests its non-core businesses, it may incur further charges for impairment of goodwill in the future if the net book value of its reporting units exceeds the estimated fair value. Any additional future impairment charges could adversely affect the Company s earnings.

Valuation of long-lived assets

Our long-lived assets consist primarily of property and equipment and purchased intangible assets subject to amortization. We review long-lived assets for impairment whenever events or changes in circumstances indicate that we will not be able to recover the asset s carrying amount in accordance with SFAS 144. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or asset, a significant decrease in the benefits realized from the acquired business, difficulty and delays in integrating the business or a significant change in the operations of the acquired business or use of an asset.

Recoverability of long-lived assets is measured by comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value. Any such impairment charge could be significant and could have a material adverse effect on our reported financial statements.

Restructuring charges

We record restructuring charges related to workforce reduction in accordance with SFAS No. 112 (SFAS 112), *Employers Accounting for Postemployment Benefits an amendment of FASB Statements No. 5 and 43,* since benefits are provided pursuant to a severance plan which uses a standard formula of paying benefits based upon tenure with the Company. The accounting for such restructuring charges meets the four requirements of SFAS 112 which are: (i) our obligation relating to employees rights to receive compensation for future absences is attributable to employees services already rendered; (ii) the obligation relates to rights that vest or accumulate; (iii) payment of the compensation is probable; and (iv) the amount can be reasonably estimated.

We record restructuring charges related to excess facilities and other exit costs in accordance with SFAS No. 146 (SFAS 146), *Accounting for Costs Associated with Exit or Disposal Activities.* SFAS 146 requires that a liability for costs associated with an exit or disposal activity be measured and recognized initially at fair value only when the liability is incurred. Excess facilities restructuring charges take into account the fair value of lease obligations of the abandoned space, including the potential for sublease income. Estimating the amount of sublease income requires management to make estimates for the space that will be rented, the rate per square foot that might be received and the vacancy period of each property. These estimates could differ materially from actual amounts due to changes in the real estate markets in which the properties are located, such as the supply of office space and prevailing lease rates. Changing market conditions by location and considerable work with third-party leasing companies require us to periodically review each lease and change our estimates on a prospective basis, as necessary.

Contingent convertible debentures

We account for our contingent convertible debentures and related provisions in accordance with the provisions of EITF No. 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,* EITF No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments,* EITF No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock,* and EITF No. 01-6, *The Meaning of Indexed to a Company s Own Stock* , EITF No. 04-08 (EITF 04-08), *The Effect of Contingently Convertible Debt on Diluted Earnings Per Share* and EITF 90-19, *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion.* We also evaluate the instruments in accordance with SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities,* which requires bifurcation of embedded derivative instruments and measurement of fair value for accounting purposes. EITF 04-08 requires us to include the dilutive effect of the shares of our common stock issuable upon conversion of the outstanding convertible debentures in our diluted income per share calculation regardless of whether the market price trigger or other contingent conversion feature has been met. We apply the treasury stock method as we have the intent and the current ability to settle the principal amount of the convertible debentures in cash. This method results in incremental dilutive shares when the average fair value of our common stock for a reporting period exceeds the initial conversion price per share of $34.37.

We consider the embedded features related to the contingent interest payments, over-allotment option, and our ability to make specific types of distributions (e.g., extraordinary dividends) to qualify as derivatives, and bundle them as a compound embedded derivative under SFAS 133. The fair value of the derivative at the date of issuance of the debentures is accounted for as a discount on the debentures. The over-allotment feature which was revalued on the date of exercise is accounted for as a premium on the debentures. The debt discount and the debt premium are being accreted to the face value of the debentures as interest expense, net, over the maturity period of the debentures. Any change in the fair value of this embedded derivative is recognized as an unrealized gain or loss in Other income, net.

We account for our investments in joint ventures as equity method investments, based on our ability to exert significant influence but not control over the joint ventures. VeriSign records its investments at the amount of capital contributed plus its percentage interest in the joint ventures earnings or loss. We regularly review the operating and financial results based on information provided by these joint ventures, and determine the fair values of these investments based on a valuation performed using the income approach and the market approach. If it is determined that an other-than-temporary decline exists in the fair values of these investments, we write down the investments to their fair value and record the related impairments in earnings from unconsolidated entities.

Stock-based compensation

Effective January 1, 2006, we adopted the provisions of SFAS No. 123R (SFAS 123R), *Share-Based Payment.* SFAS 123R replaced SFAS No. 123 (SFAS 123), *Accounting for Stock-Based Compensation,* and superseded Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees.* We elected the modified prospective application method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. For stock-based awards granted on or after January 1, 2006, we will amortize stock-based compensation expense on a straight-line basis over the requisite service period, which is the vesting period. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation costs estimated for the SFAS 123 pro forma disclosures.

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We currently use the Black-Scholes option pricing model to determine the fair value of stock options and employee stock purchase plan shares. The determination of the fair value of stock-based awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

We estimate the expected term of options granted based on observed and expected time to post-vesting exercise and/or cancellations. Expected volatility is based on the combination of historical volatility of our common stock over the period commensurate with the expected life of the options and the mean historical implied volatility from traded options. We base the risk-free interest rate that we use in the option pricing model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

We use the Monte-Carlo simulation option-pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation option-pricing model takes into account the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination, the possibility that the market condition may not be satisfied and the impact of the possible differing stock price paths. Compensation costs related to awards with a market-based condition will be recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided. The stock-based compensation expense for market-based awards is recognized on a straight-line basis over the requisite service period for each such award.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

See Note 13, Stock-Based Compensation, of our Notes to Consolidated Financial Statements for further information regarding the SFAS 123R disclosures.

Income taxes

We adopted FASB Interpretation Number 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109,* on January 1, 2007. FIN 48 is an interpretation of SFAS No. 109, *Accounting for Income Taxes,* and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. Additionally, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a more likely than not threshold. In accordance with our accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. The cumulative effect of adopting FIN 48 was a decrease in income taxes payable of $9.3 million, an increase in long-term deferred tax assets of $26.2 million, and a decrease in the January 1, 2007, accumulated deficit balance of $35.5 million. Included in this amount is an adjustment made by the Company to increase accumulated deficit by $2.5 million in the fourth quarter of 2007. At the adoption date of January 1, 2007, we had an unrecognized tax benefit for income taxes associated with uncertain tax positions of $45.0 million. As of December 31, 2007, this amount was $41.4 million.

See Note 14, Income Taxes, of our Notes to Consolidated Financial Statements for further information regarding the adoption of FIN 48.

Discontinued Operations

In accordance with SFAS 144, we report businesses or asset groups as discontinued operations when the operations and cash flows of the business or asset group have been or will be eliminated, when we will not have any continuing involvement with the business or asset group after the disposal transaction, and when we have met the following additional six criteria:

- Management with the authority to do so, commits to a plan to sell the business or asset group;
- The business or asset group is available for immediate sale;
- An active program to sell the business or asset group has been initiated;
- The sale of the business or asset group is probable within one year;
- The marketed sales value of the business or asset group is reasonable in relation to its current fair value; and
- It is unlikely that the plan to sell the business or asset group will be significantly altered or withdrawn.

We did not have any assets held for sale as of December 31, 2007.

Results of Operations

The following table sets forth selected information regarding our results of operations as a percentage of revenues:

	Year Ended December 31,		
	2007	2006	2005
Revenues	100%	100%	100%
Costs and expenses			
Cost of revenues	40	37	32
Sales and marketing	18	24	30
Research and development	11	8	6

General and administrative	18	16	11
Restructuring, impairments and other charges (reversals), net	7		1
Impairment of goodwill	12		
Amortization of other intangible assets	8	8	6
Acquired in-process research and development		1	
Total costs and expenses	114	94	86
Operating (loss) income	(14)	6	14
Other (loss) income, net	6	3	3
(Loss) income from continuing operations before income taxes, earnings from unconsolidated entities and minority interest	(8)	9	17
Income tax (expense) benefit	(1)	16	(6)
Loss from unconsolidated entities, net of tax			
Minority interest, net of tax			
Net (loss) income from continuing operations	(9)	25	11
Net income from discontinued operations, net of tax			
Gain on sale of discontinued operations, net of tax			16
Net (loss) income	(9)%	25%	27%

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Revenues by Segment

In 2007, 2006 and 2005, we had two reportable segments: the Internet Services Group and the Communications Services Group. A comparison of revenues from continuing operations is presented below:

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Internet Services Group	$ 916,984	21%	$ 758,763	20%	$ 633,784
Communications Services Group	579,305	(28)%	804,235	(17)%	970,793
Total revenues	$ 1,496,289	(4)%	$ 1,562,998	(3)%	$ 1,604,577

Internet Services Group (ISG)

2007 compared to 2006: Revenues from our ISG increased by approximately $158.2 million. Our Naming Services revenues increased $91.9 million due to a 24% increase in the number of active domain names ending in *.com* and *.net* under management. The growth in *.com* and *.net* domain names was driven by continued global Internet adoption and strong renewal rates of existing domains. Our Information and Security Services revenues increased $55.7 million primarily due to a $43.9 million increase in SSL Certificate services revenues that was the result of a 16% increase in the installed base of SSL certificates and recognizing a full year of revenues from the GeoTrust acquisition in late 2006. Additional increases in our Information and Security Services revenues were primarily due to increases in our VeriSign Identity Protection services and our United Authentication services that was the result of an increase in demand for secure real-time validation capabilities.

2006 compared to 2005: Revenues from our ISG increased by approximately $125.0 million. Our Naming Services revenues increased $69.4 million due to a 30% increase in the number of active domain names ending in *.com* and *.net* under management. Our Information and Security Services revenues increased $55.6 million primarily due to a $29.3 million increase in SSL certificate revenues that was the result of a 65% increase in the installed base of SSL certificates, an $11.9 million increase in our managed security services and security consulting revenues, and a $14.4 million increase in other information services revenues. The 65% increase in the installed base of SSL certificates was primarily due to the 259,000 additional certificates acquired as a result of the acquisition of GeoTrust in September of 2006. Excluding the GeoTrust transaction, the installed base of SSL certificates would have increased 12% year-over-year.

The following table compares active domain names ending in *.com* and *.net* managed by our Information Services business and the approximate installed base of SSL certificates in our commerce site services business as of the end of each year presented:

	December 31, 2007	% Change	December 31, 2006	% Change	December 31, 2005
Active domain names ending in *.com* and *.net*	80.4 million	24%	65.0 million	30%	50.0 million
Installed base of SSL certificates	938,000	16%	807,000	65%	489,000

Communications Services Group (CSG)

2007 compared to 2006: Revenues from our CSG decreased approximately $224.9 million, primarily due to a decrease in revenues directly related to the divestiture of our majority ownership interest in our Jamba business unit in January 2007. In 2007, we recognized one month of Jamba revenues totaling $23.8 million and in 2006 we recognized twelve months of Jamba revenues totaling $285.4 million. Our Commerce and Communications Services revenues decreased by $41.0 million primarily due to a $21.4 million decrease in commerce and billing services revenues and a $19.6 million decrease in communication services revenues. The decrease in revenues from commerce and billing services was primarily due to a $20.6 million decline in payment service revenues and the decrease in revenues from communications services was primarily due to declines in revenues from connectivity and signaling services and intelligent data base services that resulted from continued industry consolidation among telecommunication companies and pricing pressures. These declines were offset by a $44.9 million increase in professional communications consulting services revenues which was primarily due to our acquisition of inCode in December 2006, and a $32.4 million increase in Content Services revenues which was primarily due to recognizing a full year of revenues in 2007 for acquisitions in 2006.

2006 compared to 2005: Revenues from our CSG decreased approximately $166.6 million primarily due to a decrease in our Content Services revenues, which includes our digital content, messaging and mobile delivery services, of $159.4 million. The decrease in content services revenues was primarily due to a $237.7 million decrease in revenues from Jamba, partially offset by a $26.0 million increase in messaging services revenues and a $46.2 million increase in revenues as a result of 2006 acquisitions. The decline in our Content Services business was primarily attributable to increased pricing pressure and a decline in the number of subscribers. Our Commerce and Communications Services revenues decreased by $7.8 million compared to 2005. The decrease in revenues was primarily due to a $13.4 million decrease in clearing and settlement services and a $6.7 million decrease in connectivity and database services. These declines were primarily due to industry consolidation and pricing pressures. These declines were partially offset by $6.4 million increase in revenues from billing and payment services, which was primarily due to the result of an increase in the number of subscribers. Revenues in 2006 include $57.8 million in additional revenue as a result of acquisitions in 2006.

Revenues by Geographic Region

Our revenues are broken out into three geographic regions consisting of the Americas, EMEA and APAC. The following table presents a comparison of our continuing revenues by geographic region:

	Year Ended December 31, 2007	2006 (In thousands)	2005
Americas:			
United States	$ 1,248,071	$ 1,104,594	$ 1,012,448
Other (1)	34,028	40,119	25,214
Total Americas	1,282,099	1,144,713	1,037,662
EMEA (2)	116,899	300,635	468,308
APAC (3)	97,291	117,650	98,607
Total revenues	$ 1,496,289	$ 1,562,998	$ 1,604,577

(1) Canada and Latin America (Americas)
(2) Europe, the Middle East and Africa (EMEA)
(3) Australia, Japan and Asia Pacific (APAC)

2007 compared to 2006: Revenues increased approximately $137.4 million in the Americas region primarily as a result of the increase in domain names ending in *.com* and *.net* under management coupled with an increase in the installed base of SSL certificates. Revenues in our EMEA region decreased approximately $183.7 million primarily due to the divestiture of our majority ownership interest of our Jamba business unit. Revenues in our APAC region decreased approximately $20.4 million primarily due to the divestiture of our majority ownership interest in our Jamba business unit in the region, offset by an increase in security services revenues in both Japan and Australia.

2006 compared to 2005: Revenues increased approximately $107.1 million in the Americas region primarily as a result of the increase in domain names ending in *.com* and *.net* under management coupled with an increase in the installed base of SSL certificates. Revenues in our EMEA region decreased approximately $167.7 million primarily due to a decrease in revenues from Jamba business unit in the region. The increase in APAC revenues of approximately $19.0 million was attributed to increased enterprise security revenues in both Japan and Australia and increased managed security services revenue in Japan.

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We primarily operate in the United States, Europe, Japan, Australia, Latin America, South Africa and India. In general, revenues are attributed to the country in which the contract originated. However, revenues from all digital certificates issued from the Mountain View, California facility and domain names issued from the Dulles, Virginia facility are attributed to the United States because it is impracticable to determine the country of origin.

Cost of Revenues

Cost of revenues consist primarily of content licensing costs, carrier costs for our SS7 and IP-based networks, costs related to providing digital certificate enrollment and issuance services, billing services, operational costs for the domain name registration business, customer support and training, consulting and development services, operational costs related to the management and monitoring of our clients network security infrastructures, labor costs to provide security and communications consulting, and costs of facilities and computer equipment used in these activities.

A comparison of cost of revenues is presented below:

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Cost of revenues	$ 596,517	4%	$ 574,762	13%	$ 508,509

2007 compared to 2006: Cost of revenues increased approximately $21.8 million primarily due to recognizing a full year of expenses for the acquisition of inCode in November 2006, partially offset by a reduction of expenses due to the divestiture of our majority ownership interest of our Jamba business unit in January 2007. Salary and employee benefits increased by $20.2 million, primarily due to company-wide merit pay increases in base pay and recognizing a full year of salary expenses that was a result of the acquisition of inCode, GeoTrust and m-Qube during the latter half of 2006. Stock-based compensation expense increased approximately $5.0 million primarily due to an increase in the issuances of restricted stock to employees and a modification expense pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages in 2007. Depreciation expense increased approximately $8.1 million primarily due to an increase in capitalized projects placed into service and telecommunication expenses increased by $10.7 million primarily due to additional bandwidth costs needed to support our 2006 acquisitions. Expenses related primarily to redeployed employees of $11.5 million were included in cost of revenues from the general and administrative expenses category due to the realignment of business divisions as a result of the 2007 restructuring plan. Direct cost of revenues decreased by $23.0 million primarily due to a discontinuance of product lines and a reduction in spending that was a result of management s strategy to reduce costs. Contract and professional services decreased by approximately $13.3 million primarily due to reduction in third party costs associated with our acquisitions.

2006 compared to 2005: Cost of revenues increased approximately $66.3 million primarily due to the business acquisitions completed during 2006 and a full year of expenses for the business acquisitions completed in 2005. Salary and employee benefit costs increased approximately $38.4 million primarily due to a 30% increase in headcount primarily related to completed business acquisitions in 2006, merit increases and increase in bonus payments. Stock compensation expense increased $13.8 million primarily as a result of the adoption of SFAS 123R in 2006. Contract and professional services increased approximately $13.9 million in 2006, primarily due to increased third-party customer care services, an increase in the use of contractors to support new product initiatives and the addition of acquisitions.

Sales and Marketing

Sales and marketing expenses consist primarily of costs related to sales, marketing and policy activities. These expenses include salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees and costs of marketing programs, such as internet, television, radio, print and direct mail advertising costs.

A comparison of sales and marketing expenses is presented below:

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
Sales and marketing	$ 276,632	(27)%	$ 376,508	(21)%	$ 477,752

2007 compared to 2006: Sales and marketing expenses decreased approximately $99.9 million primarily due to a decrease of approximately $120.3 million in advertising and marketing expense that was primarily due to the result of management s cost reduction efforts and the divestiture of our majority ownership interest in our Jamba business in January 2007. Salary and employee benefits increased approximately $14.0 million primarily due to recognizing a full year of expense for headcount from our acquisitions of inCode, GeoTrust and m-Qube during the later half of 2006, partially offset by a reduction of employees due to the 2007 restructuring plan and the divestiture of our majority ownership interest in Jamba. Stock-based compensation expense increased approximately $5.9 million primarily due to an increase in the issuances of restricted stock to employees and a modification expense pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages in 2007. Expenses related primarily to redeployed employees of $3.1 million were included in sales and marketing from the general and administrative expense category due to the realignment of business divisions as a result of the 2007 restructuring plan.

2006 compared to 2005: Sales and marketing expenses decreased approximately $101.2 million primarily due to a decrease of approximately $144.7 million in advertising and marketing expense that was primarily due to the result of significant marketing cutbacks for our content services business. Salary and employee benefits increased approximately $14.8 million due to a 30% increase in headcount primarily related to the business acquisitions completed in 2006, and an increase in bonus and commission payments. Stock compensation expense increased $15.0 million as a result of the adoption of SFAS 123R. Travel expense increased approximately $5.5 million primarily due to an increase in headcount related to our business acquisitions in 2006. Contract and professional services increased approximately $4.1 million as a result of policy efforts directly related to the renewal of the ICANN agreement.

Research and Development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees and the costs of facilities, computer and communications equipment and support services used in service and technology development.

We believe that continued development of new and enhanced services and technologies are necessary to maintain our leadership position in the marketplace. Accordingly, we intend to continue to recruit experienced research and development personnel both domestically and internationally and to make other investments in research and development.

A comparison of research and development is presented below:

	2007	% Change	2006	% Change	2005
		(Dollars in thousands)			
Research and development	$ 160,186	24%	$ 129,256	35%	$ 95,572

2007 compared to 2006: Research and development expenses increased approximately $30.9 million primarily due to recognizing a full year of expenses for the acquisitions of inCode, GeoTrust and m-Qube during

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the latter half of 2006, partially offset by a reduction of expenses due to the divestiture of our majority ownership interest in Jamba in January 2007. Salary and employee benefit costs increased $19.7 million primarily due to merit pay increases and additional headcount expense related to the acquisitions in 2006. Stock-based compensation expense increased approximately $4.0 million primarily due to an increase in the issuances of restricted stock to employees and a modification expense pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages in 2007. Expenses related primarily to redeployed employees of $12.3 million were included in research and development from the general and administrative expense category due to the realignment of business divisions as a result of the 2007 restructuring plan. Contract and professional services decreased by $8.1 million primarily due to a decrease in the use of external consultants for research and development projects in 2007.

2006 compared to 2005: Research and development expenses increased approximately $33.7 million primarily due to additional expenses from the business acquisitions completed during 2006 and a full year of expenses for the completed business acquisitions in fiscal 2005. Salary and employee benefit costs increased $17.6 million due to a 28% increase in headcount. Occupancy-related costs increased due to an increase in infrastructure and assets placed in service in 2006. Stock compensation expense increased $9.1 million as a result of the adoption of SFAS 123R. Other increases were primarily related to costs associated with the depreciation and maintenance of equipment and software.

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, and facility related expenses.

A comparison of general and administrative expenses is presented below:

	2007	% Change	2006	% Change	2005
			(Dollars in thousands)		
General and administrative	$ 276,130	8%	$ 256,592	43%	$ 179,294

2007 compared to 2006: General and administrative expenses increased approximately $19.5 million primarily due to a recognizing a full year of expenses for the acquisitions of inCode, GeoTrust and m-Qube during the latter half of 2006, partially offset by a reduction of expenses due to the divestiture of our majority ownership interest in Jamba. Salary and benefit expenses increased $18.3 million primarily due to severance charges in connection with the separation agreements entered into with our former chief executive officer and former chief financial officer, merit pay increases, and additional expenses related to the acquisitions in late 2006. Stock-based compensation expense increased approximately $7.6 million primarily due to an increase in the issuances of restricted stock to employees and a modification expense pertaining to our employee stock purchase plan that allowed employees to increase their contribution withholding percentages in 2007. Legal expense increased by $14.6 million primarily due to $24.8 million in litigation accruals, partially offset by a decrease in legal expenses, which were higher in 2006 due to increased activity associated with the stock option investigation. These increases were primarily offset by a decrease in expenses related primarily to redeployed employees of $26.9 million in general and administrative due to the realignment of business divisions as a result of the 2007 restructuring plan.

2006 compared to 2005: General and administrative expenses increased approximately $77.3 million primarily due to an increase of approximately $20.3 million in salary and employee benefit costs that was caused by a 39% increase in headcount and merit increases across all business units. Stock compensation expense increased $38.6 million as a result of the adoption of SFAS 123R. Expenses related to contract and professional services increased approximately $13.4 million primarily due to the legal and consulting services relating to the stock option investigation.

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Restructuring, Impairments and Other Charges (Reversals), Net

The following table presents a comparison of the restructuring, impairments and other charges (reversals), net:

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
2007 restructuring plan charges	$ 29,615	$	$
2002 and 2003 restructuring reversals, net	(175)	(6,420)	(3,744)
Total restructuring charges (reversals), net	29,440	(6,420)	(3,744)
Impairments and other charges	80,670	1,949	22,447
Total restructuring, impairments and other charges (reversals), net	$ 110,110	$ (4,471)	$ 18,703

The changes in restructuring, impairments and other charges (reversals), net, are primarily due to the timing of our restructuring initiatives.

2007 Restructuring Plan: In January 2007, we initiated a restructuring plan to execute a company-wide reorganization replacing our previous business unit structure with a new combined worldwide sales and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities and other charges.

2002 and 2003 Restructuring Plans: In November 2003, we initiated a restructuring plan related to the sale of our Network Solutions business and the realignment of other business units. In April 2002, we initiated a plan to restructure our operations to rationalize, integrate and align resources. All remaining charges relating to the 2002 and 2003 plans will be incurred by 2008.

Impairments and other charges: During 2007, we recognized an impairment charge of $62.6 million for other intangible assets of the Content Services business reporting unit as a result of the impairment test conducted as required by SFAS 142 and SFAS 144 as of December 31, 2007. During 2007, we wrote-off an additional $4.8 million of other intangible assets primarily related to a significant change in the operations of an asset group. During 2006, we wrote off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer. Other charges comprised of excess and obsolete property and equipment that were impaired, disposed of or abandoned.

Other charges comprised of excess and obsolete property and equipment that were impaired, disposed of or abandoned. During 2007, we recognized an impairment charge of $4.3 million for property and equipment, net, of the Content Services business reporting unit as a result of the impairment test conducted as required by SFAS 144 as of December 31, 2007. During 2007, we recorded additional other charges of approximately $9.0 million, primarily for the abandonment of obsolete property and equipment and impairment specifically related to a significant change in the operations of an asset group. During 2005, we recorded an impairment of approximately $22.4 million relating to the abandonment of the development efforts related to an internally developed software project.

See Note 1, Description of Business and Summary of Significant Accounting Policies, and Note 5, Restructuring, Impairments and Other Charges (Reversals), Net, of our Notes to Consolidated Financial Statements for further information.

Impairment of Goodwill

At December 31, 2007, we recorded an impairment charge of $182.2 million relating to our Content Services business reporting unit, as a result of our decision to divest our non-core businesses. See Note 7, Goodwill and Other Intangible Assets, of our Notes to Consolidated Financial Statements for further information.

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Amortization of Other Intangible Assets

The following table presents a comparison of our amortization of other intangible assets:

	Year Ended December 31,