

VERISIGN INC/CA
Form DEF 14A
July 27, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | | | |
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| <input type="checkbox"/> | Preliminary Proxy Statement. | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement. | <input type="checkbox"/> | by Rule 14a-6(e)(2)). |
| <input type="checkbox"/> | Definitive Additional Materials. | | |
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VeriSign, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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VeriSign, Inc.

487 East Middlefield Road

Mountain View, California 94043-4047

July 27, 2007

To Our Stockholders:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of VeriSign, Inc. to be held at our corporate offices located at 487 East Middlefield Road, Mountain View, California on Thursday, August 30, 2007 at 10:00 a.m., Pacific Time.

The matters expected to be acted upon at the Meeting are described in detail in the following *Notice of the 2007 Annual Meeting of Stockholders and Proxy Statement*.

It is important that you use this opportunity to take part in the affairs of VeriSign by voting on the business to come before this meeting. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. A PROXY MAY ALSO BE COMPLETED ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE PROXY CARD AND UNDER INTERNET AND TELEPHONE VOTING IN THE ATTACHED PROXY STATEMENT. Returning the Proxy does not deprive you of your right to attend the Meeting and to vote your shares in person.

We look forward to seeing you at our 2007 Annual Meeting of Stockholders.

Sincerely,

/s/ William A. Roper, Jr.
William A. Roper, Jr.
President and Chief Executive Officer

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VERISIGN, INC.

487 East Middlefield Road

Mountain View, California 94043-4047

Notice of the 2007 Annual Meeting of Stockholders

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders of VeriSign, Inc. will be held at our corporate offices located at 487 East Middlefield Road, Mountain View, California on Thursday, August 30, 2007 at 10:00 a.m., Pacific Time. The 2007 Annual Meeting of Stockholders is being held for the following purposes:

1. To elect three Class III directors of VeriSign, each to serve a one-year term (if Proposal No. 2 is approved) or a three-year term (if Proposal No. 2 is not approved), or until a successor has been elected and qualified or until the director's earlier resignation or removal.
2. To approve a Fourth Amended and Restated Certificate of Incorporation to eliminate our classified board structure and provide for the annual election of directors.
3. To approve our 2007 Employee Stock Purchase Plan.
4. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2007.
5. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

Only stockholders of record at the close of business on July 13, 2007 are entitled to notice of and to vote at the 2007 Annual Meeting of Stockholders or any adjournment thereof.

By Order of the Board of Directors,

/s/ Richard H. Goshorn
Richard H. Goshorn
Secretary

Mountain View, California

July 27, 2007

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR COMPLETE THE PROXY ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE PROXY CARD AND UNDER INTERNET AND TELEPHONE

VOTING IN THE ATTACHED PROXY STATEMENT SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.

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VERISIGN, INC.

487 East Middlefield Road

Mountain View, California 94043-4047

PROXY STATEMENT

FOR THE 2007 ANNUAL MEETING OF STOCKHOLDERS

July 27, 2007

The accompanying proxy is solicited on behalf of our Board of Directors for use at the 2007 Annual Meeting of Stockholders (the Meeting) to be held at our corporate offices located at 487 East Middlefield Road, Mountain View, California on Thursday, August 30, 2007 at 10:00 a.m., Pacific Time. Only holders of record of our common stock at the close of business on July 13, 2007, which is the record date, will be entitled to vote at the Meeting. At the close of business on the record date, we had 243,838,287 shares of common stock outstanding and entitled to vote. All proxies will be voted in accordance with the instructions contained therein and, if no choice is specified, the proxies will be voted in favor of the nominees and the proposals set forth in this proxy statement. This proxy statement and the accompanying form of proxy will be first mailed to stockholders on or about July 27, 2007. Our Annual Report on Form 10-K for the year ended December 31, 2006 is enclosed with this proxy statement.

Voting Rights

Holders of our common stock are entitled to one vote for each share held as of the record date.

Quorum, Effect of Abstentions and Broker Non-Votes, Vote Required to Approve the Proposals

A majority of the outstanding shares of common stock must be present or represented by proxy at the meeting in order to have a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the meeting. A broker non-vote occurs when a bank, broker or other shareholder of record holding shares for a beneficial owner submits a proxy for the meeting but does not vote on a particular proposal because that holder does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

In the election of directors, the nominees receiving the highest number of affirmative votes will be elected. Stockholders may not cumulate votes in the election of directors. Abstentions and broker non-votes have no effect for purposes of the election of directors, as only votes for are counted in determining which nominees have received the highest number of affirmative votes. Proposal No. 2 and Proposal No. 3 require the approval of the affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting, together with the affirmative vote of a majority of the required quorum. Abstentions and broker non-votes could prevent approval of such proposals if the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the required quorum. Proposal No. 4 requires the affirmative vote of a majority of our outstanding shares of common stock. As a result, abstentions and broker non-votes would have the effect of a vote "against" the proposal. If the persons present or represented by proxy at the meeting constitute the holders of less than a majority of the outstanding shares of common stock as of the

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record date, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum. The inspector of elections appointed for the meeting will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Adjournment of Meeting

In the event that sufficient votes in favor of the proposals are not received by the date of the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitations of proxies. Any such adjournment would require the affirmative vote of the majority of the outstanding shares present in person or represented by proxy at the Meeting.

Expenses of Soliciting Proxies

VeriSign will pay the expenses of soliciting proxies to be voted at the Meeting. Following the original mailing of the proxies and other soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, telegraph, or in person. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our shares forward copies of the proxy and other soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. In such cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so.

Revocability of Proxies

Any person signing a proxy in the form accompanying this proxy statement has the power to revoke it prior to the Meeting or at the Meeting prior to the vote pursuant to the proxy. A proxy may be revoked by any of the following methods:

a written instrument delivered to VeriSign stating that the proxy is revoked;

a subsequent proxy that is signed by the person who signed the earlier proxy and is presented at the Meeting; or

attendance at the Meeting and voting in person.

Please note, however, that if a stockholder's shares are held of record by a broker, bank or other nominee, and that stockholder wishes to vote at the Meeting, the stockholder must bring to the Meeting a letter from the broker, bank or other nominee confirming that stockholder's beneficial ownership of the shares.

Internet and Telephone Voting

If you hold shares of record as a registered shareholder, you can simplify your voting process and save the company expense by voting your shares by telephone at 1-866-540-5760 or on the Internet at <http://www.proxyvoting.com/vrsn> twenty-four hours a day, seven days a week. Telephone and Internet voting are available through 11:59 p.m. Eastern Time the day prior to the Meeting. More information regarding telephone and Internet voting is given on the proxy card. If you hold shares through a bank or brokerage firm, the bank or brokerage firm will provide you with separate instructions on a form you will receive from them. Many such firms make telephone or Internet voting available, but the specific processes available will depend on those firms' individual arrangements.

Householding

VeriSign has adopted a procedure called householding, which has been approved by the Securities and Exchange Commission (the SEC). Under this procedure, VeriSign is delivering only one copy of the annual report and proxy statement to multiple stockholders who share the same address and have the same last name,

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unless VeriSign has received contrary instructions from an affected stockholder. This procedure reduces VeriSign's printing costs, mailing costs and fees. Stockholders who participate in householding will continue to receive separate proxy cards.

VeriSign will deliver promptly upon written or oral request a separate copy of the annual report and the proxy statement to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the annual report or proxy statement, you may write or call VeriSign's Investor Relations Department at VeriSign, Inc., 487 East Middlefield Road, Mountain View, California 94043-4047, Attention: Investor Relations, telephone (866) 447-8776 (4IR-VRSN). You may also access VeriSign's annual report and proxy statement on the Investor Relations section of VeriSign's website at <http://investor.verisign.com>.

If you are a holder of record and would like to revoke your householding consent and receive a separate copy of the annual report or proxy statement in the future, please contact Broadridge Financial Solutions, Inc. (Broadridge), either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within thirty (30) days of receipt of the revocation of your consent.

Any stockholders of record who share the same address and currently receive multiple copies of VeriSign's annual report and proxy statement who wish to receive only one copy of these materials per household in the future, please contact VeriSign's Investor Relations Department at the address or telephone number listed above to participate in the householding program.

A number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker or other holder of record to request information about householding.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors has affirmatively determined that each non-employee director is independent and that each director who serves on each of its committees is independent, as the term is defined by rules of The Nasdaq Stock Market and SEC.

Board and Committee Meetings

The Board of Directors met eight times and its committees collectively met eighteen times during 2006. No director during the last fiscal year attended fewer than 75% of the aggregate of (i) the total number of meetings held by the Board of Directors and (ii) the total number of meetings held by all committees on which he or she served during 2006.

Board Members Attendance at Annual Meeting

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of the stockholders, we encourage directors to attend.

Nominating and Corporate Governance Committee

The Board of Directors has established a Nominating and Corporate Governance Committee to recruit, evaluate, and nominate candidates for appointment or election to serve as members of the Board of Directors, recommend nominees for committees of the Board of Directors, recommend corporate governance policies and periodically review and assess the adequacy of these policies, and review annually the performance of the Board

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of Directors. The Nominating and Corporate Governance Committee is currently composed of Messrs. Bidzos and Kriens, each of whom is an independent director under the rules of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee operates pursuant to a written charter adopted by the Board of Directors. The Nominating and Corporate Governance Committee's charter is located on our website at <http://investor.verisign.com/governance.cfm>. The Nominating and Corporate Governance Committee met four times during 2006.

In carrying out its function to nominate candidates for election to the Board of Directors, the Nominating and Corporate Governance Committee considers the performance and qualifications of each potential nominee or candidate, not only for their individual strengths but also for their contribution to the Board of Directors as a group.

The Nominating and Corporate Governance Committee considers candidates for director nominees proposed by directors, the chief executive officer and stockholders. The Nominating and Corporate Governance Committee may also from time to time retain one or more third-party search firms to identify suitable candidates.

If you would like the Nominating and Corporate Governance Committee to consider a prospective candidate, in accordance with our Bylaws, please submit the candidate's name and qualifications to: Richard H. Goshorn, Secretary, VeriSign, Inc., 487 East Middlefield Road, Mountain View, California 94043-4047.

The Nominating and Corporate Governance Committee will consider all candidates identified through the processes described above, and will evaluate each of them, including incumbents and candidates nominated by stockholders, based on the same criteria.

Audit Committee

The Board of Directors has established an Audit Committee that has responsibility for oversight of our financial, accounting and reporting processes and our compliance with legal and regulatory requirements, the appointment, termination, compensation and oversight of our independent auditors, including conducting a review of their independence, reviewing and approving the planned scope of our annual audit, overseeing the independent auditors' audit work, reviewing and pre-approving any non-audit services that may be performed by the independent auditors, reviewing with management and our independent auditors the adequacy of our internal financial controls, and reviewing our critical accounting policies and the application of accounting principles. The Audit Committee is currently composed of Messrs. Chenevich, Moore, Mueller and Roach. Each member of the Audit Committee meets the independence criteria of The Nasdaq Stock Market and the SEC. Each Audit Committee member meets The Nasdaq Stock Market's financial knowledge requirements, and the Board of Directors has determined that Mr. Mueller is financially sophisticated, as such term is defined in Rule 4350(d)(2)(A) of The Nasdaq Stock Market. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and The Nasdaq Stock Market. A copy of the Audit Committee charter is located on our website at <http://investor.verisign.com/governance.cfm>. The Audit Committee met nine times during 2006.

The Audit Committee's review of the audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2006, included a discussion of the accounting principles, reasonableness of significant judgments, and clarity of disclosures in the financial statements. Management represented to the Audit Committee that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and the Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG LLP.

The Audit Committee reviewed and discussed with KPMG LLP matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. The Audit Committee also

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reviewed and discussed with KPMG LLP their annual written disclosures and letter on their independence from VeriSign and its management, as required by Independent Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee has also considered whether the non-audit services provided by KPMG LLP to VeriSign during 2006 are compatible with maintaining the auditors independence.

Based upon the Audit Committee's discussions with management and KPMG LLP and review of the representations of management, and the report of KPMG LLP to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in VeriSign's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

Audit Committee Financial Expert

On May 29, 2007, we announced that the Board of Directors had appointed William A. Roper, Jr. as President and Chief Executive Officer of the Company. Prior to this appointment, Mr. Roper was a member of the Audit Committee and the Audit Committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K of the Exchange Act. We are currently searching for a new director to fill this role.

Compensation Committee

The Board of Directors has established a Compensation Committee to approve the compensation and benefits for our executive officers, including the chief executive officer. The Compensation Committee also administers our stock purchase, equity incentive and stock option plans, makes grants to executive officers under such plans and makes recommendations to the Board of Directors regarding such matters. The Compensation Committee's charter is located on our website at <http://investor.verisign.com/governance.cfm>. The Compensation Committee is currently composed of Ms. Guthrie and Messrs. Mueller and Simpson, each of whom is an independent director under the rules of The Nasdaq Stock Market, and an outside director pursuant to Section 162(m) of the Internal Revenue Code. The Compensation Committee met five times during 2006.

Compensation Committee Interlocks and Insider Participation

All members of the Compensation Committee during 2006 were independent directors, and none of them were employees or former employees of VeriSign. No executive officer of VeriSign has served on the Compensation Committee of the board of directors of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee of VeriSign during the 2006 fiscal year. Mr. Sclavos, our former President, Chief Executive Officer and Chairman of the Board of Directors, served on the board of directors of Juniper Networks during the 2006 fiscal year. Mr. Kriens, a member of the Board of Directors of VeriSign, is chief executive officer and chairman of the board of directors of Juniper Networks.

Communicating with the Board of Directors

Any stockholder who desires to contact the Board of Directors may do so electronically by sending an e-mail to the following address: bod@verisign.com. Alternatively, a stockholder may contact the Board of Directors by writing to: Board of Directors, VeriSign, Inc., 487 East Middlefield Road, Mountain View, California 94043-4047, Attention: Secretary. Communications received electronically or in writing are distributed to the Chairman of the Board or other members of the Board of Directors, as appropriate, depending on the facts and circumstances outlined in the communication received.

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Our Second Amended and Restated Bylaws currently authorize eleven directors. Our Board of Directors is currently composed of nine directors. The Bylaws divide the Board of Directors into three classes, Class I, Class II and Class III, with members of each class currently serving staggered three-year terms. One class of directors is elected by the stockholders at each annual meeting to serve a three-year term or until their successors are duly elected and qualified or their earlier resignation or removal. If Proposal No. 2 is approved, our Board of Directors will no longer be classified, and all nominees will serve for a one-year term, rather than a three-year term. The Class III directors, Messrs. Bidzos, Chenevich and Simpson, will stand for election at this Meeting, the Class I directors, Messrs. Kriens and Roach, will stand for reelection at the 2008 annual meeting, and the Class II directors, Ms. Guthrie and Messrs. Moore, Mueller and Roper, will stand for reelection at the 2009 annual meeting. If any nominee for any reason is unable to serve, or for good cause will not serve, as a director, the proxies may be voted for such substitute nominee as the proxy holder may determine. We are not aware of any nominee who will be unable to serve, or for good cause will not serve, as a director. Messrs. Bidzos, Chenevich and Simpson will be elected by a plurality of the votes of the shares of common stock present in person or represented by proxy at this Meeting and voting on the election of directors. Should there be more than three nominees for election of Class III directors at this Meeting, the three nominees who receive the greatest number of votes cast in the election of directors will become the Class III directors at the conclusion of the tabulation of votes.

Directors/Nominees

The names of the nominees for election as Class III directors at this Meeting and of the incumbent Class I and Class II directors, and certain information about them, are included below.

Name	Age	Position
Nominees for election as Class III directors for a term expiring in 2008(1):		
D. James Bidzos(2)	53	Vice Chairman of the Board
William L. Chenevich(3)	63	Director
Louis A. Simpson(4)	70	Director
Incumbent Class I directors with terms expiring in 2008:		
Scott G. Kriens(2)	49	Director
John D. Roach(3)	63	Director
Incumbent Class II directors with terms expiring in 2009:		
Michelle Guthrie(4)	41	Director
Roger H. Moore(3)	65	Director
Edward A. Mueller(3)(4)	59	Chairman of the Board
William A. Roper, Jr.	61	Chief Executive Officer, President and Director

(1) Assumes that Proposal No. 2 is approved. If this proposal is not approved, the nominees shall have a term that expires in 2010.

(2) Member of the Nominating and Corporate Governance Committee.

(3) Member of the Audit Committee.

(4) Member of the Compensation Committee.

D. James Bidzos has served as Vice Chairman of the Board of Directors since December 2001. He served as Chairman of the Board of Directors of VeriSign from April 1995 until December 2001. Mr. Bidzos served as Vice Chairman of RSA Security, an Internet identity and access management solution provider, from March 1999 to May 2002 and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

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William L. Chenevich has served as a director since April 1995. Mr. Chenevich has served as Vice Chairman of Technology and Operations for U.S. Bancorp, a financial holding company, since February 2001. He served as Vice Chairman of Technology and Operations Services of Firststar Corporation, a financial services company, from 1999 until its merger with U.S. Bancorp in February 2001. Prior thereto, he was Group Executive Vice President of VISA International, a financial services company, from 1994 to 1999. Mr. Chenevich holds a B.B.A. degree in Business from the City College of New York and a M.B.A. degree in Management from the City University of New York.

Louis A. Simpson has served as a director since May 2005. Since May 1993, he has served as President and Chief Executive Officer, Capital Operations, of GEICO Corporation, a passenger auto insurer. Mr. Simpson previously served as Vice Chairman of the Board of GEICO from 1985 to 1993. Mr. Simpson serves as a director of Science Applications International Corporation. Mr. Simpson holds a B.A. degree from Ohio Wesleyan University and a Masters degree in Economics from Princeton University.

Scott G. Kriens has served as a director since January 2001. Mr. Kriens has served as Chief Executive Officer and Chairman of the Board of Directors of Juniper Networks, a provider of Internet hardware and software systems, since October 1996. From April 1986 to January 1996, Mr. Kriens served as Vice President of Sales and Operations at StrataCom, Inc., a telecommunications equipment company, which he co-founded in 1986. Mr. Kriens serves as a director of Equinix, Inc. Mr. Kriens holds a B.A. in Economics from California State University, Hayward.

John D. Roach has served as a director since July 2007. Mr. Roach has served as Chairman of the Board of Directors and Chief Executive Officer of Stonegate International, a private investment and advisory services company, since October 2001. From November 2002 to January 2006, he served as Executive Chairman of Unidare U.S., a subsidiary of Unidare plc, a public Irish financial holding company and supplier of products to the welding, safety and industrial markets. From 1998 to 2001, he served as Founder and Chairman, President and Chief Executive Officer of Builders FirstSource, Inc., a distributor of building products. Prior to that, he was Chairman, President and Chief Executive Officer of Fibreboard Corporation, a building products company, from July 1991 to July 1997 when it was acquired by Owens Corning. Mr. Roach serves as a director of PMI Group, Inc. and URS Corporation. Mr. Roach holds a B.S. degree in Industrial Management from M.I.T. and a MBA degree from Stanford University.

Michelle Guthrie has served as a director since December 2005. From November 2003 to February 2007, she served as Chief Executive Officer of STAR, News Corporation's Asian media and entertainment company. Ms. Guthrie previously served as STAR's Executive Vice President from June 2003 and Senior Vice President from January 2001. Prior to joining STAR, Ms. Guthrie worked for FOXTEL in Australia and BSkyB and News International in the United Kingdom. Ms. Guthrie holds an Arts degree and a Law degree from the University of Sydney.

Roger H. Moore has served as a director since February 2002. Since June 2007, Mr. Moore has served as interim Chief Executive Officer of Arbinet-Thexchange, Inc., a provider of online trading services. He was President and Chief Executive Officer of Illuminet Holdings, Inc. from December 1995 until December 2001 when VeriSign acquired Illuminet Holdings. Prior to Illuminet Holdings, Mr. Moore spent ten years with Nortel Networks in a variety of senior management positions including President of Nortel Japan. Mr. Moore serves as a director of Western Digital Corporation, Consolidated Communications Illinois Holdings, Inc., and Arbinet-Thexchange, Inc. Mr. Moore holds a B.S. degree in General Science from Virginia Polytechnic Institute and State University.

Edward A. Mueller has served as Chairman of the Board of Directors since May 2007. He served as a director since March 2005. He served as Chief Executive Officer of Williams-Sonoma, Inc., a specialty retailer of home furnishings, from January 2003 to July 2006. Prior to joining Williams-Sonoma, Inc., Mr. Mueller served as President and Chief Executive Officer of Ameritech, a telecommunications company, from 2000 to 2002; as President of SBC International Operations, a telecommunications company, from 1999 to 2000; and as President and Chief Executive Officer of Pacific Bell, a telecommunications company, from 1997 to 1999.

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Mr. Mueller joined the SBC organization in 1968, and held other executive level positions in the company, including President and Chief Executive Officer of Southwestern Bell Telephone. Mr. Mueller serves as a director of The Clorox Company and GSC Acquisition Company. Mr. Mueller holds a B.S. degree in Civil Engineering from the University of Missouri and an Executive M.B.A. degree from Washington University.

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.

Non-Employee Director Compensation for Fiscal 2006

The following table sets forth a summary of compensation information for our non-employee directors for fiscal 2006.

NON-EMPLOYEE DIRECTOR COMPENSATION FOR FISCAL 2006

Non-Employee Director Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(1)	All Other Compensation(2)	Total
D. James Bidzos(3)	\$ 53,500	\$ 11,393	\$ 77,283(4)	\$	\$ 142,176
William L. Chenevich(5)	63,500	11,393	77,283	3,302	155,478
Michelle Guthrie(6)	53,500	11,393	129,671	914	195,478
Scott G. Kriens(7)	51,500	11,393	88,348		151,241
Leonard J. Lauer(8)	28,750		63,159(9)	2,324	94,233
Roger H. Moore(10)	43,500	11,393	86,789		141,682
Edward A. Mueller(11)	81,500	11,393	127,453		220,346
Gregory L. Reyes(12)	43,125		29,760(13)		72,885
John D. Roach(14)					
William A. Roper, Jr.(15)	118,500	11,393	98,278	10,316	238,487
Louis A. Simpson(16)	73,500	11,393	105,669	3,582	194,144

- (1) Stock Awards consist solely of restricted stock units. Amounts shown do not reflect compensation actually received by the respective non-employee director. Instead, the amounts shown are the compensation expenses recognized by VeriSign in 2006 for the applicable Stock Award or Option Award as determined pursuant to FAS 123R, disregarding forfeiture assumptions. These compensation costs reflect equity awards granted in 2006 and prior years. The grant date fair value for each Stock Award granted to non-employee directors in 2006 was \$109,434. As of December 31, 2006, each non-employee director held outstanding stock awards of 6,100 restricted stock units, which if settled for shares of the Company s common stock, will settle on a one-to-one basis into shares of the Company s common stock following satisfaction of vesting. The grant date fair value for each Option Award granted to non-employee directors on January 3, 2006 to Mr. Kriens, February 13, 2006 to Mr. Moore and March 21, 2006 to Mr. Mueller was \$103,125, \$114,509 and \$112,021, respectively. The grant date fair value for each Option Award granted to non-employee directors on June 12, 2006 to Ms. Guthrie and Messrs. Mueller and Simpson was \$231,103. The grant date fair value for each Option Award granted to non-employee directors on August 1, 2006 was \$153,257. The assumptions used to calculate the value of Option Awards are set forth under Note 13 of the Notes to Consolidated Financial Statements contained in Part IV, Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2006.
- (2) Represents reimbursable expenses paid to the respective non-employee director.
- (3) As of December 31, 2006, Mr. Bidzos held outstanding options to purchase 103,850 shares of the Company s common stock.
- (4) Mr. Bidzos holds certain stock options that are Affected Options. Effective December 31, 2006, Mr. Bidzos elected to adjust the exercise price of an Affected Option to purchase 3,125 shares of VeriSign common stock from \$5.25 to \$6.70, the exercise price of an Affected Option to purchase 6,250 shares of VeriSign common stock from \$12.46 to \$12.88, and the exercise price of an Affected Option to purchase 12,500 shares of VeriSign common stock from \$25.79 to \$25.99. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.
- (5) As of December 31, 2006, Mr. Chenevich held outstanding options to purchase 113,225 shares of the Company s common stock.
- (6) As of December 31, 2006, Ms. Guthrie held outstanding options to purchase 67,600 shares of the Company s common stock.
- (7) As of December 31, 2006, Mr. Kriens held outstanding options to purchase 105,100 shares of the Company s common stock.
- (8) Mr. Lauer resigned as a director on July 31, 2006. As of December 31, 2006, Mr. Lauer held outstanding options to purchase 18,750 shares of the Company s common stock.

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- (9) Does not include an estimated compensation expense of \$55,567 in stock option forfeitures related to service-based vesting conditions on these awards.
- (10) As of December 31, 2006, Mr. Moore held outstanding options to purchase 92,600 shares of the Company's common stock.
- (11) As of December 31, 2006, Mr. Mueller held outstanding options to purchase 80,100 shares of the Company's common stock.
- (12) Mr. Reyes resigned as a director on July 31, 2006. As of December 31, 2006, Mr. Reyes held outstanding options to purchase 67,968 shares of the Company's common stock.
- (13) Does not include an estimated compensation expense of \$29,640 in stock option forfeitures related to service-based vesting conditions on these awards.
- (14) Mr. Roach was elected to the Board of Directors effective July 19, 2007.
- (15) As of December 31, 2006, Mr. Roper held outstanding options to purchase 67,600 shares of the Company's common stock. Mr. Roper served as Lead Independent Director from May 2005 until his appointment as CEO and President in May 2007.
- (16) As of December 31, 2006, Mr. Simpson held outstanding options to purchase 67,600 shares of the Company's common stock.

Adjustments or Amendments to Exercise or Base Price of Stock Option Awards

Effective December 31, 2006, Mr. Bidzos elected to adjust the exercise price of his Affected Options to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). As adjusted, such options are no longer subject to the adverse tax consequences of Section 409A of the Internal Revenue Code.

The Company has not made a determination whether compensation will be paid in connection with this election.

Material Terms of Stock Options and Restricted Stock Unit Awards

Under the Company's 2006 Equity Incentive Plan (the "2006 Plan"), stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 25% on the first anniversary of the date of grant and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over 4 years. The Compensation Committee of the Board of Directors, however, may authorize grants with different vesting schedule in the future. Upon a change-in-control of the Company, the vesting schedule for equity awards accelerates as to 100% of any shares that are then unvested for all non-employee directors.

Under the Company's 1998 Directors Stock Option Plan (the "Directors Plan"), stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 6.25% on each three-month anniversary of the date of grant. Upon a change-in-control of the Company, the vesting schedule for equity awards accelerates as to 100% of any shares that are then unvested for all non-employee directors.

Non-Employee Director Meeting Fees and Retainer Information

The following table sets forth details of our compensation and reimbursement policy and practices for our non-employee directors during fiscal 2006.

Annual retainer for all non-employee directors	\$ 37,500
Additional annual retainer for the Lead Independent Director	\$ 40,000
Additional annual retainer for Audit Committee members	\$ 20,000
Additional annual retainer for Compensation Committee members	\$ 20,000
Additional annual retainer for Nominating and Corporate Governance Committee members	\$ 10,000
Additional annual retainer for Audit Committee Chairman	\$ 10,000
Additional annual retainer for Compensation Committee Chairman	\$ 10,000
Additional annual retainer for Nominating and Corporate Governance Committee Chairman	\$ 5,000
Payment for each Special Board meeting attended	\$ 2,000
Reimbursement for expenses attendant to Board membership	Yes

The Board of Directors Recommends a Vote FOR the Election of Each of the Nominated Directors.

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PROPOSAL NO. 2

APPROVAL OF THE FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE VERISIGN'S CLASSIFIED BOARD STRUCTURE AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

We are asking stockholders to approve the Fourth Amended and Restated Certificate of Incorporation that will amend and restate certain provisions of our existing Third Amended and Restated Certificate of Incorporation, as amended (the *Third Restated Certificate*) in order to phase out the classification of the terms of our directors and to provide instead for the annual election of our directors (the *Fourth Restated Certificate*). Under the current classified board structure, our Board of Directors is divided into three classes, with each class serving three-year terms. If the Amendment is approved, commencing with the 2007 Annual Meeting of Stockholders, our directors will be elected to one-year terms of office after the current terms of the directors of each class expire at the 2007, 2008 and 2009 Annual Meetings of Stockholders. The Fourth Restated Certificate is attached as Appendix A.

The Fourth Restated Certificate is the product of our Board of Directors' review of our corporate governance matters. The Board of Directors considered the advantages and disadvantages of maintaining a classified board structure, which was previously adopted by the Board of Directors and VeriSign's stockholders. Earlier this year, after completing its review, the Board of Directors approved the phase out of the classified board structure, subject to the approval of the stockholders.

In determining whether the phase out of the classified board structure is in the best interests of VeriSign's stockholders, the Board of Directors carefully considered arguments for maintaining, as well as for eliminating, the classified board structure. Several arguments support retention of a classified board structure. For instance, the overlapping three-year terms of directors promote continuity and stability of the Board of Directors by ensuring that, at any given time, two-thirds of the directors have at least one year's experience on the Board of Directors. A director's experience is important because of the unique demands of managing VeriSign, including the need to understand the complex nature of VeriSign's business and the long-term business strategy. In addition, the Board of Directors believes that three-year terms strengthen director independence by lessening the threat that a director who refuses to act in conformity with the wishes of management (or other directors) will not be re-nominated for office. The classified board structure also reduces the likelihood of an unsolicited and disadvantageous takeover of control of VeriSign, which might cause our stockholders to receive less than an adequate price for their stock, because a potential acquirer cannot replace a majority of the directors at a single annual meeting. Since a potential acquirer cannot easily remove a majority of the directors in a classified board structure, the directors on such board may possess greater bargaining power to obtain the best price from a potential acquirer and are likely to have more time to search for superior alternatives.

The Board of Directors also considered the views of investors who believe that a classified board structure reduces the accountability of directors to stockholders because the directors do not face an annual election. Since director elections are the primary means by which the stockholders can affect corporate management, the classified board structure may diminish stockholder influence over a company's policy. Furthermore, the classified board structure may negatively affect stockholder value by discouraging proxy contests in which stockholders have an opportunity to vote for an entire slate of competing nominees.

After weighing all of these considerations, the Board of Directors agreed and determined that the phase out of the classified board structure is advisable and in the best interests of VeriSign and our stockholders. Accordingly, the Board of Directors has approved the Fourth Restated Certificate (which is marked to show the changes from the Third Restated Certificate and provided in Appendix A) and recommends that the stockholders approve the Fourth Restated Certificate by voting in favor of this proposal.

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If this proposal is approved by our stockholders, Part A of Section Six of the Third Restated Certificate will be amended to phase out the classification of the terms of our directors and to provide for the annual election of our directors commencing with the class of directors standing for election at the 2007 Annual Meeting of Stockholders. To ensure a smooth transition to the new declassified structure of the Board of Directors, and to permit the current directors to serve out the three-year terms to which the stockholders elected the directors, the Fourth Restated Certificate will not shorten the term of any director elected before the 2007 Annual Meeting of Stockholders. The new procedures would, however, apply to all directors elected at or after the 2007 Annual Meeting of Stockholders, including any current directors who are re-nominated after their current terms expire. Thus, the Class III directors, would, if re-nominated, also stand for election at the 2008 Annual Meeting for only one-year terms with the current Class I directors, who were elected at the 2005 Annual Meeting of Stockholders for three-year terms, and would, if re-nominated, stand for election for only one-year terms. At the Annual Meeting of Stockholders in 2009, the Class II directors, would, if re-nominated, stand for election at the 2009 Annual Meeting of Stockholders for only one-year terms with the Class I and Class III directors.

Part B of Section Six of the Third Restated Certificate also currently provides that directors elected to fill vacancies on the Board of Directors serve the remainder of the terms of the class to which their predecessors were elected. Consistent with the proposed amendment to Part A of Section Six of the Third Restated Certificate that phases out the classified board structure, Part B of Section Six would be amended to provide that directors elected to fill vacancies on the Board of Directors serve for the term of office to which they are elected expires.

If the proposed Fourth Restated Certificate is approved at this meeting by the stockholders, the phase out of the classified structure of the Board of Directors will become effective upon the filing of the Fourth Restated Certificate with the Secretary of State of the State of Delaware. VeriSign intends to file the Fourth Restated Certificate as soon as practicable once stockholder approval is obtained. If the Fourth Restated Certificate is not approved, our structure of the Board of Directors will remain classified, and Class III directors elected at this meeting would have a three-year term.

Vote Required

The affirmative vote of at least a majority of the outstanding shares of common stock is required for approval of this proposal.

The Board of Directors Recommends a Vote FOR Approval of the Fourth Amended and Restated Certificate of Incorporation.

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PROPOSAL NO. 3

APPROVAL OF THE ADOPTION OF OUR 2007 EMPLOYEE STOCK PURCHASE PLAN

The following is a summary of the principal provisions of our 2007 Employee Stock Purchase Plan, or the Purchase Plan. This summary is qualified in its entirety by reference to the full text of the Purchase Plan which is attached as Appendix B.

Purchase Plan Background

In February 2007, the Board of Directors adopted our Purchase Plan, subject to approval by our stockholders. Each offering under the Purchase Plan will be for a period of 24 months and will consist of consecutive purchase periods of approximately six months in length. Offering periods begin on February 1 and August 1, with the first such offering period anticipated to commence on August 1, 2007 (assuming stockholders approve the Purchase Plan). Each participant will be granted an option on the first day of the offering period and the option will be automatically exercised on the last day of each purchase period during the offering period using the contributions the participant has made for this purpose. The purchase price for the common stock purchased under the Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first business day of the applicable offering period and on the last business day of the applicable purchase period. The Compensation Committee has the power to change the duration of offering periods and purchase periods. Our 1998 Employee Stock Purchase Plan is currently in effect, with the current offering period under that plan having commenced on August 1, 2006 and scheduled to end no later than July 31, 2008 (no other offering periods will commence under this plan).

Shares Subject to the Purchase Plan

The Board of Directors has reserved an aggregate of 6,000,000 shares of VeriSign common stock for issuance under the Purchase Plan.

Administration

The Compensation Committee, the members of which are appointed by the Board of Directors, administers the Purchase Plan. The Compensation Committee currently consists of Mr. Louis A. Simpson, Ms. Michelle Guthrie, and Mr. Edward A. Mueller, all of whom have no material relationships with the Company, its employees or its affiliates.

The Compensation Committee has the authority to construe and interpret any of the provisions of the Purchase Plan.

Eligibility

Employees generally are eligible to participate in the Purchase Plan if they are customarily employed by VeriSign or by a participating subsidiary for more than 20 hours per week. VeriSign or a participating subsidiary also must have employed the employee at least ten days prior to the beginning of the offering period. Eligible employees may select a rate of payroll deduction between 2% and 25% of their compensation and are subject to certain maximum purchase limitations.

As of June 30, 2007, approximately 4,000 employees, including all of our executive officers, were eligible to participate in the Purchase Plan.

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Special Limitations

The Purchase Plan imposes certain limitations upon a participant's rights to acquire common stock, including the following limitations:

Purchase rights may not be granted to any individual who owns stock, including stock purchasable under any outstanding purchase rights, possessing 5% or more of the total combined voting power or value of all classes of stock of VeriSign or any of its affiliates.

Purchase rights granted to a participant may not permit the individual to accrue the right to purchase our common stock at an annual rate of more than \$25,000, valued at the time each purchase right is granted.

If on a purchase date the fair market value of a share of our common stock is less than half of 85% of the fair market value of a share of our common stock on the offering date, then on such purchase date no participant may purchase more than the number of shares determined by dividing 85% of the fair market value of a share of our common stock on the offering date into 50% of such participant's eligible compensation to be paid during the applicable offering period.

Termination of Purchase Rights

A purchase right will terminate upon the participant's election to withdraw from the Purchase Plan. Any payroll deductions that the participant may have made with respect to the terminated purchase right will be refunded to the participant if the election to withdraw from the Purchase Plan is received by VeriSign at least 15 days prior to the end of an offering period. If the participant's election to withdraw is received by VeriSign less than 15 days prior to the end of an offering period, the participant's payroll deductions will be used to purchase shares on the purchase date and his/her participation will end at the beginning of the next purchase period or offering period. A participant's election to withdraw from the Purchase Plan is irrevocable, and the participant may not rejoin the purchase period or offering period for which the terminated purchase right was granted.

A purchase right will also terminate upon the participant's termination of employment. Any payroll deductions that the participant may have made during the purchase period in which the termination occurs will be refunded to the participant.

In addition, VeriSign has specifically reserved the right, exercisable in the sole discretion of the Board of Directors, to terminate the Purchase Plan, or any offering period thereunder, at any time.

Stockholder Rights

No participant will have any stockholder rights with respect to the shares covered by his or her purchase rights until the shares are actually purchased on the participant's behalf. No adjustment will be made for dividends, distributions or other rights for which the record date is prior to the date of the purchase.

Assignability

No purchase rights will be assignable or transferable by the participant, except by will or the laws of inheritance following the participant's death. Each purchase right will, during the lifetime of the participant, be exercisable only by the participant.

Mergers, Consolidations and Change of Control

The Purchase Plan provides that, in the event of the proposed dissolution or liquidation of VeriSign, the offering period will terminate immediately prior to the consummation of the proposed action, provided that the Compensation Committee may, in its sole discretion, fix a different date for termination of the Purchase Plan and may give each participant the opportunity to purchase shares under the Purchase Plan prior to the termination.

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The Purchase Plan provides that, in the event of certain change-in-control transactions, the Purchase Plan will continue for all offering periods that began prior to the transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each purchase date.

Amendment of the Plan

The Board has the authority to amend, terminate or extend the term of the Purchase Plan, except that no action may adversely affect any outstanding options previously granted under the Purchase Plan and stockholder approval is required to increase the number of shares that may be issued or change the terms of eligibility under the Purchase Plan.

The Purchase Plan will terminate in 2017, on the tenth anniversary of the date of its adoption by our Board, unless terminated earlier under the terms of the Purchase Plan. The effect of termination is that no new offering periods will commence under the Purchase Plan, but outstanding offering periods will continue according to their terms.

Federal Tax Consequences

The Purchase Plan is intended to be an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. Under such a plan, no taxable income will be reportable by a participant, and no deductions will be allowable to VeriSign, as a result of the grant or exercise of the purchase rights issued under the Purchase Plan. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the Purchase Plan or in the event the participant should die while still owning the purchased shares.

If the participant sells or otherwise disposes of the purchased shares within two years after commencement of the offering period during which those shares were purchased or within one year of the date of purchase, the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the fair market value of the shares on the purchase date exceeded the purchase price paid for those shares. If the participant sells or disposes of the purchased shares more than two years after the commencement of the offering period in which those shares were purchased and more than one year from the date of purchase, then the participant will recognize ordinary income in the year of sale or disposition equal to the lesser of the amount by which the fair market value of the shares on the sale or disposition date exceeded the purchase price paid for those shares or 15% of the fair market value of the shares on the date of commencement of such offering period. Any additional gain upon the disposition will be taxed as a capital gain.

If the participant still owns the purchased shares at the time of death, the lesser of the amount by which the fair market value of the shares on the date of death exceeds the purchase price or 15% of the fair market value of the shares on the date of commencement of the offering period during which those shares were purchased will constitute ordinary income in the year of death.

If the purchased shares are sold or otherwise disposed of within two years after commencement of the offering period during which those shares were purchased or within one year after the date of purchase, then VeriSign will be entitled to an income tax deduction in the year of sale or disposition equal to the amount of ordinary income recognized by the participant as a result of such sale or disposition. No deduction will be allowed in any other case.

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New Benefits Under the Purchase Plan

Because awards to employees under the Purchase Plan are based on voluntary contributions in amounts determined by the participant, the benefits and amounts that will be received or allocated under the Purchase Plan are not determinable at this time. Therefore, we have not included a table reflecting such benefits or awards.

Based on their shareholdings as of June 30, 2007, (determined in accordance with Section 423 of the Code) all of our Named Executive Officers will be eligible to participate in our Purchase Plan, except Dana L. Evan who resigned from the Company on July 10, 2007, Stratton D. Sclavos who resigned from the Company on May 27, 2007 and Vernon L. Irvin who resigned from the Company on October 31, 2006. Only three of our Named Executive Officers participate in our 1998 Employee Stock Purchase Plan. None of our non-employee directors will be eligible to participate in the Purchase Plan.

The Board of Directors Recommends a Vote FOR Approval of the VeriSign 2007 Employee Stock Purchase Plan.

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PROPOSAL NO. 4

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected KPMG LLP as our independent registered public accounting firm to perform the audit of our financial statements for the year ending December 31, 2007, and our stockholders are being asked to ratify this selection. Representatives of KPMG LLP, expected to be present at the Meeting, will have the opportunity to make a statement at the Meeting if they desire to do so and are expected to be available to respond to appropriate questions.

The Board of Directors Recommends a Vote FOR the Ratification of the Selection of KPMG LLP as VeriSign's Independent Registered Public Accounting Firm.

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REPORT OF THE AUDIT COMMITTEE

The information contained in this report 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 VeriSign specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act.

The Audit Committee of the Board of Directors (the Committee) is composed of four non-management directors who meet the independence and experience requirements of The Nasdaq Stock Market. The Committee operates under a written charter adopted by the Board of Directors. The members of the Committee are Messrs. Mueller (Chairperson), Chenevich, Moore and Roach.

Management is responsible for the preparation, presentation and integrity of VeriSign's financial statements, accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of VeriSign's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Committee is responsible for oversight of our financial, accounting and reporting processes and our compliance with legal and regulatory requirements. The Committee is also responsible for the appointment, compensation and oversight of our independent registered public accounting firm, which includes reviewing the independent registered public accounting firm's independence, reviewing and approving the planned scope of the annual audit, overseeing the independent auditors' audit work, reviewing and pre-approving any non-audit services that may be performed by the independent auditors, reviewing with management and the independent auditors the adequacy of our internal financial controls, and reviewing our critical accounting policies and the application of accounting principles.

We have adopted a policy regarding rotation of the audit partners responsible for the audit of VeriSign's financial statements. No audit partner (as defined under SEC rules) of the public accounting firm providing audit services to VeriSign shall have served as the lead or coordinating audit partner (having primary responsibility for the audit) or as the audit partner responsible for reviewing the audit for more than five consecutive fiscal years.

During 2006, at each of our meetings, we met with the senior members of VeriSign's financial management team and our independent registered public accounting firm. We recommended to the Board of Directors that KPMG LLP be engaged as VeriSign's independent registered public accounting firm and we reviewed with KPMG LLP the overall audit scope and plans. We met privately with KPMG LLP to discuss the results of the audit, evaluations by the auditors of VeriSign's accounting and internal controls and quality of VeriSign's financial reporting. The Committee met nine times during 2006.

Our review of the audited financial statements contained in VeriSign's Annual Report on Form 10-K for the year ended December 31, 2006 included a discussion of the accounting principles, reasonableness of significant judgments, and clarity of disclosures in the financial statements. Management represented to us that VeriSign's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and we have reviewed and discussed the consolidated financial statements with management and KPMG LLP.

We discussed with KPMG LLP matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. We also discussed with KPMG LLP their annual written disclosures and letter on their independence from VeriSign and its management, as required by Independent Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Committee has also considered whether the non-audit services provided by KPMG LLP to VeriSign during 2006 are compatible with maintaining the auditors' independence.

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Based upon our discussions with management and KPMG LLP and our review of the representations of management, and the report of KPMG LLP to the Committee, we recommended to the Board of Directors that the audited consolidated financial statements be included in VeriSign's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC.

This report is submitted by the Audit Committee

Edward A. Mueller (Chairperson)

William L. Chenevich

Roger H. Moore

Table of Contents**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table presents fees for professional services rendered by KPMG LLP for the audit of our annual consolidated financial statements for the years ended December 31, 2006 and December 31, 2005, and fees billed for other services provided by KPMG LLP.

	2006 Fees	2005 Fees(1)
Audit Fees (including quarterly reviews):		
Integrated Audit	\$ 3,835,709	\$ 3,336,411
Stock Option Investigation	2,668,437	
Consolidated Audit(2)	6,504,146	3,336,411
Statutory Audits	545,690	399,870
Consent on SEC filing	7,500	22,500
Total Audit Fees	7,057,336	3,758,781
Audit-Related Fees(3)	1,298,855	1,153,244
Tax Fees(4)	228,717	128,743
All Other Fees		
Total Fees	\$ 8,584,908	\$ 5,040,768

- (1) The Audit Fees reported for fiscal 2005 have been updated from the amounts reported in our proxy statement for our 2006 Annual Meeting of Stockholders which contained an estimate of Total Fees of \$4,961,589 as final fees were not available at the time of filing.
- (2) Consolidated audit fees for 2006 represent estimated billings as final billings are yet to be determined.
- (3) Audit-Related Fees consist principally of attestation of internal controls for service organizations under Statement on Accounting Standards No. 70 and Webtrust audits.
- (4) Tax Fees include foreign tax compliance and related tax matters.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of June 30, 2007 by:

each current stockholder who is known to own beneficially more than 5% of our common stock;

each current director;

each of the Named Executive Officers (see the Summary Compensation Table for Fiscal 2006 in this proxy statement); and

all current directors and executive officers as a group.

The percentage ownership is based on 243,838,287 shares of common stock outstanding at June 30, 2007. Shares of common stock that are subject to options currently exercisable or exercisable within 60 days of June 30, 2007 are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated in the footnotes following the table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

BENEFICIAL OWNERSHIP TABLE

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number(1)	Percent(1)
Greater Than 5% Stockholders		
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	18,192,176(2)	7.46%
Private Capital Management, L.P. 8889 Pelican Bay Blvd., Suite 500 Naples, FL 34108	17,610,384(3)	7.22
Eton Park Capital Management, L.P. 825 Third Avenue, 8th Floor New York, NY 10022	13,705,700(4)	5.62
Directors and Named Executive Officers		
Stratton D. Sclavos(5)	5,326,267	2.18%
Dana L. Evan(6)	860,311	*
Robert J. Korzeniewski(7)	632,580	*
Mark D. McLaughlin(8)	356,244	*
Scott G. Kriens(9)	164,051	*
D. James Bidzos(10)	142,800	*
William L. Chenevich(11)	103,112	*
Louis A. Simpson(12)	93,425	*
Roger H. Moore(13)	72,042	*
William A. Roper, Jr.(14)	57,332	*
Edward A. Mueller(15)	48,331	*
Michelle Guthrie(16)	24,675	*
John M. Donovan(17)	7,243	*
Vernon L. Irvin		
All current directors and executive officers as a group (14 persons)(18)	2,190,488	*

* Less than 1% of VeriSign's outstanding common stock.

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- (1) The percentages are calculated using 243,838,287 outstanding shares of the Company's common stock on June 30, 2007 as adjusted pursuant to Rule 13d-3(d)(1)(i). Pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended, beneficial ownership information also includes shares subject to options exercisable within 60 days of June 30, 2007.
- (2) Based on Schedule 13G/A filed on February 14, 2007 with the SEC by T. Rowe Price Associates, Inc., with respect to beneficial ownership of 18,192,176 shares. T. Rowe Price Associates, Inc. has sole voting power over 4,120,484 of these shares and sole dispositive power over 18,192,176 of these shares.
- (3) Based on Schedule 13G filed on February 14, 2007 with the SEC by Private Capital Management, L.P., with respect to beneficial ownership of 17,610,384 shares. Private Capital Management, L.P. has sole voting power and sole dispositive power over 598,900 of these shares and shared voting power and shared dispositive power over 17,011,484 of these shares.
- (4) Based on Schedule 13G filed on April 23, 2007 with the SEC by Eton Park Fund, L.P. (EP Fund), Eton Park Master Fund, Ltd. (EP Master Fund), Eton Park Associates, L.P. (EP Associates), Eton Park Capital Management, L.P. (EP Management), and Eric M. Mindich (Mr. Mindich), with respect to beneficial ownership of 13,705,700 shares of Common Stock. EP Fund has shared voting power and shared dispositive power over 4,796,955 of these shares. EP Master Fund has shared voting power and shared dispositive power over 8,908,705 of these shares. EP Associates serves as the general partner of EP Fund. EP Management serves as investment manager to EP Master Fund. EP Associates, the general partner of EP Fund, has the power to direct the affairs of EP Fund including decisions with respect to the disposition of the proceeds from the sale of the shares of Common Stock held by EP Fund. Eton Park Associates, L.L.C. serves as the general partner of EP Associates. Mr. Mindich is managing member of Eton Park Associates, L.L.C. and may, by virtue of his position as managing member, be deemed to have power to direct the vote and disposition of the shares of common stock held by EP Fund. EP Master Fund is a client of EP Management. Eton Park Capital Management, L.L.C. serves as the general partner of EP Management. Mr. Mindich is the managing member of Eton Park Capital Management, L.L.C. and may be, by virtue of his position as managing member, deemed to have power to direct the vote and disposition of the shares of common stock held by EP Master Fund. Mr. Mindich disclaims beneficial ownership of the Common Stock reported herein, other than the portion of such shares which relates to his individual economic interest in each of EP Fund and EP Master Fund.
- (5) Includes 85,600 shares held indirectly by Eladha Partners, LP under which Stratton D. Sclavos and his spouse are limited partners with an ownership interest of 98%. Also includes 18,333 shares held indirectly by Sclavos Family Partners, LP under which Mr. Sclavos and his spouse are limited partners with an ownership interest of 50% and Mr. Sclavos' children are limited partners with a 48% ownership interest. Also includes 313,403 shares held indirectly by the Sclavos 1990 Revocable Trust under which Mr. Sclavos and his spouse are co-trustees. Also includes 12,205 shares held indirectly by the Sclavos Family Foundation under which Mr. Sclavos is the beneficial owner. Also includes 1,563 unissued shares subject to restricted stock units. Also includes 2,798,865 shares subject to options held directly by Mr. Sclavos, and 1,225,000 shares subject to options held indirectly by Boutari Ventures, LLC. Mr. Sclavos and his spouse are co-managers of Boutari Ventures, LLC. Also includes 679,803 shares subject to options to purchase shares of VeriSign common stock and 156,336 unissued shares subject to restricted stock units that were accelerated pursuant to the terms of Mr. Sclavos' severance agreement. Mr. Sclavos is our former President, Chief Executive Officer and Chairman of the Board of Directors and resigned from the Company on May 27, 2007.
- (6) Includes 15,742 shares held indirectly by TDC&R Investments LP under which Dana L. Evan and her spouse are 1% general partners and Ms. Evan's children are limited partners with an ownership interest of 99%. Also includes 57,587 shares held indirectly by the Evan 1991 Living Trust under which Ms. Evan and her spouse are co-trustees. Also includes 775,750 shares subject to options held directly by Ms. Evan. Also includes 4,650 shares subject to restricted stock units. Ms. Evan is our former Executive Vice President, Finance and Administration and Chief Financial Officer and resigned from the Company on July 10, 2007.
- (7) Includes 550,500 shares subject to options held directly by Mr. Korzeniewski. Also includes 4,000 shares subject to restricted stock units. Mr. Korzeniewski is Executive Vice President, Corporate Development.
- (8) Includes 350,000 shares subject to options held directly by Mr. McLaughlin. Also includes 1,050 unissued shares and 4,500 shares subject to restricted stock units. Mr. McLaughlin is Executive Vice President, Products and Marketing.
- (9) Includes 80,000 shares held indirectly by the Kriens 1996 Trust U/T/A October 29, 1996, over which Mr. Kriens and his spouse exercise investment and voting control. Also includes 82,526 shares subject to options held directly by Mr. Kriens. Also includes 1,525 shares subject to restricted stock units.
- (10) Includes 87,525 shares subject to options held directly by Mr. Bidzos. Also includes 1,525 shares subject to restricted stock units.
- (11) Includes 96,900 shares subject to options held directly by Mr. Chenevich. Also includes 1,525 shares subject to restricted stock units.
- (12) Includes 41,900 shares subject to options held directly by Mr. Simpson. Also includes 1,525 shares subject to restricted stock units.
- (13) Includes 70,026 shares subject to options held directly by Mr. Moore. Also includes 1,525 shares subject to restricted stock units.
- (14) Includes 10,000 shares held indirectly by the FMT CO Cust IRA Rollover FBO William A. Roper, Jr., of which Mr. Roper has sole beneficial ownership. Also includes 45,807 shares subject to options held directly by Mr. Roper. Also includes 1,525 shares subject to restricted stock units. Mr. Roper is our President and Chief Executive Officer and a member of the Board of Directors.
- (15) Includes 1,000 shares held indirectly by the Fidelity Management Trust Company FBO Edward A. Mueller IRA, of which Mr. Mueller has sole beneficial ownership. Includes 45,806 shares subject to options held directly by Mr. Mueller. Also includes 1,525 shares subject to restricted stock units. Mr. Mueller is Chairman of the Board of Directors.
- (16) Includes 23,150 shares subject to options held directly by Ms. Guthrie. Also includes 1,525 shares subject to restricted stock units.
- (17) Includes 7,243 shares subject to options held directly by Mr. Donovan. Mr. Donovan is Executive Vice President, Worldwide Sales and Services.
- (18) Includes the shares described in footnotes (6)-(17) and 488,653 shares beneficially held by three additional executive officers, of which 465,467 shares are subject to options and 1,050 unissued shares and 6,660 shares are subject to restricted stock units held directly by the additional executive officers.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who own more than 10% of VeriSign's common stock to file initial reports of ownership and reports of changes in ownership with the SEC and The Nasdaq Stock Market. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely on our review of the copy of the forms furnished to us and written representations from the executive officers and directors, we believe that all filing requirements applicable to our directors and executive officers were timely met except that John M. Donovan had one delinquent filing on Form 3 and each of Aristotle N. Balogh, Dana L. Evan, Vernon L. Irvin, Robert J. Korzeniewski, Judy Lin and James M. Ulam had one delinquent filing on Form 4 during the fiscal year ended December 31, 2006.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The goal of our executive officer compensation program is to create long-term value for our stockholders. Toward this goal, we have designed and implemented our compensation programs for our executives to reward them for sustained financial and operating performance and leadership excellence, to align their interests with those of our stockholders and to encourage them to remain with the Company into the future. Most of our compensation elements are designed to simultaneously fulfill one or more of our performance, alignment and retention objectives. In deciding on the type and amount of compensation for each executive, we focus on both current pay and the opportunity for future compensation. We combine the compensation elements for each executive in a manner we believe optimizes the executive's contribution to the Company.

Role of the Compensation Committee

The Compensation Committee of our Board of Directors (the Compensation Committee) is responsible for oversight of our compensation plans and benefit programs. The Compensation Committee sets and administers the policies governing compensation of our executive officers and our other employees. The Compensation Committee annually reviews and approves the base salary, incentive bonus and long-term incentive compensation of our executive officers and also reviews and approves the annual incentive bonus program and long-term incentive compensation program for our non-officer employees. Health and welfare benefits, perquisites, severance and change-in-control benefits are also reviewed regularly by the Compensation Committee. The Compensation Committee reviews recommendations from the Chief Executive Officer (CEO) in connection with the review and approval of compensation of executive officers (other than the CEO). The CEO annually reviews the performance of each executive officer (other than the CEO whose performance is reviewed by the Committee). The CEO is responsible for making a recommendation regarding the salary, incentive bonus and long-term incentive compensation for each executive officer (other than himself) based on his assessment of the performance of each individual. The CEO is assisted by the Human Resources Department in formulating these recommendations. The CEO takes an active part in the discussions at Committee meetings at which the compensation of his direct reports is discussed. All decisions regarding the CEO's compensation are made by the Committee in executive session, without the CEO present. The Committee may accept or reject, in whole or in part, the recommendations of the CEO and the Human Resources Department. Similarly, recommendations made by the Committee's outside advisors may also be accepted, rejected or modified by the Committee.

Executive Compensation Philosophy, Framework and Implementation

VeriSign operates in a highly competitive and rapidly changing business environment. Our executive compensation program seeks to motivate executives to achieve our business objectives, foster teamwork, and attract and retain highly talented executives who will contribute to our long-term success.

Our executive officer compensation program is based on the following principles:

Performance: a significant portion of each executive officer's total compensation should depend on the achievement of corporate objectives and the creation of stockholder value. Compensation should be directly and substantially linked to measurable corporate and individual performance, and provide incentives for superior performance that will drive demonstrable business impact;

Alignment: compensation should closely align the interests of our executive officers with the long-term interests of our stockholders; and

Retention: compensation should be competitive with that offered by other leading high technology companies we view as our peers and as competitors for the employment of talented executives.

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¹ Non-GAAP financial information does not include the following types of financial measures that are included in GAAP: amortization of purchased intangible assets, in-process research and development, stock-based compensation expense, litigation settlements, gain/loss from the Jamba joint venture, restructuring, impairment of assets and acquisition-related reserve costs, impairment charges for goodwill and purchased intangible assets, internal review costs, release of deferred tax asset valuation allowances, and the net gain/loss or impairment of investments.

We use a combination of base salary and benefits, annual incentive bonus, and long-term incentive compensation, such as stock options and restricted stock units, to achieve our objectives. The combined mix of compensation elements allows us to provide a competitive total rewards package for our executive officers that reflects our pay-for-performance philosophy. The Compensation Committee exercises its discretion in determining compensation for our executive officers, and compensation decisions are made after reviewing the performance of the Company and each executive's performance during the year against established goals, current compensation arrangements, market trends, and the compensation history of the executive officer relative to the other executives. Specific factors affecting compensation decisions include:

key financial measurements such as revenue and cash flow, as well as non-GAAP operating income, operating margin, and earnings per share¹

strategic objectives, such as acquisitions, divestitures, innovation and segment expansion

organizational development improvements relative to the executive's organizational responsibility and among their employees

adherence to the Company's values.

Benchmarking

VeriSign uses a benchmarking process to help determine base salary, annual incentive bonus and long-term incentive compensation targets for our executive officers. The Compensation Committee engages a third party executive compensation consulting firm to undertake an annual study of competitive compensation practices for executive officers at certain high technology companies that we view as our peers or as competitors for talent. The Compensation Committee regularly reviews VeriSign's financial performance against these peers to assess the degree to which executive performance aligns with the metrics set by our peers.

The Compensation Committee targets total cash compensation (base salary and annual incentive bonus) between the 50th and 75th percentile of the compensation peer group. Long-term incentive compensation is targeted at the 75th percentile of the compensation peer group. Total direct compensation (base salary plus annual incentive bonus plus long-term incentive compensation) is targeted at the 75th percentile of the compensation peer group. Adjustments to total compensation are made based on the executive's individual performance in the prior year relative to his peers, the executive's future potential with the Company, and the scope of the executive's responsibilities and experience. The Compensation Committee believes that setting base salary, bonus and long-term incentive compensation targets at these levels is necessary in order to effectively attract, retain and motivate talented executives while enabling the Company to differentiate between executives, levels of performance and responsibility.

Other elements of compensation, including health and welfare benefits, perquisites, and severance and change-in-control payments and benefits are reviewed periodically by the Compensation Committee to ensure that our total compensation is competitive based on data obtained from various sources at the time of the review.

VeriSign's compensation peer group is principally made up of publicly-traded companies in the high technology sector that are our direct business competitors and with which we compete for executive talent.

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The compensation peer group is comparable to VeriSign with regard to labor market competition, market capitalization, revenue and number of employees. The compensation peer group is reviewed annually and adjustments are made as necessary to ensure the group continues to appropriately reflect the competitive market for key talent and includes companies similar to VeriSign in scope and complexity.

For 2006, the compensation peer group consisted of the following companies:

Adobe Systems Inc.	Hyperion Solutions Corp.
Akamai Technologies Inc	Intuit Inc.
Autodesk	Juniper Networks Inc.
BEA Systems Inc.	McAfee, Inc.
Cadence Design Systems Inc.	Mercury Interactive Corp.
Citrix Systems Inc.	Network Appliance Inc.
Convergys Corporation	Symantec Corp.
Electronic Arts Inc.	

On May 1, 2007, the Compensation Committee determined that the compensation peer group for 2007 and 2008 would consist of the following companies:

Adobe Systems Inc.	Convergys Corporation
Akamai Technologies Inc	Electronic Arts Inc.
Autodesk	Intuit Inc.
BEA Systems Inc.	Juniper Networks Inc.
BMC Software, Inc.	McAfee, Inc.
Business Objects S.A.	Network Appliance Inc.
Cadence Design Systems Inc.	Symantec Corp.
Citrix Systems Inc.	

The Compensation Committee also reviews annually the executive pay practices of other similarly situated companies as reported in industry surveys, reports from compensation consulting firms and other public data. These surveys are specific to the high technology sector and the Company utilizes customized reports of these surveys so that the compensation data reflect the practices of companies that are as similar in scope and complexity to VeriSign as possible. This information is also considered when making recommendations for each compensation element.

Role of Compensation Consultant

Compensia, Inc. (Compensia) serves as an independent compensation consultant to the Compensation Committee. Compensia reports directly to the Compensation Committee and assists it in evaluating and analyzing the Company’s executive compensation program, principles and objectives, as well as the specific compensation and benefit design recommendations presented by the Company’s executive management. The Compensation Committee recently engaged Frederick W. Cook & Co., Inc. to serve as its independent compensation consultant. VeriSign’s Human Resources Department also provides support to the Compensation Committee in carrying out its duties at the request and under the direction of the Compensation Committee.

Elements of Compensation Program

Base Salary. Base salaries of our executive officers, including our CEO, are determined annually. Actual base salary levels are established based upon each executive officer’s job responsibilities and experience, individual contributions and future potential, with reference to base salary levels of executives at other high technology companies we view as our peers. As described above, we target a percentile above the median as determined by a benchmarking analysis in setting the total cash compensation (base salary and annual incentive bonus) for each executive officer.

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Annual Incentive Bonus. VeriSign has established the VeriSign Performance Plan (VPP), an annual cash bonus plan that is designed to reward members of the executive team and other employees for their contributions to the success of the Company. A substantial portion of each executive officer's cash compensation is paid, if earned, in the form of the VPP bonus. Target bonus levels for our executive officers are established in part by reference to bonus levels of executives at other high technology companies we view as our peers as determined by our benchmarking analysis.

The VPP bonus is based upon the achievement of specified corporate, business unit and/or functional goals, including achievement of a minimum performance threshold and individual performance. All non-sales employees are eligible to participate in the annual incentive bonus program. The Compensation Committee, working with the executive management team, annually establishes the corporate and business unit and/or functional goals. These goals include financial, strategic and operational objectives, such as achieving measurable progress with key customer accounts and leadership development. The Compensation Committee determines the amount of annual incentive bonus, if any, that will be paid to the CEO and our other executive officers for achievement of the prior year's goals. As part of this process, the Compensation Committee reviews recommendations from the CEO in connection with the review and approval of each executive officer's annual incentive bonus, other than the CEO. The Compensation Committee also reviews and approves the budget for the VPP program for employees who are not executive officers and has delegated authority to the executive management team to administer the VPP for these employees.

Long-term Incentive Compensation. Long-term incentive compensation consists of non-qualified stock options and restricted stock units and is intended to align the interests of our executive officers with the long-term interests of our stockholders by focusing the efforts of our executive officers on the long-term success of the Company as reflected in increases to VeriSign's stock price over a period of several years, growth in its financial results and other measures. Long-term incentive awards are established based upon each executive officer's job responsibilities and experience, individual contributions and future potential, with reference to long-term incentive award levels of executives at other high technology companies we view as our peers as determined by our benchmarking analysis. In 2006, we awarded non-qualified stock options and restricted stock units to our executive officers that contain vesting terms over a four-year period: twenty-five percent (25%) of each stock option award vests one year after the date of grant and quarterly thereafter until fully vested; twenty-five percent (25%) of each restricted stock award vests annually on each anniversary of the date of grant until fully vested. We believe that providing combined grants of stock options and restricted stock units effectively balances our objective of focusing our executives on delivering long term value to our stockholders, with our providing value to executives with the equity awards.

In February 2006, the Compensation Committee used a benchmarking analysis to evaluate the competitive positioning of long-term incentive compensation for our executive officers. For 2006, long-term incentive compensation was targeted at the 75th percentile of the compensation peer group; however, stock options and restricted stock units were also granted to executives based on the individual's expected contribution to the Company's future success, as well as the individual's past performance. The Compensation Committee also considered the number of unvested stock options and restricted stock units held by each executive officer. 75% of the total award value was granted in the form of non-qualified stock options and 25% of the total award value was granted in the form of restricted stock units. Stock options were granted in August 2006 to executive officers with an exercise price equal to the fair market value of VeriSign common stock on the date of grant, which was the date the Compensation Committee approved such awards.

Stock options and restricted stock units have value for executive officers only if the individual remains an employee for the applicable vesting period, and, in the case of stock options, only if the price of VeriSign's stock increases above the exercise price of the option. Stock options are granted with an exercise price equal to fair market value at the date of grant and typically vest over a four-year period with 25% of the option shares vesting on the first anniversary of the grant and the remaining option shares vesting ratably each quarter thereafter until fully vested. Restricted stock units typically vest over four years as follows: 25% on the first anniversary of the

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grant, and 25% on each of the subsequent three anniversary dates. Vesting in all cases is subject to the individual's continued provision of services to VeriSign through the vesting date.

VeriSign is cognizant of stockholder concerns about stock usage and dilution. As a consequence, management and the Compensation Committee have taken the following steps to manage employee equity grants:

VeriSign reviewed its equity compensation practices in connection with the stock option-related accounting changes promulgated by the Financial Accounting Standards Board and the impact such changes have on VeriSign's financial statements. The purpose of this review was to determine whether alternative forms of equity compensation could strengthen the link between executive and employee reward opportunities and the creation of long-term stockholder value. The Board of Directors concluded that stock options continue to be an appropriate equity compensation tool for VeriSign's executive officers, but the use of performance shares (full-value stock award units based on the achievement of pre-established goals) in the future as part of the composition of equity compensation for the CEO and other executives will allow the Company to reward executives for sustained performance against key long-term performance measures, as well as performance relative to our peers, which is how many of our stockholders measure the Company's performance.

VeriSign is committed to limit annual net issuances of stock-based awards to employees to 3% or less of the number of shares of common stock outstanding, excluding extraordinary events, such as acquisitions.

Benefits. Executive officers, like other employees, participate in a number of benefit programs designed to enable VeriSign to attract and retain employees in a competitive marketplace. The Company provides executive officers the same health and welfare benefits provided generally to all other employees, at the same general premium rates charged to such employees, with the exception of the Group Voluntary Universal Life insurance benefit and certain executive perquisites described below. The health and welfare benefits include medical, dental and vision insurance and other health benefits, as well as paid time off, an employee stock purchase plan, and a qualified 401(k) plan. The Group Voluntary Universal Life insurance benefit is open to all U.S.-based employees with an annual salary of \$110,000 or greater. All of our Named Executive Officers (as defined in the Summary Compensation Table for Fiscal 2006 section of this report) participate in this program which provides two times salary in basic life insurance as well as the opportunity to purchase optional life insurance.

Perquisites. Other than those benefits described above, the Company generally provides no additional or supplemental benefits, such as a company automobile, club memberships, deferred compensation programs, or retirement benefits, to its executive officers. However, between 2004 and 2006, the Company paid country club membership fees and monthly dues on behalf of Mr. Irvin. In 2006, Mr. Irvin received compensation of \$9,634 as reimbursement for country club dues.

Total Compensation. VeriSign believes we are fulfilling our compensation objectives and rewarding executive officers in a manner that is consistent with our pay-for-performance philosophy. Executive compensation is tied directly to our performance and is structured to ensure that there is an appropriate balance between the Company's long-term and short-term performance, and also provides a balance between our operational performance and stockholder return. On average, targeted total cash compensation (base salary plus annual incentive bonus) for our Named Executive Officers in 2006 was at the 65th percentile of the market as determined by reference to our compensation peer group and the average resulting targeted pay mix was 23% base salary, 15% annual incentive bonus and 62% long-term incentive compensation. On average, targeted total direct compensation (base salary plus annual incentive bonus plus long-term incentive compensation) was slightly above the 75th percentile of market as determined by reference to our compensation peer group due to emphasis we placed on long-term incentives.

Equity Award Practices. Equity-based grants, which include stock options and restricted stock units (RSUs), are an important element of VeriSign's total compensation program and are designed to support the Company's pay-for-performance philosophy in addition to providing a direct link between employee rewards and

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increased stockholder value. Equity-based awards are typically granted in connection with new hires and promotions and annually in connection with the Company's Stock Recognition Award program that is designed to reward for employees who are considered key contributors to VeriSign's continued success. Except for equity awards made in connection with new hires and promotions, equity awards to executive officers and other employees are generally made annually. Details regarding the grants, including the type of grants, the terms of the grants, the recipients, and the size of the grants, are reviewed and approved by the Compensation Committee. Each year, the Compensation Committee establishes guidelines for the granting of equity-based awards in connection with new hires and promotions based on recommendations from management and consideration of a number of factors including the dilutive impact of grants that are expected to be made in the coming year, the current number of outstanding options and RSUs, and the rate at which the Company expects to issue equity grants.

Equity-based awards made in connection with the Company's Stock Recognition Award program are granted on the date the Compensation Committee approves the awards, which is usually the Compensation Committee meeting held in August of each year. The exercise price of each stock option awarded to our employees, including our executive officers, is the closing price of VeriSign stock on the date of grant.

Automatic Grants for New Hires and Promotions. When an employee is hired or promoted, the employee may be eligible to receive an equity award. Unless the individual is an executive officer or the grant exceeds the range approved by the Compensation Committee in its equity guidelines, the grant is made automatically on the 15th day of the month as follows: If the date of the new hire or promotion occurs before the 15th day of the month, the grant is made automatically on the 15th day of the month (unless that day is not a day that the NASDAQ Stock Market is open for trading (Trading Day) in which case the grant is made on the preceding Trading Day. If the date of the new hire or promotion occurs on or after the 15th day of the month, the grant will be made automatically on the 15th day of the next month (unless that day is not a Trading Day in which case the grant is made on the preceding Trading Day). If the individual is an executive officer or the grant exceeds the range approved by the Compensation Committee in its equity guidelines, the Compensation Committee must approve the equity award.

Tax and Accounting Treatment of Executive Compensation

In determining the amount and form of compensation paid each year to its executive officers, the Company takes into account both the tax treatment and the accounting treatment of such compensation. However, the tax and accounting treatment of various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations and rules, as well as other factors not necessarily within the Company's control. Thus, tax and accounting treatment is merely one of many factors that the Company takes into account in designing certain elements of compensation.

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the federal income tax deduction for compensation paid to each Named Executive Officers to \$1,000,000 per year for public companies, unless the compensation is performance-based. VeriSign's executive compensation is structured to maximize the amount of compensation expense that is deductible by the Company when, in its judgment, it is appropriate and in the interest of the Company and its stockholders. The deductibility of an executive officer's compensation can depend upon the timing of the executive officer's vesting or exercise of previously granted rights, as well as other factors beyond the Company's control. Therefore an executive officer's compensation is not necessarily limited to that which is deductible under Section 162(m). The Compensation Committee may approve payment of compensation that exceeds the deductibility limitation under Section 162(m) in order to meet compensation objectives or if it determines that doing so is otherwise in the interest of our stockholders. Having considered the requirements of Section 162(m), we believe that the stock option awards made in 2006 pursuant to the 2006 Equity Incentive Plan meet the requirements that such grants be performance based and are, therefore, exempt from the limitations on deductibility, and that the restricted stock units awarded are not performance based and are therefore, not exempt from the limitations on deductibility.

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Restricted stock units granted under the 1998 Equity Incentive Plan and options granted under the 2001 Stock Incentive Plan in 2006 may not be deductible depending on the date that such restricted stock units vest or the options are exercised.

The 2001 Stock Incentive Plan does not meet the requirements of Section 162(m). For 2006, all compensation, excluding restricted stock unit awards, provided to our named executive officers, other than Stratton D. Slavos, our former Chief Executive Officer, President and Chairman of the Board, was fully deductible by the Company. Mr. Slavos' non-deductible compensation for 2006 was \$1,074,617 and was attributed primarily to the non-deductibility of his 2005 VPP Bonus payment, paid in 2006, as well as the non-deductibility of restricted stock unit awards.

Share Ownership Guidelines

In addition to aligning interests between executives and stockholders through stock options and restricted stock units, the Board of Directors adopted a stock ownership policy that requires executive officers to own shares of VeriSign common stock. Executive officers are required to own VeriSign common stock in an amount not less than three times their annual base salary (calculated using the executive's 2005 base salary for individuals who were executive officers at the time of the policy's adoption or, for officers appointed after the policy's adoption, the executive's initial base salary at the time the individual was appointed as an executive officer). Company stock that counts toward satisfaction of these stock ownership guidelines includes: shares owned outright by the officer and his or her immediate family members who share the same household, whether held individually or jointly; restricted stock where the restrictions have lapsed; shares acquired and held upon stock option exercises; and shares obtained through open market purchases. Shares held in trust may also be included, subject to the approval of the Chairman of the Board of Directors and the lead independent director. Each executive officer has five years from the later of the date of the adoption of the requirement or of the individual becoming an executive officer, to attain the minimum level of ownership. The stock ownership policy is included in VeriSign's Corporate Governance Principles which can be found on our website at <http://investor.verisign.com/governance.cfm>.

Because the Company grants stock-based incentives in order to align the interests of its employees with those of its stockholders, the Company's Securities Trading Policy forbids executive officers and other employees from buying or selling derivative securities related to VeriSign common stock, such as puts or calls on VeriSign common stock, as derivative securities may diminish the alignment that the Company is trying to foster. Company-issued stock options and restricted stock units are not transferable during the executive officer's life, other than certain gifts to family members (or trusts, partnerships, etc., that benefit family members).

Compensation for the Named Executive Officers

The specific compensation decisions made for each of the Named Executive Officers for 2006 reflect the performance of the Company against key financial and operational measurements. A detailed analysis of our financial and operational performance is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Financial Disclosure, of our Annual Report on Form 10-K for the year ended December 31, 2006.

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CEO Compensation

In February 2006, the Compensation Committee established Mr. Sclavos' base salary for 2006 after reviewing his personal performance and achievement against 2005 corporate financial, strategic and operational goals, his compensation history and relevant benchmarking data. Corporate financial goals included measurements against revenue and cash flow targets, as well as non-GAAP operating income, operating margin and earnings per share targets.² Strategic goals included growth targets for existing services, goals for development of new product and service offerings, achievement of specified milestones regarding major customer accounts, expansion of international revenues, leverage of synergy opportunities, successful mergers and acquisitions activity, operational excellence, broadening strategic alliances, and continued improvement in the Company's operational infrastructure. Operational goals included organizational development objectives and leadership development initiatives.

After reviewing Mr. Sclavos' performance against 2005 goals, personal performance and relevant benchmarking data, the Compensation Committee increased Mr. Sclavos' base salary by 4.2% to \$937,800 which is approximately the 70th percentile of our compensation peer group. The Compensation Committee also, within the same review process, awarded a 2005 performance bonus payment of \$1,160,027, or 117% of the target bonus.

In August 2006, as part of the Company's annual Stock Recognition Award program process, and based on an evaluation of Company performance, Mr. Sclavos' leadership performance, and market data as determined by reference to our compensation peer group, the Compensation Committee awarded Mr. Sclavos 583,000 non qualified stock options and 64,800 restricted stock units. These grants were subject to our customary four-year vesting terms and were the only long-term incentive compensation awards granted to Mr. Sclavos in 2006.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note that appears in our Annual Report on Form 10-K for the year ended December 31, 2006 was ongoing. As a consequence, the Board of Directors and the Compensation Committee determined to defer consideration of Mr. Sclavos' 2007 compensation until after the restatement was completed. On May 27, 2007, Mr. Sclavos resigned from the Company and the Board of Directors appointed William A. Roper, Jr. as the Chief Executive Officer and President. Prior to his resignation, Mr. Sclavos received no annual salary increase or annual incentive bonus based on his performance and achievement against the personal, corporate financial, strategic and operational goals established for 2006. The terms of Mr. Roper's compensation have not yet been determined.

CFO and Other Named Executive Officers

2006 Base Salary. In determining the base salaries of our Named Executive Officers for 2006 (other than the CEO and Mr. Donovan), the Compensation Committee evaluated each individual's personal performance and achievement against 2005 corporate financial, strategic and operational goals, his or her compensation history and relevant benchmarking data. The CEO reviewed with the Compensation Committee the performance of each executive officer during 2005.

² Non-GAAP financial information does not include the following types of financial measures that are included in GAAP: amortization of purchased intangible assets, in-process research and development, stock-based compensation expense, litigation settlements, gain/loss from the Jamba joint venture, restructuring, impairment of assets and acquisition-related reserve costs, impairment charges for goodwill and purchased intangible assets, internal review costs, release of deferred tax asset valuation allowances, and the net gain/loss or impairment of investments.

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The table below summarizes the base salaries of our Named Executive Officers (other than our CEO) in 2006.

Named Executive Officer	2006	% Increase	Effective Date
	Base Salary	Compared to 2005 Base Salary	
John M. Donovan	\$ 450,000	n/a	11/30/2006
Dana L. Evan	\$ 420,000	5.0%	2/10/2006
Vernon L. Irvin	\$ 427,200	4.2%	2/10/2006
Robert J. Korzeniewski	\$ 367,500	5.0%	2/10/2006
Mark D. McLaughlin	\$ 336,000	20.0%	3/11/2006

The Compensation Committee approved the increases in Ms. Evan's, Mr. Irvin's, and Mr. Korzeniewski's base salaries after a review of relevant benchmarking information, as well as performance information and recommendations provided by the CEO.

Mr. McLaughlin was promoted to Executive Vice President effective on March 11, 2006, and the Compensation Committee approved an increase in his base salary to reflect the desired salary level for our executives and after a review of relevant benchmarking information.

The base salary for Mr. Donovan, the former Chief Executive Officer of inCode Telecom Group, Inc. (inCode), was set at \$450,000 per annum at the time of our acquisition of inCode on November 30, 2006 and is based upon our review of base salaries for similarly situated positions in the market.

2007 Base Salary. In determining the base salaries for our Named Executive Officers (other than our former CEO) for 2007, the Compensation Committee evaluated each individual's personal performance and achievement against 2006 corporate financial, strategic and operational goals, his or her compensation history and relevant benchmarking data. The CEO reviewed with the Compensation Committee the performance of each executive officer during 2006.

The table below summarizes the base salaries of our Named Executive Officers (other than our former CEO) in 2007. The effective date of the base salary increases was May 1, 2007.

Named Executive Officer	2007	% Increase
	Base Salary	Compared to 2006 Base Salary
John M. Donovan	\$ 450,000	0.0%
Dana L. Evan	\$ 420,000	0.0%
Vernon L. Irvin		
Robert J. Korzeniewski	\$ 375,000	2.0%
Mark D. McLaughlin	\$ 450,000	33.9%

As Mr. Donovan's base salary was determined in November 2006 in connection with the acquisition of inCode Telecom Group, Inc. (inCode), no adjustment was deemed necessary to his base salary for 2007.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note that appears in our Annual Report on Form 10-K for the year ended December 31, 2006 was ongoing. As a consequence, the Board of Directors and the Compensation Committee determined to defer consideration of Ms. Evan's 2007 compensation until after the restatement was completed. On July 10, 2007, Ms. Evan resigned from the Company. Ms. Evan had been our Executive Vice President, Finance and Administration and Chief Financial Officer.

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The Compensation Committee approved the increase in Mr. Korzeniewski's base salary after a review of relevant benchmarking information, as well as performance information and recommendations provided by the CEO.

The base salary increase for Mr. McLaughlin reflects a material increase in responsibility following a corporate reorganization and his new and significantly expanded role as Executive Vice President of Products and Marketing in January 2007.

Mr. Irvin resigned from the Company on October 31, 2006.

Annual Incentive Bonus. In determining the annual incentive bonuses payable in 2007 for performance in 2006 to our Named Executive Officers (other than the CEO), the Compensation Committee evaluated each individual's personal performance and achievement against 2006 corporate financial goals (as described in the CEO Compensation section above), strategic and operational goals, his or her compensation history and relevant benchmarking data.

For 2006, target bonuses were established at 60% of base salary. In February and again in May 2007, the Compensation Committee met with executive management to review the performance of executive officers and certify achievement against corporate and business unit goals and individual objectives for 2006.

In May 2007, the CEO made recommendations to the Compensation Committee regarding annual incentive bonus amounts for each of the executive officers (other than the CEO and Mr. Irvin). These recommendations, other than the recommendation for Ms. Evan, were approved by the Compensation Committee. The annual VPP bonuses paid in 2007 for performance in 2006 to executive officers was as follows:

Named Executive Officer	Target % of Base Salary	Target % of Base Salary	VPP Bonus Amount	Year over Year Change
John M. Donovan	60%			
Dana L. Evan	60%			
Vernon L. Irvin	60%	59%	\$ 179,424	(39)%
Robert J. Korzeniewski	60%	100%	\$ 220,500	(12)%
Mark D. McLaughlin	60%	125%	\$ 252,000	20%

Mr. Donovan joined VeriSign in November 2006, and therefore he was not eligible to receive an annual incentive bonus as part of the VPP for 2006. In 2007, Mr. Donovan received a bonus payment of \$24,000 in connection with his service as Chief Executive Officer of inCode during 2006. In addition, in 2006, VeriSign paid Mr. Donovan \$5,000,000 pursuant to the terms of an inCode Management Retention Plan.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note that appears in our Annual Report on Form 10-K for the year ended December 31, 2006 was ongoing. As a consequence, the Board of Directors and the Compensation Committee decided to defer consideration of Ms. Evan's 2006 annual incentive bonus until after the restatement was completed. On July 10, 2007, Ms. Evan resigned from Company. Ms. Evan had been our Executive Vice President, Finance and Administration and Chief Financial Officer.

Mr. Irvin resigned from the Company on October 31, 2006. In March 2007, under the terms of his severance agreement, Mr. Irvin was paid an annual incentive bonus based on his service through October 31, 2006. The material terms of Mr. Irvin's severance arrangement are summarized in the Separation and Change-in-Control Payments and Benefits section below.

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Long-Term Incentive Compensation. In August 2006, the Compensation Committee approved long-term incentive awards in the form of non-qualified stock options and restricted stock units to our Named Executive Officers (other than Mr. Donovan who was not an employee of the Company at that time). In establishing the amount of long-term incentives to award each individual, the Committee compared the total value of the proposed long-term incentive awards to the market benchmark data. As described above, in 2006, the Company's objective was to target long term incentive compensation at approximately the 75th percentile of market data; however, stock options and restricted stock units were also granted to executives based on the individual's expected contribution to the Company's future success, as well as the individual's past performance. The Committee also considered the number of unvested stock options and restricted stock units held by each executive officer. 75% of the total award value was granted in the form of non-qualified stock options and 25% of the total award value was granted in the form of restricted stock units.

In May 2006, the Compensation Committee awarded Mark McLaughlin 40,000 non-qualified stock options and 4,200 RSUs in connection with his promotion to Executive Vice President and General Manager, Information Services. This award took into consideration Mr. McLaughlin's level of responsibility and historical equity awards, and was granted in accordance with the Company's equity guidelines for promotional grants.

Mr. Donovan was appointed Executive Vice President, Worldwide Sales and Consulting Services, in November 2006, in connection with our acquisition of inCode. At that time, the Compensation Committee awarded Mr. Donovan 200,000 non-qualified stock options and 25,000 restricted stock units.

The table below summarizes the long-term incentive awards granted to our Named Executive Officers (other than our former CEO) in 2006.

Named Executive Officer	Shares Subject to	
	Non-qualified Stock Options	RSUs
John M. Donovan	200,000	25,000
Dana L. Evan	81,000	9,000
Vernon L. Irvin	63,000	7,000
Robert J. Korzeniewski	72,000	8,000
Mark D. McLaughlin	130,000	14,200

The Compensation Committee and management are currently reviewing the Company's approach to long-term incentive compensation plan for executive officers for 2007.

Elections Related to Section 409A-Affected Options. As disclosed in the Explanatory Note in our Annual Report on Form 10-K for the year ended December 31, 2006, certain of VeriSign's current and former executive officers and a current director holding Affected Options elected to increase the exercise price of their Affected Options to the market price on December 31, 2006. Accordingly, effective December 31, 2006, the exercise prices of Affected Options held by D. James Bidzos, a current board member, Dana L. Evan, former Chief Financial Officer, Robert J. Korzeniewski, Executive Vice President of Corporate Development, Judy Lin, former Executive Vice President of Security Services and Mark D. McLaughlin, Executive Vice President of Products, Marketing and Customer Support, were adjusted so that these options will not be subject to Section 409A. The Company has not made a determination whether compensation will be paid to any of these individuals in connection with this election.

Relocation Agreements. Pursuant to the terms of Mr. Donovan's employment offer letter, the Company will reimburse Mr. Donovan up to \$1.5 million for expenses related to his relocation to Mountain View, California. Through June 2007, VeriSign reimbursed Mr. Donovan approximately \$1,366,827 for relocation expenses, including relocation allowance, transportation of family members and household goods, house hunting trips, temporary maintenance, closing costs associated with the sale and purchase of his residence, and other miscellaneous expenses related to the relocation.

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Reimbursement Payments to Mr. Sclavos for Use of Airplane. Mr. Sclavos receives reimbursement for business use of his personal aircraft as more fully described in the *Certain Relationships and Related Transactions* section elsewhere in this report.

In April 2007, the Company's Internal Audit Department began a review of business expenses for which senior management was reimbursed by the Company during calendar year 2006 and the first calendar quarter of 2007 and presented a preliminary report to the Audit Committee of the Board of Directors. The Audit Committee concluded that the Company erroneously reimbursed Mr. Sclavos in the amount of \$32,190 for personal travel on his private plane. In June 2007, Mr. Sclavos reimbursed the Company for that amount.

The Internal Audit Department's review of senior management business expenses has not yet been completed.

Separation and Change-in-Control Payments and Benefits. The Company generally does not enter into employment agreements with its executive officers and employment offers generally do not provide for severance or other benefits following termination. However, we have entered into severance arrangements with certain of our executive officers in the past. On February 16, 2007, we entered into a severance arrangement with Judy Lin, our former Executive Vice President and General Manager, Security Services, as further described below. On October 31, 2006, we entered into a severance arrangement with Vernon Irvin, our former Executive Vice President and General Manager, Communications Services, as further described below. On July 9, 2007, we entered into a consulting and separation agreement with Mr. Sclavos, our former CEO, President and Chairman of the Board, as further described below. On July 10, 2007, Ms. Evan resigned from the Company. Ms. Evan had been our Executive Vice President, Finance and Administration and Chief Financial Officer. The material terms of any separation agreement that may be entered into between the Company and Ms. Evan will be disclosed as required under applicable regulations of the SEC.

Upon certain changes-in-control, the option vesting schedule accelerates as to 50% of any shares subject to stock options that are then unvested for officers at the level of senior vice president and above and as to 100% of any shares subject to stock options that are then unvested for the president and chief executive officer. Additional details are provided in the *Potential Payments Upon Termination or Change-in-Control* section elsewhere in this report.

Severance Arrangement with Mr. Sclavos. On July 9, 2007, VeriSign entered into a Consulting and Separation Agreement with Mr. Sclavos in connection with his resignation on May 27, 2007. Pursuant to the terms of the agreement, Mr. Sclavos will provide consulting services to the Company for a one-year period at the rate of \$5,000 per month and is prohibited from engaging in certain competitive activities or soliciting customers of the Company during such period. The Company will pay Mr. Sclavos severance of \$1,969,380 within twenty-one (21) days of the effective date of the agreement and \$1,969,380 on June 15, 2008, subject to his compliance with the terms of the agreement. In the event of a change-in-control of the Company, all severance payments will accelerate and become immediately due and payable.

The Company accelerated all of Mr. Sclavos' outstanding options to purchase shares of the Company's common stock and restricted stock units that are scheduled to vest within twenty-four (24) months after Mr. Sclavos' resignation. Accordingly, vesting for restricted stock units with respect to approximately 156,000 shares of the Company's common stock and the following stock options were accelerated:

Grant Date	Exercise	Number of
	Price	Shares Accelerated
10/29/2003	\$ 15.87	86,340
11/01/2005	23.46	192,650
08/01/2006	17.94	400,813
Total:		679,803

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On May 31, 2007, in anticipation of entering into this agreement, the Company paid Mr. Sclavos severance in the amount of \$1,031,580 and \$115,422 for all unpaid wages and unused paid time off accrued through his resignation date.

The Company will also pay Mr. Sclavos \$5,459,430 within twenty-one (21) days of the effective date of the agreement in connection with an option to purchase 300,000 shares of the Company's common stock that was previously granted to Mr. Sclavos but was erroneously deleted from the Company's records as more fully described in the Explanatory Note appearing at the beginning of our Annual Report on Form 10-K for the year ended December 31, 2006.

With respect to an option to purchase 600,000 shares of the Company's common stock with an exercise price of \$10.08 that was previously granted to Mr. Sclavos, if the Board of Directors determines in good faith that the exercise price of such option should be increased, then the exercise price of the unexercised portion of such option will be increased and with respect to the portion of such option that may have been exercised, Mr. Sclavos agrees to repay the Company the difference between the increased exercise price and the original exercise price.

Severance Agreement with Ms. Lin. On February 16, 2007, VeriSign entered into a severance agreement (Lin Severance Agreement) with Judy Lin, the former Executive Vice President and General Manager, Security Services. In consideration of Ms. Lin's service with VeriSign and in exchange for Ms. Lin's release of claims and covenant not to sue, VeriSign agreed to pay Ms. Lin a severance payment in the total amount of \$571,200, \$382,704 of which was paid in 2007, and the other \$188,496 will be paid on the one year anniversary of the termination of her employment, subject to Ms. Lin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Ms. Lin \$214,200, representing her bonus for services performed for VeriSign in 2006. VeriSign also made payments to Ms. Lin for her COBRA and life insurance premiums and provided certain administrative and other support as forth in the Lin Severance Agreement. Upon termination of Ms. Lin's employment with VeriSign, VeriSign accelerated vesting of 19,719 of Ms. Lin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of her employment on the termination date. Also upon termination of Ms. Lin's employment, VeriSign accelerated vesting of 4,250 of her then unvested restricted stock units of VeriSign common stock.

Severance Agreement with Mr. Irvin. On October 31, 2006, VeriSign entered into a Severance and General Release Agreement (the Irvin Severance Agreement) with Vernon L. Irvin, the former Executive Vice President and General Manager, Communications Services. In consideration of Mr. Irvin's service with VeriSign and in exchange for Mr. Irvin's release of claims and covenant not to sue, VeriSign agreed to pay Mr. Irvin a severance payment in the total amount of \$683,520, \$457,958 of which was paid in 2006, and the other \$225,562 will be paid on the one year anniversary of the termination of his employment, subject to Mr. Irvin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Mr. Irvin \$179,424, representing his bonus for services performed for VeriSign in 2006. VeriSign also made payments to Mr. Irvin for his COBRA and life insurance premiums and provided certain administrative and other support as set forth in the Irvin Severance Agreement. Upon termination of Mr. Irvin's employment with VeriSign, VeriSign accelerated vesting of 22,781 of Mr. Irvin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of his employment on the termination date. Also upon termination of Mr. Irvin's employment, VeriSign accelerated vesting of 4,450 of his then unvested restricted stock units of VeriSign common stock.

Table of Contents**REPORT OF THE COMPENSATION COMMITTEE**

The information contained in this report 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 VeriSign specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for 2006. Based on the review and discussions, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in VeriSign's Proxy Statement for its 2007 Annual Meeting of Stockholders.

This report is submitted by the Compensation Committee

Louis A. Simpson (Chairperson)

Michelle Guthrie

Edward A. Mueller

Summary Compensation Table for Fiscal 2006

The following table sets forth certain summary information concerning the compensation received by our chief executive officer and chief financial officer during 2006, the three other most highly compensated executive officers as of the end of 2006, as well as one individual who would have been among the three most highly compensated executive officers for 2006 but for the fact that the individual was not serving as an executive officer at the end of 2006. We refer to these officers as the Named Executive Officers.

SUMMARY COMPENSATION TABLE FOR FISCAL 2006

Named Executive Officer and Principal Position	Year	Salary		Bonus	Stock	Option	Non-Equity	Total
		(1)	(2)		Awards	Awards	Incentive Plan Compensation	
Stratton D. Sclavos(5)	2006	\$ 932,130	\$	\$ 1,259,903	\$ 4,625,647	\$	\$ 7,633(6)	\$ 6,825,313
Former Chairman of the Board, President and Chief Executive Officer								
Dana L. Evan(7)	2006	417,000		61,596	409,957		7,857	896,410
Former Executive Vice President, Finance and Administration and Chief Financial Officer								
John M. Donovan	2006	37,500		8,244	43,360		6,390,865(8)	6,479,969
Executive Vice President, Worldwide Sales and Services								
Mark D. McLaughlin	2006	323,982		70,689	571,466	252,000	7,624	1,225,761
Executive Vice President, Products and Marketing								

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Robert J. Korzeniewski	2006	364,875	52,263	403,526	220,500	8,220	1,049,384
Executive Vice President, Corporate Development							

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Named Executive Officer and Principal Position	Non-Equity							Total
	Year	Stock		Option	Incentive Plan	All Other		
		(1)	Bonus	Awards	Awards	Compensation	Compensation	
Vernon L. Irvin(9)	2006	404,903		134,050(10)	479,617(10)	179,424	718,181(11)	1,916,175
Former Executive Vice President and General Manager, Communications Services								

- (1) Includes, where applicable, amounts electively deferred by each Named Executive Officer under our 401(k) Plan.
- (2) Stock Awards consist solely of restricted stock units. Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the compensation expenses recognized by VeriSign in fiscal 2006 for the applicable Stock Award or Option Award as determined pursuant to FAS 123R disregarding forfeiture assumptions. These compensation costs reflect equity awards granted in 2006 and prior years. The assumptions used to calculate the value of Stock Awards and Option Awards are set forth under Note 13, Notes to Consolidated Financial Statements, included in VeriSign's Annual Report on Form 10-K for the year ended December 31, 2006.
- (3) Amounts shown are for non-equity incentive plan compensation earned during the year indicated, but paid in the following year.
- (4) The amounts, except as otherwise noted, are for health club fees, term life insurance premiums, matching contributions made under our 401(k) plan as follows:

ALL OTHER COMPENSATION

Named Executive Officer	Health Club Fees	Term Life Insurance Premiums	401(k) Matching Contribution	Other Compensation	Total
					All Other Compensation
Stratton D. Sclavos	\$	\$ 1,033	\$ 6,600	\$	\$ 7,633(6)
Dana L. Evan		1,257	6,600		7,857
John M. Donovan		38		6,390,827(8)	6,390,865
Mark D. McLaughlin	390	634	6,600		7,624
Robert J. Korzeniewski	390	1,676	6,154		8,220
Vernon L. Irvin		945	7,500	709,736(11)	718,181

- (5) Mr. Sclavos resigned from the Company on May 27, 2007.
- (6) Does not include \$568,400 for personal plane expense reimbursement as described in the Certain Relationships and Related Transactions included elsewhere in this report.
- (7) Ms. Evan resigned from the Company on July 10, 2007.
- (8) Includes \$5 million paid pursuant to the terms of the inCode Telecom Group, Inc. (inCode) Management Retention Plan in connection with VeriSign's acquisition of inCode on November 30, 2006. Also includes \$1,366,827 representing reimbursement for relocation expenses paid in 2007 and a \$24,000 bonus for services performed as inCode's Chief Executive Officer during 2006.
- (9) Mr. Irvin resigned from the Company on October 31, 2006.
- (10) Does not include an estimated compensation expense of \$15,836 in restricted stock unit forfeitures and \$126,173 in stock option forfeitures related to service-based vesting conditions on these awards.
- (11) Includes \$700,102 in severance payments paid or accrued by the Company pursuant to the terms of Mr. Irvin's severance agreement, the material terms of which are summarized in Compensation Discussion and Analysis included elsewhere in this report. Also includes \$9,634 paid to Mr. Irvin for country club dues in 2006.

In April 2007, the Company's Internal Audit Department began a review of business expenses for which senior management was reimbursed by the Company during calendar year 2006 and the first calendar quarter of 2007 and presented a preliminary report to the Audit Committee of the Board of Directors. The Audit Committee concluded that the Company erroneously reimbursed Mr. Sclavos in the amount of \$32,190 for personal travel on his private plane. In June 2007, Mr. Sclavos reimbursed the Company for that amount.

The Internal Audit Department's review of senior management business expenses has not yet been completed.

Table of Contents**Grants of Plan-Based Awards for Fiscal 2006**

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal 2006.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2006

Named Executive Officer	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Stratton D. Sclavos	8/1/2006		583,000	\$ 17.9400	\$ 6,017,435
	8/1/2006	64,800			1,162,512
Dana L. Evan					(1)
	8/1/2006		81,000	17.9400	555,992
	8/1/2006	9,000			161,460
John M. Donovan	11/30/2006		15,238	5.1808	306,284
	11/30/2006		427	3.2121	9,287
	11/30/2006		854	3.2121	18,575
	12/12/2006		200,000	25.3400	1,768,640
	12/12/2006	25,000			633,500
Mark D. McLaughlin					(2)
	5/16/2006		40,000	22.3000	346,148
	8/1/2006		90,000	17.9400	617,769
	5/16/2006	4,200			93,660
	8/1/2006	10,000			179,400
Robert J. Korzeniewski					(3)
	8/1/2006		72,000	17.9400	494,215
	8/1/2006	8,000			143,520
Vernon L. Irvin	8/1/2006		63,000	17.9400	432,438
	8/1/2006	7,000			125,580

- (1) Ms. Evan holds certain stock options that were subject to Section 409A of the Internal Revenue Code (Affected Options). Effective December 31, 2006, Ms. Evan elected to adjust the exercise price of an Affected Option to purchase 1,667 shares of VeriSign common stock from \$34.438 to \$42.26, the exercise price of an Affected Option to purchase 11,250 shares of VeriSign common stock from \$34.16 to \$38.30, and the exercise price of an Affected Option to purchase 31,250 shares of VeriSign common stock from \$22.71 to \$23.74. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.
- (2) Mr. McLaughlin holds certain stock options that are Affected Options. Effective December 31, 2006, Mr. McLaughlin elected to adjust the exercise price of an Affected Option to purchase 28,187 shares of VeriSign common stock from \$12.88 to \$14.93 and the exercise price of an Affected Option to purchase 67,499 shares of VeriSign common stock from \$17.36 to \$19.82. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.
- (3) Mr. Korzeniewski holds certain stock options that are Affected Options. Effective December 31, 2006, Mr. Korzeniewski elected to adjust the exercise price of an Affected Option to purchase 1,458 shares of VeriSign common stock from \$34.438 to \$42.26, the exercise price of an Affected Option to purchase 11,250 shares of VeriSign common stock from \$34.16 to \$38.30, and the exercise price of an Affected Option to purchase 56,250 shares of VeriSign common stock from \$22.71 to \$23.74. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.

Employment Agreements

The Company generally does not enter into employment agreements with its executive officers. Please refer to Compensation Discussion and Analysis in this report for more information concerning our compensation practices and policies for executive officers.

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Adjustments or Amendments to Exercise or Base Price of Stock Option Awards

Effective December 31, 2006, Ms. Evan, Mr. McLaughlin and Mr. Korzeniewski elected to adjust the exercise price of their Affected Options to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). As adjusted, such options are no longer subject to the adverse tax consequences of Section 409A of the Internal Revenue Code.

The Company has not made a determination whether compensation will be paid to any of these individuals in connection with these elections.

Material Terms of Stock Options and Restricted Stock Unit Awards

Stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 25% on the first anniversary of the date of grant and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over four years. The Compensation Committee of the Board of Directors, however, may authorize grants with different vesting schedule in the future.

Salary and Bonus in Proportion to Total Compensation

The following table shows each of our Named Executive Officer's 2006 salary as a percentage of the total compensation as set forth in the Summary Compensation Table for Fiscal 2006 above.

	Salary as
	Percentage of
Named Executive Officer	Total Compensation
Stratton D. Sclavos	13.66%
Dana L. Evan	46.52%
John M. Donovan	0.58%
Mark D. McLaughlin	26.43%
Robert J. Korzeniewski	34.77%
Vernon L. Irvin	21.13%

Table of Contents**Outstanding Equity Awards at 2006 Fiscal Year-End**

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal 2006.

OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END

Named Executive Officer	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (2)
Stratton D. Sclavos	2,694(3)		\$ 74.1880	12/29/2007		