TOGS FOR TYKES INC
Form 10KSB/A
May 02, 2003

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

AMENDMENT NO. 1
FORM 10-KSB

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2002

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

Commission File Number: 000-49620

Togs for Tykes, Inc.
(Exact name of registrant as specified in its charter)

Nevada	91-1868007
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1030 Wooster, Suite 4, Los Angeles, California	90035
(Address of principal executive offices)	(Zip Code)

(714) 273.6124
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:

Title of each class registered:	Name of each exchange on which registered:
None	None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value $.001
(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ( )

State issuer's revenues for its most recent fiscal year. $0.00

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) As ofApril 30, 2003, approximately $0.00.

As of April 30, 2003, there were 5,532,000 shares of the issuer's $.001 par value common stock issued and outstanding.

Documents incorporated by reference. There are no annual reports to security holders, proxy information statements, or any prospectus filed pursuant to Rule 424 of the Securities Act of 1933 incorporated herein by reference.

Transitional Small Business Disclosure format (check one):

Yes ( ) No (X)

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PART I

Item 1. Description of Business.

Our Background. We were incorporated in Nevada on September 26, 1997, as Aztec Ventures, Inc. Our original business was the sale of pay phone services. In June 2001, our management and business changed. On September 5, 2001, we amended our Articles of Incorporation to change our name to Togs for Tykes, Inc. We changed our name to Togs for Tykes, Inc., due to our new management's desire to shift our business focus to designing and marketing children's apparel.

Our Business. We had intended to engage in the business of designing, sourcing and marketing apparel primarily for children from infants to five years old, through sales conducted over the Internet. To date, we have not been successful in fully implementing our business plan due to lack of funds. Accordingly, we have been researching potential acquisitions or other suitable business partners which will assist us in realizing our business objectives. In that regard, in March 2003, we entered into negotiations regarding an acquisition of BioGentec Incorporated, a Nevada corporation ("BGC"), in order to merge it with and into our wholly-owned subsidiary, Togs for Tykes Acquisition Corporation, a Nevada corporation. We believe that the acquisition will increase the total value of the corporation to our investors.

BGC was incorporated on November 21, 2000 under the name St. Petka, Inc. BGC commenced operations doing business as Allergy Limited, and then changed its name in May, 2001 to BioGentec, Inc. At BGC's foundation are patent-protected biopharmaceutical technologies aimed at regulating Immunoglobulin Epsilon (IgE) levels and relieving symptoms of atopic allergies and asthma. BGC's initial technologies have been tested in double blind clinical studies and have been proven to reduce the symptoms of various allergies, including rhinitis, which is more commonly known as hay fever. The technologies are based on Cyanocobalamin (B12), which has an excellent safety record and is non-sedative. BGC named its proprietary formula IGENEX.

During the upcoming fiscal year, BGC intends to begin clinical phase III trials designed to allow it to receive FDA approval to market the foundation technologies as Over the Counter (OTC) medications for the treatment of specific allergic diseases. It also plans to pursue the purchase, development and clinical trials of additional technologies that will allow expansion of product lines. BGC intends to focus its research on markets for menopausal treatments, antioxidants immune modulators and cholesterol lowering products.

BGC intends to expend a significant portion of its future income on research and development related to its foundation products and the products it intends to buy from other companies, and hopes to capitalize on the products and technologies it owns and develop through establishing licensing agreements with other businesses and by marketing its products to consumers through subsidiaries.

BGC has secured the rights and ownership of U.S. Patent No. 5,135,918, which was issued in 1992. The patent is titled: "Method for Decreasing Raegenic Antibody (IgE) Levels". This patent covers medical treatments of allergies with the use of Cyanocobalamin (B12). A second patent owned by BGC, U.S. Patent No. 6,255,294, was issued July 3, 2001. The patent is titled "Cyanocobalamin (vitamin B12) treatment in allergic disease."

BGC is the exclusive assignee of the patents. This assignment / purchase agreement allows BGC to commercialize the process and market products based on the patented proprietary technology. The 1992 patent covers the various analogs of B12 used to provide relief from allergy and asthma symptoms. This first US patent expires in 2009. The second US patent will expire in 2018.

Should we complete the acquisition of BGC, we will adopt BGC's business and operations, and file a report to describe that acquisition, including a description of our target markets and marketing strategy, growth strategy, effect of government regulations, our competitive environment, and intellectual property.

Our Research and Development. We are not currently conducting any research and development activities except for the discussions surrounding our proposed acquisition. Other than this acquisition, we do not anticipate conducting any other such activities in the near future.

Employees. As of April 30, 2003, we had no employees, other than our officers.

Facilities. Our executive, administrative and operating offices are approximately 200 square feet and are located at 1030 Wooster, Suite 4, Los Angeles, California, 90035. Becky Bauer, our president and a member of our Board of Directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer and we believe that she does not expect to be reimbursed for providing office space.

Item 2. Description of Property.

Property held by Us. As of the dates specified in the following table, we held the following property in the following amounts:

Property	December 31, 2002
Cash and equivalents	$663
Property and equipment, net	$0

We define cash equivalents as all highly liquid investments with a maturity of 3 months or less when purchased. We do not presently own any interests in real estate. We do not presently own any inventory or equipment.

Our Facilities. Our executive, administrative and operating offices are located at 1030 Wooster, Suite 4, Los Angeles, California, 90035. Becky Bauer, our president and a member of our Board of Directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer and we believe that she does not expect to be reimbursed for providing office space.

Item 3. Legal Proceedings.

There are no legal actions pending against us nor are any legal actions contemplated by us at this time.

Item 4. Submission of Matters to Vote of Security Holders

Not applicable.

PART II

Item 5. Market Price for Common Equity and Related Stockholder Matters.

Reports to Security Holders. We are a reporting company with the Securities and Exchange Commission, or SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street N.W., Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

There are no outstanding options or warrants to purchase, or securities convertible into, shares of our common stock. There are no outstanding shares of our common stock that we have agreed to register under the Securities Act for sale by security holders. The approximate number of holders of record of shares of our common stock is twenty-nine (29).

There have been no cash dividends declared on our common stock. Dividends are declared at the sole discretion of our Board of Directors. On December 26, 2001, our Board of Directors authorized a forward split of 3 to 1.

We are authorized to issue 20,000,000 shares of $.001 par value common stock, each share of common stock having equal rights and preferences, including voting privileges. As of December 31, 2002, 5,532,000 shares of our common stock were issued and outstanding. We are also authorized to issue 5,000,000 shares of $.001 par value preferred stock, none of which is issued and outstanding.

Prices of Common Stock. We participate in the OTC Bulletin Board, an electronic quotation medium for securities traded outside of the Nasdaq Stock Market, and prices for our common stock are published on the OTC Bulletin Board under the trading symbol "TTYK". This market is extremely limited and any prices quoted are not a reliable indication of the value of our common stock. As of March 31, 2003, our stock has not been traded on this market.

Penny Stock Regulation. Shares of our common stock are subject to rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in "penny stocks". Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities' laws;
- a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the Securities and Exchange Commission shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules.

Item 6. Management's Discussion and Analysis of Financial Condition or Plan of Operation.

This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

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The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

Critical Accounting Policy and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to them consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Management's Discussion and Analysis of Financial Condition and Results of Operations
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Liquidity and Capital Resources. Our only assets at December 31, 2002 were represented by cash of $663. At December 31, 2001, our total assets were also $663. At December 31, 2002, our total liabilities $17,137 were represented by $6,419 in accounts payable, and $10,718 due to a stockholder. The funds were used for working capital. The funds bear no interest and the former shareholder has agreed to accept repayment if and when funds are available for repayment. At December 31, 2002, our liabilities exceeded our assets by $16,474.

Operating Expenses. For the year ended December 31, 2002, our operating expenses were $22,028 compared to the year ended December 31, 2001 when our operating expenses were $15,846. During the year ended December 31, 2002, our expenses increased to $22,028 due to expenses related to our status as a reporting company. From our inception on September 26, 1997, to December 31, 2002, our operating expenses have been $55,074.

Results of Operations. For the fiscal years ended December 31, 2002, and December 31, 2001 we did not realize any revenues from operations. Our net loss from our inception on September 26, 1997 to December 31, 2002 was $55,074. Our net loss for the year ended December 31, 2002 was $22,028 compared to our net loss of $15,846 for the year ended December 31, 2001. We do not know when we will begin realizing revenues, if ever. We are attempting to raise the necessary funding to complete the design of our first line of clothing but have not been able to secure such funding.

Our Plan of Operation for the Next Twelve Months. As of April 30, 2003, we had $663 in cash resources. During the next several weeks, we hope to complete the transaction to acquire BGC as described herein. We cannot guaranty that we will acquire BGC or any other third party, or that in the event that we acquire BGC, this acquisition will increase the value of our common stock.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward looking statement that involves risks and uncertainties, and actual results could vary as a result of a number of factors.

If we are not able to complete the acquisition of BGC as described, we anticipate that we may need to raise additional capital to continue operations. Such additional capital may be raised through public or private financing as well as borrowings and other sources. We cannot guaranty that additional funding will be available on favorable terms, if at all. If adequate funds are not available, then our ability to expand our operations may be adversely affected. If adequate funds are not available, we hope that our officers and directors will contribute funds to pay for our expenses, although we cannot that guaranty that our officers will pay those expenses.

We are not currently conducting any research and development activities and do not anticipate conducting such activities in the near future. We do not anticipate hiring additional employees or independent contractors unless we are able to expand our current operations. We are focusing our efforts on completing the acquisition of BGC. We do not anticipate that we will purchase or sell any significant equipment.

Item 7. Financial Statements

The financial statements required by Item 7 are presented in the following order:

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Togs for Tykes, Inc.
Los Angeles, California

We have audited the accompanying balance sheet of Togs for Tykes, Inc. (A Development Stage Company) as of December 31, 2002 and the related statements of operations, stockholders' deficit and cash flows for the two year period then ended and for the period from September 26, 1997 (inception) to December 31, 2002. These financials statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Togs for Tykes, Inc. as of December 31, 2002 and the results of its operations and its cash flows for the two year period then ended and for the period from September 26, 1997 (inception) to December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the accompanying financial statements, the Company has no established source of revenue, which raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also discussed in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Stonefield Josephson, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Santa Monica, California
March 19, 2003

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET - DECEMBER 31, 2002

ASSETS

Current assets -		
Cash		$ 663

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable	$ 6,419	
Due to stockholder	10,718	
Total current liabilities		$ 17,137
Stockholders' deficit:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued	$ -	
Common stock, $0.001 par value; 20,000,000 shares authorized; 5,532,000 shares issued and outstanding	5,532	
Additional paid-in-capital	33,068	
Deficit accumulated during the development stage	(55,074)	

Total stockholders' deficit	(16,474)
	$ 663

The accompanying notes form an integral part of these financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

	Year ended December 31, 2002	Year ended December 31, 2001	Period fro September 26, (inception) December 31,
Revenue	$ -	$ -	$
General, selling and administrative expenses	22,028	15,846	55,
Loss before taxes	(22,028)	(15,846)	(55,
Provision for income taxes	-	-	
Net loss	$ (22,028)	$ (15,846)	$ (55,
Net loss per common share - basic and diluted	$ -	$ (0.01)	$ (0
Weighted average number of common shares outstanding - basic and diluted	5,532,000	2,788,734	2,341,

The accompanying notes form an integral part of these financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' DEFICIT

	Common stock Shares	Common stock Amount	Additional paid-in capital	Defi accumu dur devel sta
Balance at September 26, 1997	-	$ -	$ -	$
Issuance of shares for cash and services:				
November 11, 1997 at $0.017	900,000	900	14,100	
November 24, 1997 at $0.017	132,000	132	2,068	
Net loss	-	-	-	
Balance at December 31, 1997	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 1998	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 1999	1,032,000	1,032	16,168	
Net loss	-	-	-	
Balance at December 31, 2000	1,032,000	1,032	16,168	
Issuance of shares for services June 30, 2001 at $0.003	4,500,000	4,500	10,500	
Net loss	-	-	-	
Balance at December 31, 2001	5,532,000	5,532	26,668	
Contribution of services by officer	-	-	6,400	
Net loss	-	-	-	
Balance at December 31, 2002	5,532,000	$ 5,532	$ 33,068	$

The accompanying notes form an integral part of these financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2002	2001
Cash flows provided by (used for) operating activities:		
Net loss	$ (22,028)	$ (15,846)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Shares issued for services	-	15,000
Services contributed by officer	6,400	-
(Increase) decrease in prepaid expenses	5,872	(5,872)
Increase in accounts payable	6,419	-
Net cash used in operating activities	(3,337)	(6,718)
Cash flows provided by financing activities:		
Advances from stockholder	4,000	6,718
Issuance of common stock for cash	-	-
Net cash provided by financing activities	4,000	6,718
Net increase in cash and cash equivalents	663	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	$ 663	$ -
Supplemental disclosure of cash flow information:		
Interest	$ -	$ -
Income taxes	$ -	$ -

The accompanying notes form an integral part of these financial statements.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

(1) Summary of Significant Accounting Policies:

Nature of Operations:

Togs for Tykes, Inc. (the "Company") is currently a development stage company under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7. The Company was incorporated under the laws of the State of Nevada on September 26, 1997. In 2001, the Board of Directors approved the change of the Company's name from Aztec Ventures, Inc. to Togs for Tykes, Inc. Management was developing a business plan to design and market children's clothing. Management plans to seek a merger candidate that has ongoing business operations.

Basis of Presentation:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has no established source of revenue. This matter raises substantial doubt about the Company's ability to continue as a going concern. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management plans to abandon its business model for the designing, sourcing and marketing apparel primarily for children from infants to five years old. Management plans to seek a merger candidate that has ongoing business operations. In that regard, in March 2003, management entered into negotiations regarding an acquisition of BioGentec Incorporated, a Nevada corporation ("BGC"), in order to merge it with and into its wholly owned subsidiary, Togs for Tykes Acquisition Corporation, a Nevada corporation.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

(1) Summary of Significant Accounting Policies, Continued:

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Loss Per Share:

In accordance with SFAS No. 128, "Earnings Per Share", the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company has no potentially dilutive securities.

Comprehensive Income:

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As of December 31, 2002 and 2001, the Company has no items that represent other comprehensive income and, therefore, has not included a Statement of Comprehensive Income in the consolidated financial statements.

New Accounting Pronouncements:

In July 2001, the FASB issued SFAS No. 141 "Business Combinations." SFAS No. 141 supersedes Accounting Principles Board ("APB") No. 16 and requires that any business combinations initiated after June 30, 2001 be accounted for as a purchase; therefore, eliminating the pooling-of-interest method defined in APB 16. The statement is effective for any business combination initiated after June 30, 2001 and applies to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001 or later. The adoption did not have a material impact on the Company's financial position or results of operations as the Company has not participated in such activities covered under this pronouncement after the effective date.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

(1) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangibles." SFAS No. 142 addresses the initial recognition, measurement and amortization of intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) and addresses the amortization provisions for excess cost over fair value of net assets acquired or intangibles acquired in a business combination. The statement is effective for fiscal years beginning after December 15, 2001, and is effective July 1, 2001 for any intangibles acquired in a business combination initiated after June 30, 2001. The adoption of this statement had no effect to the Company's financial position or results of operations.

In October 2001, the FASB recently issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires companies to record the fair value of a liability for asset retirement obligations in the period in which they are incurred. The statement applies to a company's legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, and development or through the normal operation of a long-lived asset. When a liability is initially recorded, the company would capitalize the cost, thereby increasing the carrying amount of the related asset. The capitalized asset retirement cost is depreciated over the life of the respective asset while the liability is accreted to its present value. Upon settlement of the liability, the obligation is settled at its recorded amount or the company incurs a gain or loss. The statement is effective for fiscal years beginning after June 30, 2002. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Statement 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets. The statement provides a single accounting model for long-lived assets to be disposed of. New criteria must be met to classify the asset as an asset held-for-sale. This statement also focuses on reporting the effects of a disposal of a segment of a business. This statement is effective for fiscal years beginning after

December 15, 2001. The adoption of this statement had no effect to the Company's financial position or results of operations.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

(1) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions--an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions is effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

(1) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

(2) Related Party Transactions:

Office and Administrative Expenses

The Company neither owns nor leases any real or personal property. A stockholder provides office services without charge. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein.

TOGS FOR TYKES, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Related Party Transactions, Continued:

Due to Stockholder

A stockholder of the Company has advanced non-interest bearing funds for the Company to use for financing short-term working capital.

(3) Stockholders' Equity:

The aggregate number of stock that the Company has authority to issue is 25,000,000 shares, of which 20,000,000 shares shall be common stock at a par value of $0.001 and 5,000,000 shares shall be preferred stock at a par value of $0.001.

The Board of Directors shall have the authority from time to time to divide the preferred shares into series and to fix by resolution the voting powers, designation, preferences, and relative participating, and other special rights, qualifications, limitations or restrictions of the shares of any series established. As December 31, 2001, the

Board of Directors has not established any series of preferred shares.

On November 11, 1997, the Company sold 900,000 shares of the Company's common stock, which was valued at $15,000, to the officers and directors for $300. In connection with this sale the Company recognized a compensation expense of $14,700. Also, during November 1997, the Company completed a private placement selling 132,000 shares of the Company's common stock for $2,200.

In June 2001, the Company issued 4,500,000 shares of its common stock, which was valued at $15,000, to officers and directors for services. In connection with this issuance the Company recognized compensation expense of $15,000.

In December 2001, the Board of Directors authorized a stock split of the Company's common stock 3:1, thus increasing the number of issued and outstanding shares of the Company's common stock from 1,844,000 to 5,532,000. All applicable share and per share data presented have been adjusted for the stock split.

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Item 8. Changes in and Disagreements with Accountants.

There have been no changes in or disagreements with our accountants since our formation required to be disclosed pursuant to Item 304 of Regulation S-B.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons.

Executive Officers and Directors.

The following table sets forth information regarding our executive officers and directors as well as other key members of our management.

Name	Age	Position
Becky Bauer	36	President and a Director
Brook Messick	33	Secretary, Treasurer and a Director

Becky Bauer. Ms. Bauer has been our president and one of our directors since June 2001. Ms. Bauer has over 12 years of experience in the retail and fashion industry and has been involved in all facets of production from inception of design to selling the finished product at trade shows and in house sales. From 1995 to 1997, Ms. Bauer worked as a sales associate for Nordstrom department store in Costa Mesa, California. From 1997 to 2000, Ms. Bauer worked as a store manager and sales representative for Tommy Hilfiger in Beverly Hills, California. Beginning in 1999 and ending in 2000, Ms. Bauer worked for Comptoir Sud Pacifique in Beverly Hills, California. From 2000 to the present, Ms. Bauer has worked as a store manager Liz Lange Maternity in Beverly Hills, California. Ms. Bauer attended Platt College of Graphic Design where she earned an Associate of Arts degree in 1996 with an emphasis on fashion design. Ms. Bauer is not an officer or a director of any reporting company.

Brook Messick. Ms. Messick has been our secretary, treasurer and one of our directors since June 2001. From 1994 to 1996, Ms. Messick worked as a sales consultant for Epicuren in Mission Viejo, California. From 1996 to 1997, Ms. Messick worked as a sales consultant for Eddie Bauer department store. From 1997 to 1998, Ms. Messick worked for Mr. Plant. From 1998 to 2000, Ms. Messick worked for On the Border. From 2000 to present, Ms. Messick has worked for Liz Lange Maternity in Beverly Hills, California. Ms. Messick is not an officer or a director of any reporting company.

There is no family relationship between any of our officers or directors. There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony, nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

Our directors will serve until the next annual meeting of stockholders. Our executive officers are appointed by our Board of Directors and serve at the discretion of the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance. Our officers, directors, and principal shareholders have filed all reports required to be filed on, respectively, a Form 3 (Initial Statement of Beneficial Ownership of Securities), a Form 4 (Statement of Changes of Beneficial Ownership of Securities), or a Form 5 (Annual Statement of Beneficial Ownership of Securities).

Item 10. Executive Compensation

Any compensation received by our officers, directors, and management personnel will be determined from time to time by our Board of Directors. Our officers, directors, and management personnel will be reimbursed for any out-of-pocket expenses incurred on our behalf.

Summary Compensation Table. The table set forth below summarizes the annual and long-term compensation for services in all capacities to us for the year ended payable to our President and our other executive officers during the year ending December 31, 2002. Our Board of Directors may adopt an incentive stock option plan for our executive officers which would result in additional compensation.

Name and Principal Position	Year	Annual Salary ($)	Bonus ($)	Other Annual Compensation ($)
Becky Bauer, President, Director	2002	None	None	None

Brook Messick, Secretary, Treasurer, Director	2002	None	None	None

Compensation of Directors. Our directors who are also our employees receive no extra compensation for their service on our Board of Directors.

Compensation of Officers. As of April 30, 2003, our officers have received no compensation for their services provided to us.

Employment Contracts. We do not anticipate that we will enter into any employment contracts with any of our employees.

Stock Option Plan. We anticipate that we will adopt a stock option plan, pursuant to which shares of our common stock will be reserved for issuance to satisfy the exercise of options. The stock option plan will be designed to retain qualified and competent officers, employees, and directors. Our Board of Directors, or a committee thereof, shall administer the stock option plan and will be authorized, in its sole and absolute discretion, to grant options thereunder to all of our eligible employees, including officers, and to our directors, whether or not those directors are also our employees. Options will be granted pursuant to the provisions of the stock option plan on such terms, subject to such conditions and at such exercise prices as shall be determined by our Board of Directors. Our stock option plan and the stock option agreements will provide that options granted pursuant to the stock option plan shall not be exercisable after the expiration of ten years from the date of grant.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

Security Ownership of Certain Beneficial Owners. Other than directors and officers, there are no beneficial owners of 5% or more of our issued and outstanding common stock.

Security Ownership by Management. The following table specifies the number of shares of common stock owned by our officers and directors.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Owner
Common Stock	Becky Bauer, president, secretary, director	3,000,000 shares
Common Stock	Brook Messick, secretary, treasurer, director	1,500,000 shares
Common Stock		All directors and named executive officers as a group

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. In accordance with Securities and Exchange Commission rules, shares of our common stock which may be acquired upon exercise of stock options or warrants which are currently exercisable or which become exercisable within 60 days of the date of the table are deemed beneficially owned by the optionees. Subject to community property laws, where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of our common stock indicated as beneficially owned by them.

Changes in Control. We are not aware of any arrangements which may result in "changes in control" as that term is defined by the provisions of Item 403 of Regulation S-B.

Item 12. Certain Relationships and Related Transactions.

Conflicts Related to Other Business Activities. The persons serving as our officers and directors have existing responsibilities and, in the future, may have additional responsibilities, to provide management and services to other entities in addition to us. As a result, conflicts of interest between us and the other activities of those persons may occur from time to time. Specifically, Becky Bauer, our president and a member of our board of directors, and Brook Messick, our secretary and a member of our board of directors, both work at Liz Lange Maternity. Their responsibilities to Liz Lange Maternity may interfere with their responsibilities to us as they may be forced to spend less time on our business if they are required to devote more time to Liz Lange Maternity.

We will attempt to resolve any such conflicts of interest in our favor. Our officers and directors are accountable to us and our shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling our affairs. A shareholder may be able to institute legal action on our behalf or on behalf of that shareholder and all other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts in any manner prejudicial to us.

Related Party Transactions. There have been no related party transactions, except for the following:

Becky Bauer, our president and a member of our board of directors, currently provides office space to us at no charge. We do not have a written lease agreement with Ms. Bauer. We do not believe that she will require that we reimburse her for providing office space.

Brook Messick, our corporate secretary and a member of our board of directors, has agreed to provide storage facilities for our initial inventory. We do not believe we will enter into a written lease agreement with Ms. Messick. Moreover, we do not believe that Ms. Messick will require us to reimburse her for providing storage facilities.

As of April 30, 2003, a former shareholder we owed $10,718 which was lent to us to use as working capital. The funds bear no interest and the stockholder has agreed to accept repayment if and when funds are available for repayment.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions, including, but not limited to, the following:

- disclose such transactions in prospectus where required;
- disclose in any and all filings with the Securities and Exchange Commission, where required;
- obtain disinterested directors' consent; and

- obtain shareholder consent where required.

Item 13. Exhibits and Reports on Form 8-K

(a) Exhibit No.

3.1	Articles of Incorporation*
3.2	Certificate of Amendment to Articles of Incorporation*
3.3	Bylaws*
99.1	Section 906 Certification by Chief Executive Officer
99.2	Section 906 Certification by Chief Financial Officer

* Included in the registration statement on Form 10-SB filed on February 28, 2002.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the period covered by this annual report on Form 10-KSB.

Item 14. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were adequate.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned in the City of Cypress, California, on April 30, 2003.

Togs for Tykes, Inc.
a Nevada corporation

By: /s/ Becky Bauer

Becky Bauer
Its: principal executive officer
president and a director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Becky Bauer April 30, 2003

Becky Bauer
Its: principal executive officer
president and a director

By: /s/ Brook Messick April 30, 2003

Brook Messick
Its: secretary, treasurer and a director

CERTIFICATIONS

I, Becky Bauer, certify that:

1. I have reviewed this annual report on Form 10-KSB of Togs for Tykes, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Becky Bauer

Becky Bauer
Chief Executive Officer

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CERTIFICATIONS

I, Brook Messick, certify that:

1. I have reviewed this annual report on Form 10-KSB of Togs for Tykes, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial

information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Brook Messick

Brook Messick
Chief Financial Officer

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(19,000,835
)
Accumulated other comprehensive loss
(2,589
)

(2,998
)
Total stockholders' deficit
(1,031,410
)

(883,466
)
Total liabilities and stockholders' deficit
$
2,577,305

$
2,134,464

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$265,780	$255,022	$786,741	$754,200
Costs and expenses:				
Cost of revenues	47,218	46,933	143,792	140,948
Sales and marketing	20,966	24,304	67,677	68,244
Research and development	15,019	16,320	48,518	50,453
General and administrative	28,115	27,965	79,090	72,349
Total costs and expenses	111,318	115,522	339,077	331,994
Operating income	154,462	139,500	447,664	422,206
Interest expense	(28,544)	(21,533)	(79,064)	(64,408)
Non-operating (loss) income, net	(3,975)	(6,473)	(6,329)	5,037
Income before income taxes	121,943	111,494	362,271	362,835
Income tax expense	(29,486)	(16,305)	(88,565)	(73,047)
Net income	92,457	95,189	273,706	289,788
Realized foreign currency translation adjustments, included in net income	—	—	(291)	—
Unrealized gain on investments	565	59	799	34
Realized (gain) loss on investments, included in net income	(26)	(1)	(99)	2
Other comprehensive income	539	58	409	36
Comprehensive income	$92,996	$95,247	$274,115	$289,824
Income per share:				
Basic	$0.82	$0.77	$2.38	$2.25
Diluted	$0.70	$0.69	$2.06	$2.03
Shares used to compute net income per share:				
Basic	112,955	124,109	115,235	128,924
Diluted	131,721	138,112	132,925	142,584

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$273,706	$289,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	46,554	47,924
Stock-based compensation	34,351	34,281
Excess tax benefit associated with stock-based compensation	(19,420)	(8,566)
Unrealized loss (gain) on contingent interest derivative on Subordinated Convertible Debentures	9,058	(3,953)
Payment of Contingent interest	(10,759)	—
Other, net	8,161	7,470
Changes in operating assets and liabilities		
Accounts receivable	(1,319)	(2,550)
Prepaid expenses and other assets	2,967	31,349
Accounts payable and accrued liabilities	14,658	(2,540)
Deferred revenues	49,787	37,237
Net deferred income taxes and other long-term tax liabilities	55,203	36
Net cash provided by operating activities	462,947	430,476
Cash flows from investing activities:		
Proceeds from maturities and sales of marketable securities	1,965,767	2,425,259
Purchases of marketable securities	(2,443,865)	(2,281,523)
Purchases of property and equipment	(28,659)	(30,058)
Other investing activities	(3,666)	351
Net cash (used in) provided by investing activities	(510,423)	114,029
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	14,690	15,816
Repurchases of common stock	(492,575)	(673,540)
Proceeds from borrowings, net of issuance costs	492,237	—
Excess tax benefit associated with stock-based compensation	19,420	8,566
Net cash provided by (used in) financing activities	33,772	(649,158)
Effect of exchange rate changes on cash and cash equivalents	(33)	(621)
Net decrease in cash and cash equivalents	(13,737)	(105,274)
Cash and cash equivalents at beginning of period	191,608	339,223
Cash and cash equivalents at end of period	$177,871	$233,949
Supplemental cash flow disclosures:		
Cash paid for interest, net of capitalized interest	$68,678	$57,767
Cash paid for income taxes, net of refunds received	$13,289	$34,937

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1. Basis of Presentation
Interim Financial Statements
The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. ("Verisign" or the "Company") in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in Verisign's fiscal 2014 Annual Report on Form 10-K (the "2014 Form 10-K") filed with the SEC on February 13, 2015.
Reclassifications
Certain reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.
Recent Accounting Pronouncements
On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will become effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.
In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a reduction of the related liability rather than an asset. The Company elected to adopt this ASU effective June 30, 2015, and as a result, approximately $25.6 million and $20.4 million of debt issuance costs as of September 30, 2015 and December 31, 2014, respectively, are presented as a reduction of the related debt obligations.

Note 2. Cash, Cash Equivalents, and Marketable Securities
The following table summarizes the Company's cash, cash equivalents, and marketable securities:

	September 30, 2015	December 31, 2014
	(In thousands)	
Cash	$72,290	$110,799
Money market funds	113,223	85,453
Time deposits	4,052	3,384
Debt securities issued by the U.S. Treasury	1,712,986	1,233,076
Equity securities of public companies	101	—
Total	$1,902,652	$1,432,712
Included in Cash and cash equivalents	$177,871	$191,608
Included in Marketable securities	$1,713,087	$1,233,076
Included in Other long-term assets (Restricted cash)	$11,694	$8,028

The fair value of the debt securities held as of September 30, 2015 was $1.7 billion, including approximately $0.8 million of gross and net unrealized gains. All of the debt securities held as of September 30, 2015 are scheduled to mature in less than one year.

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Note 3. Fair Value of Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company’s financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	Total Fair Value (In thousands)	Fair Value Measurement Using (Level 1)	(Level 2)	(Level 3)
As of September 30, 2015:				
Assets:				
Investments in money market funds	$113,223	$113,223	$—	$—
Debt securities issued by the U.S. Treasury	1,712,986	1,712,986	—	—
Equity securities of public companies	101	101	—	—
Foreign currency forward contracts (1)	284	—	284	—
Total	$1,826,594	$1,826,310	$284	$—
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	$25,054	$—	$—	$25,054
Foreign currency forward contracts (2)	133	—	133	—
Total	$25,187	$—	$133	$25,054
As of December 31, 2014:				
Assets:				
Investments in money market funds	$85,453	$85,453	$—	$—
Debt securities issued by the U.S. Treasury	1,233,076	1,233,076	—	—
Foreign currency forward contracts (1)	330	—	330	—
Total	$1,318,859	$1,318,529	$330	$—
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	$26,755	$—	$—	$26,755
Foreign currency forward contracts (2)	169	—	169	—
Total	$26,924	$—	$169	$26,755

(1) Included in Other current assets
(2) Included in Accounts payable and accrued liabilities

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

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

The fair value of the equity securities of public companies is based on quoted market prices and are classified as Level 1. Investments in equity securities of public companies are included in Marketable securities.

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

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The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the subordinated convertible debentures due 2037 ("the Subordinated Convertible Debentures"). The inputs to the model include stock price, bond price, risk free interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant unobservable inputs. As of September 30, 2015, the valuation of the contingent interest derivative assumed a volatility rate of approximately 25% and a credit spread of approximately 5%. The fair value of the contingent interest derivative would not have significantly changed using a volatility rate of either 20% or 30%, or a credit spread of either 4% or 6%.

The following table summarizes the change in the fair value of the Company's contingent interest derivative on the Subordinated Convertible Debentures during the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Beginning balance	$25,841	$18,489	$26,755	$29,004
Payment of contingent interest	(5,534)	—	(10,759)	—
Unrealized loss (gain)	4,747	6,562	9,058	(3,953)
Ending balance	$25,054	$25,051	$25,054	$25,051

In August 2015, the upside trigger on the Subordinated Convertible Debentures was met for the six month interest period from August 15, 2015 through February 15, 2016. The $6.4 million contingent interest payable in February 2016 is included in the balance of the contingent interest derivative on the Subordinated Convertible Debentures as of September 30, 2015.

Other

The Company's other financial instruments include cash, accounts receivable, restricted cash, and accounts payable. As of September 30, 2015, the carrying value of these financial instruments approximated their fair value. The fair value of the Company's Subordinated Convertible Debentures was $2.6 billion as of September 30, 2015. The fair values of the senior notes due 2023 (the "2023 Senior Notes") and the senior notes due 2025 (the "2025 Senior Notes") were $734.1 million and $504.7 million, respectively, as of September 30, 2015. The fair values of these debt instruments are based on available market information from public data sources and are classified as Level 2.

Note 4. Other Balance Sheet Items

Other Current Assets

Other current assets consist of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Income tax and other receivables	$18,458	$24,821
Prepaid expenses	16,018	16,190
Deferred tax assets and other assets	992	894
Total other current assets	$35,468	$41,905

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Other Long-Term Assets

Other long-term assets consist of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Long-term restricted cash	11,694	8,028
Other tax receivable	5,673	5,673
Long-term prepaid expenses and other assets	6,729	2,217
Total other long-term assets	$24,096	$15,918

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2015	December 31, 2014
	(In thousands)	
Accounts payable	$18,362	$29,335
Accrued employee compensation	38,959	49,470
Customer deposits	34,260	30,103
Income taxes payable and other tax liabilities	40,623	47,079
Accrued interest	33,144	21,138
Other accrued liabilities	14,758	13,153
Total accounts payable and accrued liabilities	$180,106	$190,278

Accrued employee compensation primarily consists of liabilities for employee leave, salaries, payroll taxes, employee contributions to the employee stock purchase plan, and incentive compensation. Accrued employee incentive compensation as of December 31, 2014, was paid during the nine months ended September 30, 2015. Income taxes payable and other tax liabilities decreased in the nine months ended September 30, 2015 as a result of payments made for income taxes in certain non-U.S. jurisdictions. Accrued interest includes coupon interest on the Subordinated Convertible Debentures, the 2023 Senior Notes and the 2025 Senior Notes.

Note 5. Stockholders' Deficit

On January 30, 2015, the Company's Board of Directors approved an additional authorization for share repurchases of approximately $452.9 million of its common stock in addition to the $547.1 million remaining available for repurchases of its common stock under the previous share buyback program for a total repurchase authorization of up to $1.0 billion of its common stock. The share buyback program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. During the three and nine months ended September 30, 2015 the Company repurchased 2.3 million and 7.5 million shares of its common stock, respectively, at an average stock price of $67.45 and $62.88, respectively. The aggregate cost of the repurchases in the three and nine months ended September 30, 2015 was $156.0 million and $471.8 million, respectively. As of September 30, 2015, $604.6 million remained available for further repurchases under the share buyback program.

During the nine months ended September 30, 2015, the Company placed 0.3 million shares, at an average stock price of $63.70, and for an aggregate cost of $20.8 million, into treasury stock for purposes related to tax withholding upon vesting of Restricted Stock Units ("RSUs").

Since inception the Company has repurchased 211.1 million shares of its common stock for an aggregate cost of $7.2 billion, which is presented as a reduction of Additional paid-in capital.

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Note 6. Calculation of Net Income per Share

The following table presents the computation of weighted-average shares used in the calculation of basic and diluted net income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Weighted-average shares of common stock outstanding	112,955	124,109	115,235	128,924
Weighted-average potential shares of common stock outstanding:				
Conversion spread related to the Subordinated Convertible Debentures	18,024	13,228	16,936	12,935
Unvested RSUs	722	730	724	670
Employee stock purchase plan and stock options	20	45	30	55
Shares used to compute diluted net income per share	131,721	138,112	132,925	142,584

The calculation of diluted weighted average shares outstanding, excludes potentially dilutive securities, the effect of which would have been anti-dilutive, as well as performance based RSUs granted by the Company for which the relevant performance criteria have not been achieved. The number of potential shares excluded from the calculation was not significant in any period presented.

Note 7. Stock-based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Cost of revenues	$1,722	$1,618	$5,202	$4,748
Sales and marketing	1,683	2,234	4,800	5,902
Research and development	1,478	1,678	4,890	5,189
General and administrative	7,339	9,386	19,459	18,442
Total stock-based compensation expense	$12,222	$14,916	$34,351	$34,281

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
RSUs	$9,871	$9,669	$27,375	$24,450
Performance-based RSUs	2,041	4,897	5,879	8,795
Employee stock purchase plan	958	1,046	3,152	3,124
Capitalization (Included in Property and equipment, net)	(648)	(696)	(2,055)	(2,088)
Total stock-based compensation expense	$12,222	$14,916	$34,351	$34,281

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Note 8. Debt and Interest Expense

Senior Notes due 2025

On March 27, 2015, the Company issued $500.0 million principal amount of 5.25% senior unsecured notes due April 1, 2025. The proceeds are being used for general corporate purposes, including, but not limited to, the repurchase of shares of its common stock under its share buyback program. In connection with the offering the Company incurred $6.5 million of issuance costs which are presented as a reduction of the Senior Notes liability subsequent to the adoption of ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The issuance costs will be amortized to Interest expense over the 10 year term of the notes. The Company will pay interest on the notes semi-annually on April 1 and October 1, commencing on October 1, 2015.

The Company may redeem the 2025 Senior Notes, in whole or in part, at any time at the Company's option at specified redemption prices. The Company entered into a registration rights agreement (the "Registration Rights Agreement") with the initial purchasers that provided holders of the notes certain rights relating to registration of the notes under the Securities Act of 1933, as amended. In July 2015, the Company completed an exchange of $499.8 million of its outstanding 2025 Senior Notes, which were not registered under the Securities Act, for an equal principal amount of its 2025 Senior Notes, which have been registered under the Securities Act on an effective exchange offer registration statement filed by the Company pursuant to the Registration Rights Agreement.

2015 Credit Facility

On March 31, 2015, the Company entered into a new credit agreement for a $200.0 million committed senior unsecured revolving credit facility (the "2015 Credit Facility"). The 2015 Credit Facility replaces the Company's 2011 Credit Facility which was set to expire in November 2016. The terms of the 2015 Credit Facility are substantially similar to the terms of the previous 2011 Credit Facility. The 2015 Credit Facility includes financial covenants requiring that the Company's interest coverage ratio not be less than 3.0 to 1.0 for any period of four consecutive quarters and the Company's leverage ratio not exceed 2.5 to 1.0. As of September 30, 2015, there were no borrowings outstanding under the facility and the Company was in compliance with the financial covenants. The 2015 Credit Facility expires on April 1, 2020 at which time any outstanding borrowings are due.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Contractual interest on the Subordinated Convertible Debentures	$10,156	$10,156	$30,469	$30,469
Contractual interest on the 2023 Senior Notes	8,672	8,672	26,015	26,015
Contractual interest on the 2025 Senior Notes	6,563	—	13,490	—
Amortization of debt discount on the Subordinated Convertible Debentures	2,581	2,375	7,585	6,986
Credit facility fees and amortization of debt issuance costs	734	497	1,973	1,482
Interest capitalized to Property and equipment, net	(162)	(167)	(468)	(544)
Total interest expense	$28,544	$21,533	$79,064	$64,408

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Unrealized (loss) gain on contingent interest derivative on Subordinated Convertible Debentures	$(4,747)	$(6,562)	$(9,058)	$3,953
Interest income	639	197	1,271	708
Other, net	133	(108)	1,458	376
Total non-operating (loss) income, net	$(3,975)	$(6,473)	$(6,329)	$5,037

Unrealized losses and gains on the contingent interest derivative on the Subordinated Convertible Debentures reflect the change in value of the derivative that results primarily from changes in the Company's stock price. Interest income is earned principally from the Company's surplus cash balances and marketable securities.

Note 10. Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Income tax expense	$29,486	$16,305	$88,565	$73,047
Effective tax rate	24%	15%	24%	20%

The effective tax rate for the three and nine months ended September 30, 2015 and 2014 is lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock-based compensation. The effective tax rate for the three and nine months ended September 30, 2014 was also reduced by discrete income tax benefits recognized as a result of changes in estimates of U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries. The Company recognized a discrete tax benefit of $5.2 million in the second quarter of 2014 and an additional $11.4 million during the third quarter of 2014 related to these changes.

Current deferred tax liabilities and Other long-term tax liabilities as of September 30, 2015 reflect the use of a portion of U.S. foreign tax credits during the nine months ended September 30, 2015, an increase in the deferred tax liability related to the Subordinated Convertible Debentures, and the reclassification of unrecognized tax benefits.

The Company's federal income tax returns for 2010, 2011 and 2012 continue to be under examination by the Internal Revenue Service ("the IRS"). During the three months ended September 30, 2015, the Company received notification that its federal income tax returns for 2013 and 2014 are also under examination by the IRS.

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Note 11. Contingencies

Legal Proceedings

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

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

Indemnifications

In connection with the sale of the Authentication Services business to Symantec in August 2010, the Company agreed to indemnify Symantec for certain potential legal claims arising from the operation of the Authentication Services business for a period of sixty months after the closing of the sale transaction. The Company’s indemnification obligations in this regard expired in August 2015 with no liability to the Company.

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

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You should also carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2015 and our 2014 Form 10-K, which was filed on February 13, 2015, which discuss our business in greater detail. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We are a global provider of domain name registry services and Internet security, enabling Internet navigation for many of the world's most recognized domain names and providing protection for websites and enterprises around the world. Our Registry Services ensure the security, stability and resiliency of key Internet infrastructure and services, including the .com and .net domains, two of the Internet's root servers, and the operation of the root zone maintainer function for the core of the Internet's DNS. Our product suite also includes Security Services, which was formerly known as Network Intelligence and Availability, or NIA Services, consisting of DDoS Protection Services, iDefense Services, and Managed DNS Services. As of September 30, 2015, we had approximately 135.2 million names in the domain name base for .com and .net, our principal registries. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of Internet users, as well as advertising and promotional activities carried out by us and third-party registrars. Growth in the number of domain names under our management may be hindered by certain factors, including overall economic conditions, the growth of ccTLDs, the introduction and growth of new gTLDs, and ongoing changes to algorithms used by Internet search engines that negatively affect the profitability of certain types of websites, and as a result, reduce demand for new domain name registrations and renewals. Revenues from Security Services are not significant in relation to our consolidated revenues.

Business Highlights and Trends

- We recorded revenues of $265.8 million and $786.7 million during the three and nine months ended September 30, 2015. This represents an increase of 4% as compared to the same periods in 2014.
- We recorded operating income of $154.5 million and $447.7 million during the three and nine months ended September 30, 2015. This represents an increase of 11% and 6%, respectively, as compared to the same periods in 2014.
- We added 1.7 million net new names during the third quarter, ending with 135.2 million names in the domain name base for .com and .net, which represents a 3% increase over the base at the end of the third quarter in 2014, as calculated including domain names on hold for both periods.
- During the three months ended September 30, 2015, we processed 9.2 million new domain name registrations for .com and .net as compared to 8.7 million for the same period in 2014.
- The final .com and .net renewal rate for the second quarter of 2015 was 72.7% compared with 71.8% for the same quarter in 2014. Renewal rates are not fully measurable until 45 days after the end of the quarter.
- During the three months ended September 30, 2015, we repurchased 2.3 million shares of our common stock under the share buyback program for $156.0 million. As of September 30, 2015, $604.6 million remained available for

further repurchases under our share buyback program.

- Through October 21, 2015, we repurchased an additional 0.5 million shares for $35.2 million under our share buyback program.

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- We generated cash flows from operating activities of $462.9 million during the nine months ended September 30, 2015, an increase from $430.5 million in the same period last year.

Pursuant to our agreements with ICANN, we make available on our website (at www.Verisign.com/zone) files containing all active domain names registered in the .com and .net registries. At the same website address, we make available a summary of the active zone count registered in the .com and .net registries and the number of .com and .net domain names in the domain name base. The domain name base is the active zone plus the number of domain names that are registered but not configured for use in the respective top level domain zone file plus the number of domain names that are in a client or server hold status. These files and the related summary data are updated at least once per day. The update times may vary each day. The number of domain names provided in this Form 10-Q are as of midnight of the date reported. Information available on, or accessible through, our website is not incorporated herein by reference.

Results of Operations

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
Revenues	100	%	100	%	100	%	100	%
Costs and expenses:								
Cost of revenues	18		18		18		19	
Sales and marketing	8		10		9		9	
Research and development	5		6		6		7	
General and administrative	11		11		10		9	
Total costs and expenses	42		45		43		44	
Operating income	58		55		57		56	
Interest expense	(11	)	(8	)	(10	)	(9	)
Non-operating (loss) income, net	(1	)	(3	)	(1	)	1	
Income before income taxes	46		44		46		48	
Income tax expense	(11	)	(7	)	(11	)	(10	)
Net income	35	%	37	%	35	%	38	%

Revenues

Revenues related to our Registry Services are primarily derived from registrations for domain names in the .com and .net domain name registries. We also derive revenues from operating domain name registries for several TLDs and from providing back-end registry services to a number of TLD registry operators, all of which are not significant in relation to our consolidated revenues. For domain names registered with the .com and .net registries we receive a fee from third-party registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with third-party registrars or their resellers, and the third-party registrars in turn register the domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of Internet users, as well as advertising and promotional activities carried out by us and third-party registrars. We increased the annual fee for a .net domain name registration from $5.62 to $6.18 on February 1, 2014, and from $6.18 to $6.79 on February 1, 2015. On July 23, 2015, we announced an increase in the annual fee for a .net domain name registration from $6.79 to $7.46, effective February 1, 2016. We have the contractual right to increase the fees for .net domain name registrations by up to 10% each year during the term of our .net agreement with ICANN through June 30, 2017. The annual fee for a .com domain name registration is fixed at $7.85 for the duration of the current .com Registry Agreement through November 30, 2018, except that prices may be raised by up to 7% each year due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the

Security and Stability (each as defined in the .com Registry Agreement) of the DNS, subject to approval of the DOC. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All fees paid to us for .com and .net registrations are in U.S. dollars. Revenues from Security Services are not significant in relation to our total consolidated revenues.

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A comparison of revenues is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
Revenues	$265,780	4 %	$255,022	$786,741	4 %	$754,200

The following table compares domain name base for .com and .net managed by our Registry Services business:

	September 30, 2015	% Change	September 30, 2014
Domain name base for .com and .net (1)	135.2 million	3 %	130.7 million

(1) The domain name base for .com and .net presented above for each period, includes domain names that are in a client or server hold status. The domain names that are on a hold status were not previously included in the numbers reported in prior filings from 2014 and earlier; however, the prior period amounts reported in this Form 10-Q have been adjusted to include domain names on a hold status to allow for direct comparisons

Revenues increased by $10.8 million and $32.5 million during the three and nine months ended September 30, 2015, respectively, as compared to the same periods last year, primarily due to an increase in revenues from the operation of the registries for the .com and .net TLDs. The increase was driven by a 3% increase in the number of domain names ending in .com and .net in each period and an increase in the .net domain name registration fees in February 2014 and 2015.

Growth in the domain name base was primarily driven by continued Internet growth and new domain name promotional programs. However, ongoing economic uncertainty, competitive pressure from ccTLDs, the introduction of new gTLDs, and ongoing changes to algorithms used by Internet search engines, has limited the rate of growth of the domain name base in recent years and may continue to do so in the fourth quarter and beyond. During the third quarter of 2015 we experienced an increase in the level of new domain name registrations from registrars in emerging and international markets, particularly in Asia. While we expect to see continued growth in the domain name base during the remainder of 2015, we do not believe the recent level of new registrations in these markets will continue at the same pace during the fourth quarter. Also, due to seasonal factors, the fourth quarter tends to have fewer net additions than the third quarter as we have experienced in recent years.

We expect revenues will continue to increase in the remainder of 2015, as a result of continued growth in the aggregate number of domain names ending in .com and .net and increases in the .net domain name registration fees in February 2014 and 2015.

Geographic revenues

We generate revenues in the U.S.; Australia, China, India and other Asia Pacific countries (“APAC”); Europe, the Middle East and Africa (“EMEA”); and certain other countries including Canada and Latin American countries.

The following table presents a comparison of our geographic revenues:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
U.S.	$160,708	4 %	$155,098	$477,424	4 %	$460,017
EMEA	48,891	7 %	45,886	144,130	6 %	136,088
APAC	37,520	8 %	34,821	108,878	9 %	99,791
Other	18,661	(3)%	19,217	56,309	(3)%	58,304
Total revenues	$265,780		$255,022	$786,741		$754,200

Revenues for our Registry Services business are attributed to the country of domicile and the respective regions in which our registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region. Although revenues continued to grow in the more mature markets of the U.S. and EMEA, the emerging markets in the APAC region saw the highest growth rate for both the three and nine months ended September 30, 2015.

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Cost of revenues

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

A comparison of cost of revenues is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
Cost of revenues	$47,218	1 %	$46,933	$143,792	2 %	$140,948

Cost of revenues remained consistent during the three months ended September 30, 2015, as compared to the same period last year.

Cost of revenues increased by $2.8 million during the nine months ended September 30, 2015, as compared to the same period last year, primarily due to a $2.7 million increase in salary and employee benefits expenses and a $1.5 million increase in registry fee expenses, partially offset by a $1.4 million decrease in telecommunication expenses. Salary and employee benefits expenses increased primarily due to an increase in average headcount and increases in salary, bonus and allocated benefit expenses. Registry fees due to ICANN increased by $1.5 million resulting from an increase in the volume of .com registrations and renewals. Telecommunication expenses decreased primarily due to savings realized on renewals of colocation agreements.

We expect cost of revenues as a percentage of revenues to remain consistent during the remainder of 2015 compared to the nine months ended September 30, 2015.

Sales and marketing

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

A comparison of sales and marketing expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
Sales and marketing	$20,966	(14)%	$24,304	$67,677	(1)%	$68,244

Sales and marketing expenses decreased by $3.3 million during the three months ended September 30, 2015, as compared to the same period last year, primarily due to a decrease in advertising and consulting expenses that resulted from differences in the timing of channel marketing programs for our Registry Services business, as 2014 programs generally began later in the year than the 2015 programs.

Sales and marketing expenses remained consistent during the nine months ended September 30, 2015, as compared to the same period last year.

We expect sales and marketing expenses as a percentage of revenues to remain consistent during the remainder of 2015 compared to the nine months ended September 30, 2015.

Research and development

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

A comparison of research and development expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
Research and development	$15,019	(8)%	$16,320	$48,518	(4)%	$50,453

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Research and development expenses decreased slightly in both the three and nine months ended September 30, 2015 compared to the same periods of last year, due to decreases in salary and employee benefits expenses resulting from a decrease in average headcount during 2015.

We expect research and development expenses as a percentage of revenues to remain consistent during the remainder of 2015 compared to the nine months ended September 30, 2015.

General and administrative

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

A comparison of general and administrative expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	% Change	2014	2015	% Change	2014
	(Dollars in thousands)					
General and administrative	$28,115	1 %	$27,965	$79,090	9 %	$72,349

General and administrative expenses remained consistent during the three months ended September 30, 2015, as compared to the same period last year. Legal expenses increased by $1.7 million primarily due to an increase in services performed by external legal counsel. Stock-based compensation expenses decreased by $2.0 million due to additional expense recognized in 2014 for certain performance-based RSUs which were recorded based on their period-end fair value.

General and administrative expenses increased by $6.7 million during the nine months ended September 30, 2015, as compared to the same period last year, primarily due to a $2.2 million expense for certain non-income related taxes, a $2.3 million increase in legal expenses, a $1.8 million increase in salary and employee benefits expenses, including stock-based compensation, and a $1.4 million increase in hardware and software expenses, partially offset by a $1.9 million decrease in contract and professional services expenses. Legal expenses increased by $2.3 million primarily due to an increase in services performed by external legal counsel. Salary and employee benefits expenses increased due to annual salary increases, and increased expenses related to insurance benefits. Stock based compensation expense increased due to the expense associated with new executive stock grants, an increase in expense related to performance-based RSUs, and the impact of new RSU grants which had a higher grant date fair value due to the increase in our stock price, partially offset by additional expense recognized in 2014 for certain performance-based RSUs which were recorded based on their period-end fair value. Hardware and software expenses increased primarily due to additional hardware maintenance costs supporting our network infrastructure. Contract and professional services expenses decreased due to reductions in consulting costs supporting various corporate functions.

We expect general and administrative expenses as a percentage of revenues to remain consistent during the remainder of 2015 compared to the nine months ended September 30, 2015.

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Interest expense

The following table presents the components of Interest expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Contractual interest on the Subordinated Convertible Debentures	$10,156	$10,156	$30,469	$30,469
Contractual interest on the 2023 Senior Notes	8,672	8,672	26,015	26,015
Contractual interest on the 2025 Senior Notes	6,563	—	13,490	—
Amortization of debt discount on the Subordinated Convertible Debentures	2,581	2,375	7,585	6,986
Credit facility fees and amortization of debt issuance costs	734	497	1,973	1,482
Interest capitalized to Property and equipment, net	(162)	(167)	(468)	(544)
Total interest expense	$28,544	$21,533	$79,064	$64,408

We expect interest expense as a percent of revenue to increase during the remainder of 2015 as compared to the nine months ended September 30, 2015 due to the additional interest on the 2025 Senior Notes.

Non-operating (loss) income, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Unrealized (loss) gain on contingent interest derivative on Subordinated Convertible Debentures	$(4,747)	$(6,562)	$(9,058)	$3,953
Interest income	639	197	1,271	708
Other, net	133	(108)	1,458	376
Total non-operating (loss) income, net	$(3,975)	$(6,473)	$(6,329)	$5,037

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

Income tax expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands)			
Income tax expense	$29,486	$16,305	$88,565	$73,047
Effective tax rate	24%	15%	24%	20%

The effective tax rate for the three and nine months ended September 30, 2015 and 2014 was lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock-based compensation. The effective tax rate for the three and nine months ended September 30, 2014 was also reduced by discrete income tax benefits recognized as a result of changes in estimates of U.S. income taxes related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries. We recognized a discrete tax benefit of $5.2 million in the second quarter of 2014 and an additional $11.4 million during the third quarter of 2014 related to these changes.

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Liquidity and Capital Resources

	September 30, 2015	December 31, 2014
	(In thousands)	
Cash and cash equivalents	$177,871	$191,608
Marketable securities	1,713,087	1,233,076
Total	$1,890,958	$1,424,684

As of September 30, 2015, our principal source of liquidity was $177.9 million of cash and cash equivalents and $1.7 billion of marketable securities. The marketable securities primarily consist of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist of amounts invested in money market funds.
As of September 30, 2015, all of our debt securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, "Cash, Cash Equivalents, and Marketable Securities," of our Notes to Condensed Consolidated Financial Statements in Part I, Item I of this Quarterly Report on Form 10-Q.
As of September 30, 2015, the amount of cash and cash equivalents and marketable securities held by foreign subsidiaries was $1.1 billion. Our intent remains to indefinitely reinvest these funds outside of the U.S. and accordingly, we have not provided deferred U.S. taxes for these funds. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds.
On March 27, 2015, we issued $500.0 million of 5.25% senior unsecured notes due April 1, 2025. The proceeds are being used for general corporate purposes, including, but not limited to, the repurchase of shares under our share repurchase program. On March 31, 2015, we entered into a new $200.0 million unsecured revolving credit facility. This facility will expire in 2020 and takes the place of our prior unsecured revolving credit facility. As of September 30, 2015, there were no borrowings outstanding under this credit facility.
As of September 30, 2015, we had $750.0 million principal amount outstanding of the 4.625% senior unsecured notes due 2023.
As of September 30, 2015, we had $1.25 billion principal amount outstanding of 3.25% subordinated convertible debentures due 2037. The price of our common stock exceeded the conversion price threshold trigger during the third quarter of 2015. Accordingly, the Subordinated Convertible Debentures are convertible at the option of each holder through December 31, 2015. We do not expect a material amount of the Subordinated Convertible Debentures to be converted in the near term as the trading price of the debentures exceeds the value that is likely to be received upon conversion. However, we cannot provide any assurance that the trading price of the debentures will continue to exceed the value that would be derived upon conversion or that the holders will not elect to convert the Subordinated Convertible Debentures. If a holder elects to convert its Subordinated Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the conversion value (as defined in the Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures that holders actually elect to convert exceeds our cash on hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert.
The Company paid contingent interest of $5.2 million in February 2015 and $5.5 million in August 2015 in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures. In August 2015, the upside trigger on the Subordinated Convertible Debentures was met for the six month interest period from August 15, 2015 through February 15, 2016. On February 15, 2016, we will pay contingent interest of $6.4 million in addition to the normal coupon interest to holders of record of the Subordinated Convertible Debentures as of February 1, 2016.

The upside trigger is met if the Subordinated Convertible Debentures' average trading price is at least 150% of par during the 10 trading days before each semi-annual interest period. The upside trigger is tested semi-annually for the following six months. The semi-annual upside contingent interest payment, for a given period, can be approximated by applying the annual rate of 0.5% to the aggregate market value of all outstanding Subordinated Convertible Debentures and dividing by two for that semi-annual period payment amount.

We derive significant tax savings from the Subordinated Convertible Debentures. During the nine months ended September 30, 2015 and 2014, the interest deduction, for income tax purposes, related to our Subordinated Convertible

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Debentures, excluding contingent interest, was $123.6 million and $116.2 million, respectively, compared to coupon interest expense of $30.5 million for each of the same periods. For income tax purposes, we deduct interest expense on the Subordinated Convertible Debentures calculated at 8.5% of the adjusted issue price, subject to adjustment for actual versus projected contingent interest. The adjusted issue price, and consequently the interest deduction for income tax purposes, grows over the term due to the difference between the interest deduction taken using a comparable yield of 8.5% on the adjusted issue price, and the coupon rate of 3.25% on the principal amount, compounded annually. The interest deduction taken is subject to recapture upon settlement to the extent that the amount paid (in cash or stock) to settle the Subordinated Convertible Debentures is less than the adjusted issue price. Interest recognized in accordance with GAAP, which is calculated at 8.39% of the liability component of the Subordinated Convertible Debentures, will also grow over the term, but at a slower rate. This difference will result in a continuing increase in the deferred tax liability on our Condensed Consolidated Balance Sheet.

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

In summary, our cash flows for the nine months ended September 30, 2015 and 2014 are as follows:

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Net cash provided by operating activities	$462,947	$430,476
Net cash (used in) provided by investing activities	(510,423)	114,029
Net cash provided by (used in) financing activities	33,772	(649,158)
Effect of exchange rate changes on cash and cash equivalents	(33)	(621)
Net decrease in cash and cash equivalents	$(13,737)	$(105,274)

Cash flows from operating activities

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

Net cash provided by operating activities increased during the nine months ended September 30, 2015 primarily due to an increase in cash collected from customers and a decrease in cash paid for income taxes, partially offset by an increase in cash paid for interest and cash paid to employees and vendors. Cash received from customers increased primarily due to an increase in the number of new and renewal domain name registrations during the nine months ended September 30, 2015, and the increases in the .net domain name registration fees in February 2015. Cash paid for income taxes decreased primarily due to the payment of $28.1 million in foreign withholding taxes during 2014 related to the repatriation of foreign earnings. Cash paid for interest increased as a result of the $10.8 million contingent interest paid to holders of the Subordinated Convertible Debentures during 2015. Cash paid to employees and vendors increased primarily due to an increase in cash operating expenses during 2015.

Cash flows from investing activities

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

The change in cash flows (used in) provided by investing activities was primarily due to $478.1 million of purchases of marketable securities, net of sales and maturities during the nine months ended September 30, 2015, compared to $143.7 million of sales and maturities of marketable securities, net of purchases, in the same period in 2014, and an increase in cash used for other investing activities.

Cash flows from financing activities

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

The change in cash provided by (used in) financing activities during the nine months ended September 30, 2015 was primarily due to the proceeds from the issuance of the 2025 Senior Notes, a decrease in share repurchases, and an increase in excess tax benefits from stock-based compensation.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures since December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of September 30, 2015, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

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

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

Risks relating to our business

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

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

- deterioration of global economic and financial conditions as well as their impact on e-commerce, financial services, and the communications and Internet industries;
- volume of new domain name registrations and renewals;
- our success in direct marketing and promotional campaigns and the impact of such campaigns on new registrations and renewal rates;
- any changes to the scope and success of marketing efforts by third-party registrars or their resellers in the case of our Registry Services business, and by our sales channels, including resellers, referrers and OEMs, in the case of our Security Services business;
- market acceptance of our services by our existing customers and by new customers;
- customer renewal rates and turnover of customers of our services, and in the case of our Registry Services business, the customers of the distributors of our services;
- continued development of our distribution channels for our products and services, both in the U.S. and abroad;
- the impact of price changes in our products and services or our competitors' products and services;
- the impact of decisions by distributors to offer competing or replacement products, including ccTLDs and new gTLDs, or modify or cease their marketing practices, including with respect to new gTLDs;
- the impact of ICANN's Registry Agreement for new gTLDs (the "New gTLD Registry Agreement"), which requires the distribution of new gTLDs only through registrars who have executed the 2013 Registrar Accreditation Agreement (the "2013 RAA") as well as accepting a unilateral right of ICANN to amend the New gTLD Registry Agreement;
- the availability of alternatives to our products;
- seasonal fluctuations in business activity;
- the introduction of new gTLDs, which could cause security, stability and resiliency problems that could possibly harm the industry and could substantially and permanently harm our business;
- in the case of our Security Services business, the long sales cycles for some of our services and the timing and execution of individual customer contracts;
- potential attacks, including hacktivism, by nefarious actors, which could threaten the reliability or the perceived reliability of our products and services;
- potential attacks on the service offerings of our distributors, such as DDoS attacks, which could limit the availability of their service offerings and their ability to offer our products and services;
- changes in policies regarding Internet administration imposed by governments or governmental authorities inside or outside the U.S.;

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

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

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Any or all of the above factors could impact our revenues and operating results. Therefore, we believe that period-to-period comparisons of our operating results may not necessarily be meaningful. Also, operating results may fall below our expectations and the expectations of securities analysts or investors in one or more future periods. If this were to occur, the market price of our common stock would likely decline.

Our operating results may be adversely affected as a result of unfavorable market, economic, social and political conditions.

An unstable global economic, social and political environment, including hostilities and conflicts in various regions outside the U.S., natural disasters, currency fluctuations, country specific operating regulations and potential fallout from the disclosures related to the U.S. Internet and communications surveillance may have a negative impact on demand for our services, our business and our foreign operations. For example, the ongoing challenging economic conditions in Europe and China may possibly limit the rate of growth of the domain name base. More generally, the economic, social and political environment has impacted or may negatively impact, among other things:

- our customers' continued growth and development of their businesses and our customers' ability to continue as going concerns or maintain their businesses, which could affect demand for our products and services;
- current and future demand for our services, including decreases as a result of reduced spending on information technology and communications by our customers;
- price competition for our products and services;
- the price of our common stock;
- our liquidity and our associated ability to execute on any share repurchase plans;
- our ability to service our debt, to obtain financing or assume new debt obligations; and
- our ability to obtain payment for outstanding debts owed to us by our customers or other parties with whom we do business.

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

The successful operation of our business depends on numerous factors.

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

- the use of the Internet and other IP networks, and the extent to which domain names and the DNS are used for e-commerce and communications;
- changes in Internet user behavior, Internet platforms, social networks, mobile devices and web-browsing patterns;
- growth in demand for our services;
- the competition for any of our services;
- the perceived security of e-commerce and communications over the Internet;
- the perceived security of our services, technology, infrastructure and practices;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services;
- our continued ability to maintain our current, and enter into additional, strategic relationships;
- our ability to successfully market our services to new and existing distributors and customers;
- our ability to develop new products, services or other offerings;
- our success in attracting, integrating, training, retaining and motivating qualified personnel;
- our response to competitive developments;
- potential disruptions in regional registration behaviors due to catastrophic natural events, armed conflict and currency fluctuations;
- seasonal fluctuations in business activity;
- our ability to implement remedial actions in response to any attacks by nefarious actors;

- the successful introduction of enhancements to our services to address new technologies and standards, alternatives to our products and services and changing market conditions; and
- the successful introduction and compliance with Consensus Policies as they pertain to thick WHOIS and privacy issues for personally identifiable information of .com and .net registrants.

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

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

Under the terms of the Cooperative Agreement, the Company has the right to petition for potential relief from the .com Registry Agreement's pricing restrictions. However, there is uncertainty whether the DOC will approve any exercise by the Company of its right to increase the price per .com domain name registration under certain circumstances and whether the Company will be able to successfully demonstrate to the DOC that market conditions warrant removal of the pricing restrictions on .com domain name registrations, each of which could materially and adversely affect our business and results of operations.

There is also uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to the potential increase in expenses and costs coupled with such factors as restrictions on increasing prices due to market conditions, under the .com Registry Agreement and the Cooperative Agreement, or otherwise, or any other changes to pricing terms in these agreements upon renewal.

Issues arising from our agreements with ICANN, the DOC and the GSA could harm our Registry Services business.

We are parties to agreements (i) with the DOC with respect to certain aspects of the DNS, (ii) with ICANN and the DOC as the exclusive registry of domain names within the .com gTLD and (iii) with ICANN with respect to being the exclusive registry for the .net and .name gTLDs and the IDN gTLDs, which are transliterations of .com and .net that we plan to begin to launch in late 2015.

We face risks arising from our agreements with ICANN and the DOC, including the following:

- ICANN could adopt or promote policies, including Consensus Policies, procedures or programs that are unfavorable to us as the registry operator of the .com, .net and our other gTLDs and ccTLDs, that are inconsistent with our current or future plans, or that affect our competitive position;
- ICANN has adopted registry agreements for new gTLDs, including the registry agreements for our IDN gTLDs, that include the right for ICANN to amend the agreement without a registry operator's consent, which could impose unfavorable contract obligations on us that could impact our plans and competitive positions with respect to new gTLDs. ICANN might also seek to impose this same unilateral right to amend other registry agreements with us under certain conditions. ICANN has also included new mandatory obligations on registry operators that may increase the risks and potential liabilities associated with providing new gTLDs and ICANN might seek to impose these new mandatory obligations in our registry agreements under certain conditions;
- under certain circumstances, ICANN could terminate one or more of our agreements to be the registry for the .com, .net or our other gTLDs and the DOC could refuse to grant its approval to the renewal of the .com Registry Agreement on similar terms, or at all, and if any of the foregoing events occur, in the case of the .com and .net Registry Agreements, it would have a material adverse impact on our business;
- if we seek a price increase with respect to .com domain names during the term of the .com Registry Agreement or at the time of the renewal of the .com Registry Agreement, the DOC could refuse to approve price increases with respect to .com domain names;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- under certain circumstances, the GSA could terminate, or we could not seek to renew, our agreement to be the registry for the .gov gTLD, which could have a material adverse impact on how the Registry Services business is perceived; and
-

contracts within our Registry Services business have faced, and could continue to face, challenges, including possible legal challenges resulting from our activities or the activities of ICANN, registrars, registrants and others, and any adverse outcome from such challenges could have a material adverse effect on our business.

In addition, under the .com, .net and .name Registry Agreements with ICANN, as well as the Cooperative Agreement with the DOC, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar. Historically, all gTLD registry operators were subject to this vertical integration prohibition. However, ICANN has established a process whereby registry operators may seek ICANN's approval to remove this restriction, and ICANN has approved such removal in some instances. Additionally, ICANN's registry agreement for new gTLDs generally

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permits such vertical integration, with certain limitations including ICANN's right, but not the obligation, to refer such vertical integration activities to competition authorities. Furthermore, unless prohibited by ICANN as noted above, such vertical integration restrictions do not generally apply to ccTLD operators.
The impact of these changes to the distribution channel is uncertain but could have a material adverse effect on our business if operators of new or existing gTLDs are able to obtain competitive advantages through such vertical integration. If Verisign were to seek removal of the vertical integration restrictions contained in our agreements with respect to existing gTLDs, or in the future with respect to new gTLDs, it is uncertain whether ICANN and/or the DOC approval would be obtained.

Challenges to Internet administration or changes to our pricing terms could harm our Registry Services business.
Risks we face from challenges by third parties, including governmental authorities in the U.S. and other countries, to our role in the ongoing operation of the Internet include:

- legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with the DOC or ICANN, or to the legal authority underlying the roles and actions of the DOC, ICANN or us;
- the U.S. Congress or foreign regulatory bodies could take actions that are unfavorable to us;
- ICANN could fail to maintain its role, or seek to change its role, potentially resulting in changes to Internet governance that could pose a risk to our business, including instability in DNS administration;
- ICANN is mandated by the non-binding Affirmation of Commitments (the "AOC") between the DOC and ICANN to uphold a private sector led multi-stakeholder approach to Internet governance for the public benefit. If ICANN fails to uphold or significantly redefines the multi-stakeholder model, by expanding the role of governments in the Governmental Advisory Committee for example, it could harm our business and our relationship with ICANN;
- some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. Government and us relating to the DNS. The AOC established several multi-party review panels and contemplates a greater involvement by foreign governments and governmental authorities in the oversight and review of ICANN. These periodic review panels may take positions that are unfavorable to us;
- the AOC could be terminated or replaced with a different agreement between ICANN and some other authority which may establish other review panels or review procedures that may be unfavorable to us; and
- some governments and members of the multi-stakeholder community are now questioning the ability of ICANN to be accountable with respect to Internet governance and, as a result, may seek a multilateral oversight body as a replacement.

As a result of these and other risks, it may be difficult for us to introduce new services in our Registry Services business and we could also be subject to additional restrictions on how this business is conducted or to fees and taxes applicable to this business, which may not also be equally applicable to our competitors.
Our international operations subject our business to additional economic risks that could have an adverse impact on our revenues and business.
As of September 30, 2015, we had 79, or 8% of our employees outside the U.S. Doing business in international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may fail to maintain our ability to conduct business, including potentially material business operations in some international locations or we may not succeed in expanding our services into new international markets or expand our presence in existing markets. Failure to do so could materially harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. law or regulations applicable to us. There can be no assurance that our employees, contractors and agents will not take actions in violation of such policies, procedures, laws and/or regulations. Violations of laws, regulations or internal policies and procedures by our employees,

contractors or agents could result in financial reporting problems, investigations, fines, penalties, or prohibition on the importation or exportation of our products and services and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate, as well as foreign governments actively promoting ccTLDs which we do not operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- tariffs and other trade barriers and restrictions;

- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- currency fluctuations;
- high costs associated with repatriating profits to the U.S., which could impact us due to the large percentage of our cash, cash equivalents and marketable securities currently held by us outside the U.S. (see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources");
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying customer information, including complying with the customer verification requirements of certain countries;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity;
- potentially conflicting or adverse tax consequences;
- reliance on third parties in foreign markets in which we only recently started doing business; and
- potential concerns of international customers and prospects regarding doing business with U.S. technology companies due to alleged U.S. government data collection policies.

Governmental regulation and the application of new and existing laws in the U.S. and overseas may slow business growth, increase our costs of doing business, create potential liability and have an adverse effect on our business.
Application of new and existing laws and regulations in the U.S. or overseas to the Internet and communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation. For example, the government of the People's Republic of China ("PRC") has indicated that it will issue new regulations, and begin to enforce existing regulations, that will require registry operators to, among other things, obtain a government-issued license in order to provide Registry Services to registrars located in the PRC. The new regulations could impose additional costs on our provision of Registry Services in the PRC and could impact the growth or renewal rates of domain name registrations in the PRC. While we have submitted applications to the government of the PRC to obtain the licenses required by the regulations, there can be no assurance that we will obtain the licenses or obtain the licenses in a timely manner. Our failure to obtain the licenses could result in restrictions, up to and including, a prohibition on the sale of our Registry Services to registrars located in the PRC. In addition to registry operators, the regulations will require registrars to obtain a government-issued license to sell domain names directly to registrants. Their failure to obtain the required licenses could also impact the growth of our business in the PRC.
Foreign, federal or state laws could have an adverse impact on our business, financial condition, results of operations and cash flows, and our ability to conduct business in certain foreign countries. For example, laws designed to restrict who can register and who can distribute domain names, the online distribution of certain materials deemed harmful to children, online gambling (to the extent we provide Security Services and Registry Services to this sector), counterfeit goods, and cybersquatting; laws designed to require registrants to provide additional documentation or information in connection with domain name registrations; and laws designed to promote cyber security may impose significant additional costs on our business or subject us to additional liabilities. We have contracts pursuant to which we provide services to the U.S. government and even though these contracts are immaterial, they impose compliance costs, including compliance with the Federal Acquisition Regulation, which could be significant to the Company.
Due to the nature of the Internet, it is possible that state or foreign governments might attempt to regulate Internet transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. In addition, as we begin to launch our IDN gTLDs in late 2015, we may raise our profile in certain foreign countries thereby increasing the regulatory and other scrutiny of our operations. Any such developments could increase the costs of regulatory compliance for us, affect our reputation,

force us to change our business practices or otherwise materially harm our business. In addition, any such new laws could impede growth of or result in a decline in domain name registrations, as well as impact the demand for our services.

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

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

Under its new gTLD program, ICANN has recommended delegations into the root zone of a large number of new gTLDs. In view of our role as the Root Zone Maintainer, and as a root server operator, we face increased risks should ICANN's delegation of these new gTLDs, which represent unprecedented changes to the root zone in volume and frequency, cause security and stability problems within the DNS and/or for parties who rely on the DNS. Such risks include potential instability of the DNS including potential fragmentation of the DNS should ICANN's delegations create sufficient instability, and potential claims based on our role in the root zone provisioning and delegation process. These risks, alone or in the aggregate, have the potential to cause serious harm to our Registry Services business. Further, our business could also be harmed through security, stability and resiliency degradation if the delegation of new gTLDs into the root zone causes problems to certain components of the DNS ecosystem or other aspects of the global DNS, or other relying parties are negatively impacted as a result of domain name collisions or other new gTLD security issues, such as exposure or other leakage of private or sensitive information.

Additionally, DNS Security Extensions ("DNSSEC") enabled in the root zone and at other levels of the DNS require new preventative maintenance functions and operational practices that did not exist prior to the introduction of DNSSEC. Any failure by Verisign or the IANA functions operator to comply with stated practices, such as those outlined in relevant DNSSEC Practice Statements, introduces risk to DNSSEC relying parties and other Internet users and consumers of the DNS, which could have a material adverse impact on our business.

On March 14, 2014, the National Telecommunications and Information Administration announced its intent to transition key Internet domain name functions potentially impacting our Root Zone Maintainer function.

On March 14, 2014, NTIA announced its intent to transition its oversight of the IANA function to the global multi-stakeholder community. NTIA asked ICANN to convene global stakeholders to develop a proposal to transition the current role played by NTIA in the coordination of the DNS. The NTIA is also coordinating a related and parallel transition of related root zone management functions. These related root zone management functions involve our role as Root Zone Maintainer under the Cooperative Agreement. At NTIA's request, we submitted a proposal with ICANN to NTIA as how best to remove NTIA's administrative role associated with root zone management in a manner that maintains the security, stability and resiliency of the Internet's domain name system. We have performed the Root Zone Maintainer functions as a community service spanning three decades without compensation at the request of the Department of Commerce under the Cooperative Agreement. While it is uncertain how the transition of oversight of the IANA function and related root zone management functions will affect our role as Root Zone Maintainer, it is anticipated that performance of the root zone management function would be conducted by us under a new root zone management agreement with ICANN once the root zone management function obligations under the Cooperative Agreement are completed. Although our Root Zone Maintainer function is separate from our Registry Services business, and the NTIA announcement does not affect our operation of the .com, .net and .name or other registries, including the root zone, there can be no assurance that the transition of the IANA function, the transition of the related root zone management functions and associated transition processes will not negatively impact our business.

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

Currently, Internet users often navigate to a website either by directly typing its domain name into a web browser or through the use of a search engine. If (i) web browser or Internet search technologies were to change significantly; (ii) Internet search engines were to change the value of their algorithms on the use of a domain name for finding a website; (iii) Internet users' preferences or practices continue to shift away from directly typing in web addresses;

(iv) Internet users were to significantly decrease the use of web browsers in favor of applications to locate and access content; or (v) Internet users were to increasingly use third level domain names or alternate identifiers, such as social networking and microblogging sites, in each case, the demand for domain names could decrease.

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Changes in the level of spending on online advertising and/or the way that online networks compensate owners of websites could impact the demand for domain names.

Some domain name registrars and registrants seek to generate revenue through advertising on their websites; changes in the way these registrars and registrants are compensated (including changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google, Yahoo!, Baidu and Bing, have, and may continue to, adversely affect the market for those domain names favored by such registrars and registrants which has resulted in, and may continue to result in, a decrease in demand and/or the renewal rate for those domain names. For example, according to published reports, Google has in the past changed (and may change in the future) its search algorithm, which may decrease site traffic to certain websites and provide less pay-per-click compensation for certain types of websites. This has made such websites less profitable which has resulted in, and may continue to result in, fewer domain registrations and renewals. In addition, as a result of the general economic environment, spending on online advertising and marketing may not increase or may be reduced, which in turn, may result in a further decline in the demand for those domain names.

Changes in federal or state tax laws and regulations may discourage the registration or renewal of domain names for e-commerce.

Many Internet merchants are not currently required to collect sales taxes in respect of shipments of goods into states where they lack physical presence. However, state tax laws and regulations may change in the future and one or more states may seek to impose sales tax collection obligations on out-of-state companies that engage in online commerce. Several states have enacted “affiliate nexus” laws which require online retailers without a physical presence in the state to begin collecting sales taxes if a significant number of local sales are generated by brick and mortar affiliates operating in the state. In addition, it is possible that national legislation may be enacted requiring online retailers with greater than $1 million in sales in a state, but without any physical presence in the state, to begin collecting sales taxes for that state. Legislation called the Marketplace Fairness Act of 2013 (S. 743), which would have done this, passed the Senate in 2013, but no action was taken by the House of Representatives. A new version of the Marketplace Fairness Act, known as the Digital Goods and Services Tax Fairness Act of 2015 has been introduced in the Senate and the House of Representatives, but it is unclear if this new version will have any greater chance of passage than its predecessor. The enactment of any such state or federal laws may impair the growth of e-commerce and discourage the registration or renewal of domain names for e-commerce.

Reduced marketing efforts or other operational changes among registrars or their resellers as a result of consolidation or changes in ownership, management, or strategy could harm our Registry Services business.

Registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names. Our Registry Services business, which generates substantially all of our revenue, derives most of its revenues from registrations and renewals of domain names, and decreased demand for and/or renewals of domain names could cause a material adverse effect on our business, results of operations, financial condition and cash flows.

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

Services as complex as those we offer or develop could contain undetected defects or errors. Despite testing, defects or errors may occur in our existing or new services, which could result in compromised customer data, loss of or delay in revenues, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation, tort or contract claims, increased insurance costs or increased service costs, any of which could harm our business. The performance of our services could have unforeseen or unknown adverse effects on the networks over which they are delivered as well as, more broadly, on Internet users and consumers, and third-party applications and services that utilize our services, which could result in legal claims against us, harming our business. Our failure or inability to meet customer expectations in a timely manner could also result in loss of or delay in revenues, loss of market share, failure to achieve market acceptance, injury to our reputation and increased costs.

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

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

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- attacks, including hacktivism, by miscreants or other nefarious actors;
- computer viruses or software defects;

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- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control;
- risks inherent in or arising from the terms and conditions of our agreements with service providers to operate our networks and data centers;
- State suppression of Internet operations; and
- any failure to implement effective and timely remedial actions in response to any damage or interruption.

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

In addition, our Registry Services business and certain of our other services depend on the efficient operation of the Internet connections from customers to our Shared Registration System residing in our secure data centers. These connections depend upon the efficient operation of Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past beyond our scope of control. In addition, if these service providers present inconsistent data regarding the DNS, our business could be harmed.

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

In addition, a failure in our Security Services could expose us to direct and third party claims, have a negative impact on our reputation, and our business could suffer.

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

We retain certain customer and employee information in our secure data centers and various domain name registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. The Company, as an operator of critical Internet infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated forms of attacks, such as advanced persistent threat ("APT") attacks and zero-hour threats, which means that the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched, and may well target specific unidentified or unresolved vulnerabilities that exist only within the target's operating environment, making these attacks virtually impossible to anticipate and difficult to defend against. The Shared Registration System, the root zone servers, the root zone files, TLD name servers and TLD zone files that we operate are critical hardware and software to our Registry Services operations. We expend significant time and money on the security of our facilities and infrastructure. Despite our security measures, we have been subject to a security breach, as disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, outages resulting from destructive malcode, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the systems, including domain name resolution and registration systems, or information stored within these systems including within our secure data centers, may cause an outage of or jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards-based compliance certifications needed for certain of our businesses, all or any of which could adversely affect our reputation and harm our business. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

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We retain certain customer and employee information with third-party service providers, including those providing cloud-based service offerings. We invest significant time and effort in determining that these third-party service providers have sufficient data security processes and practices in place to maintain the security of this information; however, there is no guarantee that these third-party service providers will not be subject to cyberattacks as evidenced by the recent security breach of certain news reporting services. Should the data that we provide to these service providers be compromised through a security breach or otherwise, we could face significant liability and adverse publicity.

We are frequently subject to large-scale DDoS attacks.

Our networks have been and likely will continue to be subject to DDoS attacks of increasing size and sophistication. We have adopted mitigation techniques, procedures and strategies to defend against such attacks but there can be no assurance that we will be able to defend against every attack especially as the attacks increase in size and sophistication. Any successful attack, or partially successful attack, could disrupt our networks, increase response time, and generally hamper our ability to provide reliable service to our Registry Services customers and the broader Internet community. Further, we sell DDoS protection services to Security Services customers. The provision of such services might expose our critical DNS services to temporary degradations or outages caused by very large-scale DDoS attacks against those customers, in addition to any directed specifically against us and our networks.

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

Our success depends in part on our internally developed technologies and intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the U.S. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. Additionally, we have filed patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the U.S. Patents may not be awarded with respect to these applications and even if such patents are awarded, third parties may seek to oppose or otherwise challenge our patents, and such patents' scope may differ significantly from what was requested in the patent applications and may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation is inherently unpredictable and, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources. Some of the software and protocols used in our business are based on standards set by standards setting organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered "standards essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms.

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

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

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

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

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

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

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

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

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

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

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

Furthermore, any changes by our distributors to their existing marketing strategies could have a material adverse effect on our business. Similarly, if one or more of our distributors were to encounter financial difficulties, or if there were a significant reduction in marketing expenditures by our distributors (including registrars or their resellers), as a result of industry consolidation or otherwise, it could have a material adverse effect on our business, including a decrease in domain name registrations and renewals. Failure of one or more of our strategic, channel or other relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our existing relationships or to enter into additional relationships, this could harm our business.

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With the introduction of new gTLDs, many of our registrars, based upon their perception of market opportunity or otherwise, have chosen, and may continue to choose, to focus their short or long-term marketing efforts on these new offerings and/or reduce the prominence or visibility of our products and services on their e-commerce platforms, and if we are unable to maintain their focus on our products and services or move through them to engage the same registrants, this could harm our business.
New entrants may disrupt the registrar industry, which could have adverse effects on our business. This could include, but is not limited to, potential harm to the business models of existing registrars, impairing their ability to engage in promotional activities beneficial to the sale of domain name registrations in the TLDs operated by us.

We continue to explore new strategic initiatives, the pursuit of any of which may pose significant risks and could have a material adverse effect on our business, financial condition and results of operations.
We are exploring a variety of possible strategic initiatives which may include, among other things, the pursuit of new revenue streams, services or products, changes to our offerings, including the acquisition and/or launch of new gTLDs, or initiatives to leverage our patent portfolio.
Any such strategic initiative may involve a number of risks, including: the diversion of our management's attention from our existing business to develop the initiative, related operations and any requisite personnel; possible regulatory scrutiny or third-party claims; possible material adverse effects on our results of operations during and after the development process; our possible inability to achieve the intended objectives of the initiative; as well as damage to our reputation if we are unsuccessful in pursuing a strategic initiative. Such initiatives may result in a reduction of cash or increased costs. We may not be able to successfully or profitably develop, integrate, operate, maintain and manage any such initiative and the related operations or employees in a timely manner or at all. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net, .name and other registries, including required ICANN approval of new registry services for such TLDs. If any new initiative requires ICANN review, we cannot predict whether this process will prevent us from implementing the initiative in a timely manner or at all. Any strategic initiative to leverage our patent portfolio will likely increase litigation risks from potential licensees and we may have to resort to litigation to enforce our intellectual property rights. Litigation is inherently unpredictable and, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources.

The success of our Security Services depends in part on the acceptance of our services.
We are investing in our Security Services offerings, and the future growth of these services depends, in part, on their commercial success, acceptance, and reliability. We continually evaluate and evolve the terms and conditions upon which these services are sold. These services may not experience success or acceptance as a result of changes to the terms and conditions of our contracts. Also, these services will suffer if our target customers do not adopt or use these services. We are not certain that our target customers will choose our Security Services offerings or renew their contracts after the initial term.
We rely on third parties to provide products which are incorporated in our Security Services offerings.
The Security Services offerings incorporate and rely on third party hardware and software products, many of which have unique capabilities. If we are unable to procure these third party products, the Security Services offerings may not perform as expected and our business could suffer.

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

Our Registry Services and Security Services businesses are developing services in emerging markets, including services that involve naming and directory services other than registry and related infrastructure services. These emerging markets are rapidly evolving, may never gain wide acceptance and may not grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance of our services in these markets include the following:

- market acceptance of products and services based upon technologies other than those we use;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile devices;
- the ability of the Internet infrastructure to accommodate increased levels of usage;
- increasing cyber threats and the associated customer need and demand for our Security Services offerings, and
- government regulations affecting Internet access and availability, domain name registrations or the provision of registry services, or e-commerce and telecommunications over the Internet.

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

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

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

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

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

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chairman of the board of directors, the president, our Board, or the secretary (acting as a representative of the stockholders) whenever a stockholder or group of stockholders owning at least thirty-five percent (35%) in the aggregate of the capital stock issued, outstanding and entitled to vote, and who held that amount in a net long position continuously for at least one year, so request in writing;
- our Board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;
- vacancies on our Board can be filled until the next annual meeting of stockholders by majority vote of the members of the Corporate Governance and Nominating Committee, or a majority of directors then in office if no such committee exists, or a sole remaining director; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

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

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

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by various tax authorities. In accordance with U.S. GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Should additional taxes be

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assessed as a result of an audit or litigation, an adverse effect on our income tax provision and net income in the period or periods for which that determination is made could result.

A significant portion of our foreign earnings for the current fiscal year was earned by our Swiss subsidiaries. Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates.

As described further in “Note 12, Income Taxes, of our Notes to Consolidated Financial Statements” in Part IV, Item 15 of our 2014 Form 10-K, we claimed a worthless stock deduction on our 2013 federal income tax return and recorded, during the fourth quarter of 2013, an income tax benefit of $375.3 million, net of valuation allowances and accrual for uncertain tax positions recorded as required under U.S. GAAP. This worthless stock deduction may be subject to audit and adjustment by the IRS, which could result in the reversal of all, part or none of the income tax benefit, or could result in a benefit higher than the net amount recorded. If the IRS rejects or reduces the amount of the income tax benefit related to the worthless stock deduction, we may have to pay additional cash income taxes, which could adversely affect our results of operations, financial condition and cash flows. We cannot guarantee what the ultimate outcome or amount of the benefit we receive, if any, will be.

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

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

We consider the following matters, among others, in evaluating our plans for indefinite reinvestment: the forecasts, budgets and financial requirements of the parent and subsidiaries for both the long and short term; the projected available distributable capital reserves under applicable foreign statutes, the tax consequences of a decision to reinvest; and any U.S. and foreign government programs designed to influence remittances. If these factors change and as a result we are unable to indefinitely reinvest the foreign earnings, the income tax expense and payments may differ significantly from the current period and could materially adversely affect our results of operations, financial condition and cash flows. Deferred income taxes are not provided for any funds remaining in the foreign subsidiaries because these earnings are intended to be indefinitely reinvested.

We are exposed to risks faced by financial institutions.

The hedging transactions we have entered into expose us to credit risk in the event of default by one of our counterparties. Despite the risk control measures we have in place, a default by one of our counterparties, or liquidity problems in the financial services industry in general, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

As of September 30, 2015, we had $1.9 billion in cash, cash equivalents, marketable securities and restricted cash, of which $1.7 billion was invested in marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through the investment in investment grade securities. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

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

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

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

We are subject to the risks of owning real property.

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

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

Risks relating to the competitive environment in which we operate

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

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

Competition in Registry Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to obtain a domain name registration and/or establish a Web presence. In addition to the three gTLDs we operate (.com, .net and .name), other gTLDs and ccTLDs for which we provide back-end registry services, and the IDN gTLDs that we intend to begin to launch in late 2015, there are over 700 other operational gTLD registries, over 250 Latin script ccTLD registries and more than 40 IDN ccTLD registries. Under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net and .name on pricing, bundling, marketing, methods of distribution, the introduction of new registry services and use of registrars that do not apply to ccTLDs and therefore may create a competitive disadvantage. If other registries launch marketing campaigns for new or existing TLDs, including forms of marketing campaigns that we are prohibited from running under the terms of our agreements with ICANN, which result in registrars or their resellers giving other TLDs greater prominence on their websites, advertising or marketing materials, we could be at a competitive disadvantage and our business could suffer.

In addition to the new gTLDs that ICANN has awarded and will award in this initial phase, ICANN plans on offering a second round of new gTLDs after the completion of the initial round, the timing of which is uncertain. For additional information about the potential risks presented by these new gTLDs, see “We may face additional competition, operational and other risks from the introduction of new TLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.”

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

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

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

Our Security Services business faces competition from companies or services such as iSight Partners, IBM X-Force, Secunia ApS, Dell SecureWorks, McAfee, Inc., Akamai Technologies Inc. , AT&T Inc., Verizon Communications, Inc., Dyn, Inc., Neustar, Inc., BlueCat Networks, Inc., Infoblox Inc., Nominum, Inc., Mandiant Corporation, Cyveillance Inc., ThreatConnect, ThreatStream, RiskIQ, Level 3 Communication Inc., and Imperva Inc..

We may face additional competition, operational and other risks from the introduction of new TLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Additional competition to our business has arisen from the introduction of new TLDs by ICANN. On June 13, 2012, ICANN announced it received 1,930 applications to operate over 1,400 unique new gTLDs. ICANN has begun executing registry agreements with these new gTLD applicants in connection with this initial round of gTLD applications and intends to continue recommending a large number of new gTLDs for delegation into the root zone. On October 23, 2013, the DOC began to authorize, and Verisign began effectuating, the delegation of the new gTLDs. More than 700 new gTLDs have been delegated in this initial round. ICANN plans on offering a second round of new gTLDs after the completion of the initial round, the timing of which is uncertain. Increased competition from these new TLDs could have a material effect on our business, results of operations, financial condition and cash flows. As set forth in the Verisign Labs Technical Report #1130007 version 2.2: New gTLD Security and Stability Considerations released on March 28, 2013, and reiterated in our further publications since then, we continue to believe there are issues regarding the deployment of the new gTLDs that should have been addressed before any new gTLDs were delegated, and despite our and others' efforts, some of these issues have not been addressed by ICANN sufficiently, if at all. For example, there has been an increase in domain name collisions in 2014 which have resulted in network interruptions for enterprises as well as confusion and usability issues that have led to phishing attacks. We do not yet know the magnitude of impact that these new gTLDs may have on our business over the long term. We believe the introduction of these new gTLDs is affecting the growth in registrations for .com and, to a larger extent, .net and therefore may have a material adverse effect on our business, results of operations, financial condition and cash flows.

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

If Verisign were to seek removal of the vertical integration restrictions contained in our agreements with respect to some of all of our existing gTLDs, or in the future with respect to new gTLDs, it is uncertain whether ICANN's and/or

the DOC's approval would be obtained; without such changes, we may be at a competitive disadvantage.
We applied for 14 new gTLDs, including 12 IDN gTLDs, which are transliterations of ".com" or ".net" in various languages. We executed registry agreements to become the registry operator for 13 of these new gTLDs, including 11 IDNs as well as .comsec and .verisign. The remaining IDN application was for a transliteration of ".com" in Traditional Chinese script, which was a variant of a string we applied for in another IDN application (".com" in Simplified Chinese), and has been withdrawn at the request of ICANN, because ICANN had not yet developed a policy to address such variants. We may continue with this application, or a new one for the same string, once ICANN develops and implements a policy to address variant strings. We intend to begin to launch the first of these IDN gTLDs in late 2015.

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There is no guarantee that such new gTLDs will be any more successful than the new gTLDs obtained by our competitors. For example, some of the new gTLDs, including our new gTLD strings, may face additional universal acceptability and usability challenges in that current desktop and mobile device software does not ubiquitously recognize these new gTLDs and may be slow to adopt standards or support these gTLDs, even if demand for such products is strong. This is particularly true for IDN gTLDs, but applies to conventional gTLDs as well. As a result of these challenges, it is possible that resolution of names within some of these new gTLDs may be blocked within certain state or organizational environments, challenging universal resolvability of these strings and their general acceptance and usability on the Internet.

Similarly, while we originally entered into agreements to provide back-end registry services to other applicants for approximately 220 new gTLDs, and applicants for approximately 150 new gTLDs currently continue to contract with us to provide back-end registry services, there is no guarantee that such applicants with which we have entered into agreements will be successful in obtaining one or more of these new gTLDs or that such new gTLDs will be successful due to some or all of the factors discussed above in connection with our new gTLDs. We also cannot guarantee that we will ultimately provide back-end registry services for all of these new gTLDs. ICANN's Registry Agreement for new gTLDs requires the distribution of new gTLDs only through registrars who have executed the 2013 RAA. If registrars do not execute the 2013 RAA, our ability to provide back-end registry services would be reduced, negatively impacting the sale of our back-end registry services for new gTLDs. Even if we are able to provide such services, the timing of revenue may also be dependent on how diligently our customers proceed to delegation and launch following the completion of the application process and our customers' respective launch plans for the new gTLDs. In addition, we may face risks regarding ICANN requirements for mitigating name collisions in the new gTLDs which we operate or for which we provide back-end registry services. For example, the possibility exists that "controlled interruption" periods may disrupt network services or that privacy or secure communications may be impacted as a result of insufficient preparedness by ICANN and the community for the launch of new gTLDs.

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

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

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

Risks related to the sale of our Authentication Services business and the completion of our divestitures

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

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

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

Under the agreements reached with the buyers of certain divested businesses, including the Authentication Services business, we remain liable for certain liabilities related to the divested businesses. There is a possibility that we will incur unanticipated costs and expenses associated with management of liabilities relating to the businesses we have divested, including requests for indemnification by the buyers of the divested businesses. These liabilities could potentially relate to (i) breaches of contractual representations and warranties we gave to the buyers of the divested businesses, or (ii) certain liabilities relating to the divested businesses that we retained under the agreements reached with the buyers of the divested businesses. Such liabilities could include certain litigation matters, including actions brought by third parties. Where responsibility for such liabilities is to be contractually allocated to the buyer or shared with the buyer or another party, it is possible that the buyer or the other party may be in default for payments for which they are responsible, obligating us to pay amounts in excess of our agreed-upon share of those obligations.

Risks related to our securities

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

As of September 30, 2015, we had one billion authorized common shares, of which 111.9 million shares were outstanding. In addition, of our authorized common shares, 13.7 million common shares were reserved for issuance pursuant to outstanding equity and employee stock purchase plans (“Equity Plans”), and 36.4 million shares were reserved for issuance upon conversion of the Subordinated Convertible Debentures. As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Subordinated Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

As a result of the sale of the Subordinated Convertible Debentures, our 2023 Senior Notes and our 2025 Senior Notes (collectively, the “Senior Notes”), we have a substantial amount of long-term debt outstanding. In addition to the Subordinated Convertible Debentures and the Senior Notes, we have an unsecured credit facility with a borrowing capacity of $200.0 million (the “Unsecured Credit Facility”) and the ability to request from time to time that the lenders thereunder agree on a discretionary basis to increase the aggregate commitments amount by up to $150.0 million. As of September 30, 2015, we had no borrowings under the Unsecured Credit Facility.

It is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our Unsecured Credit Facility, the Indenture governing the 2023 Senior Notes and the Indenture governing the 2025 Senior Notes allow us to incur additional debt subject to certain limitations and will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. If new debt is added to current debt levels, the risks and limitations related to our level of indebtedness could intensify. Specifically, a high level of indebtedness could have adverse effects on our flexibility to take advantage of corporate opportunities, including the following:

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

placing us at a possible competitive disadvantage compared to other, less leveraged competitors and competitors that may have better access to capital resources; and

- increasing our cost of borrowing.

In addition, the Indenture that governs the 2023 Senior Notes, the Indenture that governs the 2025 Senior Notes and the credit agreement that governs our Unsecured Credit Facility contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

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

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

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

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

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

The terms of our Unsecured Credit Facility, the indenture governing the 2023 Senior Notes and the indenture governing the 2025 Senior Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions and create the risk of default on such indebtedness.

The credit agreement that governs our Unsecured Credit Facility, the Indenture governing the 2023 Senior Notes and the Indenture governing the 2025 Senior Notes contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including, subject to certain exceptions, restrictions on our ability to:

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- permit our subsidiaries to incur or guarantee indebtedness;
- pay dividends or other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- consolidate, merge or sell all or substantially all of our assets; and
- engage in certain sale/leaseback transactions.

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

A breach of the covenants or restrictions under our Unsecured Credit Facility, the Indenture governing the 2023 Senior Notes or the Indenture governing the 2025 Senior Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our Unsecured Credit Facility would permit the lenders under our Unsecured Credit Facility to terminate all commitments to extend further credit under that agreement. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

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

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

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

As of September 30, 2015, the amount of cash, cash equivalents and marketable securities held by our foreign subsidiaries that are not guarantors of the Senior Notes or our other indebtedness, was $1.1 billion. For any funds held by the foreign subsidiaries that have not been previously taxed in the U.S., our intent is to indefinitely reinvest those funds outside of the U.S.

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

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

Upon the occurrence of specific kinds of change of control events and if the Senior Notes fail to meet a minimum rating threshold (in the case of the 2023 Senior Notes, if such notes are rated below investment grade by both rating agencies that rate the 2023 Senior Notes and in the case of the 2025 Senior Notes, if such notes are not rated investment grade by at least two of the rating agencies that rate the 2025 Senior Notes), we will be required to offer to repurchase all outstanding Senior Notes failing to meet such minimum rating threshold, in each case at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. Additionally, under our Unsecured Credit Facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the Unsecured Credit Facility and the commitments to lend would terminate. The source of funds for any repurchase of the Senior Notes and repayment of borrowings under our

Unsecured Credit Facility would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Senior Notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay our other indebtedness that will become due. If we fail to repurchase the Senior Notes in that circumstance, we will be in default under the Indenture that governs the 2023 Senior Notes and the Indenture that governs the 2025 Senior Notes. We may require additional financing from third parties to fund any such repurchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the Senior Notes may be limited by law. In order to avoid the obligation to repurchase the Senior Notes and events of default and

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

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture that governs the 2023 Senior Notes or the Indenture that governs the 2025 Senior Notes, constitute a “change of control” that would require us to repurchase the Senior Notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Senior Notes. Additionally, holders may not be able to require us to purchase their Senior Notes in certain circumstances involving a significant change in the composition of our board of directors, including a proxy contest where our board of directors approves for purposes of the change of control provisions of the Indenture, but does not endorse, a dissident slate of directors. In this regard, decisions of the Delaware Chancery Court (not involving us or our securities) considered a change of control redemption provision contained in an indenture governing publicly traded debt securities that was substantially similar to the change of control redemption provision in the Indenture that governs the 2023 Senior Notes and the Indenture that governs the 2025 Senior Notes with respect to “continuing directors.” In these cases, the court noted that the board of directors may “approve” a dissident shareholder’s nominees solely to avoid triggering the change of control redemption provision of the indenture without supporting their election if the board determines in good faith that the election of the dissident nominees would not be materially adverse to the interests of the corporation or its stockholders (without taking into consideration the interests of the holders of debt securities in making this determination). Further, according to these decisions, the directors’ duty of loyalty to shareholders under Delaware law may, in certain circumstances, require them to give such approval.

Furthermore, the exercise by the holders of Senior Notes of their right to require us to repurchase the Senior Notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing Senior Notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing Senior Notes. In that case, our failure to purchase tendered Senior Notes would constitute an event of default under the Indenture that governs the 2023 Senior Notes and the Indenture that governs the 2025 Senior Notes which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of Senior Notes upon a repurchase pursuant to a change of control offer may be limited by our then existing financial resources.

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

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

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

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

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

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

If our intent to settle the principal amount in cash changes, or if we conclude that we no longer have the ability, in the future, we will be required to change our accounting policy for earnings per share from the treasury stock method to the if-converted method. Earnings per share will most likely be lower under the if-converted method as compared to the treasury stock method.

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

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

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

The following table presents the share repurchase activity during the three months ended September 30, 2015:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)	
	(Shares in thousands)				
July 1 – 31, 2015	896	$64.11	896	$703.2	million
August 1 – 31, 2015	703	$70.05	703	$653.9	million
September 1 – 30, 2015	713	$69.11	713	$604.6	million
	2,312		2,312		

(1) Effective January 30, 2015, our Board of Directors authorized the repurchase of approximately $452.9 million of our common stock, in addition to the $547.1 million of our common stock remaining available for repurchase under the previous share buyback program, for a total repurchase authorization of up to $1.0 billion of our common stock. The share buyback program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

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ITEM 6. EXHIBITS

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

Exhibit Number	Exhibit Description
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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

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SIGNATURES

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

Date: October 22, 2015	By: /S/ D. JAMES BIDZOS D. James Bidzos Chief Executive Officer
Date: October 22, 2015	By: /S/ GEORGE E. KILGUSS, III George E. Kilguss, III Chief Financial Officer