HIGGINSON ALAN
Form 4
August 03, 2017

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
HIGGINSON ALAN

(Last) (First) (Middle)

C/O F5 NETWORKS, INC., 401 ELLIOTT AVE. WEST

(Street)

SEATTLE, WA 98119

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
F5 NETWORKS INC [FFIV]

3. Date of Earliest Transaction (Month/Day/Year)
08/01/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/01/2017		S		2,540	D	$ 120.5229	13,310	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HIGGINSON ALAN C/O F5 NETWORKS, INC. 401 ELLIOTT AVE. WEST SEATTLE, WA 98119	X			

Signatures

/s/ Greg Davis by Power of Attorney	08/03/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. dding-bottom:2px;">
105,641

$
320,032

Net income per share (1):

Basic
$
0.43

$
0.43

$
0.50

$
0.68

$
2.04

Diluted
$
0.42

$
0.42

$
0.47

$
0.65

$
1.95

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(1) Net income per share for the year is computed independently and may not equal the sum of the quarterly net income (loss) per share.

(2) Net income for the quarter ended December 31, 2012 includes pre-tax benefits of $13.6 million primarily related to reimbursements of litigation and defense costs, received upon settlement with the selling shareholders of a previously acquired business, $5.5 million related to a reduction in the estimated bonus payout, and a $7.6 million unrealized gain due to a decrease in the fair value of the embedded contingent interest derivative related to our Convertible Debentures.

2011

	Quarter Ended				Year Ended
	March 31 (2)	June 30 (3)	September 30 (4)	December 31 (5)	December 31,
	(In thousands, except per share data)				
Revenues	$181,523	$189,844	$196,965	$203,646	$771,978
Gross Profit	$140,654	$149,177	$155,271	$161,630	$606,732
Operating Income	$65,510	$82,059	$88,947	$92,873	$329,389
Net income (loss)	$40,771	$(10,610)	$58,916	$53,814	$142,891
Net income (loss) per share (1):					
Basic	$0.24	$(0.06)	$0.36	$0.34	$0.87
Diluted	$0.24	$(0.06)	$0.36	$0.34	$0.86

(1) Net income (loss) per share for the year is computed independently and may not equal the sum of the quarterly net income (loss) per share.

(2) Net income during the quarter ended March 31, 2011, is reduced by pre-tax $5.5 million in restructuring charges.

(3) Net loss during the quarter ended June 30, 2011, includes a $100.0 million contingent interest payment to the holders of our Convertible Debentures, offset by a corresponding discrete income tax benefit of $39.7 million. Net loss during the quarter ended June 30, 2011 was reduced by the release of $5.9 million of liabilities related to non-income tax expenses as a result of the lapse of the statutes of limitations, offset by $3.7 million in restructuring charges.

(4) Net income during the quarter ended September 30, 2011, is reduced by pre-tax $3.0 million in restructuring charges.

(5) Net income during the quarter ended December 31, 2011, is reduced by pre-tax $3.4 million in restructuring charges and a $3.9 million out of period charge for certain non-income taxes related to investments.

Our quarterly revenues and operating results are difficult to forecast. Therefore, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful, and should not be relied upon as an indication of future performance. Also, operating results may fall below our expectations and the expectations of securities analysts or investors in one or more future quarters. If this were to occur, the market price of our common stock would likely decline. For further information regarding the quarterly fluctuation of our revenues and operating results, see Item 1A, “Risk Factors-Our operating results may fluctuate and our future revenues and profitability are uncertain” of this Form 10-K.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure 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 December 31, 2012, 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 Securities Exchange Act of 1934, as amended, (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.

b. Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012 using the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on our evaluation under the COSO framework, management has concluded that our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

KPMG LLP, an independent registered public accounting firm, has issued a report concerning the effectiveness of our internal control over financial reporting as of December 31, 2012. See "Report of Independent Registered Public Accounting Firm" in Item 15 of this Form 10-K.

c. 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 December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

d. 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 controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee will be included under the captions “Proposal No. 1: Election of Directors,” “Security Ownership of Certain Beneficial Owners and Management-Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance” in our Proxy Statement related to the 2013 Annual Meeting of Stockholders and is incorporated herein by reference (“2013 Proxy Statement”).

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other senior accounting officers. This code of ethics, titled “Code of Ethics for the Chief Executive Officer and Senior Financial Officers,” is posted on our website along with the “Verisign Code of Conduct” that applies to all officers and employees, including the aforementioned officers. The Internet address for our website is www.verisigninc.com, and the “Code of Ethics for the Chief Executive Officer and Senior Financial Officers” may be found from our main Web page by clicking first on “company info,” next on “investor information,” next on “Corporate Governance,” next on “Ethics and Business Conduct,” and finally on “Code of Ethics for the Chief Executive Officer and Senior Financial Officers.” The “Verisign Code of Conduct” applicable to all officers and employees can similarly be found on the Web page for “Ethics and Business Conduct” under the link entitled “Verisign Code of Conduct-2012.”

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the “Code of Ethics for the Chief Executive Officer and Senior Financial Officers” or, to the extent also applicable to the principal executive officer, principal financial officer, or other senior accounting officers, the “Verisign Code of Conduct-2012” by posting such information on our website, on the Web page found by clicking through to “Ethics and Business Conduct” as specified above.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated herein by reference to our 2013 Proxy Statement from the discussions under the captions “Compensation of Directors,” “Non-Employee Director Retainer Fees and Equity Compensation Information” and “Non-Employee Director Compensation Table for Fiscal 2012,” and “Executive Compensation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated herein by reference from the discussions under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our 2013 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated herein by reference to our 2013 Proxy Statement from the discussions under the captions “Policies and Procedures with Respect to Transactions with Related Persons,” “Certain

Relationships and Related Transactions" and "Independence of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated herein by reference to our 2013 Proxy Statement from the discussions under the captions "Principal Accountant Fees and Services" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors."

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

Financial statements

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2012 and 2011
- Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010
- Notes to Consolidated Financial Statements

Financial statement schedules

Financial statement schedules are omitted because the information called for is not material or is shown either in the consolidated financial statements or the notes thereto.

3. Exhibits

(a) Index to Exhibits

Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), the Company has filed certain agreements as exhibits to this Form 10-K. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements prove to be inaccurate, (2) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the Company's filings or are not required to be disclosed in those filings, (3) may apply materiality standards different from what may be viewed as material to investors and (4) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof or at any other time.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.01	Agreement and Plan of Merger dated as of March 6, 2000, by and among the Registrant, Nickel Acquisition Corporation and Network Solutions, Inc.	8-K	3/8/00	2.1	
2.02		S-4	10/10/01	4.03	

	Agreement and Plan of Merger dated September 23, 2001, by and among the Registrant, Illinois Acquisition Corporation and Illuminet Holdings, Inc.			
2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein.	8-K	12/10/03	2.1
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares in Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals.	10-K	3/16/05	2.04
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto.	8-K	11/23/05	2.1

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
3.01	Fourth Amended and Restated Certificate of Incorporation of the Registrant.	S-1	11/5/07	3.01	
3.02	Sixth Amended and Restated Bylaws of VeriSign, Inc.	8-K	7/31/12	3.01	
4.01	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association.	8-K/A	9/6/07	4.1	
4.02	Registration Rights Agreement dated as of August 20, 2007 between the Registrant and J.P. Morgan Securities, Inc.	8-K/A	9/6/07	4.2	
10.01	Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.	10-K	3/31/03	10.02	
10.02	409A Options Election Form and related documentation. +	8-K	1/4/07	99.01	
10.03	Registrant's 1998 Directors Stock Option Plan, as amended through May 22, 2003, and form of stock option agreement. +	S-8	6/23/03	4.02	
10.04	Registrant's 2001 Stock Incentive Plan, as amended through November 22, 2002. +	10-K	3/31/03	10.08	
10.05	Registrant's 2006 Equity Incentive Plan, as adopted May 26, 2006. +	10-Q	7/12/07	10.02	
10.06	Registrant's 2006 Equity Incentive Plan, form of Stock Option Agreement. +	10-Q	7/12/07	10.03	
10.07	Registrant's 2006 Equity Incentive Plan, form of Directors Nonqualified Stock Option Grant. +	10-Q	8/9/07	10.01	
10.08	Nonqualified Registrant's 2006 Equity Incentive Plan, amended form of Nonqualified Directors Stock Option Grant. +	S-1	11/5/07	10.15	
10.09	Registrant's 2006 Equity Incentive Plan, form of Employee Restricted Stock Unit Agreement. +	10-Q	7/12/07	10.04	
10.10	Registrant's 2006 Equity Incentive Plan, form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/12/07	10.05	
10.11	Registrant's 2006 Equity Incentive Plan, form of Performance-Based Restricted Stock Unit Agreement. +	8-K	8/30/07	99.1	
10.12	Registrant's 2007 Employee Stock Purchase Plan, as adopted August 30, 2007. +	S-1	11/5/07	10.19	

10.13	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1	1/29/98	10.15
10.14	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.	S-1	1/29/98	10.16
10.15	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31
10.16	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Security, Inc.	S-1	1/29/98	10.17
10.17	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.*	S-1	1/29/98	10.18
10.18	Master Development and License Agreement, dated as of September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*	S-1	1/29/98	10.19

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.19	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/5/99	10.30	
10.20	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between VeriSign and U.S. Department of Commerce managers.	10-K	7/12/07	10.27	
10.21	Confirmation of Accelerated Purchase of Equity Securities dated August 14, 2007 between the Registrant and J P Morgan Securities, Inc. *	S-1	11/5/07	10.44	
10.22	Limited Liability Company Agreement by and among Fox US Mobile Holdings, Inc., News Corporation, VeriSign U.S. Holdings, Inc. and US Mobile Holdings, LLC, dated January 31, 2007.*	10-Q	7/16/07	10.03	
10.23	Confirmation of Accelerated Repurchase of Common Stock dated February 8, 2008 between the Registrant and J.P. Morgan Securities, Inc., as agent to JPMorgan Chase Bank, National Association, London Branch. *	10-Q	5/12/08	10.01	
10.24	Settlement Agreement and General Release by and between VeriSign, Inc. and William A. Roper, Jr., dated June 30, 2008. +	10-Q	8/8/08	10.02	
10.25	Release and Waiver of Age Discrimination Claims by William A. Roper, Jr., dated June 30, 2008. +	10-Q	8/8/08	10.03	
10.26	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and D. James Bidzos, dated August 20, 2008.	10-Q	11/7/08	10.03	
10.27	Assignment of Invention, Nondisclosure and Nonsolicitation Agreement between VeriSign, Inc. and Roger Moore, dated October 1, 2008.	10-Q	11/7/08	10.05	
10.28	Purchase and Termination Agreement dated as of October 6, 2008, by and among Fox Entertainment Group, Inc., Fox US Mobile Holdings, Inc., US Mobile Holdings, LLC, Fox Dutch Mobile B.V., Jamba Netherlands Mobile Holdings GP B.V., Netherlands Mobile Holdings C.V., VeriSign, Inc., VeriSign US Holdings, Inc., VeriSign Netherlands Mobile Holdings B.V., and VeriSign Switzerland S.A.	10-Q	11/7/08	10.06	

10.29	VeriSign, Inc. 2006 Equity Incentive Plan, adopted May 26, 2006, as amended August 5, 2008. +	10-Q	11/7/08	10.07
10.30	Form of VeriSign, Inc. 2006 Equity Incentive Plan Stock Option Agreement. +	10-Q	11/7/08	10.08
10.31	Form of VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement. +	10-Q	11/7/08	10.09
10.32	Form of VeriSign, Inc. 2006 Equity Incentive Plan Performance Based Restricted Stock Unit Agreement. +	10-Q	11/7/08	10.10
10.33	Arrangement Agreement dated as of January 23, 2009 between VeriSign, Inc. and Certicom Corp.	10-K	3/3/09	10.59
10.34	Asset Purchase Agreement between VeriSign, Inc. and Transaction Network Services, dated March 2, 2009.	10-Q	5/8/09	10.03
10.35	Letter Agreement dated May 1, 2009 to Asset Purchase Agreement between VeriSign, Inc. and Transaction Network Services, Inc., dated March 2, 2009.	10-Q	8/6/09	10.01

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.36	Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.À.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009. *	10-Q	11/6/09	10.05	
10.37	Letter Amendment to the Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.À.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009, by and among each of the parties thereto, dated October 2, 2009.	10-Q	11/6/09	10.06	
10.38	Letter Amendment No. 2 to the Amendment to the Acquisition Agreement by and among VeriSign, Inc., a Delaware corporation, VeriSign S.À.R.L., VeriSign Do Brasil Serviços Para Internet Ltda, VeriSign Digital Services Technology (China) Co., Ltd., VeriSign Services India Private Limited, and Syniverse Holdings, Inc., a Delaware corporation dated as of August 24, 2009, by and among each of the parties thereto, Syniverse Technologies Services (India) Private Limited, dated October 23, 2009.	10-Q	11/6/09	10.07	
10.39	Form of Indemnity Agreement entered into by the Registrant with each of its directors and executive officers. +	10-Q	4/28/10	10.01	
10.40	Acquisition Agreement between VeriSign, Inc., a Delaware corporation, and Symantec Corporation, a Delaware corporation, dated as of May 19, 2010. *	10-Q	8/3/10	10.01	
10.41	VeriSign, Inc. 2006 Equity Incentive Plan Form of Stock Option Agreement. +	10-Q	8/3/10	10.02	
10.42	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement. +	10-Q	8/3/10	10.03	
10.43	VeriSign, Inc. 2006 Equity Incentive Plan Form of Directors Nonqualified Stock Option Grant Agreement. +	10-Q	8/3/10	10.04	
10.44	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	8/3/10	10.05	
10.45		10-Q	10/29/10	10.01	

	Deed of Lease between 12061 Bluemont Owner, LLC, a Delaware limited liability company as Landlord, and VeriSign, Inc., a Delaware corporation as Tenant, dated as of September 15, 2010.			
10.46	VeriSign, Inc. Annual Incentive Compensation Plan. +	10-K	2/24/11	10.64
10.47	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement. +	10-K	2/24/11	10.65
10.48	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into as of June 27, 2011.	8-K	6/28/11	10.01
10.49	Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan, as amended and restated May 26, 2011. +	10-Q	7/29/11	10.02
10.50	Form of Amended and Restated Change-in-Control and Retention Agreement. +	10-Q	7/29/11	10.03
10.51	Amended and Restated Change-in-Control and Retention Agreement [CEO Form of Agreement]. +	10-Q	7/29/11	10.04
10.52	Separation & General Release of Claims Agreement between VeriSign, Inc. and Kevin Werner, effective as of May 3, 2011. +	10-Q	7/29/11	10.05

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.53	Separation & General Release of Claims Agreement between VeriSign, Inc. and Christine Brennan, effective as of July 13, 2011. +	10-Q	7/29/11	10.06	
10.54	Purchase and Sale Agreement for 12061 Bluemont Way Reston, Virginia between 12061 Bluemont Owner, LLC, a Delaware limited liability company, as Seller and VeriSign, Inc., a Delaware corporation, as Purchaser Dated August 18, 2011.	8-K	9/7/11	10.01	
10.55	Credit Agreement, dated as of November 22, 2011 among VeriSign, Inc., the borrowing subsidiaries party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent.	8-K	11/29/11	10.01	
10.56	Guarantee Agreement, dated as of November 22, 2011, among VeriSign, Inc., the other guarantors identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	11/29/11	10.02	
10.57	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement. +	10-K	2/24/12	10.75	
10.58	Employment Offer Letter between the Registrant and George E. Kilguss, III dated April 20, 2012+	10-Q	7/27/12	10.01	
10.59	Letter Agreement between the Registrant and George E. Kilguss, III dated June 28, 2012. +	10-Q	7/27/12	10.02	
10.60	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/27/12	10.03	
10.61	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on November 29, 2012.	8-K	11/30/12	10.1	
10.62	Amendment Number Thirty-Two (32) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on November 29, 2012	8-K	11/30/12	10.2	
21.01	Subsidiaries of the Registrant.				X
23.01	Consent of Independent Registered Public Accounting Firm.				X
24.01	Powers of Attorney (Included as part of the signature pages hereto).				X

25.01	Statement of Eligibility of Trustee on Form T-1 with respect to the Indenture dated as of August 20, 2007.	S-1	11/5/07	25.01

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).				X
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).				X
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). **				X
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). **				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				X

* Confidential treatment was received with respect to certain portions of this agreement. Such portions were omitted and filed separately with the Securities and Exchange Commission.

** As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission 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.

\+ Indicates a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Reston, Commonwealth of Virginia, on the 28th day of February 2013.

VERISIGN, INC.

By: /S/ D. JAMES BIDZOS
D. James Bidzos
President and Chief Executive Officer
(Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints D. James Bidzos, George E. Kilguss, III, and Richard H. Goshorn, and each of them, his or her true lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granted unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February 2013.

Signature	Title
/S/ D. JAMES BIDZOS D. JAMES BIDZOS	President, Chief Executive Officer, Executive Chairman and Director (Principal Executive Officer)
/S/ GEORGE E. KILGUSS, III GEORGE E. KILGUSS, III	Chief Financial Officer (Principal Financial and Accounting Officer)
/S/ WILLIAM L. CHENEVICH WILLIAM L. CHENEVICH	Director
/S/ KATHLEEN A. COTE KATHLEEN A. COTE	Director
/S/ ROGER H. MOORE ROGER H. MOORE	Director
/S/ JOHN D. ROACH JOHN D. ROACH	Director
/S/ LOUIS A. SIMPSON LOUIS A. SIMPSON	Director

/S/ TIMOTHY TOMLINSON TIMOTHY TOMLINSON	Director

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FINANCIAL STATEMENTS

As required under Item 8—Financial Statements and Supplementary Data, the consolidated financial statements of Verisign, Inc. are provided in this separate section. The consolidated financial statements included in this section are as follows:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited VeriSign, Inc.'s ("the Company") internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting (Item 9A.b). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

McLean, Virginia

February 28, 2013

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries ("the Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VeriSign, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 28, 2013 expressed an unqualified opinion on the effectiveness of VeriSign, Inc.'s internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 28, 2013

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

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$130,736	$1,313,349
Marketable securities	1,425,700	32,860
Accounts receivable, net	11,477	14,974
Deferred tax assets	44,756	64,751
Prepaid expenses and other current assets	30,795	21,847
Total current assets	1,643,464	1,447,781
Property and equipment, net	333,861	327,136
Goodwill and other intangible assets, net	52,527	53,848
Long-term deferred tax assets	7,299	2,758
Other long-term assets	25,325	24,656
Total long-term assets	419,012	408,398
Total assets	$2,062,476	$1,856,179
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$130,391	$156,385
Deferred revenues	564,627	502,538
Total current liabilities	695,018	658,923
Long-term deferred revenues	247,955	226,033
Convertible debentures, including contingent interest derivative	597,614	590,086
Long-term debt	100,000	100,000
Long-term deferred tax liabilities	386,914	325,527
Other long-term tax liabilities	44,298	43,717
Total long-term liabilities	1,376,781	1,285,363
Total liabilities	2,071,799	1,944,286
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value $.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share; Authorized shares: 1,000,000; Issued shares: 318,722 at December 31, 2012 and 316,781 at December 31, 2011; Outstanding shares: 153,392 at December 31, 2012 and 159,422 at December 31, 2011	319	317
Additional paid-in capital	19,891,291	20,135,237
Accumulated deficit	(19,900,545)	(20,220,577)
Accumulated other comprehensive loss	(388)	(3,084)
Total stockholders' deficit	(9,323)	(88,107)
Total liabilities and stockholders' deficit	$2,062,476	$1,856,179

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2012	2011	2010
Revenues	$873,592	$771,978	$680,578
Costs and expenses:			
Cost of revenues	167,600	165,246	156,676
Sales and marketing	97,809	97,432	83,390
Research and development	61,694	53,277	53,664
General and administrative	89,927	111,122	137,704
Restructuring charges	(765)	15,512	16,861
Total costs and expenses	416,265	442,589	448,295
Operating income	457,327	329,389	232,283
Interest expense	(50,196)	(147,332)	(157,667)
Non-operating income, net	5,564	11,530	20,738
Income from continuing operations before income taxes	412,695	193,587	95,354
Income tax expense	(100,210)	(55,031)	(25,322)
Income from continuing operations, net of tax	312,485	138,556	70,032
Income from discontinued operations, net of tax	7,547	4,335	763,822
Net income	320,032	142,891	833,854
Net income attributable to noncontrolling interest in subsidiary	—	—	(2,887)
Net income attributable to Verisign stockholders	$320,032	$142,891	$830,967
Net income	$320,032	$142,891	$833,854
Foreign currency translation adjustments	—	110	7,327
Realized foreign currency translation adjustments, included in net income	—	—	(29,076)
Change in unrealized gain on investments, net of tax	2,757	688	2,586
Realized gain on investments, net of tax, included in net income	(61)	(2,548)	(456)
Other comprehensive income (loss)	2,696	(1,750)	(19,619)
Comprehensive income	322,728	141,141	814,235
Comprehensive loss attributable to noncontrolling interest in subsidiary	—	—	7,739
Comprehensive income attributable to Verisign stockholders	$322,728	$141,141	$821,974
Basic income per share:			
Continuing operations	$1.99	$0.84	$0.39
Discontinued operations	0.05	0.03	4.29
Net income	$2.04	$0.87	$4.68
Diluted income per share:			
Continuing operations	$1.91	$0.83	$0.39
Discontinued operations	0.04	0.03	4.25
Net income	$1.95	$0.86	$4.64
Shares used to compute net income per share			
Basic	156,953	165,408	177,534
Diluted	163,909	166,887	178,965
Amounts attributable to Verisign stockholders:			
Income from continuing operations, net of tax	$312,485	$138,556	$70,032
Income from discontinued operations, net of tax	7,547	4,335	760,935
Net income attributable to Verisign stockholders	$320,032	$142,891	$830,967

See accompanying Notes to Consolidated Financial Statements.

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VERISIGN, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Total Stockholders' Equity (Deficit)	Verisign stockholders' Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income(Loss)	Total	Noncontrolling Interest In subsidiary
Balance at December 31, 2009	$ 598,664	183,299	$ 308	$ 21,736,209	$ (21,194,435)	$ 7,659	$ 549,741	$ 48,923
Net income	833,854	—	—	—	830,967	—	830,967	2,887
Other comprehensive loss	(19,619)	—	—	—	—	(8,993)	(8,993)	(10,626)
Issuance of common stock under stock plans	92,510	5,579	5	92,505	—	—	92,510	—
Stock-based compensation	54,091	—	—	54,087	—	—	54,087	4
Special dividend paid	(518,217)	—	—	(518,217)	—	—	(518,217)	—
Dividend declared to noncontrolling interest in subsidiary	(856)	—	—	—	—	—	—	(856)
Deconsolidation upon divestiture of the Authentication Services business	(40,332)	—	—	—	—	—	—	(40,332)
Net excess income tax benefits associated with stock-based compensation	126,084	—	—	126,084	—	—	126,084	—
Repurchase of common stock	(449,749)	(16,142)	—	(449,749)	—	—	(449,749)	—
Balance at December 31, 2010	676,430	172,736	313	21,040,919	(20,363,468)	(1,334)	676,430	—
Net income	142,891	—	—	—	142,891	—	142,891	—
Other comprehensive loss	(1,750)	—	—	—	—	(1,750)	(1,750)	—
Issuance of common stock under stock plans	49,983	3,469	4	49,979	—	—	49,983	—
Stock-based compensation	46,438	—	—	46,438	—	—	46,438	—
Special dividend paid	(463,498)	—	—	(463,498)	—	—	(463,498)	—
	11,496	—	—	11,496	—	—	11,496	—

Net excess income tax benefits associated with stock-based compensation								
Repurchase of common stock	(550,097)	(16,783)	—	(550,097)	—	—	(550,097)	—
Balance at December 31, 2011	(88,107)	159,422	317	20,135,237	(20,220,577)	(3,084)	(88,107)	—
Net income	320,032	—	—	—	320,032	—	320,032	—
Other comprehensive income	2,696	—	—	—	—	2,696	2,696	—
Issuance of common stock under stock plans	29,303	1,941	2	29,301	—	—	29,303	—
Stock-based compensation	36,199	—	—	36,199	—	—	36,199	—
Net excess income tax benefits associated with stock-based compensation	16,045	—	—	16,045	—	—	16,045	—
Repurchase of common stock	(325,680)	(7,971)	—	(325,680)	—	—	(325,680)	—
Other	189	—	—	189	—	—	189	
Balance at December 31, 2012	$ (9,323)	153,392	$ 319	$ 19,891,291	$ (19,900,545)	$ (388)	$ (9,323)	$ —

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	$320,032	$142,891	$833,854
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on sale of discontinued operations, net of tax	—	—	(725,254)
Depreciation of property and equipment and amortization of other intangible assets	54,819	55,706	67,655
Stock-based compensation	33,362	43,272	52,178
Excess tax benefit associated with stock-based compensation	(18,436)	(13,420)	(131,926)
Deferred income taxes	71,800	24,779	45,466
Other, net	10,981	12,965	9,474
Changes in operating assets and liabilities			
Accounts receivable	3,327	(251)	13,147
Prepaid expenses and other assets	(9,344)	7,895	19,005
Accounts payable and accrued liabilities	(12,922)	(3,469)	(48,624)
Deferred revenues	84,011	65,533	80,231
Net cash provided by operating activities	537,630	335,901	215,206
Cash flows from investing activities:			
Proceeds received from divestiture of businesses, net of cash contributed and transaction costs	—	—	1,162,306
Proceeds from maturities and sales of marketable securities	1,234,156	546,006	313,817
Purchases of marketable securities	(2,622,898)	(78,975)	(787,718)
Purchases of property and equipment	(53,023)	(192,660)	(80,527)
Other investing activities	(588)	(1,129)	(4,788)
Net cash (used in) provided by investing activities	(1,442,353)	273,242	603,090
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	29,303	49,983	92,510
Repurchases of common stock	(325,680)	(550,097)	(449,749)
Payment of dividends to stockholders	—	(463,498)	(518,217)
Excess tax benefit associated with stock-based compensation	18,436	13,420	131,926
Proceeds received from borrowings	—	100,000	—
Repayment of borrowings	—	(1,067)	(1,004)
Other financing activities	189	(939)	(740)
Net cash used in financing activities	(277,752)	(852,198)	(745,274)
Effect of exchange rate changes on cash and cash equivalents	(138)	(3,224)	9,440
Net (decrease) increase in cash and cash equivalents	(1,182,613)	(246,279)	82,462
Cash and cash equivalents at beginning of period	1,313,349	1,559,628	1,477,166
Cash and cash equivalents at end of period	$130,736	$1,313,349	$1,559,628
Supplemental cash flow disclosures:			
Cash paid for interest, net of capitalized interest	$41,276	$140,193	$148,870
Cash paid for income taxes, net of refunds received	$19,436	$6,567	$8,502
Payable to purchasers of divested businesses	$—	$—	$(4,250)

See accompanying Notes to Consolidated Financial Statements.

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Explanation of Responses:

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VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

VeriSign, Inc. ("Verisign" or "the Company") was incorporated in Delaware on April 12, 1995. It is a provider of Internet infrastructure services. By leveraging its global infrastructure, it provides network confidence and availability for mission-critical Internet services, such as domain name registry services and infrastructure assurance services. The Company's service capabilities enable real-time name resolution for a number of global top level domains ("TLDs"), enable domain name registration through registrars and provide security intelligence and cloud-based network availability services to enterprise customers.

The Company has one reportable segment, Naming Services, which consists of Registry Services and Network Intelligence and Availability ("NIA") Services. Registry Services operates the authoritative directory of all .com, .net, .cc, .tv, and .name domain names and the back-end systems for all .gov, .jobs and .edu domain names. NIA Services provides infrastructure assurance services to organizations and is comprised of Verisign iDefense Security Intelligence Services, Managed Domain Name System Services, and Distributed Denial of Service Protection Services.

Basis of Presentation

The accompanying consolidated financial statements of Verisign and its subsidiaries have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S."). All significant intercompany accounts and transactions have been eliminated.

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Unless noted otherwise, discussions in the Notes to Consolidated Financial Statements pertain to continuing operations.

Adoption of New Accounting Standards

Effective January 1, 2012, the Company adopted Accounting Standards Update 2011-05, "Presentation of Comprehensive Income" which eliminated the option to present the components of other comprehensive income within the statement of stockholders' equity and requires an entity to present total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. The Company has chosen to present these items in a single continuous statement.

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.

Significant Accounting Policies

Cash and Cash Equivalents

Verisign considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include certain money market funds, commercial paper, debt securities and various deposit accounts. Verisign maintains its cash and cash equivalents with financial institutions that have investment grade ratings and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions.

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VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2012, 2011 AND 2010

Marketable Securities

Marketable securities consist of debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies, and equity securities of a public company. All marketable securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, net of taxes, are reported as a component of Accumulated other comprehensive loss. The specific identification method is used to determine the cost basis of the marketable securities sold. The Company classifies its marketable securities as current based on their nature and availability for use in current operations.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of 35 to 47 years for buildings, 10 years for building improvements and three to five years for computer equipment, purchased software, office equipment, and furniture and fixtures. Beginning in 2012, the Company changed its estimate of the useful life of its computer equipment and hardware assets from 3 years to 4 years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or associated lease terms. The Company capitalizes interest on facility assets under construction and on significant software development projects.

Capitalized Software

Software included in property and equipment includes amounts paid for purchased software and development costs for software used internally that have been capitalized. The following table summarizes the capitalized costs related to third-party implementation and consulting services as well as costs related to internally developed software.

	Year Ended December 31,	
	2012	2011
	(In thousands)	
Third-party implementation and consulting services	$3,172	$3,032
Internally developed software	$21,733	$17,205

Goodwill and Other Long-lived Assets

Goodwill represents the excess of purchase consideration over fair value of net assets of businesses acquired. Goodwill is not amortized, but instead tested for impairment. All of the Company’s goodwill is included in the Registry Services reporting unit which has a negative carrying value. The Company performs a qualitative analysis at the end of each reporting period to determine if any events have occurred or circumstances exist that would indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors the Company reviews include, but are not limited to: (a) macroeconomic conditions; (b) industry and market considerations such as a deterioration in the environment in which an entity operates; (c) a significant adverse change in legal factors or in the business climate; (d) an adverse action or assessment by a regulator; (e) unanticipated competition; (f) loss of key personnel; (g) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; or (h) testing for recoverability of a significant asset group within a reporting unit.

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset, or asset group, to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

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VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2012, 2011 AND 2010

Restructuring Charges

Verisign has recorded restructuring charges related to workforce reductions using a standard formula of benefits based upon tenure with the Company. The accounting for severance costs associated with an ongoing arrangement is dependent upon determination of the following criteria: (i) the Company’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employees’ services already rendered; (ii) the obligation relates to rights that vest or accumulate; (iii) payment of the compensation is probable; and (iv) the amount can be reasonably estimated. Severance costs that are considered a one-time benefit are measured at fair value and are recognized upfront or over the future service period, depending on whether future service is required, if certain conditions are met, including i) management’s commitment to a detailed plan of termination that identifies the number of employees, their job classifications or functions and their locations, and expected completion date; and ii) the plan has been communicated to the employees.

Verisign records restructuring charges related to excess facilities at fair value only when the Company ceases use of the excess facilities. Excess facilities restructuring charges take into account the fair value of lease obligations of the abandoned space, including the potential for sublease income. Estimating the amount of sublease income requires management to make estimates for the space that will be rented, the rate per square foot that might be received and the vacancy period of each property.

3.25% Junior Subordinated Convertible Debentures Due 2037 (“Convertible Debentures”)

Verisign separately accounts for the liability (debt) and equity (conversion option) components of the Convertible Debentures in a manner that reflects the borrowing rate for a similar non-convertible debt. The liability component is recognized at fair value on the issuance date, based on the fair value of a similar instrument that does not have a conversion feature at issuance. The excess of the principal amount of the Convertible Debentures over the fair value of the liability component is the equity component or debt discount. Such excess represents the estimated fair value of the conversion feature and is recorded as Additional paid-in capital. The debt discount is amortized using the Company’s effective interest rate over the term of the Convertible Debentures as a non-cash charge to interest expense. The Convertible Debentures also have a contingent interest payment provision that may require the Company to pay interest based on certain thresholds, beginning with the semi-annual interest period commencing on August 15, 2014, and upon the occurrence of certain events, as outlined in the Indenture governing the Convertible Debentures. The contingent interest payment provision has been identified as an embedded derivative, to be accounted for separately at fair value, and is marked to market at the end of each reporting period, with any gains and losses recorded in Non-operating income, net.

Foreign Currency Remeasurement

Verisign conducts business throughout the world and transacts in multiple currencies. The functional currency for all of Verisign’s international subsidiaries is the U.S. Dollar. The Company’s subsidiaries’ financial statements are remeasured into U.S. Dollars using a combination of current and historical exchange rates and any remeasurement gains and losses are included in Non-operating income, net. The Company recorded a net remeasurement loss of $3.4 million in 2011. The net remeasurement gains and losses recorded in 2012 and 2010 were not material.

Verisign maintains a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. The Company does not enter into foreign currency transactions for trading or speculative purposes, nor does it hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, which are usually placed and adjusted monthly. These foreign currency forward contracts are derivatives and are recorded at fair market value. The Company records gains and losses on foreign currency forward contracts to Non-operating income, net. The Company recorded net gains of $0.8 million in 2012, and $1.4 million in 2011, and a net loss of $2.9 million in 2010, related to foreign currency forward contracts.

As of December 31, 2012, Verisign held foreign currency forward contracts in notional amounts totaling $40.2 million to mitigate the impact of exchange rate fluctuations associated with certain assets and liabilities held in foreign currencies.

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Revenue Recognition

Verisign recognizes revenues when the following four criteria are met:

- Persuasive evidence of an arrangement exists: It is the Company's customary practice to have a written contract, signed by both the customer and Verisign or a service order form from those customers who have previously negotiated a standard master services agreement with Verisign.

- Delivery has occurred or services have been rendered: The Company's services are usually delivered continuously from service activation date through the term of the arrangement.

- The fee is fixed or determinable: Substantially all of the Company's revenue arrangements have fixed or determinable fees.

- Collectability is reasonably assured: Collectability is assessed on a customer-by-customer basis. Verisign typically sells to customers for whom there is a history of successful collection. The majority of customers either maintains a deposit with Verisign or provides an irrevocable letter of credit in excess of the amounts owed. New customers are subjected to a credit review process that evaluates the customer's financial position and, ultimately, their ability to pay. If Verisign determines from the outset of an arrangement that collectability is not probable based upon its credit review process, revenues are recognized as cash is collected.

Substantially all of the Company's revenue arrangements have multiple service deliverables. However, all service deliverables in those arrangements are usually delivered over the same term and, in the absence of a discernible pattern of performance, are presumed to be delivered ratably over that service term.

If the Company enters into an arrangement with multiple elements where standalone value exists for each element and the delivery of the elements occur at different times, revenue for such arrangement is allocated to the elements based on the best estimate of selling prices of the elements and recognized based on applicable service term for each element.

Registry Services

Registry Services revenues primarily arise from fixed fees charged to registrars for the initial registration or renewal of .com, .net, .tv, .name, .cc, .gov or .jobs domain names. Revenues from the initial registration or renewal of domain names are deferred and recognized ratably over the registration term, generally one year and up to ten years. Fees for renewals and advance extensions to the existing term are deferred until the new incremental period commences. These fees are then recognized ratably over the renewal term.

Verisign also offers promotional marketing programs to its registrars based upon market conditions and the business environment in which the registrars operate. Amounts payable to these registrars for such promotional marketing programs are usually recorded as a reduction of revenue. If Verisign obtains an identifiable benefit separate from the services it provides to the registrars, then amounts payable up to the fair value of the benefit received are recorded as advertising expenses and the excess, if any, is recorded as a reduction of revenue.

NIA Services

Following the revenue recognition criteria above, revenues from NIA Services are usually deferred and recognized over the service term, generally one to two years.

Advertising Expenses

Advertising costs are expensed as incurred and are included in Sales and marketing expenses. Advertising expenses were \$10.2 million, \$17.2 million, and \$12.6 million in 2012, 2011, and 2010, respectively.

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Income Taxes

Verisign uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not.

Deferred tax liabilities and assets are classified as current or noncurrent based on the financial reporting classification of the related asset or liability, or, for deferred tax liabilities or assets that are not related to an asset or liability for financial reporting, according to the expected reversal date of the temporary difference. For every tax-paying component and within each tax jurisdiction, (a) all current deferred tax liabilities and assets are offset and presented as a single amount and (b) all noncurrent deferred tax liabilities and assets are offset and presented as a single amount.

The Company's income taxes payable is reduced by the tax benefits from employee stock option exercises and restricted stock unit ("RSU") vesting. The Company's income tax benefit related to stock options is calculated as the tax effect of the difference between the fair market value of the stock and the exercise price at the time of option exercise. The Company's income tax benefit related to RSUs is equal to the fair market value of the stock at the vesting date. If the income tax benefit at exercise or vesting date is greater than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, such excess tax benefit is recognized as an increase to Additional paid-in capital. If the income tax benefit at exercise or vesting date is less than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, the shortfall is recognized as a reduction of Additional paid-in capital to the extent of previously recognized excess tax benefits.

Verisign's global operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes payable are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from U.S. federal, state, and international tax audits. The Company may only recognize or continue to recognize tax positions that are more likely than not to be sustained upon examination. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities.

The Company's assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and character of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and character of income in future years could render the Company's current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause the Company's actual income tax obligations to differ from its estimates, thus materially impacting its financial position and results of operations.

Stock-based Compensation

During 2012, the Company's stock-based compensation was primarily related to RSUs granted to employees. There were no stock options granted in 2012 or 2011. The Company used the Black-Scholes option pricing model to determine the fair value of stock options granted in prior years and also uses the Black-Scholes model to determine the fair value of employee stock purchase plan ("ESPP") offerings. The determination of the fair value of stock-based payment awards using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. For the awards that are expected to vest, after considering estimated forfeitures, stock-based compensation expense is typically recognized on a straight-line basis over the requisite service period for each such award. The Company also grants performance based RSUs to certain executives. The expense for these performance-based RSUs is recognized on a graded vesting schedule over the term of the award based on the probable outcome of the performance conditions.

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Earnings per Share

The Company computes basic net income per share attributable to Verisign stockholders by dividing net income attributable to Verisign stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income per share attributable to Verisign stockholders gives effect to dilutive potential common shares, including outstanding stock options, unvested RSUs, ESPP offerings and the conversion spread related to convertible debentures using the treasury stock method.

Discontinued Operations

The results of operations of businesses that have been divested are presented as discontinued operations when the underlying operations and cash flows of the disposal group have been eliminated from the Company's continuing operations and the Company will no longer have any significant continuing involvement in the operations of the divested business after the disposal transaction. Subsequent to the divestitures, the Company has resolved certain contingent liabilities that related to the operations of the divested businesses. The effects of these items are presented in discontinued operations.

Fair Value of Financial Instruments

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company measures and reports certain financial assets and liabilities at fair value on a recurring basis, including its investments in money market funds classified as Cash and cash equivalents, marketable debt and equity securities, foreign currency forward contracts, and the contingent interest derivative associated with the Convertible Debentures.

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

	As of December 31,	
	2012	2011
	(In thousands)	
Cash	$63,578	$1,127,196
Money market funds	38,054	132,145
Time deposits	3,614	57,930

Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,452,358	32,860
Equity securities of a public company	3,341	—
Total	$1,560,945	$1,350,131
Included in Cash and cash equivalents	$130,736	$1,313,349
Included in Marketable securities	$1,425,700	$32,860
Included in Other long-term assets (Restricted cash)	$4,509	$3,922

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The following table presents the contractual maturities of the debt securities held as of December 31, 2012:

	December 31, 2012		
	Amortized Cost	Unrealized Gains	Fair Value
	(In thousands)		
Due within one year	$1,419,115	$165	$1,419,280
Due after one year through three years	32,911	167	33,078
Total	$1,452,026	$332	$1,452,358

The Company's investment in equity securities of a public company has a cost basis of zero and a fair value of $3.3 million as of December 31, 2012. Upon shares of the entity becoming publicly traded during the year ended December 31, 2012, the Company reclassified the investment to available-for-sale securities and recorded an unrealized gain of $3.3 million in Other comprehensive income.

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 December 31, 2012 and December 31, 2011:

		Fair Value Measurement Using		
	Total Fair Value (In thousands)	Level 1	Level 2	Level 3
As of December 31, 2012				
Assets:				
Investments in money market funds	$38,054	$38,054	$—	$—
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,452,358	1,419,280	33,078	—
Equity securities of public company	3,341	—	3,341	—
Foreign currency forward contracts (1)	71	—	71	—
Total	$1,493,824	$1,457,334	$36,490	$—
Liabilities:				
Contingent interest derivative on Convertible Debentures	$11,203	$—	$—	$11,203
Foreign currency forward contracts (2)	765	—	765	—
Total	$11,968	$—	$765	$11,203
As of December 31, 2011:				
Assets:				
Investments in money market funds	$132,145	$132,145	$—	$—
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	32,860	—	32,860	—
Foreign currency forward contracts (1)	49	—	49	—
Total	$165,054	$132,145	$32,909	$—
Liabilities:				
Contingent interest derivative on Convertible Debentures	$11,625	$—	$—	$11,625
Foreign currency forward contracts (2)	444	—	444	—
Total	$12,069	$—	$444	$11,625

(1) Included in Prepaid expenses and other current assets
(2) Included in Accounts payable and accrued liabilities

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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. The fair value of the Company's investments in other debt securities are obtained using the weighted average price of available market prices for the underlying securities from various industry standard data providers, large financial institutions and other third-party sources and are classified as Level 2. Debt securities purchased with original maturities in excess of three months are included in Marketable securities.

The equity securities of a public company held by the Company at December 31, 2012 relate to a former cost method investment that the Company had previously written off. Beginning in September 2012, the equity securities held by the Company became publicly traded but are subject to a holding period which will expire in March 2013. The fair value of the investment is based on the quoted market price at the end of the period, adjusted for an estimate of the value of the remaining three month restriction. As most of the significant inputs in the fair value are observable, the investment is classified as Level 2.

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

The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the Convertible Debentures. The inputs to the model include stock price, bond price, risk adjusted interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant unobservable inputs. As of December 31, 2012, the valuation of the contingent interest derivative assumed a volatility rate of approximately 30%. A hypothetical 5% increase or decrease in the volatility rate would not significantly change the fair value of the contingent interest derivative. The credit spread assumed in the valuation was approximately 3% at December 31, 2012. A hypothetical 1% increase or decrease in the credit spread would not significantly change the fair value of the contingent interest derivative.

The following table summarizes the change in the fair value of the Company's contingent interest derivative on Convertible Debentures during the year ended December 31, 2012 and 2011:

	Year Ended December 31,	
	2012	2011
	(In thousands)	
Beginning balance	$11,625	$10,500
Unrealized (gain) loss on contingent interest derivative on Convertible Debentures	(422)	1,125
Ending balance	$11,203	$11,625

Other

The Company's other financial instruments include cash, accounts receivable, restricted cash, accounts payable, and long-term debt. As of December 31, 2012, the carrying value of these financial instruments approximated their fair value. The fair value of the Company's Convertible Debentures as of December 31, 2012, is $1.6 billion, and is based on available market information from public data sources. The fair value measurement of the Company's Convertible Debentures is classified as Level 2.

Note 4. Discontinued Operations

On August 9, 2010, the Company sold its Authentication Services business, including outstanding shares of capital stock of VeriSign Japan and trademarks and certain intellectual property used in the Authentication Services business (including the Company's checkmark logo and the Geotrust and thawte brand names), to Symantec for cash consideration of approximately $1.14 billion, net of cash held by transferred subsidiaries of $127.5 million and transaction costs of $10.8 million. Also included with the sale of the Authentication Services business were certain corporate assets, namely real and personal property owned by the Company at its Mountain View facility and other locations, which were transferred to the Authentication Services reporting unit before the sale. The Company recorded a gain on sale of $726.2 million, net of tax of $254.3 million. The gain on sale also reflects the realization of foreign currency translation adjustments of $15.3 million previously included in

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Accumulated other comprehensive income (loss) and the deconsolidation of non-controlling interest in VeriSign Japan of $54.3 million.

In November 2010, the Company ceased the operations of its Content Portal Services business.

The following table presents the revenues and the components of discontinued operations, net of tax:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Revenues	$—	$44	$248,740
Income (loss) from discontinued operations before income taxes	$11,141	$(538)	$63,906
Gains on sale of discontinued operations, before income taxes	—	451	979,560
Income tax (expense) benefit	(3,594)	4,422	(279,644)
Income from discontinued operations	7,547	4,335	763,822
Less: Income from discontinued operations, net of tax, attributable to noncontrolling interest in subsidiary	—	—	(2,887)
Total income from discontinued operations, net of tax, attributable to Verisign stockholders	$7,547	$4,335	$760,935

Income from discontinued operations in 2012 is primarily related to the reimbursement of previously incurred litigation and legal defense costs received upon the settlement of indemnification claims with selling shareholders of a previously acquired business that was later divested. Income from discontinued operations in 2012 also represents the reversal of certain retained liabilities and the reversal of certain accruals for retained litigation related to the prior operations of a divested business. Loss from discontinued operations before income taxes for 2011 represents the effects of certain retained litigation of the divested businesses. Income tax benefit for discontinued operations for 2011 includes a benefit from the settlement of a foreign income tax liability that had resulted from the sale of the Authentication Services business in 2010. The amounts presented as discontinued operations in 2010 primarily represent the results of operations and net gains and losses on the sale of the Authentication Services business. The Company has determined direct costs of the Authentication Services business consistent with the manner in which it was structured and managed. Indirect costs such as corporate overhead that was not directly attributable to the Authentication Services business have not been allocated to discontinued operations.

Note 5. Other Balance Sheet Items
Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2012	2011
	(In thousands)	
Prepaid expenses	$15,413	$12,016
Non-trade receivables	15,056	9,452
Other	326	379
Total prepaid expenses and other current assets	$30,795	$21,847

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Property and Equipment, Net

The following table presents the detail of property and equipment, net:

	As of December 31,	
	2012	2011
	(In thousands)	
Land	$31,141	$31,141
Buildings and building improvements	236,171	239,280
Computer equipment and software	315,654	307,710
Capital work in progress	11,393	6,157
Office equipment and furniture	6,420	7,662
Leasehold improvements	2,223	2,282
Total cost	603,002	594,232
Less: accumulated depreciation and amortization	(269,141)	(267,096)
Total property and equipment, net	$333,861	$327,136

Goodwill and Other Intangible Assets

The following table presents the detail of goodwill and other intangible assets:

	As of December 31,	
	2012	2011
	(In thousands)	
Goodwill, gross	1,537,843	1,537,843
Accumulated goodwill impairment	(1,485,316)	(1,485,316)
Other intangible assets	—	1,321
Total goodwill and other intangible assets	52,527	53,848

There was no impairment of goodwill or other long-lived assets recognized in any of the periods presented.

Other Long-Term Assets
Other long-term assets consist of the following:

	As of December 31,	
	2012	2011
	(In thousands)	
Other tax receivable	$5,811	$5,811
Long-term investments	413	413
Debt issuance costs	11,516	11,830
Long-term restricted cash	4,509	3,922
Security deposit and other	3,076	2,680
Total other long-term assets	$25,325	$24,656

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Accounts Payable and Accrued Liabilities
Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2012	2011
	(In thousands)	
Accounts payable	$23,519	$19,283
Accrued employee compensation	38,778	40,251
Customer deposits, net	19,321	18,558
Taxes payable and other tax liabilities	21,918	28,441
Accrued restructuring costs	—	8,685
Other accrued liabilities	26,855	41,167
Total accounts payable and accrued liabilities	$130,391	$156,385

Accrued employee compensation primarily consists of liabilities for employee leave, salaries, payroll taxes, employee contributions to the employee stock purchase plan, and incentive compensation. Taxes payable and other tax liabilities as of December 31, 2012 reflects a decrease in current taxes payable from December 31, 2011 as the result of income tax payments made during the year ended December 31, 2012. Accrued restructuring costs at December 31, 2011 represented the remaining lease payments to be made related to excess facilities that were abandoned as part of the relocation of the Company's headquarters during 2011. Other accrued liabilities include miscellaneous vendor payables and interest on the Convertible Debentures which is paid semi-annually in arrears on August 15 and February 15. Other accrued liabilities as of December 31, 2011 included certain retained liabilities related to divested businesses that were reversed or paid during 2012.

Note 6. Restructuring Charges

2010 Restructuring Plan

In connection with the sale of the Authentication Services business and the migration of its corporate functions from California to Virginia, the Company initiated a restructuring plan in 2010, including workforce reductions, abandonment of excess facilities and other exit costs (the "2010 Restructuring Plan"). Under the 2010 Restructuring Plan, the Company incurred pre-tax cash severance charges of $21.3 million, stock-based compensation expenses of $16.2 million upon acceleration of stock-based awards, and excess facility exit costs of $8.0 million, inclusive of amounts reported in discontinued operations. As of December 31, 2012, the 2010 Restructuring Plan was complete and all expenses incurred under the plan have been paid or settled.

Note 7. Debt and Interest Expense

2011 Credit Facility

On November 22, 2011, Verisign entered into a credit agreement with a syndicate of lenders led by JPMorgan Chase Bank, N.A., as the administrative agent. The credit agreement provides for a $200.0 million committed senior unsecured revolving credit facility (the "2011 Facility"), under which Verisign and certain designated subsidiaries may be borrowers. Loans under the 2011 Facility may be denominated in U.S. dollars and certain other currencies. The Company has the option under the 2011 Facility to invite lenders to make competitive bid loans at negotiated interest rates. The facility expires on November 22, 2016 at which time any outstanding borrowings are due.
Borrowings under the 2011 Facility bear interest at one of the following rates as selected by the Company at the time of borrowing: the lender's base rate which is the higher of the Prime Rate or the sum of 0.5% plus the Federal Funds

Rate, plus in each case a margin of 0.5% to 1.0% determined based on the Company’s leverage ratio, or a LIBOR or EURIBOR based rate plus market-rate spreads of 1.5% to2.0% that are determined based on the Company’s leverage ratio.

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On November 28, 2011, the Company borrowed $100.0 million as a LIBOR revolving loan denominated in US dollars to be used in connection with the purchase of Verisign's headquarters facility in Reston, Virginia and for general corporate purposes. As of December 31, 2012, this balance remains outstanding and the Company does not intend to repay the outstanding borrowing within the next year and, as such, has classified the debt as a long-term liability.
The Company is required to pay a commitment fee between 0.2% and 0.3% per year of the amount committed under the facility, depending on the Company's leverage ratio. The credit agreement contains customary representations and warranties, as well as covenants limiting the Company's ability to, among other things, incur additional indebtedness, merge or consolidate with others, change its business, sell or dispose of assets. The covenants also include limitations on investments, limitations on dividends, share redemptions and other restricted payments, limitations on entering into certain types of restrictive agreements, limitations on entering into hedging agreements, limitations on amendments, waivers or prepayments of the Convertible Debentures, limitations on transactions with affiliates and limitations on the use of proceeds from the facility.
The 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 2.0 to 1.0. As of December 31, 2012, the Company was in compliance with the financial covenants of the 2011 Facility.
Verisign may from time to time request lenders to agree on a discretionary basis to increase the commitment amount by up to an aggregate of $150.0 million during the term of the 2011 Credit Facility.

Convertible Debentures

In August 2007, Verisign issued $1.25 billion principal amount of 3.25% convertible debentures due August 15, 2037, in a private offering. The Convertible Debentures are subordinated in right of payment to the Company's existing and future senior debt and to the other liabilities of the Company's subsidiaries. The Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company's common stock at a conversion rate of 29.0968 shares of common stock per $1,000 principal amount of Convertible Debentures, representing an initial effective conversion price of approximately $34.37 per share of common stock. The conversion rate will be subject to adjustment for certain events as outlined in the Indenture governing the Convertible Debentures but will not be adjusted for accrued interest. As of December 31, 2012, approximately 36.4 million shares of common stock were reserved for issuance upon conversion or repurchase of the Convertible Debentures.

On or after August 15, 2017, the Company may redeem all or part of the Convertible Debentures for the principal amount plus any accrued and unpaid interest if the closing price of the Company's common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which the Company provides notice of redemption.

Holders of the debentures may convert their Convertible Debentures at the applicable conversion rate, in multiples of $1,000 principal amount, only under the following circumstances:

- during any fiscal quarter beginning after December 31, 2007, if the last reported sale price of the Company's common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price in effect on the last trading day of such preceding fiscal quarter (the "Conversion Price Threshold Trigger");

- during the five business-day period after any 10 consecutive trading-day period in which the trading price per $1,000 principal amount of Convertible Debentures for each day of that 10 consecutive trading-day period was less than 98%

of the product of the last reported sale price of the Company’s common stock and the conversion rate on such day;

- if the Company calls any or all of the Convertible Debentures for redemption pursuant to the terms of the Indenture, at any time prior to the close of business on the trading day immediately preceding the redemption date;
- upon the occurrence of any of several specified corporate transactions as specified in the Indenture governing the Convertible Debentures; or
- at any time on or after May 15, 2037, and prior to the maturity date.

If the conversion value exceeds $1,000, the Company may deliver, at its option, cash or common stock or a combination of cash and common stock for the conversion value in excess of $1,000 (“conversion spread”).

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The Company’s common stock price exceeded the Conversion Price Threshold Trigger during the third quarter of 2012. Accordingly, the Convertible Debentures were convertible at the option of each holder during the fourth quarter of 2012. Further, in the event of conversion, the Company intends, and has the ability, to settle the principal amount of the Convertible Debentures in cash, and therefore, classified the debt component of the Convertible Debentures, the embedded contingent interest derivative and the related deferred tax liability as current liabilities, and also classified the related debt issuance costs as a current asset as as of September 30, 2012. None of the Convertible Debentures were converted during the fourth quarter of 2012 and as of December 31, 2012, none of the conditions allowing holders of the Convertible Debentures to convert were met. Therefore, the Convertible Debentures are not convertible into common stock beginning January 1, 2013 unless and until one of the conversion criteria mentioned above is met. As such, the various Convertible Debentures related liabilities and assets were reclassified back to long-term as of December 31, 2012. The determination of whether or not the Convertible Debentures are convertible, and accordingly, the classification of the related liabilities and assets as long-term or current, must continue to be performed quarterly. The Company intends and has the ability to settle the principal amount of the Convertible Debentures in cash. As of December 31, 2012, the if-converted value of the Convertible Debentures exceeded its principal amount. Based on the if-converted value of the Convertible Debentures as of December 31, 2012, the conversion spread could have required the Company to issue up to an additional 4.2 million shares of common stock.

In addition, holders of the Convertible Debentures who convert their Convertible Debentures in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a fundamental change, the holders of the Convertible Debentures may require Verisign to purchase all or a portion of their Convertible Debentures at a purchase price equal to 100% of the principal amount of Convertible Debentures, plus accrued and unpaid interest, if any.

The Company calculated the carrying value of the liability component at issuance as the present value of its cash flows using a discount rate of 8.5% (borrowing rate for similar non-convertible debt with no contingent payment options), adjusted for the fair value of the contingent interest feature, yielding an effective interest rate of 8.39%. The excess of the principal amount of the debt over the carrying value of the liability component is also referred to as the “debt discount” or “equity component” of the Convertible Debentures. The debt discount is being amortized using the Company’s effective interest rate of 8.39% over the term of the Convertible Debentures as a non-cash charge included in Interest expense. As of December 31, 2012, the remaining term of the Convertible Debentures is 24.6 years. Interest is payable semiannually in arrears on August 15 and February 15.

Proceeds upon issuance of the Convertible Debentures were as follows (in thousands):

Principal value of Convertible Debentures	$1,250,000	
Less: Issuance costs	(25,777	)
Net proceeds, Convertible Debentures	$1,224,223	
Amounts recognized at issuance:		
Convertible debentures, including contingent interest derivative	$558,243	
Additional paid-in capital	418,996	
Long-term deferred tax liabilities	267,225	
Other long-term assets	(11,328	)
Non-operating loss	(8,913	)
Net proceeds, Convertible Debentures	$1,224,223	

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The table below presents the carrying amounts of the liability and equity components:

	As of December 31,	
	2012	2011
	(In thousands)	
Carrying amount of equity component (net of issuance costs of $14,449)	$418,996	$418,996
Principal amount of Convertible Debentures	$1,250,000	$1,250,000
Unamortized discount of liability component	(663,588)	(671,539)
Carrying amount of liability component	586,412	578,461
Contingent interest derivative	11,202	11,625
Convertible debentures, including contingent interest derivative	$597,614	$590,086

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

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Contractual interest on Convertible Debentures	$40,625	$40,625	$40,625
Amortization of debt discount on the Convertible Debentures	7,986	7,355	6,775
Contingent interest to holders of Convertible Debentures	—	100,020	109,113
Interest capitalized to Property and equipment, net	(934)	(980)	(676)
Credit facility and other interest expense	2,519	312	1,830
Total interest expense	$50,196	$147,332	$157,667

The Indenture governing the Convertible Debentures requires the payment of contingent interest to the holders of the Convertible Debentures if the Board of Directors (the "Board") declares a dividend to its stockholders that is designated by the Board as an extraordinary dividend. The contingent interest is calculated as the amount derived by multiplying the per share declared dividend with the if-converted number of shares applicable to the Convertible Debentures. The Board declared extraordinary dividends in April 2011 and December 2010, and consequently, the Company paid contingent interest of $100.0 million in 2011 and $109.1 million in 2010 to holders of the Convertible Debentures.

Note 8. Stockholders' Deficit

Treasury Stock

Treasury stock is accounted for under the cost method. Treasury stock includes shares repurchased under Stock Repurchase Programs and shares withheld in lieu of tax withholdings due upon vesting of RSUs.

On December 5, 2012, the Board authorized the repurchase of up to $458.8 million of the Company's common stock, in addition to $541.2 million remaining available under the previous 2010 Share Buyback Program for a total repurchase authorization of $1.0 billion of the Company's common stock (collectively "the 2012 Share Buyback Program"). The 2012 Share Buyback Program has no expiration date. Purchases made under the 2012 Share Buyback Program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. As of December 31, 2012, $975.5 million remained available for further repurchases under the 2012 Share Buyback Program.

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Tax Withholdings

Upon vesting of RSUs, the Company places a portion of the vested RSUs into treasury stock sufficient to cover tax withholdings due, and makes a cash payment to tax authorities to cover the applicable withholding taxes.

The summary of the Company's common stock repurchases for 2012, 2011 and 2010 are as follows:

	2012		2011		2010	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
	(In thousands, except average price amounts)					
Total repurchases under the repurchase plans	7,692	$40.90	16,318	$32.76	15,672	$27.93
Total repurchases for tax witholdings	279	$39.63	465	$33.37	470	$25.63
Total repurchases	7,971	$40.86	16,783	$32.78	16,142	$27.86
Total costs	$325,680		$550,097		449,749	

Since inception, the Company has repurchased 165.3 million shares of its common stock for an aggregate cost of $4.9 billion, which is recorded as a reduction of Additional paid-in capital.

Special Dividends

On April 27, 2011, the Board declared a special dividend of $2.75 per share of the Company's common stock, totaling $463.5 million, which was paid on May 18, 2011. On December 9, 2010, the Board declared a special dividend of $3.00 per share of the Company's common stock, totaling $518.2 million, which was paid on December 28, 2010. The special dividends were accounted for as a reduction of Additional paid-in capital. The Company did not pay any dividends during 2012.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in the components of Accumulated other comprehensive loss for 2012 and 2011:

	Foreign Currency Translation Adjustments Loss	Unrealized Gain On Investments, net of tax	Total Accumulated Other Comprehensive Loss
	(In thousands)		
Balance, December 31, 2010	$(3,351)	$2,017	$(1,334)
Changes	110	(1,860)	(1,750)
Balance, December 31, 2011	(3,241)	157	(3,084)
Changes	—	2,696	2,696
Balance, December 31, 2012	$(3,241)	$2,853	$(388)

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Other Comprehensive Loss Attributable to Noncontrolling Interest in Subsidiary

The following table summarizes the changes in the components of Other comprehensive loss attributable to the noncontrolling interest in subsidiary during 2010. The noncontrolling interest was deconsolidated as part of the sale of Authentication Services business in 2010.

	Year Ended December 31, 2010
	(In thousands)
Other comprehensive loss attributable to noncontrolling interest in subsidiary:	
Foreign currency translation adjustments	$3,340
Realized foreign currency translation adjustments, included in net income	(14,024)
Change in unrealized gain on investments, next of tax	41
Realized gain on investments, net of tax, included in net income	17
Total other comprehensive loss attributable to noncontrolling interest in subsidiary	$(10,626)

Note 9. Calculation of Net Income per Share Attributable to Verisign Stockholders

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

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Weighted-average shares of common stock outstanding	156,953	165,408	177,534
Weighted-average potential shares of common stock outstanding:			
Stock options	174	309	428
Unvested RSUs	763	736	873
Conversion spread related to Convertible Debentures	5,944	416	—
Employee stock purchase plan	75	18	130
Shares used to compute diluted net income per share attributable to Verisign stockholders	163,909	166,887	178,965

The following table presents the weighted-average potential shares of common stock that were excluded from the above calculation because their effect was anti-dilutive, and the respective weighted-average exercise prices of the weighted-average stock options outstanding:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands, except per share data)		
Weighted-average stock options outstanding	30	366	2,836
Weighted-average exercise price	$40.81	$35.70	$31.32
Weighted-average RSUs outstanding	17	35	57
Employee stock purchase plan	96	434	365

Note 10. Geographic and Customer Information

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

Revenues are generally attributed to the country of domicile and the respective regions in which the Company’s customers are located.

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The following table represents a comparison of the Company's geographic revenues:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
U.S	$530,111	$472,700	$419,315
EMEA	135,084	109,680	92,351
APAC	130,648	116,999	103,494
Other	77,749	72,599	65,418
Total revenues	$873,592	$771,978	$680,578

The following table presents a comparison of property and equipment, net of accumulated depreciation, by geographic region:

	As of December 31,	
	2012	2011
	(In thousands)	
U.S	$323,564	$319,513
EMEA	9,450	7,211
APAC	847	412
Total property and equipment, net	$333,861	$327,136

Major Customers

One customer accounted for approximately 30%, 30%, and 28% of revenues from continuing operations in 2012, 2011, and 2010, respectively. The Company does not believe that the loss of this customer would have a material adverse effect on the Company's business because, in that event, end-users of this customer would transfer to the Company's other existing customers.

Note 11. Employee Benefits and Stock-based Compensation

401(k) Plan

The Company maintains a defined contribution 401(k) plan (the "401(k) Plan") for substantially all of its U.S. employees. Under the 401(k) Plan, eligible employees may contribute up to 20% of their pre-tax salary, subject to the Internal Revenue Service ("IRS") annual contribution limits. In 2012, 2011 and 2010, the Company matched 50% of the employee's contribution up to a total of 6% of the employee's annual salary. The Company contributed $2.8 million in 2012, $2.9 million in 2011, and $4.1 million in 2010 under the 401(k) Plan. The Company can terminate matching contributions at its discretion at any time.

Stock Option and Restricted Stock Plans

The majority of Verisign's stock-based compensation relates to RSUs. Stock options granted in prior years were granted only to upper management level employees. As of December 31, 2012, a total of 15.4 million shares of common stock were reserved for issuance upon the exercise of stock options and for the future grant of stock options or awards under Verisign's stock option and restricted stock plans.

On May 26, 2006, the stockholders of Verisign approved the 2006 Equity Incentive Plan (the “2006 Plan”). The 2006 Plan replaces Verisign’s previous 1998 Directors Plan, 1998 Equity Incentive Plan, and 2001 Stock Incentive Plan. The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, RSUs, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisors. Options may be granted at an exercise price not less than 100% of the fair market value of Verisign's common stock on the date of grant. The 2006 Plan is administered by the Compensation Committee which may delegate to a committee of one or more members of the Board or Verisign's officers the ability to grant certain awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. All outstanding options under the 2006 Plan have a term of not greater than 7 years from the date of grant. Options granted generally vest 25% on the first anniversary date of the grant and the remainder ratably over the following 12 quarters. RSUs are awards covering a specified number of shares of Verisign common stock that may be settled by issuance of those shares (which may be restricted shares). RSUs generally vest in four installments with 25% of the shares vesting on each anniversary of the first four anniversaries of the grant date. However, the Compensation Committee may authorize grants with a different vesting schedule in the future. A total of 27.0 million common shares were authorized and reserved for issuance under the 2006 Plan. The 2006 Plan was amended by shareholder approval in 2011 to allow for equitable adjustment of stock options outstanding under the plan in the event of any future special dividends paid by the Company. This amendment to the 2006 Plan was approved after the Company declared the May 2011 special dividend. The modification of the plan did not result in any additional stock-based compensation.

In connection with certain acquisitions, Verisign assumed some of the acquired companies' stock options. Options assumed generally have terms of seven to ten years and generally vested over a four-year period, as set forth in the applicable option agreement.

2007 Employee Stock Purchase Plan

On August 30, 2007, the Company's stockholders approved the 2007 Employee Stock Purchase Plan which replaced the previous 1998 Employee Stock Purchase Plan. A total of 6.0 million common shares were authorized and reserved for issuance under the ESPP. Eligible employees may purchase common stock through payroll deductions by electing to have between2% and 25% of their compensation withheld to cover the purchase price. Each participant is granted an option to purchase common stock on the first day of each 24-month offering period and this option is automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the ESPP is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period. Offering periods begin on the first business day of February and August of each year. As of December 31, 2012, 2.6 million shares of the Company's common stock are reserved for issuance under this plan.

Stock-based Compensation

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

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Stock-based compensation:			
Cost of revenues	$5,754	$6,655	$4,473
Sales and marketing	6,091	6,062	4,419
Research and development	6,023	4,926	4,989
General and administrative	15,494	19,928	20,136
Restructuring charges	—	5,701	2,321
Stock-based compensation for continuing operations	$33,362	$43,272	$36,338

Discontinued operations	—	—	15,840
Total stock-based compensation	$33,362	$43,272	$52,178

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

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
RSUs	$30,807	$33,305	$26,175
ESPP	4,436	3,904	9,287
Stock options	956	3,528	7,741
RSUs/Stock options acceleration	—	5,701	11,023
Capitalization (Included in Property and equipment, net)	(2,837)	(3,166)	(2,048)
Total stock-based compensation expense	$33,362	$43,272	$52,178

The income tax benefit recognized on stock-based compensation within Income tax expense for 2012, 2011, and 2010 was $9.4 million, $13.1 million, and $9.7 million, respectively. The income tax benefit recognized on stock-based compensation included within Income from discontinued operations, net of tax for 2010 was $4.5 million.

The following table sets forth the weighted-average assumptions used to estimate the fair value of the stock options and ESPP awards:

	Year Ended December 31,		
	2012	2011	2010
Stock options:			
Volatility	N/A	N/A	36 %
Risk-free interest rate	N/A	N/A	1.85 %
Expected term	N/A	N/A	3.6 years
Dividend yield	N/A	N/A	Zero
ESPP awards:			
Volatility	26 %	26 %	35 %
Risk-free interest rate	0.16 %	0.30 %	0.40 %
Expected term	1.25 years	1.25 years	1.25 years
Dividend yield	Zero	Zero	Zero

The Company's expected volatility is based on the average of the historical volatility over the period commensurate with the expected term of the options and the mean historical implied volatility of traded options. The risk-free interest rates are derived from the average U.S. Treasury constant maturity rates during the respective periods commensurate with the expected term. The expected terms are based on an analysis of the observed and expected time to post-vesting exercise and/or cancellation of options. When the stock options were granted and on the ESPP offering dates, the Company did not anticipate paying any cash dividends and therefore used an expected dividend yield of zero. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting forfeitures and records stock-based compensation only for those options and awards that are expected to vest.

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RSUs Information

The following table summarizes unvested RSUs activity:

	Year Ended December 31,					
	2012		2011		2010	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
	(Shares in thousands)					
Unvested at beginning of period	2,345	$ 27.33	2,719	$ 23.50	3,087	$ 25.39
Granted	1,341	38.20	1,860	34.29	2,037	25.67
Vested and settled	(881)	27.57	(1,411)	27.00	(1,349)	26.34
Forfeited	(327)	32.34	(1,025)	24.94	(1,283)	25.34
Dividend equivalents	—	—	202	—	227	—
	2,478	$ 32.07	2,345	$ 27.33	2,719	$ 23.50

All RSU agreements have anti-dilution provisions, in the event a dividend is declared, that require the Company to issue additional dividend equivalent RSUs (“dividend equivalents”) calculated based on the number of unvested RSUs, the per share dividend declared, and the stock price on the dividend payment date. The dividend equivalents are subject to the same vesting requirements as applicable to unvested RSUs in respect of which such additional dividend equivalents are issued.

At the time the December 2010 and May 2011 special dividends were declared, the 2006 Plan did not have the same anti-dilution provisions for outstanding stock options. Because the option holders did not participate in the special dividends, the Company granted option holders additional RSUs equivalent to the amount of the dividend. The RSUs granted were either fully vested or on a two year cliff vesting, depending on whether the corresponding stock options were vested or unvested. The Company recognized $9.2 million of stock-based compensation expense related to the fully vested RSUs granted in 2011.

As of December 31, 2012, the aggregate intrinsic value of unvested RSUs was $96.2 million. The fair values of RSUs that vested during 2012, 2011, and 2010 were $31.7 million, $44.2 million, and $38.1 million, respectively. As of December 31, 2012, total unrecognized compensation cost related to unvested RSUs was $48.1 million which is expected to be recognized over a weighted-average period of 2.5 years.

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Stock Options Information

The following table summarizes stock options activity:

	Year Ended December 31,					
	2012		2011		2010	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
	(In thousands, except average price amounts)					
Outstanding at beginning of period	1,120	$28.04	3,387	$27.36	6,920	$26.64
Granted	—	—	—	—	788	24.53
Exercised	(660)	27.34	(1,473)	26.34	(3,094)	23.69
Forfeited	(38)	23.99	(749)	26.53	(1,188)	28.88
Expired	(1)	8.07	(45)	48.33	(39)	87.00
Outstanding at end of period	421	$29.49	1,120	$28.04	3,387	$27.36
Exercisable at end of period	387	$30.17	910	$28.83	1,812	$28.98
Expected to vest at end of period	32	$21.66				
Weighted-average fair value of options granted during the period		$—		$—		$7.14
Total intrinsic value of options exercised during the period		$9,157		$12,599		$22,125

The closing price of Verisign's stock was $38.82 on December 31, 2012. The aggregate intrinsic value of stock options outstanding, stock options exercisable and stock options expected to vest as of December 31, 2012 was $4.0 million, $3.4 million and $0.6 million, respectively. Intrinsic value is calculated as the difference between the exercise price of the shares and the market value as of December 31, 2012. As of December 31, 2012, the weighted-average remaining contractual life for stock options exercisable and stock options expected to vest was 2.2 years and 3.7 years , respectively. The remaining unrecognized compensation cost related to unvested stock options is not material.

Modifications

In 2011, and 2010, the Company modified certain stock-based awards held by employees affected by divestitures and workforce reductions to accelerate the vesting of twenty-five percent (25%) of each such individual's unvested "in-the-money" stock options and 25% of each such individual's unvested RSUs on the termination dates of such individual's employment. The Company remeasured the fair value of these modified awards and recorded the charges over the requisite future service periods, if any. The modification charges are included as restructuring costs for continuing operations as well as for discontinued operations. 217 and 1,054 employees were affected by these modifications and the Company recognized $5.7 million and $11.0 million of acceleration cost in Restructuring charges during 2011 and 2010, respectively.

Under the ESPP, if the market price of the stock at the end of any six-month purchase period is lower than the stock price at the offering date, the plan is immediately cancelled after that purchase date and a new two-year plan is established using the then-current stock price as the base purchase price. The Company also allows its employees to increase their payroll withholdings during the offering period. The Company accounts for these increases in employee payroll withholdings and the plan rollover as modifications. The Company recognized $5.5 million of such modification expenses in 2010. Modification expenses in 2012 and 2011 were not significant.

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Note 12. Non-operating Income, Net

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

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Interest and dividend income	$2,957	$5,017	$7,652
Unrealized gain (loss) on contingent interest derivative on Convertible Debentures	422	(1,125)	(500)
Income from transition services agreements	2,541	8,083	10,631
Realized net gain on investments	102	4,246	3,978
Other, net	(458)	(4,691)	(1,023)
Total non-operating income, net	$5,564	$11,530	$20,738

Interest and dividend income is earned principally from the Company's surplus cash balances and marketable securities. Income from transition services agreements includes fees generated from services provided to the purchasers of divested businesses for a certain period of time to facilitate the transfer of business operations. As of December 31, 2012, all transition services have been completed. Other, net, in 2011, includes a $3.9 million out-of-period adjustment recorded for certain non-income taxes related to investments. Other, net, in 2010 includes $2.9 million of foreign currency losses, partially offset by $1.9 million of miscellaneous income.

Note 13. Income Taxes

Income from continuing operations before income taxes is categorized geographically as follows:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
United States	$245,745	$62,287	$39,454
Foreign	166,950	131,300	55,900
Total income from continuing operations before income taxes	$412,695	$193,587	$95,354

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Continuing Operations:			
Current (expense) benefit:			
Federal	$(13,553)	$(30,325)	$91,305
State	(7,960)	(1,963)	27,777
Foreign, including foreign witholding tax	(8,498)	(1,146)	(8,474)
	(30,011)	(33,434)	110,608
Deferred (expense) benefit:			
Federal	(67,700)	(17,047)	(103,343)
State	(6,760)	(1,501)	(36,397)
Foreign	4,261	(3,049)	3,810
	(70,199)	(21,597)	(135,930)
Total income tax expense from continuing operations	$(100,210)	$(55,031)	$(25,322)
Income tax (expense) benefit from discontinued operations	$(3,594)	$4,422	$(279,644)

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The difference between income tax expense and the amount resulting from applying the federal statutory rate of 35% to Income from continuing operations before income taxes is attributable to the following:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Income tax expense at federal statutory rate	$(144,443)	$(67,755)	$(33,373)
State taxes, net of federal benefit	(10,003)	(2,280)	(8,620)
Differences between statutory rate and foreign effective tax rate	51,780	43,591	19,122
Non-deductible stock-based compensation	(1,509)	(1,777)	(2,826)
Change in valuation allowance	5,760	(350)	350
Research and experimentation credit	—	1,670	670
Tax expense related to foreign currency gain on distribution of previously taxed income	—	(6,207)	—
Change in estimated tax expense related to a divested business	—	—	3,365
Accrual for uncertain tax positions	(306)	(23,265)	(4,966)
Other	(1,489)	1,342	956
	$(100,210)	$(55,031)	$(25,322)

During 2011, we repatriated $86.4 million of funds that had been previously taxed in the U.S. from our foreign subsidiaries, which included the realization of a foreign currency gain of $17.7 million for tax purposes. The Company recorded an income tax expense of $6.2 million related to the foreign currency gain.

During 2010, the Company recorded a $7.8 million income tax expense, reflecting a remeasurement of state deferred tax assets and liabilities using future tax rates which will be in effect when the underlying assets and liabilities will reverse. The change in state tax rate is primarily attributable to the change in the Company’s business operations after the sale of the Authentication Services business.

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The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows:

	As of December 31,	
	2012	2011
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$34,422	$20,157
Deductible goodwill and intangible assets	7,761	8,909
Tax credit carryforwards	—	6,213
Deferred revenue, accruals and reserves	87,235	106,234
Capital loss carryforwards and book impairment of investments	3,400	5,749
Other	5,234	4,439
Total deferred tax assets	138,052	151,701
Valuation allowance	(20,815)	(15,882)
Net deferred tax assets	117,237	135,819
Deferred tax liabilities:		
Property and equipment	(21,522)	(42)
Non-deductible acquired intangibles	—	(148)
Convertible debentures	(424,488)	(390,125)
Other	(5,984)	(3,417)
Total deferred tax liabilities	(451,994)	(393,732)
Total net deferred tax liabilities	$(334,757)	$(257,913)

With the exception of deferred tax assets related to book and tax bases differences of certain investments and certain foreign net operating loss carryforwards, management believes it is more likely than not that forecasted income, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the remaining deferred tax assets. Deferred tax assets at December 31, 2012 include foreign net operating loss carryforwards of $4.7 million and an offsetting valuation allowance of $4.7 million related to prior years that were not included in the balances as of December 31, 2011. The Company's deferred tax assets related to net operating loss carryforwards increased in 2012 primarily due to a tax rate change, resulting from the expiration of a tax holiday in one of the jurisdictions in Switzerland. This increase in deferred tax assets was partially offset by an increase in the corresponding valuation allowance which resulted from the tax rate change.

As of December 31, 2012, the Company had federal, state and foreign net operating loss carryforwards of approximately $20.4 million, $895.0 million, and $111.4 million, respectively, before applying tax rates for the respective jurisdictions. As of December 31, 2012, the Company had federal and state research tax credits of $37.3 million and $1.3 million, respectively, and alternative minimum tax credits of $10.4 million available for future years. Certain net operating loss carryforwards and credits are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be fully realized. In future periods, an aggregate, tax effected amount of $81.7 million will be recorded to Additional paid-in capital when carried forward excess tax benefits from stock-based compensation are utilized to reduce future cash tax payments. The federal and state net operating loss and federal tax credit carryforwards expire in various years from 2013 through 2030. The majority of the foreign net operating loss carryforwards will expire in 2015 through 2017.

On January 2, 2013, the President signed into law, the American Taxpayer Relief Act of 2012 (“Act”). Under this Act the federal research and development credit was retroactively extended for amounts paid or incurred after December 31, 2011 through December 31, 2013. The effects of the change in the tax law will be recognized in our first quarter of fiscal 2013, which is the quarter that the law was enacted.

The deferred tax liability related to the Convertible Debentures is driven by the excess of the tax deduction taken for interest expense over the amount of interest expense recognized in the consolidated financial statements. The interest expense deducted for tax purposes is based on the adjusted issue price of the Convertible Debentures, while the interest expense

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recognized in accordance with GAAP is based only on the liability portion of the Convertible Debentures. The adjusted issue price of the Convertible Debentures grows over the term due to the difference between the interest deduction taken for income tax, using a comparable yield of 8.5%, and the coupon rate of 3.25%, compounded annually.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. The amount of such earnings as of December 31, 2012 was $693.1 million. These earnings have been indefinitely reinvested and the Company does not plan to initiate any action that would precipitate the payment of income taxes thereon. It is not practicable to estimate the amount of additional tax that might be payable on the undistributed foreign earnings.

The Company qualifies for a tax holiday in Switzerland until 2015 which provides reduced rates of taxation on certain types of income and also requires certain thresholds of investment and employment. Another tax holiday specific to one of the jurisdictions in Switzerland expired on December 31, 2011, increasing the tax rate from 12.7% to 25.5%. In India, the Company’s exemption related to the Software Technology Park of India (“STPI”) tax program expired on March 31, 2011. Following the expiration, the Company is subject to the regular statutory tax rate of 33% in India. These tax holidays increased the Company’s earnings per share by $0.11 in 2012, $0.06 in 2011, and $0.12 in 2010.

The Company maintains liabilities for uncertain tax positions. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available including changes in tax regulations and other information. A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	As of December 31,	
	2012	2011
	(In thousands)	
Gross unrecognized tax benefits at January 1	$55,933	$28,757
Increases in tax positions for prior years	420	41
Decreases in tax positions for prior years	—	(1,685)
Increases in tax positions for current year	240	29,242
Lapse in statute of limitations	—	(422)
Gross unrecognized tax benefits at December 31	$56,593	$55,933

As of December 31, 2012, approximately $46.4 million of unrecognized tax benefits, including penalties and interest, could affect the Company’s tax provision and effective tax rate. The gross unrecognized tax benefit amount is not expected to materially change in the next 12 months.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. These accruals were not material in any period presented.

The Company’s major taxing jurisdictions are the U.S., the state of Virginia, and Switzerland. The Company’s tax returns are not currently under examination by these taxing jurisdictions. Because the Company uses historic net operating loss carryforwards and other tax attributes to offset its taxable income in current and future years’ income tax returns for the U.S. and Virginia, such attributes can be adjusted by these taxing authorities until the statute closes on the year in which such attributes were utilized. The open years in Switzerland are the 2009 tax year and forward.

Explanation of Responses:

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Note 14. Commitments and Contingencies

Purchase Obligations and Contractual Agreements

The following table represents the minimum payments required by Verisign under certain purchase obligations, leases, the .tv Agreement with the Government of Tuvalu, the 2011 Credit Facility, and the interest payments and principal on the Convertible Debentures:

	Purchase Obligations	Leases	.tv Agreement	Credit Facility	Convertible Debentures	Total
	(In thousands)					
2013	$33,506	2,029	$4,500	$—	$40,625	$80,660
2014	7,504	1,569	4,500	—	40,625	54,198
2015	1,165	1,546	5,000	—	40,625	48,336
2016	157	1,391	5,000	100,000	40,625	147,173
2017	—	242	5,000	—	40,625	45,867
Thereafter	—	—	20,000	—	2,047,266	2,067,266
Total	$42,332	6,777	$44,000	$100,000	$2,250,391	$2,443,500

The amounts in the table above exclude $46.4 million of income tax related uncertain tax positions, as the Company is unable to reasonably estimate the ultimate amount or time of settlement of those liabilities.

Verisign enters into certain purchase obligations with various vendors. The Company’s significant purchase obligations primarily consist of firm commitments with telecommunication carriers and other service providers. The Company does not have any significant purchase obligations beyond 2016.

Verisign leases a portion of its facilities under operating leases that extend through 2017. Rental expenses under operating leases were $3.0 million in 2012, $10.6 million in 2011, and $15.3 million in 2010.
On November 30, 2012, the Company renewed its agreement with Internet Corporation for Assigned Name and Numbers (”ICANN”) to be the sole registry operator for domain names in the .com TLD through November 30, 2018. Under the new agreement, the Company no longer pays a flat fee and instead must now pay ICANN on a quarterly basis, $0.25 for each annual increment of a domain name registered or renewed during such quarter. As of December 31, 2012, there were 106.2 million domain names in the .com TLD. However, the number of domain names registered and renewed each quarter may vary significantly. The Company incurred registry fees for the .com TLD of $18.7 million in 2012, $18.0 million in 2011, and $18.0 million in 2010. Registry fees for other generic top-level domains have been excluded from the table above because the amounts are variable or passed through to registrars.
In 2011, the Company renewed its agreement with the Government of Tuvalu to be the sole registry operator for .tv domain names through December 31, 2021. Registry fees under the renewed agreement were $4.0 million in 2012. Under the previous agreement, the Company paid $2.0 million per year in registry fees.
In 2011, the Company entered into a $200.0 million committed senior unsecured revolving credit facility of which it withdrew $100.0 million in 2011. The facility expires on November 22, 2016 at which time any outstanding borrowings are due. Interest payments due on the borrowings outstanding are based on variable interest rates and have been excluded from the table above. The interest rates on the 2011 Credit Facility are discussed in Note 7 “Debt and Interest Expense.”

In August 2007, the Company issued $1.25 billion principal amount of Convertible Debentures. The Company will pay cash interest at an annual rate of 3.25% payable semiannually on February 15 and August 15 of each year, until maturity.

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Legal Proceedings

On March 5, 2012, a complaint entitled Warhanek v. Bidzos, et al. was filed in the United States District Court for the District of Delaware. The complaint asserts derivative claims on behalf of Verisign against current directors D. James Bidzos, William L. Chenevich, Roger H. Moore, Kathleen A. Cote, John D. Roach, Louis A. Simpson, Timothy Tomlinson and a former director, President and Chief Executive Officer Mark D. McLaughlin (the “Director Defendants”). The complaint also asserts one derivative claim against officers and certain former officers Richard H. Goshorn, Christine C. Brennan, and Kevin A. Werner (the “Executive Defendants,” and together with the Director Defendants and nominal defendant Verisign, the “Defendants”).

The complaint alleges that the Director Defendants fraudulently obtained shareholder approval of certain incentive-based compensation plans by misrepresenting the tax deductibility of certain compensation paid to Verisign’s executive officers, including the Executive Defendants. Verisign adopted and obtained shareholder approval of several incentive-based compensation plans, including a 2010 Annual Incentive Compensation Plan (“AICP”), and an Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan (“2006 Plan”) and these plans were submitted to shareholders for approval in the 2010 and 2011 Proxy Statements (the “Proxy Statements”), respectively. The complaint alleges that the Proxy Statements falsely disclosed, or failed to adequately disclose, the material terms under which performance-based compensation would be paid under the AICP and the 2006 Plan. The complaint further alleges that the Proxy Statements falsely represented that certain compensation paid to certain employees in excess of $1 million would be tax deductible.

The complaint asserts derivative claims against the Director Defendants for (1) violations of Section 14(a) of the Exchange Act for making false statements in and omitting material facts from the Proxy Statements; (2) breach of fiduciary duty; and (3) waste of corporate assets. The complaint asserts an additional derivative claim against the Director Defendants and Executive Defendants for unjust enrichment based on compensation payments they received under the AICP or the 2006 Plan, as disclosed in the Proxy Statements. No demand was made on the Board to institute this action, and the complaint alleges that any such demand would be futile because each director is either interested or lacks independence with respect to the challenges to the AICP and 2006 Plan. The relief sought by the complaint includes, among other things, an order nullifying the shareholder approval of the AICP and the 2006 Plan, an injunction requiring correction of the alleged misrepresentations in the Company’s Proxy Statements, and an order requiring equitable accounting, with disgorgement, in favor of the Company for the purported losses it has and will sustain. On May 25, 2012, the defendants filed motions to dismiss this action in its entirety. Oral argument on the motions to dismiss took place on November 16, 2012 and the matter is now under advisement with the court.

On January 16, 2013, a complaint entitled Glaser v. VeriSign, Inc. et al. was filed in the United Stated District Court for the Eastern District of Virginia (Alexandria Division). The complaint asserts claims against the Company, D. James Bidzos and George E. Kilguss, III for alleged violations of Sections 10(b) and 20(a) of the 1934 Exchange Act and Rule 10b-5. The complaint alleges that the defendants made false and misleading statements primarily about the prospects for renewal of the .com registry agreement and with respect to revenue guidance.

The plaintiff seeks to certify a class consisting of those who purchased Verisign common stock between June 25, 2012 and October 25, 2012. The complaint seeks money damages with interest, costs and expenses including attorney fees, and equitable/injunctive or other and further relief as may be just and proper.

On February 15, 2013, the defendants filed a motion to dismiss the complaint.

Indemnifications

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

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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 or results of operations.
Verisign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in its opinion, will have a material adverse effect on its financial condition or results of operations. 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.

Off-Balance Sheet Arrangements

As of December 31, 2012 and 2011, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such relationships.

It is not the Company’s business practice to enter into off-balance sheet arrangements. However, in the normal course of business, the Company does enter into contracts in which it makes representations and warranties that guarantee the performance of the Company’s products and services. Historically, there have been no significant losses related to such guarantees.

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EXHIBITS

As required under Item 15—Exhibits, Financial Statement Schedules, 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
21.01	Subsidiaries of the Registrant.
23.01	Consent of Independent Registered Public Accounting Firm.
24.01	Powers of Attorney (Included as part of the signature pages hereto).
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 Annual Report on Form 10-K 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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