June 29, 2004

Letter of Comment No: 5512 File Reference: 1102-100

Suzanne Bielstein Director of Major Projects Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Proposed SFAS – File Reference Number 1102-100

Dear Ms Bielstein:

I write on behalf of VeriSign, Inc. in response to the Proposed Statement of Financial Accounting Standards, Share-Based Payment, an Amendment of FASB Statements 123 and 95.

VeriSign is a leading provider of critical infrastructure services that enable Web site owners, enterprises, communications service providers, electronic commerce, or ecommerce, service providers and individuals to engage in secure digital commerce and communications. Our services include security services, naming and directory services, and telecommunications services.

VeriSign grants stock options to a broad base of our employees and strongly supports employee ownership as a means of generating productivity and innovation. We have serious concerns that the Board's proposal will distort the financial statements of companies such as ours that grant options broadly, and will have a detrimental impact on the ability of companies to continue broad employee stock options programs.

We support the Board's efforts to improve the accuracy, consistency and comparability of financial statements. However, we believe that the Board's proposal will degrade the usefulness of financial statements to investors.

First, we do not believe that employee stock options represent a corporate expense. There is no outflow or decrease in the value of corporate assets associated with the issuance of employee stock options. The true measure of the impact of employee stock option grants is already reflected in financial statement information regarding shareholder dilution.

As important, we have serious reservations about the Board's proposed approach to measuring the value of employee stock options. First, the valuation methods proposed by the Board require unpredictable estimates of future volatility. The market price of VeriSign's common stock has been and is likely to continue to be highly volatile and significantly affected by a range of unpredictable factors. These include:

- General market and economic conditions and market conditions affecting technology and the Internet;
- Announcement of technological innovations, acquisitions or investments by VeriSign or by our competitors
- Developments in Internet governance; and
- Industry conditions and trends.

Many of these factors — including technological breakthroughs and innovations related to technology or the Internet — are clearly not within VeriSign's control and defy prediction. In fact, the very existence of some of the core technologies and markets that are central to our current success were unknown five years ago. Yet, the Board's proposal would require estimates of stock volatility over the life of an option, as much as 10 years into the future. We have serious concerns about the accuracy and reliability of employee stock option valuations which rely on such predictions.

In addition, the valuation methods proposed by the Board were developed for use with freely marketable stock options, and accordingly cannot be applied to employee stock options with reliable results. Because employee stock options have significant restrictions, including a lack of transferability, lack of marketability, long vesting requirements and other restrictions, existing valuation models will produce substantially inflated values for employee stock options. The resulting expense that a company must record on its financial statements is correspondingly distorted.

Requiring this type of expense to be recorded on income statements will reduce the transparency and usefulness of financial statements for investors, particularly the relatively unsophisticated investor who is unable to make sense of the many complex inputs required under the Board's recommended valuation approaches.

We believe that many companies, economists and other experts share our concerns regarding the ability of the Black-Scholes or binomial option valuation methods to achieve accurate and meaningful results. Accordingly, we strongly urge the Board to require extensive field-testing and continued footnote disclosure prior to adoption of a new standard that relies on largely untested option valuation methods. We believe that such field-testing will confirm our concerns regarding the reliability and comparability of results and, perhaps, may assist in identifying ways to arrive at more meaningful valuation estimates.

The valuation methods proposed by the Board will have their most significant negative impact on companies such as VeriSign that grant stock options broadly. We are concerned that the unintended consequence may be a forced reduction in the number of employee stock options granted to rank-and-file employees by U.S. companies, and a likely concentration of options in the hands of senior executives.

The Board's proposal could adversely affect our ability to attract and retain key personnel. As of December 31, 2003, VeriSign had approximately 2,500 full-time

employees. Our ability to achieve our financial and operational objectives depends in large part upon our continued ability to attract, integrate, train, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel. Competition for qualified personnel in our industry and in some of our geographical locations is intense, particularly for software development personnel.

Since VeriSign's inception, we have used stock options and other long-term equity incentives as a fundamental component of our employee compensation packages. We believe that stock options and other long-term equity incentives directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain with VeriSign.

Because we offer broad-based employee stock option plans, the Board's proposal would have a significant, negative impact on our earnings. For example, recording a charge for employee stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," would have increased after tax loss by approximately \$216 million, \$222 million and \$256 million for the years ended December 31, 2003, 2002 and 2001, respectively. In addition, under the current proposal, we will have to record stock compensation expense for the previously issued and unvested portion of stock options that were granted over the past four years beginning in January 2005. Many of these shares are significantly under water and may never have any value to the employees, yet we will have to record millions of dollars of stock compensation expense related to them. This does not make sense.

To the extent the Board's proposal makes it more difficult or expensive to grant options to employees, VeriSign will face increased challenges in attracting, retaining and motivating employees, negatively impacting our business, our employees and our shareholders.

For the reasons stated above, VeriSign has significant concerns regarding the Board's proposal and its impact on companies, employees and investors.

Sincerely,

Dana L. Evan
Executive Vice President and Chief Financial Officer