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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from ________ to ________

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3221585**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
12061 Bluemont Way,	
Reston, Virginia	**20190**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 948-3200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	VRSN	Nasdaq Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☒ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☒

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 30, 2019, was $16.1 billion based upon the last sale price reported for such date on the Nasdaq Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant's Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, $0.001 par value, outstanding as of the close of business on February 7, 2020: 116,417,738 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2020 Annual Meeting of Stockholders are incorporated by reference into Part III

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For purposes of this Annual Report, the terms "Verisign", "the Company", "we", "us", and "our" refer to VeriSign, Inc. and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Overview

We are a global provider of domain name registry services and internet infrastructure, enabling internet navigation for many of the world's most recognized domain names. We enable the security, stability, and resiliency of key internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 global internet root servers, and providing registration services and authoritative resolution for the *.com* and *.net* top-level domains ("TLDs"), which support the majority of global e-commerce.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 12061 Bluemont Way, Reston, Virginia 20190. Our telephone number at that address is (703) 948-3200. Our common stock is traded on the Nasdaq Global Select Market under the ticker symbol VRSN. VERISIGN, the VERISIGN logo, and certain other product or service names are registered or unregistered trademarks in the U.S. and other countries. Other names used in this Form 10-K may be trademarks of their respective owners. Our primary website is https://www.Verisign.com. The information available on, or accessible through, this website is not incorporated in this Form 10-K by reference.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available, free of charge, on the Investor Relations section of our website as soon as is reasonably practicable after filing such reports with the Securities and Exchange Commission (the "SEC"). The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at https://www.sec.gov.

Pursuant to our agreements with the Internet Corporation for Assigned Names and Numbers ("ICANN"), we make available on our website (at https://www.Verisign.com/zone) files containing all active domain names registered in the *.com* and *.net* registries. At the same website address, we make available a summary of the active zone count registered in the *.com* and *.net* registries and the number of *.com* and *.net* domain name registrations in the domain name base. The domain name base is the active zone plus the number of domain names that are registered but not configured for use in the respective top-level domain zone file plus the number of domain names that are in a client or server hold status. The domain name base may also reflect compensated or uncompensated judicial or administrative actions to add or remove from the active zone an immaterial number of domain names. These files and the related summary data are updated at least once per day. The update times may vary each day. The number of domain names provided in this Form 10-K are as of midnight of the date reported.

We announce material financial information to our investors using our investor relations website https://investor.Verisign.com, SEC filings, investor events, news and earnings releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our investors and the public about our company, our products and services, and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the social media channels listed below. This list may be updated from time to time on our investor relations website.

https://www.Facebook.com/Verisign
https://www.Twitter.com/Verisign
https://www.LinkedIn.com/company/Verisign
https://www.YouTube.com/user/Verisign
https://www.Verisign.com
https://blog.Verisign.com

The contents of these websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file.

Services

We operate the authoritative directory of and/or the back-end systems for all *.com*, *.net*, *.cc*, *.tv*, *.gov*, *.jobs*, *.edu* and *.name* domain names, among others. Our services allow individuals and organizations to establish their online identities, while providing the secure, always-on access they need to communicate and transact reliably with large-scale online audiences.

We are the exclusive registry of domain names within the *.com*, *.net*, and *.name* generic top-level domains ("gTLDs"), among others, under agreements with ICANN and also, with respect to the *.com* agreement, the U.S. Department of Commerce ("DOC"). We are also the exclusive registry of domain names within certain transliterations of *.com* and *.net* in a number of different native languages and scripts ("IDN gTLDs"). As a registry, we maintain the master directory of all second-level domain names (e.g., johndoe.com and janedoe.net) in these gTLDs and IDN gTLDs. Our global constellation of DNS servers provides internet protocol ("IP") address information in response to queries, enabling the use of browsers, email systems, and other systems on the internet. In addition, we own and maintain the shared registration system that allows ICANN-accredited registrars to enter new second-level domain names into central directories and to submit modifications, transfers, re-registrations, and deletions for existing second-level domain names ("Shared Registration System").

In addition to our registry agreements with ICANN, we have agreements to operate the registry for the *.tv* and *.cc* country code top-level domains ("ccTLDs") for Tuvalu and Cocos (Keeling) Islands, respectively, and to operate the back-end registry systems for the *.gov*, *.jobs,* and *.edu* sponsored TLDs, among others. These TLDs are also supported by our global constellation of DNS servers and Shared Registration System.

We also provide internationalized domain name ("IDN") services that enable internet users to access websites in characters representing their local language. Our gTLDs and ccTLDs can support standards-compliant registrations in over 100 different native languages and scripts.

We also perform the root zone maintainer function under an agreement with ICANN for the core of the internet's DNS and operate two of the 13 root zone servers that contain authoritative data for the very top of the DNS hierarchy.

Domain names can be registered for between one and 10 years. The fees charged for *.com*, *.net* and *.name* may only be increased according to adjustments prescribed in our agreements with ICANN over the applicable term. Revenues for *.cc* and *.tv* domain names and our IDN gTLDs are based on a similar fee system and registration system, although the fees charged are not subject to the same pricing restrictions as those imposed by the DOC on *.com*, or ICANN with respect to *.net* and *.name*. The fees received from operating the *.gov* registry are based on the terms of Verisign's agreement with the U.S. General Services Administration. The fees received from operating the *.jobs* registry infrastructure, and that of others for which Verisign provides such services, are based on the terms of Verisign's agreements with those respective registry operators.

Operations Infrastructure

Our operations infrastructure consists of three secure data centers in Dulles, Virginia; New Castle, Delaware; and Fribourg, Switzerland as well as more than 100 resolution sites around the world. Our domain name servers provide the associated authoritative name servers and IP addresses for every *.com* and *.net* domain name on the internet and a large number of other TLD queries, processing more than 192 billion queries daily. These secure data centers operate 24 hours a day, supporting our business units and services. The performance and scale of our infrastructure are critical for our business, and give us the platform to maintain our leadership position. Key features of our operations infrastructure include:

- *Distributed Servers:* We operate a large number of high-speed servers globally to support localized capacity and availability demands. In conjunction with our proprietary software, processes and procedures, this platform offers rapid failover, global and local load balancing, and threshold monitoring on critical servers.
- *Networking:* We deploy and maintain a redundant and diverse global network, maintain high-speed, redundant connections to numerous internet service providers, and maintain peering relationships globally to ensure that our critical services are readily accessible to customers at all times.
- *Security:* We incorporate architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. In addition, we employ firewalls and intrusion detection software, as well as proprietary security mechanisms at many points across our infrastructure. We perform recurring internal vulnerability testing and controls audits, and also contract with third-party security consultants who perform periodic penetration tests and security risk assessments on our systems. We have engineered resiliency and diversity into how we host classes of products throughout our set of interconnected sites to mitigate unknown vendor defects and zero-hour security vulnerabilities. This includes different physical security silos, which themselves are separated into bulkheads, and in which servers are located. Corporate networks are in their own physical silo. Thus, the corporate networks to which

personnel directly connect are separated from the silos that house production services; administration of production gear from corporate systems must go through an internal, fortified intermediary; and account credentials used within the corporate networks are not used within the production silos, nor on the fortified systems.

- *Data Integrity:* We employ both phased and systemic integrity validation operations via a number of proprietary mechanisms on all internal DNS publication operations.

We have continuously expanded our infrastructure to meet demands to support normal and peak system load and attack volumes based on what we have experienced historically, as well as to address projected internet attack trends.

Call Centers and Help Desk: We provide customer support services through phone-based call centers, email help desks and web-based self-help systems. Our Virginia call center is staffed with trained customer support agents 24 hours a day, every day of the year.

Operations Support and Monitoring: Through our network operations center, we have an extensive monitoring capability that enables us to track the status and performance of our critical database systems and our global resolution systems. Our network operations center is staffed 24 hours a day, every day of the year.

Disaster Recovery Plans: We have disaster recovery and business continuity capabilities that are designed to deal with the loss of entire data centers and other facilities. We maintain dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity, as well as off-continent tertiary facilities. Our critical data services (including domain name registration and global resolution) use advanced storage systems that provide data protection through techniques such as synchronous mirroring and remote replication.

Marketing, Sales and Distribution

We seek to expand our business through focused marketing campaigns and programs that target growth in the *.com* and *.net* domain name base, both domestically and in foreign markets. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. We provide tools to be used by both registrars and end users to enable them to find relevant domain names. We have marketing and sales offices in several countries around the world.

Research and Development

We believe that timely development of new and enhanced services, including monitoring and visualization, registry provisioning platforms, navigation and resolution services, data services, value added services, and new and enhanced ways to ensure the security, stability, and resiliency of our services, is necessary to remain competitive in the marketplace.

Our future success will depend, in large part, on our ability to continue to maintain and enhance our current technologies and services and to develop new ones. We actively investigate and incubate new concepts and evaluate new business ideas through our innovation pipeline. We expect that most of the future enhancements to our existing services and our new services will be the result of internal development efforts in collaboration with suppliers, other vendors, customers, and the technology community. Under certain circumstances, we may also acquire or license technology from third parties.

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

Competition

We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to obtain a domain name registration, establish an online presence, as well as other uses of domain names, such as branded email. In addition to the gTLDs and ccTLDs we operate or for which we provide back-end registry services, there are over 1,200 other operational gTLD registries, over 250 Latin script ccTLD registries, more than 50 IDN ccTLD registries, and over 90 IDN gTLD registries. Under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net* and *.name* on pricing, bundling, marketing, methods of distribution, the introduction of new registry services, and use of registrars, that do not apply to ccTLDs and other gTLDs and therefore may create a competitive disadvantage.

To the extent end-users navigate using search engines or social media, or transact on e-commerce platforms, as opposed to direct navigation, we face competition from search engines such as Google, Bing, Yahoo!, and Baidu, social media networks such as Facebook and WeChat, e-commerce platforms such as Amazon, eBay and Taobao, and microblogging tools such as Twitter. In addition, we face competition from these social media businesses and e-commerce platforms if they are used by businesses and individuals to establish an online presence rather than through the use of a domain name. Furthermore, to the extent end-users increase the use of web and mobile applications to locate and access content, we face competition from providers of such web and mobile applications.

New technologies and the expansion of existing technologies may increase competitive pressure. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers.

We compete with numerous companies that offer outsourced domain name registration, resolution and other DNS services to registries that require a reliable and scalable infrastructure. Among our competitors are Afilias plc, CentralNic Ltd., and Neustar, Inc.

Industry Regulation

The internet is governed under a multi-stakeholder model comprising civil society, the private sector including for-profit and not-for-profit organizations such as ICANN, governments including the U.S. government, academia, non-governmental organizations, and international organizations. ICANN plays a central coordination role in the multi-stakeholder system. ICANN is mandated through its bylaws to uphold a private sector-led multi-stakeholder approach to internet governance for the public benefit. The multi-stakeholder process has and will continue to create policies, programs, and standards that directly or indirectly impact or affect our business. In addition, country-level regulations, such as those implemented by China, impose additional costs on our business, can affect the growth or renewal rates of domain name registrations, and may also affect our ability to do business. For example, under its internet domain name regulations, China's Ministry of Industry and Information Technology awarded licenses for the continued operation of the *.com* and *.net* TLDs in China. These licenses must be renewed in 2022. Domestically and abroad, legislative and regulatory bodies continue to enhance and modify data privacy protections, which impact our collection and delivery of personal data as we provide our domain name registry services and could affect our costs of operation.

As the exclusive registry of domain names within the *.com* and *.net* gTLDs, we have entered into certain agreements with ICANN and, in the case of *.com*, the DOC under a Cooperative Agreement.

.com Registry Agreement

The extension of the *.com* Registry Agreement effective on October 20, 2016 provides that we will continue to be the sole registry operator for domain names in the *.com* gTLD through November 30, 2024. As part of the extension of the *.com* Registry Agreement, the Company and ICANN agreed to cooperate and negotiate in good faith to amend the terms of the *.com* Registry Agreement: (i) by October 20, 2018, to preserve and enhance the security and stability of the internet or the *.com* TLD, and (ii) as may be necessary for consistency with changes to, or the termination or expiration of, the Cooperative Agreement. On January 3, 2020, the Company and ICANN announced that they reached a proposed agreement to amend the *.com* Registry Agreement ("Proposed *.com* Amendment") and to enter into a new proposed framework for working together on initiatives related to the security, stability and resiliency of the DNS in the form of a binding Letter of Intent ("Proposed LOI"). Together, these agreements satisfy the requirements described above as part of the *.com* Registry Agreement extension. In conjunction with the public announcement, ICANN published the Proposed *.com* Amendment and Proposed LOI for public comment until February 14, 2020. Following the close of the comment period and review of the public comments, ICANN will prepare and publish a summary and analysis report. Thereafter, ICANN and Verisign will determine whether to enter into the Proposed *.com* Amendment and Proposed LOI.

The Proposed *.com* Amendment, among other items, incorporates the applicable terms of Amendment 35 to the Cooperative Agreement. Specifically, the Proposed *.com* Amendment would allow Verisign to increase the Maximum Price (as defined in the *.com* Registry Agreement) of a *.com* domain name registration by up to 7% in each of the final four years of each six-year period. The first such six-year period began on October 26, 2018. The Proposed *.com* Amendment also clarifies that the restrictions on the. *com* Registry Agreement relating to vertical integration apply solely to the *.com* TLD.

The Proposed *.com* Amendment also clarifies that Verisign's ability to increase prices by 7% over the previous year due to new ICANN specifications or polices adopted by ICANN pursuant to the procedures set forth in its bylaws and due process ("Consensus Policies") or documented extraordinary expense may occur only in years where Verisign does not otherwise take the price increases described above. In addition, it sets forth additional obligations, including updated technical and reporting requirements that are similar to requirements in ICANN's new gTLD base agreement.

The Proposed LOI formalizes a framework by which ICANN and the Company will work together to support additional enhancements to the security and stability of the DNS. The Proposed LOI provides that the Company will, make payments annually to ICANN totaling $20 million over five years, beginning on January 1, 2021, to support ICANN's initiatives to preserve and enhance the security, stability and resiliency of the DNS, including root server system governance, mitigation of DNS security threats, promotion and/or facilitation of DNSSEC deployment, the mitigation of name collisions and research into the operation of the DNS. A material term of the Proposed LOI is a signed confirmation by an ICANN offer confirming that ICANN incurred costs in the amount of Verisign's support payment during each period.

The *.com* Registry Agreement includes a number of obligations, including, on a quarterly basis, that we pay $0.25 to ICANN for each annual term of a domain name registered or renewed during such quarter. In addition, we are required to comply with and implement temporary specifications or policies ("Temporary Policies") and Consensus Policies, as well as other provisions relating to registry operations.

The *.com* and *.net* Registry Agreements with ICANN contain a "presumptive" right of renewal upon the expiration of their current terms. ICANN could terminate or refuse to renew our *.com* and/or *.net* Registry Agreements if, upon proper notice, (i) we fail to cure a fundamental and material breach of certain specified obligations, and (ii) we fail to timely comply with a final decision of an arbitrator or court. See "Risk Factors - Risks arising from our agreements governing our business could limit our ability to maintain or grow our business" in Part I, Item 1A of this Annual Report on Form 10-K for further information. Our *.com* and *.net* Registry Agreements contain obligations to provide access to our systems, restrictions on our ability to market and bundle our products and services, and restrictions on our ability to control our registrar channel or own a registrar. The *.com* and *.net* Registry Agreements also provide a procedure for Verisign to propose, and ICANN to review and approve, certain changes to registry services and requests by Verisign to offer additional registry services. The *.com* and *.net* Registry Agreements contain service level agreements for the availability of our DNS resolution services, our shared registration system, and our Whois services.

Cooperative Agreement

Verisign and the DOC entered into Amendment 35 of the Cooperative Agreement on October 26, 2018, which, among other items, extends the term of the Cooperative Agreement until November 30, 2024. The Cooperative Agreement will automatically renew on the same terms for successive six-year terms unless the DOC provides written notice of non-renewal 120 days prior to the end of the then-current term. Under Amendment 35, standard renewals of the *.com* Registry Agreement with ICANN will not require further DOC approval, although removal of, or any changes to the pricing section (other than as approved in Amendment 35), changes to the vertical integration provisions (other than the clarification approved in Amendment 35), changes to the security, stability and resiliency posture as reflected in the functional or performance specifications (including the SLAs), the conditions for renewal or termination, or to the Whois service (except as mandated by ICANN through Temporary or Consensus Policies), as set forth in the Amendment 35, would require further DOC approval. As was the case with prior amendments, the DOC's approval of Amendment 35 was not intended to confer federal antitrust immunity on Verisign with respect to the *.com* Registry Agreement.

Under Amendment 35 to the Cooperative Agreement, the Maximum Price (as defined in the *.com* Registry Agreement) of a *.com* domain name may be increased without further DOC approval by up to 7% in each of the final four years of each six-year period. The first such six-year period began on October 26, 2018. The changes to the Maximum Price under Amendment 35 are not effective until such price increases are incorporated in the *.com* Registry Agreement with ICANN through the Proposed *.com* Amendment. Further, we are entitled to increase the Maximum Price of a *.com* domain name due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security or Stability of the DNS as described in the *.com* Registry Agreement (and as may be further clarified in the Proposed *.com* Amendment), provided that we may not exercise such right unless the DOC provides prior written approval that the exercise of such right will serve the public interest, such approval not to be unreasonably withheld. The Cooperative Agreement further provides that we shall be entitled at any time during the term of the *.com* Registry Agreement to seek to remove the pricing restrictions contained in the *.com* Registry Agreement if we demonstrate to the DOC that market conditions no longer warrant pricing restrictions in the *.com* Registry Agreement, as determined by the DOC. Also, under Amendment 35, we clarified that the restrictions in the *.com* Registry Agreement relating to vertical integration apply solely to the *.com* TLD. As to the *.com* TLD, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar that sells *.com* domain names. In addition, under Amendment 35, we have agreed to continue to operate the *.com* TLD in a content-neutral manner and to work within ICANN processes to promote the development of content-neutral policies for the operation of the DNS.

.net Registry Agreement

We entered into a renewal of our *.net* Registry Agreement with ICANN that was effective on July 1, 2017. The *.net* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.net* TLD through June 30, 2023.

Root Zone Maintainer Service Agreement

In the fourth quarter of 2016, we entered into a new agreement with ICANN, the Root Zone Maintainer Service Agreement ("RZMA") under which we perform the Root Zone Maintainer functions on behalf of ICANN. The RZMA will expire on October 19, 2024, with an automatic renewal, unless earlier terminated.

The descriptions of the *.com* Registry Agreement, the Cooperative Agreement, and the *.net* Registry Agreement are qualified in their entirety by the text of the complete agreements that are incorporated by reference as exhibits in this Form 10-K.

Intellectual Property

We rely on a combination of copyrighted software, trademarks, service marks, patents, trade secrets, know-how, restrictions on disclosure, and other methods to protect our proprietary assets. We also enter into confidentiality and/or intellectual property assignment agreements with our employees, consultants and current and potential affiliates, customers and business partners. We also control access to and distribution of proprietary documentation and other confidential information.

We have been issued numerous patents in the U.S. and abroad, covering a wide range of our technologies. Additionally, we continue to file numerous patent applications with respect to certain of our technologies in the U.S. Patent and Trademark Office and internationally. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide sufficient protection of our technologies. We continue to focus on growing our patent portfolio and consider opportunities for its strategic use.

We have obtained trademark registrations for the VERISIGN mark and VERISIGN logo in the U.S. and certain countries, and have pending trademark applications for the VERISIGN logo in a number of other countries. We have common law rights in other proprietary names. We take steps to enforce and police Verisign's trademarks. We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products and services.

Our principal intellectual property consists of, and our success is dependent upon, proprietary software used in our business and certain methodologies (many of which are patented or for which patent applications are pending) and technical expertise and proprietary know-how we use in both the design and implementation of our current and future registry services. We own our proprietary Shared Registration System through which registrars submit second-level domain name registrations for each of the registries we operate, as well as the ATLAS distributed lookup system which processes billions of queries per day. Some of the software and protocols used in our business are in the public domain or are otherwise available to our competitors, and some are based on open standards set by organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered "standard essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms or otherwise be limited in our ability to assert such patents.

Employees

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

	As of December 31,		
	2019	**2018**	**2017**
Employee headcount by function:			
Cost of revenues	259	281	288
Sales and marketing	71	84	133
Research and development	214	219	226
General and administrative	328	316	305
Total	872	900	952

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

Information About Our Executive Officers

The following table sets forth information regarding our executive officers as of February 14, 2020:

Name	Age	Position
D. James Bidzos	64	Executive Chairman and Chief Executive Officer
Todd B. Strubbe	56	President and Chief Operating Officer
George E. Kilguss, III	59	Executive Vice President, Chief Financial Officer
Thomas C. Indelicarto	56	Executive Vice President, General Counsel and Secretary

D. James Bidzos has served as Executive Chairman since August 2009 and Chief Executive Officer since August 2011. He served as President from August 2011 to February 2020. He served as Executive Chairman and Chief Executive Officer on an interim basis from June 2008 to August 2009 and served as President from June 2008 to January 2009. He served as Chairman of the Board since August 2007 and from April 1995 to December 2001. He served as Vice Chairman of the Board from December 2001 to August 2007. Mr. Bidzos served as a director of VeriSign Japan from March 2008 to August 2010 and served as Representative Director of VeriSign Japan from March 2008 to September 2008. Mr. Bidzos served as Vice Chairman of RSA Security Inc., an internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

Todd B. Strubbe has served as Chief Operating Officer since April 2015 and President since February 2020. From September 2009 to April 2015, he served as the President of the Unified Communications Business Segment for West Corporation, a provider of technology-driven communications services. Prior to this, he was a co-founder and Managing Partner of Arbor Capital, LLC. He has also served in executive leadership positions at First Data Corporation and CompuBank, N.A. and as an associate and then as an engagement manager with McKinsey & Company, Inc. He also served for five years as an infantry officer with the United States Army. Mr. Strubbe holds an M.B.A. degree from Harvard Business School and a B.S. degree from the United States Military Academy at West Point.

George E. Kilguss, III has served as Chief Financial Officer since May 2012. From April 2008 to May 2012, he was the Chief Financial Officer of Internap Network Services Corporation, an IT infrastructure solutions company. From December 2003 to December 2007, he served as the Chief Financial Officer of Towerstream Corporation, a company that delivers high speed wireless internet access to businesses. Mr. Kilguss holds an M.B.A. degree from the University of Chicago’s Graduate School of Business and a B.S. degree in Economics and Finance from the University of Hartford.

Thomas C. Indelicarto has served as General Counsel and Secretary since November 2014. From September 2008 to November 2014, he served as Vice President and Associate General Counsel. From January 2006 to September 2008, he served as Litigation Counsel. Prior to joining the Company, Mr. Indelicarto was in private practice as an associate at Arnold & Porter LLP and Buchanan Ingersoll (now, Buchanan Ingersoll & Rooney, PC). Mr. Indelicarto also served as a U.S. Army officer for nine years. Mr. Indelicarto holds a J.D. degree from the University of Pittsburgh School of Law and a B.S. degree from Indiana University of Pennsylvania.

ITEM 1A. RISK FACTORS

Please carefully consider the following discussion of significant factors, events and uncertainties that make an investment in our securities risky. In addition to other information in this Form 10-K, the following risk factors should be carefully considered in evaluating us and our business. When the factors, events and contingencies described below or elsewhere in this Form 10-K materialize, our business, operating results, financial condition, reputation, cash flows or prospects can be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, operating results, financial condition, reputation, cash flows and prospects. Actual results could differ materially from those projected in the forward-looking statements contained in this Form 10-K as a result of the risk factors discussed below and elsewhere in this Form 10-K and in other filings we make with the SEC.

Risks arising from our agreements governing our business could limit our ability to maintain or grow our business.

We are parties to (i) a Cooperative Agreement, as amended, with the DOC with respect to the *.com* gTLD and (ii) Registry Agreements with ICANN with respect to the *.com*, *.net*, *.name*, and other gTLDs including our IDN gTLDs. As substantially all of our revenues are derived from operation of these gTLDs, limitations and obligations in, or changes or challenges to, these agreements, particularly the agreements that involve *.com* and *.net*, could have a material adverse impact on our business. Certain competing registries, such as the ccTLDs, are not subject to the same limitations or obligations that we are subject to in our agreements. Verisign and the DOC entered into Amendment 35 to the Cooperative Agreement on October 26, 2018, which, among other things, extends the term of the Cooperative Agreement through November 30, 2024. As amended by Amendment 35, the Cooperative Agreement will automatically renew on the same terms for successive six-year terms unless the DOC provides written notice of non-renewal within 120 days prior to the end of the then-current term. Further changes to the Cooperative Agreement require the mutual agreement of the DOC and the Company.

Modifications or Amendments. In October 2016, the Company and ICANN entered into an amendment to extend the term of the *.com* Registry Agreement to November 30, 2024 ("First *.com* Amendment"). As part of the First *.com* Amendment, the Company and ICANN agreed to negotiate in good faith to amend the terms of the *.com* Registry Agreement: (i) by October 20, 2018, to preserve and enhance the security and stability of the internet or the *.com* TLD, and (ii) as may be necessary for consistency with changes to, or the termination or expiration of, the Cooperative Agreement. On January 3, 2020, the Company and ICANN announced that they reached a proposed agreement to amend the *.com* Registry Agreement ("Proposed *.com* Amendment") and to enter into a new proposed framework for working together on initiatives related to the security, stability and resiliency of the DNS in the form of a binding Letter of Intent ("Proposed LOI"). Together these agreements satisfy the requirements described as part of the First *.com* Amendment. In conjunction with the public announcement, ICANN published the Proposed *.com* Amendment and the Proposed LOI for public comment until February 14, 2020. Although we do not anticipate changes to these documents, we can provide no assurance that modifications will not be made in connection with the public comment process or otherwise. See the "Industry Regulation" section in Part I, Item 1 for further information.

Under the Cooperative Agreement, as amended by Amendment 35, standard renewals of the *.com* Registry Agreement will not require further DOC approval, although removal of, or any changes to the pricing section (other than as approved in Amendment 35), changes to the vertical integration provisions (other than the clarification approved in Amendment 35), changes to the security, stability and resiliency posture as reflected in the functional or performance specifications (including the SLAs), changes to the conditions for renewal or termination, or changes to the Whois service (other than such changes mandated by ICANN through temporary specifications or policies ("Temporary Policies") and specifications or polices adopted by ICANN pursuant to the procedures set forth in its bylaws and due process ("Consensus Policies")), as set forth in Amendment 35, the prior written approval of the DOC is required. We can provide no assurances that such approval would be provided.

In addition, our Registry Agreements for new gTLDs, including the Registry Agreements for our IDN gTLDs, include ICANN's right to amend the agreements without our consent, which could impose unfavorable contract obligations on us that could impact our plans and competitive positions with respect to new gTLDs. At the time of renewal of our *.com* or *.net* Registry Agreements, ICANN might also attempt to impose this same unilateral right to amend these Registry Agreements under certain conditions. ICANN has also included new mandatory obligations on new gTLD registry operators, including us, that may increase the risks and potential liabilities associated with operating new gTLDs. ICANN might seek to impose these new mandatory obligations in our other Registry Agreements under certain conditions. We can provide no assurance that any changes to our Registry Agreements as a result of the above obligations will not have a material adverse impact on our business, operating results, financial condition, and cash flows.

Pricing. Under the terms of the Cooperative Agreement, as amended by Amendment 35, the Company and ICANN may agree to amend the terms of the *.com* Registry Agreement to permit the price of registrations or renewals of *.com* domain names to be increased by up to 7% per year in each of the final four years of each six-year period beginning on October 26, 2018. The Proposed *.com* Amendment would allow such price increases.

In addition, we are entitled to increase the price up to 7% due to the imposition of any new Consensus Policies or documented extraordinary expense resulting from an attack or threat of attack on the security and stability of the DNS (“Extraordinary Expense”). The Proposed *.com* Amendment would clarify that Verisign’s ability to increase prices due to a Consensus Policy or Extraordinary Expense may occur only in years where Verisign does not take a price increase as described in the above paragraph. It is uncertain whether circumstances would arise that would permit a price increase due to a Consensus Policy or Extraordinary Expense, or if they do, whether we would seek to increase the price for *.com* domain name registrations for this reason.

We also have the right under the Cooperative Agreement to seek the removal of these pricing restrictions if we demonstrate to the DOC that market conditions no longer warrant such restrictions. However, it is uncertain whether we will seek the removal of such restrictions, or whether the DOC would approve the removal of such restrictions. In comparison, under the terms of the *.net* and *.name* Registry Agreements with ICANN, we are permitted to increase the price of domain name registrations and renewals in these TLDs up to 10% per year. Additionally, ICANN’s registry agreements for new gTLDs do not contain such pricing restrictions.

Vertical integration. Under Amendment 35, the parties clarified that the restrictions in the *.com* Registry Agreement relating to vertical integration apply solely to the *.com* TLD. This clarification is now set forth in the Proposed *.com* Amendment. As to the *.com* TLD, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar that sells *.com* domain name registrations. Historically, all gTLD registry operators were subject to a vertical integration prohibition; however, ICANN has established a process whereby registry operators may seek ICANN’s approval to remove this restriction, and ICANN has approved such removal for certain other registry operators. Additionally, ICANN’s registry agreement for new gTLDs generally permits such vertical integration, with certain limitations including ICANN’s right, but not the obligation, to refer such vertical integration activities to competition authorities. If we seek to become vertically integrated, except with respect to *.com*, it is uncertain whether approval to do so would be obtained under ICANN’s processes. Furthermore, even if we obtain such approval, we can provide no assurances that we will enter the domain name retail market, or that we will be successful if we choose to do so. If registry operators of other TLDs, including ccTLDs, are able to obtain competitive advantages through vertical integration, and we are not, it could materially harm our business.

Renewal and Termination. Our *.com, .net,* and *.name* Registry Agreements with ICANN contain “presumptive” rights of renewal upon the expiration of their current terms on November 30, 2024, June 30, 2023 and August 15, 2020, respectively. The Registry Agreements for our new gTLDs including our IDN gTLDs are subject to a 10-year term and contain similar “presumptive” renewal rights. If certain terms in our *.com* and *.net* Registry Agreements are not similar to such terms generally in effect in the registry agreements of the five largest gTLDs, then a renewal of these agreements shall be upon terms reasonably necessary to render such terms similar to the registry agreements for those other gTLDs. There can be no assurance that such terms, if they apply, will not have a material adverse impact on our business. A failure by ICANN to approve the renewal of the *.com* Registry Agreement prior to the expiration of its current term on November 30, 2024 or to approve the renewal of the *.net* Registry Agreement prior to or upon the expiration of its current term on June 30, 2023, would have, absent an extension, a material adverse effect on our business. ICANN could terminate or refuse to renew our *.com* or *.net* Registry Agreements if, upon proper notice, (i) we fail to cure a fundamental and material breach of certain specified obligations, and (ii) we fail to timely comply with a final decision of an arbitrator or court. ICANN’s termination or refusal to renew either the *.com* or *.net* Registry Agreement would have a material adverse effect on our business.

Consensus Policies. Our Registry Agreements with ICANN require us to implement Consensus Policies and Temporary Policies. ICANN could adopt Consensus Policies or Temporary Policies that are unfavorable to us as the registry operator of *.com*, *.net* and our other gTLDs, that are inconsistent with our current or future plans, that impose substantial costs on our business, that subject the Company to additional legal risks, or that affect our competitive position. Such Consensus Policies or Temporary Policies could have a material adverse effect on our business. As an example, ICANN has adopted a Consensus Policy that requires Verisign to receive and display Thick Whois data for *.com* and *.net*, although that Policy is scheduled to be reviewed by ICANN. In addition, ICANN has adopted an interim Consensus Policy that establishes temporary requirements for registry operators and registrars regarding the collection, display and disclosure of Thick Whois data pending ICANN’s establishment of a permanent Consensus Policy. The costs of complying or failing to comply with these policies as well as laws and regulations, such as General Data Protection Regulation (“GDPR”), regarding personal information and data privacy, such as domestic and various foreign privacy regimes, could expose us to compliance costs and substantial liability, and result in costly and time-consuming investigations or litigation.

Technical Standards and ICANN Processes. Our Registry Agreements with ICANN require Verisign to implement and comply with various technical standards and specifications published by the Internet Engineering Task Force (“IETF”). ICANN could impose requirements on us through changes to these IETF standards that are inconsistent with our current or future plans, that impose substantial costs on our business, that subject the Company to additional legal risks, or that affect our competitive position. Any such changes to the IETF standards could have a material adverse effect on our business. In addition, under

Amendment 35, we have agreed to continue to operate the *.com* TLD in a content-neutral manner and to work within ICANN processes to promote the development of content-neutral policies for the operation of the DNS and under the Proposed LOI, we have agreed to work with the ICANN community to develop certain best practices and other commitments for the security, stability and resiliency of the DNS and the internet. Such policies and processes could expose us to compliance costs and substantial liability and result in costly and time-consuming investigations or litigation.

Legal Challenges. Our Registry Agreements have faced, and could face in the future, challenges, including possible legal challenges, resulting from our activities or the activities of ICANN, registrars, registrants, and others, and any adverse outcome from such challenges could have a material adverse effect on our business.

Governmental regulation and the application of new and existing laws in the U.S. and overseas may slow business growth, increase our costs of doing business, create potential liability and have an adverse effect on our business.

Application of new and existing laws and regulations in the U.S. or overseas to the internet and communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability, and result in costly and time-consuming litigation. For example, the government of China has indicated that it will issue, and in some instances has begun to issue, new regulations, and has begun to enforce existing regulations, that impose additional costs on, and risks to, our provision of registry services in China and could impact the growth or renewal rates of domain name registrations in China. In addition to registry operators, some of these regulations also require registrars to obtain a government-issued license for each TLD whose domain name registrations they intend to sell directly to registrants. Any failure to obtain the required licenses, or to comply with any license requirements or any updates thereto, by us or our registrars could impact our current and future business in China.

Foreign, federal or state laws could have an adverse impact on our business, financial condition, results of operations and cash flows, and our ability to conduct business in certain foreign countries. For example, laws designed to restrict who can register and who can distribute domain names, online gambling, counterfeit goods, and intellectual property violations such as cybersquatting; laws designed to require registrants to provide additional documentation or information in connection with domain name registrations; and laws designed to promote cybersecurity may impose significant additional costs on our business or subject us to additional liabilities.

To conduct our operations, we regularly move data across national borders and receive data originating from different jurisdictions, and consequently are subject to a variety of continuously evolving and developing laws and regulations in the United States and abroad regarding privacy, data protection and data security. The scope of the laws that may be applicable to us is often uncertain and may be conflicting, particularly with respect to foreign laws. For example, the European Union's GDPR, which greatly increases the jurisdictional reach of European Union law and adds a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, and significant penalties, became effective in May 2018. Other countries and other states have enacted or are enacting data localization laws regulating or limiting data collection, storage and transfer as well as granting new rights to data subjects. All of these evolving compliance and operational requirements can impose significant costs for us that are likely to increase over time.

Due to the nature of the internet, it is possible that federal, state or foreign governments might attempt to regulate internet transmissions or prosecute us for violations of laws. We might unintentionally violate such laws, such laws may be modified or enforced using new or novel legal theories, and new laws may be enacted in the future. In addition, as we continue to launch and market our IDN gTLDs and increase our marketing efforts of our other TLDs in foreign countries, we may raise our profile in certain foreign countries thereby increasing the regulatory and other scrutiny of our operations. Any such developments could increase the costs of regulatory compliance for us, affect our reputation, expose us to liability, penalties or fines, force us to change our business practices or otherwise materially harm our business. In addition, any such laws could impede growth of, or result in a decline in, domain name registrations.

Undetected or unknown defects in our systems or services, security breaches including from vulnerabilities, defects in the technologies, components, and services in our supply chain, and Distributed Denial of Service ("DDoS") attacks could expose us to liability and materially harm our business and reputation.

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

In addition to undetected defects or errors, we are also subject to cyber-attacks and attempted security breaches. We retain certain customer and employee information in our data centers and various domain name registration systems. It is critical to our business strategy, as well as fulfilling our obligations as the registry operator for *.com* and *.net*, that our facilities and infrastructure remain secure, that we continue to meet our service level agreements and that we maintain the public's trust in the internet services that we provide. The Company, as an operator of critical internet infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated forms of attacks, such as advanced persistent threat attacks and zero-hour threats. These forms of attacks involve situations where the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched. In addition, these forms of attacks may target specific unidentified or unresolved vulnerabilities that exist only within the target's supply chain or operating environment, making these attacks virtually impossible to anticipate and difficult to defend against. In addition to external threats, we may be subject to insider threats, including those from third-party suppliers such as consultants and advisors, SaaS providers, hardware, software, and network systems manufacturers, and other outside vendors, or from current or former contractors or employees; these threats can be realized from intentional or unintentional actions. The Shared Registration System, the root zone servers, the root zone file, the Root Zone Maintainer System, the TLD name servers and the TLD zone files that we operate are critical to our operations. Therefore, attacks against third-party suppliers that provide services to our operations could also impact our infrastructure. Despite the significant time and money expended on our security measures, we have been subject to a security breach, that was previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, disruptions resulting from destructive malware, hardware or enabling software defects, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our data centers or domain name registration systems may cause an outage of, or jeopardize the security of, information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, fail to meet contracted service level obligations, customers could be reluctant to use our services and we could be at risk for loss of various security and standards-based compliance certifications needed for operation of our businesses, all or any of which could adversely affect our reputation and harm our business or cause financial losses that are either not insured against or not fully covered through any insurance that we maintain. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the internet as well as of the security or reliability of our services.

We use externally developed technology, systems and services including both hardware and software, for a variety of purposes, including, without limitation, compute, storage, encryption and authentication, back-office support, and other functions. While we have developed operational policies and procedures to reduce the impact of security vulnerabilities in system components, as well as at any vendors where Company data is stored or processed, such measures cannot provide absolute security. While we strive to remediate known vulnerabilities on a timely basis, such vulnerabilities could be exploited before our remediation is effective and if so, could cause systems and service interruptions, data loss and other damages any of which could be materially harmful to our business. Vulnerabilities in, and exploits leading to, breaches of our or our vendors' technology, systems or services could expose us or our customers to a risk of outages, loss or misuse of Company data, including but not limited to sensitive personal information.

Additionally, our networks have been, and likely will continue to be, subject to DDoS attacks. Recent attacks have demonstrated that DDoS attacks continue to grow in size and sophistication and have an ability to widely disrupt internet services. Particularly since 2016, the size of DDoS attacks has grown rapidly, and we have successfully mitigated DDoS attacks during this time frame that are significantly larger than those we have historically experienced. While we have adopted mitigation techniques, procedures and strategies to defend against such attacks, there can be no assurance that we will be able to defend against every attack, especially as the attacks increase in size and sophistication. Any attack, even if only partially successful, could disrupt our networks, increase response time, negatively impact our ability to meet our contracted service level obligations, and generally impede our ability to provide reliable service to our customers and the broader internet community. We have historically incurred, and will continue to incur, significant costs to enable our infrastructure to process levels of attack traffic that are significant multiples of our normal transaction volume. Further, we are in the process of transitioning our security services customer contracts to Neustar. We will operate our DDoS protection services during this transition period. These DDoS protection services share some of the infrastructure used to protect our registry services business. Therefore the operation of such services might expose our critical infrastructure to temporary degradations or outages caused by DDoS attacks against those customers, in addition to any attacks directed specifically against us and our networks. Any new technologies or services used to replace or enhance existing or future DDoS and other attack mitigation capabilities may introduce risk that may not exist today in those environments and, if security incidents occur associated with those new technologies or services, could disrupt our networks, increase response time, negatively impact our ability to meet our contracted service level obligations, and generally impede our ability to provide reliable service to our customers and the broader internet community.

Changes to the multi-stakeholder model of internet governance could materially and adversely impact our business.

The internet is governed under a multi-stakeholder model comprising civil society, the private sector, including for-profit and not-for-profit organizations such as ICANN, governments, including the U.S. government, academia, non-governmental organizations and international organizations.

Role of the U.S. Government. In the fourth quarter of 2016, the U.S. government completed a transition to the multi-stakeholder community of the historical role played by the National Telecommunications and Information Administration ("NTIA") in the coordination of the DNS. Changes arising from this transition to the multi-stakeholder model of internet governance could materially and adversely impact our business. For example, ICANN has adopted bylaws that are designed, in part, to enhance accountability through a new organization called the Empowered Community, which is comprised of a cross section of stakeholders. ICANN or the Empowered Community may assert positions that could negatively impact our strategy or our business.

By completing the transition discussed above, the U.S. government through the NTIA has ended its coordination and management of important aspects of the DNS including the IANA functions and the root zone. There can be no assurance that the removal of the U.S. government oversight of these key functions will not negatively impact our business.

Role of ICANN. ICANN plays a central coordination role in the multi-stakeholder system. ICANN is mandated through its bylaws to uphold a private sector-led multi-stakeholder approach to internet governance for the public benefit. If ICANN or the Empowered Community fails to uphold or significantly redefines the multi-stakeholder model, it could harm our business. Additionally, the Empowered Community could adversely impact ICANN, which could negatively impact its ability to coordinate the multi-stakeholder system of governance, or negatively affect our interests. Also, legal, regulatory or other challenges could be brought challenging the legal authority underlying the roles and actions of ICANN, the Empowered Community or us.

Role of Foreign Governments. Some governments and members of the multi-stakeholder community have questioned ICANN's role with respect to internet governance and, as a result, could seek a multilateral oversight body as a replacement. Additionally, the role of ICANN's Governmental Advisory Committee, which is comprised of representatives of national governments, could change, and give governments more control of certain aspects of internet governance. Some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. government and us relating to the DNS. Changes to the roles that foreign governments play in internet governance could materially and adversely impact our business.

We face risks from our operation of two root zone servers and performance of the Root Zone Maintainer functions under the RZMA.

We operate two of the 13 root zone servers. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and DNS configuration data necessary to locate name servers that contain authoritative data for the TLDs. These root zone servers are critical to the functioning of the internet. We also have an important operational role in support of a key IANA function as the Root Zone Maintainer. In this role, we provision and publish the authoritative root zone data and make it available to all root server operators under an agreement with ICANN, the Root Zone Maintainer Service Agreement ("RZMA").

As we perform the Root Zone Maintainer Services under the RZMA, we may be subject to significant claims challenging the agreement or our performance under the agreement, and we may not have immunity from, or sufficient indemnification or insurance for, such claims.

Additionally, over 1,200 new gTLDs have already been delegated into the root zone in the current round of new gTLDs. ICANN plans on offering a subsequent round of new gTLDs, the timing of which remains uncertain. We believe there are potential security and stability issues that could involve the root zone and at other levels of the DNS from the deployment of the new gTLDs that should have been addressed before any new gTLDs were delegated, and despite our and others' efforts, some of these issues have not been addressed by ICANN sufficiently, if at all. For example, domain name collisions have been reported to ICANN, which have resulted in various network interruptions for enterprises as well as confusion and usability issues that have led to phishing and other cyber-attacks. It is anticipated that as additional new gTLDs are delegated now, or in subsequent rounds, more domain name collisions and associated security issues will occur.

The evolution of internet practices and behaviors and the adoption of substitute technologies may impact the demand for domain names.

Domain names and the domain name system have been used by consumers and businesses to access or disseminate information, conduct e-commerce, and develop an online identity for many years. The growth of technologies such as social media, mobile devices, apps and the dominance of search engines has evolved and changed the internet practices and behaviors of consumers and businesses alike. These changes can impact the demand for domain names by those who purchase domain names for personal, commercial and investment reasons. Factors such as the evolving practices and preferences of internet users and how they navigate the internet as well as the motivation of domain name registrants and how they will monetize their investment in domain names can negatively impact our business. Some domain name registrars and registrants seek to purchase and resell domain names at an increased price. Adverse changes in the resale value of domain names, changes in the business models for such domain name registrars and registrants, or other factors, including regulations limiting the resale of domain names, could result in a decrease in the demand and/or renewal rates for domain names in our TLDs. Such a resulting decrease in demand and/or renewal rates could negatively impact the volume of new domain name registrations, our renewal rates and our associated revenue growth.

Some domain name registrants use a domain name to access or disseminate information, conduct e-commerce, and develop an online identity. Currently, internet users often navigate to a website either by directly typing its domain name into a web browser, the use of an app on their smart phone or mobile device, the use of a voice recognition technology such as Alexa, Cortana, Google Assistant, or Siri, or through the use of a search engine. If (i) web browser or internet search technologies were to change significantly; (ii) internet users' preferences or practices shift away from recognizing and relying on web addresses for navigation through the use of new and existing technologies; (iii) internet users were to significantly decrease the use of web browsers in favor of applications to locate and access content; (iv) internet users were to significantly decrease the use of domain names to develop and protect their online identity; or (v) internet users were to increasingly use third-level domains or alternate identifiers, such as identifiers from social networking and microblogging sites, in each case the demand for domain names in our TLDs could decrease. This may trigger current or prospective customers and parties in our target markets to reevaluate their need for registration or renewal of domain names.

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

If any of the above factors negatively impact the renewal of domain names or the demand for new domain names, we may experience material adverse impacts on our business, operating results, financial condition and cash flows.

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

We seek to serve many new, developing and emerging markets in foreign countries to grow our business. These markets are rapidly evolving, and may not grow. Even if these markets grow, our services may not be widely used or accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance or adoption of our services in these markets include the following:

- regional internet infrastructure development, expansion, penetration and adoption;
- market acceptance and adoption of substitute products and services that enable online presence without a domain, including social media, e-commerce platforms, website builders and mobile applications;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile devices, and in particular, the use of mobile applications as the primary engagement mechanism for navigating the internet;
- increasing cyber threats;
- government regulations affecting internet access and availability, domain name registrations or the provision of registry services, data security or data localization, or e-commerce and telecommunications over the internet;

- the maturity and depth of the sales channels within developing and emerging markets and their ability and motivation to establish and support sales for domain names;
- preference by markets for the use of their own country's ccTLDs as a substitute or alternative to our TLDs; and
- increased acceptance and use of new gTLDs as substitutes for established gTLDs.

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

The business environment is highly competitive and, if we do not compete effectively, we may suffer lower demand for our products, reduced gross margins and loss of market share.

The internet and communications network services industries are characterized by rapid technological change and frequent new product and service announcements which require us to continually improve the performance, features and reliability of our services, particularly in response to competitive offerings or alternatives to our products and services. In order to remain competitive and retain our market position, we must continually improve our access to technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and our customers' and internet users' preferences and practices, or potentially launch entirely new products and services such as new gTLDs in anticipation of, or in response to, market trends. We cannot assure that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our services or technologies noncompetitive or obsolete. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers. As a result of the foregoing and other factors, we may not be able to compete effectively with current or future competitors, and competitive pressures that we face could materially harm our business.

We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to obtain a domain name registration and/or establish an online presence. We have been designated as the registry operator for certain new gTLDs including certain IDN gTLDs; however, there is no guarantee that such new gTLDs will be as or more successful than the new gTLDs obtained by our competitors. For example, some of the new gTLDs, including our new gTLDs, may face additional universal acceptance and usability challenges in that current desktop and mobile device software does not ubiquitously recognize these new gTLDs and developers of desktop and mobile device software may be slow to adopt standards or support these gTLDs, even if demand for such products is strong. This is particularly true for IDN gTLDs, but applies to conventional gTLDs as well. As a result of these challenges, it is possible that resolution of domain names within some of these new gTLDs may be blocked within certain state or organizational environments, challenging universal resolvability of these strings and their general acceptance and usability on the internet.

See the "Competition" section in Part I, Item 1 for further information.

We must establish and maintain strong relationships with registrars and their resellers to maintain their focus on marketing our products and services otherwise our business could be harmed.

All of our domain name registrations occur through registrars. Registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names as well as their own associated offerings. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names.

With the introduction of new gTLDs, many of our registrars have chosen to, and may continue to choose to, focus their short or long-term marketing efforts on these new offerings and/or reduce the prominence or visibility of our products and services on their e-commerce platforms. Our registrars and resellers sell domain name registrations of other competing registries, including other new gTLDs, and some also sell and support their own services for websites such as email, website hosting, as well as other services. Therefore, our registrars and resellers may be more motivated to sell to registrants to whom they can also market their own services. To the extent that registrars and their resellers focus more on selling and supporting their services and less on the registration and renewal of domain names in our TLDs, our revenues could be adversely impacted. Our ability to successfully market our services to, and build and maintain strong relationships with, new and existing registrars or resellers is a factor upon which successful operation of our business is dependent. If we are unable to keep a significant portion of their marketing efforts focused on selling registrations of domain names in our TLDs as opposed to other competing TLDs, including the new gTLDs, or their own services, our business could be harmed.

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

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

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- attacks, including hacktivism, by miscreants or other nefarious actors;
- computer viruses, software defects, or hardware defects, both in our systems and those of our service providers and suppliers;
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks, unintentional mistakes or errors, and other events beyond our control;
- risks inherent in or arising from the terms and conditions of our agreements with service providers to operate our networks and data centers;
- interconnection and internet routing system vulnerabilities;
- state suppression of internet operations; and
- any failure to implement effective and timely remedial actions in response to any vulnerability, damage or interruption.

Most of the computing infrastructure for our Shared Registration System is located at, and most of our customer information is stored in, our owned data centers. In 2019, we began transitioning some of our data center operations to a leased data center facility. We are also updating our network architecture in several of our new and existing data centers. To the extent our data center facilities or the updated network architecture do not operate as expected, we could experience service interruptions or outages which could harm our business. Also, to the extent we are unable to partially or completely switch over to our primary alternate or tertiary sites, any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage, we do not carry insurance or financial reserves for such interruptions.

In addition, our services depend on the secure and efficient operation of the internet connections to and from customers to our Shared Registration System residing in our secure data centers. These connections depend upon the secure and efficient operation of internet service providers, internet exchange point operators, and internet backbone service providers. Such providers have had periodic operational problems or experienced outages in the past beyond our scope of control and may continue to encounter problems and outages. In addition, if the providers that our connections depend upon do not protect, maintain, improve, and reinvest in their networks or present inconsistent data regarding the DNS through their networks, our business could be harmed.

A failure in the operation or update of the root zone servers, the root zone file, the Root Zone Management System, the TLD name servers, or the TLD zone files that we operate, including, for example, our operation of the *.gov* registry, or other network functions, could result in a DNS resolution or other service outage or degradation; the deletion of one or more TLDs from the internet; the deletion of one or more second-level domain names from the internet for a period of time; or a misdirection of a domain name to a different server. A failure in the operation or update of the supporting cryptographic and other operational infrastructure that we maintain could result in similar consequences. A failure in the operation of our Shared Registration System could result in the inability of one or more registrars to register or maintain domain names for a period of time. In the event that a registrar has not implemented back-up services in conformance with industry best practices, the failure could result in permanent loss of transactions at the registrar during that period. Any of these problems or outages could create potential liability and exposure, including from a failure to meet our service level agreements in our Registry Agreements, and could decrease customer satisfaction, harming our business or resulting in adverse publicity and damage to our reputation that could adversely affect the market's perception of the security of e-commerce and communications over the internet as well as of the reliability of our services or call into question our ability to preserve the security and stability of the internet.

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

An unfavorable global market, economic, social and political environment has impacted or may negatively impact, among other things:

- our customers' or end-users' continued growth and development of their businesses, or their ability to maintain their businesses and continue as going concerns, which could affect demand for our products and services;

- current and future demand for our services, including as a result of reduced spending on information technology and communications by our customers;
- price competition for our products and services;
- the price of our common stock;
- our liquidity and our associated ability to execute on any share repurchase plans; and
- our ability to service our debt, to obtain financing or assume new debt obligations.

In addition, to the extent that the market, economic, social, public health, and political environment impacts specific industry and geographic sectors in which many end-users of our products and services are concentrated, such as China, that may have a disproportionate negative impact on our business.

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

A significant portion of our revenues is derived from customers outside the U.S. Our business operations in international markets has required, and will continue to require, significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We may fail to maintain our ability to conduct business, including potentially material business operations in some international locations, or we may not succeed in expanding our services into new international markets or expand our presence in existing markets. Failure to do so could materially harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. law or regulations applicable to us. There can be no assurance that our employees, contractors and agents will not take actions in violation of such policies, procedures, laws and/or regulations. Violations of laws, regulations or internal policies and procedures by our employees, contractors or agents could result in financial reporting problems, investigations, fines, penalties, or prohibition on the importation or exportation of our products and services and could have a material adverse effect on our business. In addition, we face risks inherent in doing business internationally, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate, as well as foreign governments actively promoting their ccTLDs, which we do not operate;
- legal uncertainty regarding liability, enforcing our contracts, and compliance with foreign laws;
- economic tensions between governments and changes in international trade policies and/or the economic and trade sanctions programs administered by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- currency exchange rate fluctuations;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying end-user information, including for the purposes of complying with the verification requirements of certain countries and with the economic and trade sanctions programs administered by OFAC;
- more stringent privacy and data localization policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- potentially conflicting or adverse tax consequences;
- reliance on third parties in foreign markets in which we only recently started doing business; and
- potential concerns of international customers and prospects regarding doing business with U.S. technology companies due to alleged U.S. government data collection policies.

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

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

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

We rely on the strength of our Verisign brand to help differentiate Verisign in the marketing of our products. Dilution of the strength of our brand could harm our business. We are at risk that we will be unable to fully register, build equity in, or enforce the Verisign logo in all markets where Verisign products and services are sold. In addition, in the U.S. and most other countries, word marks solely for TLDs have currently not been successfully registered as trademarks. Accordingly, we may not be able to fully realize or maintain the value of these intellectual property assets.

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

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

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

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

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

In addition to possible intellectual property litigation and infringement claims, we are, and may in the future, become involved in other claims, lawsuits, audits and investigations. Litigation is inherently unpredictable, and unexpected judgments or excessive verdicts do occur. In addition, such proceedings may initially be viewed as immaterial but could prove to be material. Adverse outcomes in lawsuits, audits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business, such as our ability to operate the *.web* gTLD, and may have a material adverse effect on our financial condition, results of operations and cash flows. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such claims, lawsuits, audits and investigations could involve significant expense and diversion of management's attention and resources from other matters.

We continue to explore new strategic initiatives, the pursuit of any of which may pose significant risks and could have a material adverse effect on our business, financial condition and results of operations.

We explore possible strategic initiatives which may include, among other things, the investment in, and the pursuit of, new revenue streams, services or products, changes to our offerings, initiatives to leverage our patent portfolio, back-end registry services and IDN gTLDs. In addition, we have evaluated and are pursuing and will continue to evaluate and pursue acquisitions of TLDs that are currently in operation and those that have not yet been awarded or delegated as long as they support our growth strategy.

Any such strategic initiative may involve a number of risks, including: the diversion of our management's attention from our existing business to develop the initiative, related operations and any requisite personnel; possible regulatory scrutiny or third-party claims; possible material adverse effects on our results of operations during and after the development process; our possible inability to achieve the intended objectives of the initiative; as well as damage to our reputation if we are unsuccessful in pursuing a strategic initiative. Such initiatives may result in a reduction of cash or increased costs. We may not be able to successfully or profitably develop, integrate, operate, maintain and manage any such initiative and the related operations or employees in a timely manner or at all. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net, .name* and other TLDs, including required ICANN approval of new registry services for such TLDs. If any new initiative requires ICANN review or ICANN determines that such a review is required, we cannot predict whether this process will prevent us from implementing the initiative in a timely manner or at all. Any strategic initiative to leverage our patent portfolio will likely increase litigation risks from potential licensees and we may have to resort to litigation to enforce our intellectual property rights.

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

We operate in a unique, competitive and highly regulated environment, and we depend on the knowledge, experience, and performance of our senior management team and other key employees in this regard and otherwise. We periodically experience changes in our management team. If we are unable to attract, integrate, retain and motivate these key individuals as well as other highly skilled employees, and implement succession plans for these personnel, our business may suffer. For example, our service products are highly technical and require individuals skilled and knowledgeable in unique platforms, operating systems and software development tools.

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

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective tax rates may fluctuate significantly on a quarterly basis because of a variety of factors, including changes in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, changes in tax laws that could adversely impact our income or non-income taxes or the expiration of or disputes about certain tax agreements in a particular country. We are subject to audit by various tax authorities. In accordance with U.S. GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. For example, we claimed a worthless stock deduction on our 2013 federal income tax return and recorded a net income tax benefit of $380.1 million. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, an adverse effect on our results of operations, financial condition and cash flows in the period or periods for which that determination is made could result.

The Organization for Economic Cooperation and Development ("OECD") has released plans to issue a final report by the end of 2020 that will provide a long-term, multilateral proposal on the taxation of the digital economy. If this proposal is ultimately agreed to and implemented by the member states, there could be significant modifications in the way multinational corporations are taxed. In addition, some international tax jurisdictions have, or may, independently of the OECD, enact new tax regimes aimed at income resulting from digital services. Although we cannot predict the nature or outcome of such changes or the likelihood of such proposals being adopted legislatively throughout the world and tax treaties being modified accordingly, any or all of these changes in tax policy for the digital economy could increase our taxes and adversely impact our financial condition, results of operations and cash flow.

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

As of December 31, 2019, we had $1.23 billion in cash, cash equivalents, marketable securities and restricted cash, of which $709.9 million was invested in marketable securities. The cash equivalents and marketable securities consist primarily of debt securities issued by the U.S. Treasury. These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by financial market credit and liquidity events. If the global credit or liquidity market deteriorates or other events negatively impact the market for U.S. Treasury securities, our investment portfolio may be impacted and we could determine that some of our investments have experienced an other-than-temporary decline in fair value, requiring an impairment charge which could adversely impact our results of operations and cash flows.

We are subject to the risks of owning real property.

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

- adverse changes in the value of the properties, due to interest rate changes, changes in the commercial property markets, easements or other encumbrances, a government exercising its right of eminent domain, or other factors;
- ongoing maintenance expenses and costs of improvements or repairs;
- the possible need for structural improvements in order to comply with environmental, health and safety, zoning, seismic, disability law, or other requirements;
- the possibility of environmental contamination or notices of violation from federal or state environmental agencies; and
- possible disputes with neighboring owners, tenants, service providers or others.

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

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

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chairman of the board of directors, the president, our Board, or the secretary (acting as a representative of the stockholders) whenever a stockholder or group of stockholders owning at least 25% in the aggregate of the capital stock issued, outstanding and entitled to vote, and who held that amount in a net long position continuously for at least one year, so request in writing;
- vacancies and newly created directorships on our Board can be filled until the next annual meeting of stockholders by a majority of directors then in office; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

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

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

We have a significant amount of outstanding debt, and we periodically reassess our capital structure and may incur additional indebtedness in the future. Our substantial indebtedness, including any future indebtedness, requires us to dedicate a significant portion of our cash flow from operations or to arrange alternative liquidity sources to make principal and interest payments, when due, or to repurchase or settle our debt, if triggered, by certain corporate events, or certain events of default. It could also limit our flexibility in planning for or reacting to changes in our business and our industry, or make required capital expenditures and investments in our business; make it difficult or more expensive to refinance our debt or obtain new debt; trigger an event of default; and increase our vulnerability to adverse changes in general economic and industry conditions. Some of our debt contains covenants which may limit our operating flexibility, including restrictions on share repurchases, dividends, prepayment or repurchase of debt, acquisitions, disposing of assets, if we do not continue to meet certain financial ratios. Any rating assigned to our debt securities could be lowered or withdrawn by a rating agency, which could make it more difficult or more expensive for us to obtain additional debt financing in the future. The occurrence of any of the foregoing factors could have a material adverse effect on our business, cash flows, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2019, we owned each of our significant properties, which include our corporate headquarters facility in Reston, Virginia, and data center facilities in New Castle, Delaware and Dulles, Virginia. We also lease a number of smaller office and data center locations around the world. We believe that our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS

As we previously disclosed, Afilias, a competitor and losing bidder in the .web auction, filed a form of arbitration proceeding against ICANN, an Independent Review Process (IRP) under ICANN’s bylaws, on November 14, 2018. Afilias alleges that the agreement between Verisign and Nu Dotco, LLC (NDC) pertaining to .web violated ICANN’s new gTLD Applicant Guidebook. As a result, Afilias claims that ICANN had a duty to disqualify NDC’s bid and award .web to Afilias. Afilias also claims that ICANN would violate its bylaws pertaining to competition by awarding .web to Verisign. Afilias amended its IRP on March 21, 2019 in part to oppose Verisign’s and NDC’s participation in the IRP. A hearing was held on Verisign’s and NDC’s applications for participation and, on February 12, 2020, the IRP Panel permitted Verisign and NDC to participate in aspects of the IRP. We believe that Afilias’ claims regarding Verisign’s and NDC’s conduct are without merit and we intend to vigorously oppose Afilias in this matter.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol VRSN. On February 7, 2020, there were 367 holders of record of our common stock. We cannot estimate the number of beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders.

Share Repurchases

The following table presents the share repurchase activity during the three months ended December 31, 2019:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)(2)
		(Shares in thousands)		
October 1 – 31, 2019	429	$184.83	429	$ 442.8 million
November 1 – 30, 2019	302	$188.04	302	$ 386.1 million
December 1 – 31, 2019	308	$190.04	308	$ 327.5 million
	1,039		1,039	

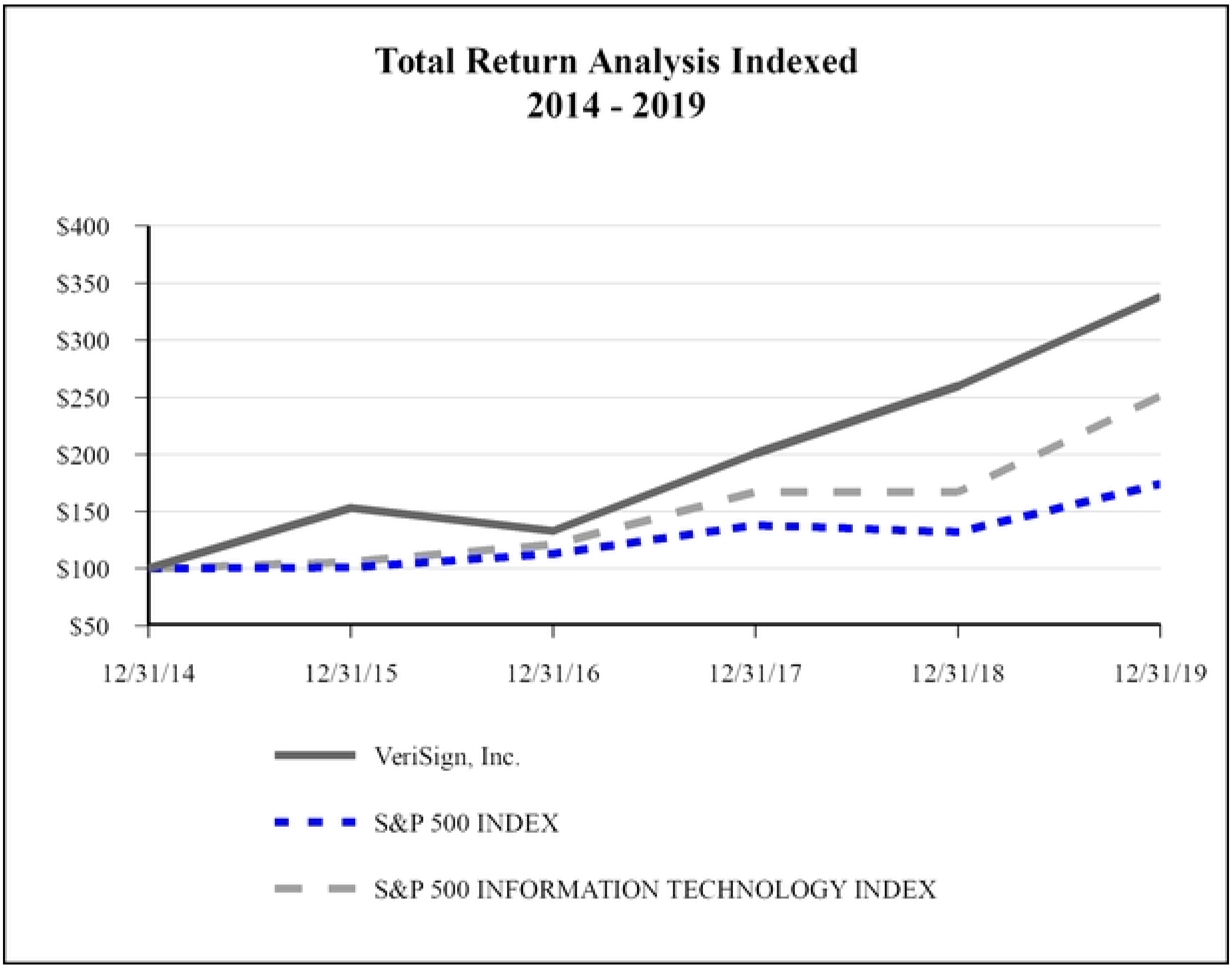
(1) Effective February 7, 2019, our Board authorized the repurchase of our common stock in the amount of approximately $602.9 million, in addition to the $397.1 million remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to $1.0 billion under the share repurchase program.

(2) Effective February 6, 2020, our Board authorized the repurchase of our common stock in the amount of $743.0 million, in addition to the $257.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to $1.0 billion under the program. The share repurchase program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

Performance Graph

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

The following graph compares the cumulative total stockholder return on our common stock, the Standard and Poor's ("S&P") 500 Index, and the S&P 500 Information Technology Index. The graph assumes that $100 (and the reinvestment of any dividends thereafter) was invested in our common stock, the S&P 500 Index and the S&P 500 Information Technology Index on December 31, 2014, and calculates the return annually through December 31, 2019. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
VeriSign, Inc.	$ 100	$ 153	$ 133	$ 201	$ 260	$ 338
S&P 500 Index	$ 100	$ 101	$ 113	$ 138	$ 132	$ 174
S&P 500 Information Technology Index	$ 100	$ 106	$ 121	$ 167	$ 167	$ 251

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data as of and for the last five fiscal years. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K, to fully understand factors that may affect the comparability of the information presented below.

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

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Revenues	$ 1,232	$ 1,215	$ 1,165	$ 1,142	$ 1,059
Operating income	$ 806	$ 767	$ 708	$ 687	$ 606
Net income (1)	$ 612	$ 582	$ 457	$ 441	$ 375
Earnings per share:					
Basic	$ 5.17	$ 5.13	$ 4.56	$ 4.12	$ 3.29
Diluted	$ 5.15	$ 4.75	$ 3.68	$ 3.42	$ 2.82

(1) Net income for 2018 includes a $52.0 million after-tax gain recognized in 2018 related to the sale of customer contracts of our security services business.

Consolidated Balance Sheet Data: (in millions)

	As of December 31,				
	2019	2018	2017	2016	2015
Cash, cash equivalents and marketable securities (1) (2)	$ 1,218	$ 1,270	$ 2,415	$ 1,798	$ 1,915
Total assets (1) (2)	$ 1,854	$ 1,915	$ 2,941	$ 2,335	$ 2,358
Deferred revenues	$ 1,034	$ 1,018	$ 999	$ 976	$ 961
Subordinated convertible debentures, including contingent interest derivative (2)	$ —	$ —	$ 628	$ 630	$ 634
Long-term debt (1)	$ 1,788	$ 1,785	$ 1,783	$ 1,237	$ 1,235

(1) The increases in Cash, cash equivalents and marketable securities, Total assets and Long-term debt from 2016 to 2017 was due to the issuance of $550.0 million aggregate principal amount of 4.75% senior unsecured notes due 2027.

(2) The decreases in Cash, cash equivalents and marketable securities, Total assets and Subordinated convertible debentures, including contingent interest derivative from 2017 to 2018 was due to the settlement of our subordinated convertible debentures in 2018.

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

FORWARD-LOOKING STATEMENTS

This Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words “expects,” “anticipates,” “intends,” “believes” and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors” in Part I, Item 1A of this Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Overview

We are a global provider of domain name registry services and internet infrastructure, enabling internet navigation for many of the world’s most recognized domain names. We enable the security, stability, and resiliency of key internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 global internet root servers, and providing registration services and authoritative resolution for the *.com* and *.net* top-level domains, which support the majority of global e-commerce.

As of December 31, 2019, we had approximately 158.8 million *.com* and *.net* registrations in the domain name base. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of internet users, which is partially driven by greater availability of internet access, as well as marketing activities carried out by us and our registrars. Growth in the number of domain name registrations under our management may be hindered by certain factors, including overall economic conditions, competition from ccTLDs, the introduction of new gTLDs, and ongoing changes in the internet practices and behaviors of consumers and businesses. Factors such as the evolving practices and preferences of internet users, and how they navigate the internet, as well as the motivation of domain name registrants and how they will manage their investment in domain names, can negatively impact our business and the demand for new domain name registrations and renewals.

2019 Business Highlights and Trends

- We recorded revenues of $1,231.7 million in 2019, which represents an increase of 1% compared to 2018.
- We recorded operating income of $806.1 million during 2019, which represents an increase of 5% as compared to 2018.
- We finished 2019 with 158.8 million *.com* and *.net* registrations in the domain name base, which represents a 4% increase from December 31, 2018.
- During 2019, we processed 40.3 million new domain name registrations for *.com* and *.net* compared to 38.2 million in 2018.
- The final *.com* and *.net* renewal rate for the third quarter of 2019 was 73.7% compared with 74.8% for the same quarter in 2018. Renewal rates are not fully measurable until 45 days after the end of the quarter.
- We repurchased 3.9 million shares of our common stock for an aggregate cost of $738.5 million in 2019. As of December 31, 2019, there was $327.5 million remaining for future share repurchases under the share repurchase program.
- Effective February 6, 2020, our Board authorized the repurchase of our common stock in the amount of $743.0 million, in addition to the $257.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to $1.0 billion under the program.
- We generated cash flows from operating activities of $753.9 million in 2019, which represents an increase of 8% as compared to 2018.

Critical Accounting Policies and Significant Management Estimates

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

An accounting estimate is considered critical if the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment involved, and the impact of changes in the estimates and assumptions would have a material effect on the consolidated financial statements. We believe the following critical accounting estimates and policies have the most significant impact on our consolidated financial statements:

Income taxes

Our 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. We only recognize or continue to only recognize tax positions that are more likely than not to be sustained upon examination. We adjust these amounts 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 our current estimate of the tax liabilities.

Results of Operations

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

	Year Ended December 31,		
	2019	2018	2017
Revenues	100.0 %	100.0 %	100.0 %
Costs and expenses:			
Cost of revenues	14.6	15.8	16.6
Sales and marketing	3.8	5.3	7.0
Research and development	4.9	4.8	4.5
General and administrative	11.2	10.9	11.2
Total costs and expenses	34.5	36.8	39.3
Operating income	65.5	63.2	60.7
Interest expense	(7.4)	(9.5)	(11.7)
Non-operating income, net	3.5	6.3	2.4
Income before income taxes	61.6	60.0	51.4
Income tax expense	(11.9)	(12.1)	(12.2)
Net income	49.7 %	47.9 %	39.2 %

Revenues

Our revenues are primarily derived from registrations for domain names in the *.com* and *.net* domain name registries. We also derive revenues from operating domain name registries for several other TLDs and from providing back-end registry services to a number of TLD registry operators, all of which are not significant in relation to our consolidated revenues. For domain names registered with the *.com* and *.net* registries we receive a fee from registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with registrars or their resellers, and the registrars in turn register the domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of internet users, as well as marketing activities carried out by us and our registrars. The annual fee for a *.com* domain name registration has been fixed at

$7.85 since 2012. On October 26, 2018, we entered into an agreement with the DOC to amend the Cooperative Agreement. The amendment extends the term of the Cooperative Agreement until November 30, 2024 and permits the price of a *.com* domain name to be increased without further DOC approval by up to 7% in each of the final four years of each six-year period beginning on October 26, 2018. We increased the annual fee for a *.net* domain name registration from $8.20 to $9.02 on February 1, 2018. We have the contractual right to increase the fees for *.net* domain name registrations by up to 10% each year during the term of our agreement with ICANN, through June 30, 2023. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All fees paid to us for *.com* and *.net* registrations are in U.S. dollars.

A comparison of revenues is presented below:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
Revenues	$ 1,231,661	1%	$ 1,214,969	4%	$ 1,165,095

The following table compares the *.com* and *.net* domain name registrations in the domain name base:

	As of December 31,				
	2019	% Change	2018	% Change	2017
.com and *.net* domain name registrations in the domain name base	158.8 million	4%	153.0 million	4%	146.4 million

Growth in the domain name base has been primarily driven by continued internet growth and marketing activities carried out by us and our registrars. However, competitive pressure from ccTLDs, the introduction of new gTLDs, ongoing changes in internet practices and behaviors of consumers and business, as well as the motivation of existing domain name registrants managing their investment in domain names, and historical global economic uncertainty, has limited the rate of growth of the domain name base in recent years and may continue to do so in 2020 and beyond.

Revenues increased by $16.7 million in 2019 compared to 2018, primarily due to an increase in revenues from the operation of the registries for the *.com* and *.net* TLDs, partially offset by the decrease in revenues from the security services business as customers terminated or consented to the assignment of their contracts to Neustar. The increase in revenues from the *.com* and *.net* TLDs was driven by a 5% increase in registrations in the domain name base for *.com* and the increase in the *.net* domain name registration fees in February 2018, partially offset by a 4% decline in registrations in the domain name base for *.net*.

Geographic revenues

We generate revenues in the U.S.; Europe, the Middle East and Africa ("EMEA"); China; and certain other countries, including Canada, Australia and Japan. The following table presents a comparison of the Company's geographic revenues:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
U.S	$ 772,586	2 %	$ 756,907	7 %	$ 707,906
EMEA	206,975	(3)%	212,699	1 %	211,349
China	119,291	12 %	106,841	— %	106,526
Other	132,809	(4)%	138,522	(1)%	139,314
Total revenues	$ 1,231,661	1 %	$ 1,214,969	4 %	$ 1,165,095

Revenues in the table above are attributed to the country of domicile and the respective regions in which our registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region. The majority of our revenue growth in 2019 has come from increased sales to registrars based in the U.S. and China. Revenues in the U.S. and EMEA regions in particular, were impacted by the decrease in revenues from our security services business as customers terminated or consented to the assignment of their contracts to Neustar.

We expect revenues will continue to grow in 2020, as a result of the increased volume of domain registrations in 2019, and continued growth in registrations in the domain name base in 2020, partially offset by the elimination of revenue from the customers of our security services business that had not yet consented to the assignment of their contracts to Neustar.

Cost of revenues

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

A comparison of cost of revenues is presented below:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
Cost of revenues	$ 180,467	(6)%	$ 192,134	(1)%	$ 193,326

Cost of revenues decreased by $11.7 million in 2019 compared to 2018 primarily due to decreases in salary and employee benefits expenses, telecommunications expenses, and depreciation expenses. Salary and benefits expenses decreased by $5.5 million due to a reduction in average headcount primarily related to employees supporting the divested security services business. Telecommunications expenses decreased by $5.1 million as a result of lower costs to support our operations. Depreciation expenses decreased by $2.0 million as a result of a decrease in capital expenditures in recent years.

We expect cost of revenues as a percentage of revenues to remain consistent in 2020 as compared to 2019.

Sales and marketing

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

A comparison of sales and marketing expenses is presented below:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
Sales and marketing	$ 46,637	(28)%	$ 64,891	(21)%	$ 81,951

Sales and marketing expenses decreased by $18.3 million in 2019 compared to 2018 primarily due to decreases in salary and employee benefits expenses, advertising and marketing expenses, and allocated overhead expenses. Salary and employee benefits expenses decreased by $9.1 million due to a reduction in average headcount primarily affecting employees supporting the divested security services business. Advertising and marketing expenses decreased by $4.4 million as we executed fewer marketing activities and campaigns. Allocated overhead expenses decreased by $2.7 million primarily due to a decrease in average headcount relative to other cost types.

We expect sales and marketing expenses as a percentage of revenues to remain consistent in 2020 as compared to 2019.

Research and development

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

A comparison of research and development expenses is presented below:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
Research and development	$ 60,805	5%	$ 57,884	11%	$ 52,342

Research and development expenses increased by $2.9 million in 2019 compared to 2018 primarily due to a decrease in capitalized labor and an increase in allocated overhead expenses. Capitalized labor decreased by $2.5 million due to a shift in work from capital projects to certain non-capital projects and maintenance of existing software products. Allocated overhead expenses increased by $2.0 million primarily due to an increase in average headcount relative to other cost types.

We expect research and development expenses as a percentage of revenues to remain consistent in 2020 as compared to 2019.

General and administrative

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

A comparison of general and administrative expenses is presented below:

	Year Ended December 31,				
	2019	% Change	2018	% Change	2017
	(Dollars in thousands)				
General and administrative	$ 137,625	4%	$ 132,668	2%	$ 129,754

General and administrative expenses increased by $5.0 million in 2019 compared to 2018 primarily due to increases in salary and employee benefits expenses and software license expenses. Salary and employee benefits expenses increased by $2.8 million due to an increase in average headcount and annual salary increases. Software license expenses increased by $2.4 million resulting from costs related to certain security initiatives.

We expect general and administrative expenses as a percentage of revenues to remain consistent in 2020 as compared to 2019.

Interest expense

See Note 4, “Debt and interest expense” of our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K. We expect interest expense to remain consistent in 2020 as compared to 2019.

Non-operating income, net

See Note 9, “Non-operating income, net” of our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K. We expect Non-operating income, net to decrease in 2020 as compared to 2019 due to income from the transition services provided to Neustar in 2019 in connection with the sale of customer contracts of our security services business and a decrease in interest income resulting from a decline in interest rates.

Income tax expense

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Income tax expense	146,477	$ 147,027	$ 141,764
Effective tax rate	19%	20%	24%

The effective tax rates for 2019 and 2018 were lower than the statutory federal rate of 21% due to a lower foreign effective tax rate and excess tax benefits related to stock-based compensation, partially offset by state income taxes, U.S. taxes on our foreign earnings, and accrual for uncertain tax positions.

As of December 31, 2019, we had deferred tax assets arising from deductible temporary differences, tax losses, and tax credits of $94.8 million, net of valuation allowances, but before the offset of certain deferred tax liabilities. With the exception of deferred tax assets related to certain state and foreign NOL carryforwards, we believe it is more likely than not that the tax effects of the deferred tax liabilities, together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets.

We qualified for a tax holiday in Switzerland until the end of 2019 which lowered tax rates on certain types of income and required certain thresholds of foreign source income. The tax holiday reduced our foreign income tax expense by $17.3 million ($0.15 per share) and $16.9 million ($0.14 per share) in 2019 and 2018, respectively. The benefit from the tax holiday is calculated before consideration of any offsetting tax impact in the United States. Effective January 1, 2020, due to Swiss tax law changes, the tax holiday was eliminated, which was partially offset by a lowered statutory tax rate.

We expect the effective tax rate for 2020 to be between 18% and 21%.

Liquidity and Capital Resources

	As of December 31,	
	2019	**2018**
	(In thousands)	
Cash and cash equivalents	$ 508,196	$ 357,415
Marketable securities	709,863	912,254
Total	$ 1,218,059	$ 1,269,669

As of December 31, 2019, our principal source of liquidity was $508.2 million of cash and cash equivalents and $709.9 million of marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist mainly of amounts invested in money market funds and U.S. Treasury bills purchased with original maturities of less than 90 days. As of December 31, 2019, all of our debt securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. Following the Tax Cuts and Jobs Act, we have greater flexibility in accessing the cash, cash equivalents and marketable securities balances held by our foreign subsidiaries. For additional information on our investment portfolio, see Note 2, “Financial Instruments,” of our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

In 2019, we repurchased 3.9 million shares of our common stock at an average stock price of $188.84 for an aggregate cost of $738.5 million under our share repurchase program. In 2018, we repurchased 4.4 million shares of our common stock at an average stock price of $137.86 for an aggregate cost of $600.0 million. Effective February 6, 2020, our Board authorized the repurchase of our common stock in the amount of $743.0 million, in addition to the $257.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to $1.0 billion under the program.

As of December 31, 2019, we had $550.0 million principal amount outstanding of 4.75% senior unsecured notes due 2027, $500.0 million principal amount outstanding of the 5.25% senior unsecured notes due 2025 and $750.0 million principal amount outstanding of the 4.625% senior unsecured notes due 2023. In December 2019, we entered into a new $200.0 million unsecured revolving credit facility. This facility will expire in 2024 and takes the place of our prior unsecured revolving credit facility. As of December 31, 2019, there were no borrowings outstanding under this credit facility.

In 2018 we settled our subordinated convertible debentures with the $1.25 billion principal value paid in cash and 26.1 million shares of common stock issued for the conversion spread.

We believe existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our ability to arrange for additional financing should be sufficient to meet our working capital, capital expenditure requirements, and to service our debt for the next 12 months. We regularly assess our cash management approach and activities in view of our current and potential future needs.

In summary, our cash flows for 2019, 2018, and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Net cash provided by operating activities	$ 753,892	$ 697,767	$ 702,761
Net cash provided by (used in) investing activities	167,195	1,070,130	(405,424)
Net cash used in financing activities	(770,303)	(1,875,325)	(65,073)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	64	(958)	1,294
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 150,848	$ (108,386)	$ 233,558

Cash flows from operating activities

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

Net cash provided by operating activities increased in 2019 compared to 2018 primarily due to an increase in cash received from customers and a decrease in cash paid for interest, partially offset by an increase in cash paid for income taxes. Cash received from customers increased primarily due to higher domain name registrations and renewals. The decrease in cash paid for interest on our debt obligations was primarily due to the settlement of our subordinated convertible debentures in May 2018. The increase in cash paid for income taxes was primarily due to by higher U.S. federal income tax payments in 2019, partially offset by the $60.7 million of foreign withholding taxes paid on the repatriation of $1.15 billion cash held by foreign subsidiaries to the U.S. in the first quarter of 2018.

Cash flows from investing activities

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

Net cash provided by investing activities decreased in 2019 compared to 2018 primarily due to decreases in proceeds from sales and maturities of marketable securities, net of purchases, proceeds from the sale of businesses, and an increase in purchases of property and equipment.

Cash flows from financing activities

The changes in cash flows from financing activities primarily relate to share repurchases, proceeds from and repayment of borrowings, and our employee stock purchase plan (“ESPP”).

Net cash used in financing activities decreased in 2019 compared to 2018 primarily due to the repayment of the principal amount of the subordinated convertible debentures during 2018, partially offset by an increase in share repurchases.

Impact of Inflation

We do not believe that inflation has had a significant impact on our operations in any of the periods presented.

Income taxes

We expect cash paid for income taxes in 2020 to approximate our Income tax expenses for the year.

Property and Equipment Expenditures

Our planned property and equipment expenditures for 2020 are anticipated to be between $45.0 million and $55.0 million and will primarily be focused on infrastructure upgrades and enhancements to our product portfolio.

Contractual Obligations

See Note 11, “Commitments and Contingencies,” *Purchase Obligations and Contractual Agreements*, of our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

Off-Balance Sheet Arrangements

It is not our business practice to enter into off-balance sheet arrangements. As of December 31, 2019, we did not have any significant off-balance sheet arrangements. See Note 11, "Commitments and Contingencies," *Off-Balance Sheet Arrangements*, of our Notes to Consolidated Financial Statements in Item 8 of this Form 10-K for further information regarding off-balance sheet arrangements.

Dilution from RSUs

Grants of stock-based awards are key components of the compensation packages we provide to attract and retain certain of our talented employees and align their interests with the interests of existing stockholders. We recognize that these stock-based awards dilute existing stockholders and have sought to control the number granted while providing competitive compensation packages. As of December 31, 2019, there are a total of 0.9 million unvested RSUs which represent potential dilution of less than 1.0%. This maximum potential dilution will only result if all outstanding RSUs vest and are settled. In recent years, our stock repurchase program has more than offset the dilutive effect of RSU grants to employees; however, we may reduce the level of our stock repurchases in the future as we may use our available cash for other purposes.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates, foreign exchange rates and market risks. We have not entered into any market risk sensitive instruments for trading purposes.

Interest rate sensitivity

The fixed income securities in our investment portfolio are subject to interest rate risk. As of December 31, 2019, we had $1.04 billion of fixed income securities, which consisted of U.S. Treasury bills with maturities of less than one year. A hypothetical change in interest rates by 100 basis points would not have a significant impact on the fair value of our investments.

Foreign exchange risk management

We conduct business in several countries and transact in multiple foreign currencies. The functional currency for all of our international subsidiaries is the U.S. Dollar. Our foreign currency risk management program is designed to mitigate foreign exchange risks associated with monetary assets and liabilities of our operations that are denominated in currencies other than the U.S. dollar. The primary objective of this program is to minimize the gains and losses to income resulting from fluctuations in exchange rates. We may choose not to hedge certain foreign exchange exposures due to immateriality, prohibitive economic cost of hedging particular exposures, and limited availability of appropriate hedging instruments. We do not enter into foreign currency transactions for trading or speculative purposes, nor do we 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. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with financial institutions that have investment grade ratings.

As of December 31, 2019, we held foreign currency forward contracts in notional amounts totaling $26.3 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. Gains or losses on the foreign currency forward contracts would be largely offset by the remeasurement of our foreign currency denominated assets and liabilities, resulting in an insignificant net impact to income.

A hypothetical uniform 10% strengthening or weakening in the value of the U.S. dollar relative to the foreign currencies in which our revenues and expenses are denominated would not result in a significant impact to our financial statements.

Market risk management

The fair market values of our senior notes are subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2019, the fair values of the senior notes issued in 2013, 2015 and 2017 were $762.8 million, $552.3 million, and $581.9 million, respectively, based on available market information from public data sources.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

VeriSign, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Verisign, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 14, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

Effective January 1, 2018, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and several related amendments, issued by the Financial Accounting Standards Board (FASB). This change was adopted using the modified retrospective method.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the Company's uncertain tax positions.

As discussed in Notes 1 and 10 of the consolidated financial statements, as of December 31, 2019, the Company had $231.3 million of gross unrecognized tax benefits.

We identified the evaluation of the Company's uncertain tax positions as a critical audit matter because complex auditor judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of the tax positions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's uncertain tax positions process to assess that new and existing tax positions and adjustments giving rise to additional uncertain tax positions were considered in accordance with applicable guidance over accounting for uncertain tax positions. Since tax law is complex and often subject to interpretations, we involved tax professionals with specialized skills and knowledge, who assisted in:

- Evaluating the Company’s tax positions and its interpretation of tax laws,
- Identifying any changes or developments in tax law, court cases, tax regulations or any pertinent tax rulings that would impact the positions taken by the Company,
- Performing a web based search of key terms relating to the Company’s uncertain tax positions to identify public company filings that disclose similar positions with alternative treatments,
- Examining the Company’s filed tax returns and the detailed tax provision to assess the sustainability of the Company’s uncertain tax positions, and
- Reading the Company’s board minutes and inquiring of various members of the tax, legal and finance teams regarding their knowledge of conditions that would give rise to a change in the uncertain tax positions.

Additionally, we involved tax and valuation professionals with specialized skills and knowledge, who assisted in:

- Reading correspondence from the Internal Revenue Service (IRS) in relation to the Company’s income tax returns to assess any changes or developments relevant to the sustainability of the Company’s positions.

/s/ KPMG LLP

We have served as the Company’s auditor since 1995.

McLean, Virginia
February 14, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

VeriSign, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Verisign, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* 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) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 14, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

McLean, Virginia
February 14, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 508,196	$ 357,415
Marketable securities	709,863	912,254
Other current assets	60,530	47,365
Total current assets	1,278,589	1,317,034
Property and equipment, net	250,283	253,905
Goodwill	52,527	52,527
Deferred tax assets	87,798	104,992
Deposits to acquire intangible assets	145,000	145,000
Other long-term assets	39,812	41,046
Total long-term assets	575,420	597,470
Total assets	$ 1,854,009	$ 1,914,504
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 209,988	$ 215,208
Deferred revenues	755,178	732,382
Total current liabilities	965,166	947,590
Long-term deferred revenues	278,702	285,720
Senior notes	1,787,565	1,785,047
Long-term tax and other liabilities	312,676	281,621
Total long-term liabilities	2,378,943	2,352,388
Total liabilities	3,344,109	3,299,978
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: 353,157 at December 31, 2019 and 352,325 at December 31, 2018; Outstanding shares: 116,715 at December 31, 2019 and 120,037 at December 31, 2018	353	352
Additional paid-in capital	14,989,658	15,706,774
Accumulated deficit	(16,477,490)	(17,089,789)
Accumulated other comprehensive loss	(2,621)	(2,811)
Total stockholders' deficit	(1,490,100)	(1,385,474)
Total liabilities and stockholders' deficit	$ 1,854,009	$ 1,914,504

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Revenues	$ 1,231,661	$ 1,214,969	$ 1,165,095
Costs and expenses:			
Cost of revenues	180,467	192,134	193,326
Sales and marketing	46,637	64,891	81,951
Research and development	60,805	57,884	52,342
General and administrative	137,625	132,668	129,754
Total costs and expenses	425,534	447,577	457,373
Operating income	806,127	767,392	707,722
Interest expense	(90,611)	(114,845)	(136,336)
Non-operating income, net	43,260	76,969	27,626
Income before income taxes	758,776	729,516	599,012
Income tax expense	(146,477)	(147,027)	(141,764)
Net income	612,299	582,489	457,248
Other comprehensive income	190	130	512
Comprehensive income	$ 612,489	$ 582,619	$ 457,760
Earnings per share:			
Basic	$ 5.17	$ 5.13	$ 4.56
Diluted	$ 5.15	$ 4.75	$ 3.68
Shares used to compute earnings per share			
Basic	118,513	113,452	100,325
Diluted	118,968	122,661	124,180

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Total stockholders' deficit, beginning of period	$ (1,385,474)	$ (1,260,271)	$ (1,200,595)
Common stock			
Beginning balance	352	325	324
Issuance of common stock under stock plans	1	1	1
Conversion of subordinated convertible debentures	—	26	—
Balance, end of period:	353	352	325
Additional paid-in capital			
Beginning balance	15,706,774	16,437,135	16,987,488
Repurchase of common stock	(782,583)	(638,152)	(621,173)
Stock-based compensation expense	52,316	54,574	55,362
Issuance of common stock under stock plans	13,151	12,835	12,914
Conversion of subordinated convertible debentures	—	(159,618)	—
Cumulative effects of changes in accounting principle	—	—	2,544
Balance, end of period	14,989,658	15,706,774	16,437,135
Accumulated deficit			
Beginning balance	(17,089,789)	(17,694,790)	(18,184,954)
Net income	612,299	582,489	457,248
Cumulative effects of changes in accounting principles	—	22,512	32,916
Balance, end of period	(16,477,490)	(17,089,789)	(17,694,790)
Accumulated other comprehensive loss			
Beginning balance	(2,811)	(2,941)	(3,453)
Other comprehensive income	190	130	512
Balance, end of period	(2,621)	(2,811)	(2,941)
Total stockholders' deficit, end of period	$ (1,490,100)	$ (1,385,474)	$ (1,260,271)

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities:			
Net income	$ 612,299	$ 582,489	$ 457,248
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	46,330	48,367	49,878
Stock-based compensation	50,626	52,504	52,907
Amortization of discount on investments in debt securities	(14,777)	(18,259)	(14,860)
Gain on sale of business	(817)	(54,840)	(10,421)
Other, net	3,668	14,646	272
Changes in operating assets and liabilities			
Other assets	(3,279)	1,041	13,775
Accounts payable and accrued liabilities	(24)	(2,130)	15,483
Deferred revenues	16,191	19,825	25,348
Net deferred income taxes and other long-term tax liabilities	43,675	54,124	113,131
Net cash provided by operating activities	753,892	697,767	702,761
Cash flows from investing activities:			
Proceeds from maturities and sales of marketable securities	2,247,904	4,031,809	4,562,161
Purchases of marketable securities	(2,030,521)	(2,976,752)	(4,929,834)
Purchases of property and equipment	(40,316)	(37,007)	(49,499)
(Payments) Proceeds from sale of business	(9,872)	52,240	11,748
Other investing activities	—	(160)	—
Net cash provided by (used in) investing activities	167,195	1,070,130	(405,424)
Cash flows from financing activities:			
Repurchases of common stock	(782,583)	(638,152)	(621,173)
Proceeds from employee stock purchase plan	13,152	12,836	12,915
Repayment of principal on subordinated convertible debentures	—	(1,250,009)	—
Proceeds from senior notes, net of issuance costs	—	—	543,185
Other financing activities	(872)	—	—
Net cash used in financing activities	(770,303)	(1,875,325)	(65,073)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	64	(958)	1,294
Net increase (decrease) in cash, cash equivalents and restricted cash	150,848	(108,386)	233,558
Cash, cash equivalents, and restricted cash at beginning of period	366,753	475,139	241,581
Cash, cash equivalents, and restricted cash at end of period	$ 517,601	$ 366,753	$ 475,139
Supplemental cash flow disclosures:			
Cash paid for interest	$ 87,683	$ 117,956	$ 117,234
Cash paid for income taxes, net of refunds received	$ 89,974	$ 84,906	$ 28,294

See accompanying Notes to Consolidated Financial Statements.

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. The Company has one reportable segment. The Company enables the security, stability, and resiliency of key internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 global internet root servers, and providing registration services and authoritative resolution for the *.com* and *.net* top-level domains, which support the majority of global e-commerce.

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.

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.

Adoption of New Accounting Standards

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, and several related amendments, issued by the Financial Accounting Standards Board ("FASB"), collectively codified under Accounting Standards Codification ("ASC") 842, *Leases*. ASC 842 requires most operating leases to be reported on the balance sheet as a lease liability and a right-of-use asset. This standard was applied as of the effective date of January 1, 2019, and therefore prior period amounts were not adjusted. The adoption of ASC 842 did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, and several related amendments, issued by the FASB. The adoption of ASU 2014-09 did not have any impact on our revenue recognition, but did result in a change in the accounting for costs incurred to obtain a contract. This change was adopted using the modified retrospective method and did not have a material impact on the Company's consolidated financial statements.

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, 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.

Marketable Securities

Marketable securities primarily consist of debt securities issued by the U.S. Treasury. 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 years to five years for computer equipment, software, office equipment, and furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or associated lease terms.

Capitalized Software

Software included in property and equipment includes amounts paid for purchased software and development costs for internally developed software. The Company capitalized $11.9 million and $14.7 million of costs related to internally developed software during 2019 and 2018, respectively.

Goodwill and Other Long-lived Assets

Goodwill represents the excess of purchase consideration over fair value of net assets of businesses acquired. The Company has only one reporting unit, which has a negative carrying value. Therefore, the goodwill is not subject to impairment.

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. 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.

As of December 31, 2019, the Company's assets include a deposit related to the purchase of the contractual rights to the *.web* gTLD. The amount paid to date has been recorded as a deposit until such time that the contractual rights are transferred to the Company. This asset would be tested for recoverability if the Company were to determine that it is no longer probable that the rights will be transferred. At the time of the transfer of the contractual rights, the Company will record the amount as an indefinite-lived intangible asset subject to review for impairment on an annual basis or more frequently if events or changes in circumstances indicate that an impairment is more likely than not.

Foreign Currency Remeasurement

Verisign conducts business in several different countries 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. Remeasurement gains and losses were not significant in each of the last three years.

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 currencies other than the U.S. dollar. 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 in Non-operating income, net. Gains and losses related to foreign currency forward contracts were not significant in each of the last three years.

As of December 31, 2019, Verisign held foreign currency forward contracts in notional amounts totaling $26.3 million to mitigate the impact of exchange rate fluctuations associated with certain assets and liabilities held in foreign currencies.

Revenue Recognition

Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues primarily arise from fixed fees charged to registrars for the initial registration or renewal of *.com*, *.net*, and other domain names. Fees for domain name registrations and renewals are generally due at the time of registration or renewal. Domain name registration terms range from one year up to ten years.

Most customers either maintain a deposit with Verisign or provide 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 condition and, ultimately, their ability to pay.

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.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Each domain name registration or renewal is considered a separate optional purchase and represents a single performance obligation, which is to allow its registration and maintain that registration (by allowing updates, Domain Name System ("DNS") resolution and Whois services) through the registration term. These services are provided continuously throughout each registration term, and as such, revenues from the initial registration or renewal of domain names are deferred and recognized ratably over the registration term. 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.

Costs Incurred to Obtain a Contract

The Company recognizes the fees payable to ICANN for each annual term of domain name registrations and renewals, as an asset which is amortized on a straight-line basis over the related registration term. These assets are included in Other current assets and Other long-term assets.

Advertising Expenses

Advertising costs are expensed as incurred and are included in Sales and marketing expenses. Advertising expenses, including costs for advertising campaigns conducted jointly with our registrars were $12.8 million, $15.2 million, and $27.4 million in 2019, 2018, and 2017, respectively.

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 Company records a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not. For every tax-paying component and within each tax jurisdiction, all deferred tax liabilities and assets are offset and presented as a single net noncurrent asset or liability.

The Company recognizes the U.S. income tax effect of future global intangible low-taxed income inclusions in the period in which they arise.

The Company's income taxes payable is reduced by the tax benefits from restricted stock unit ("RSU") vestings equal to the fair market value of the stock at the vesting date. If the income tax benefit at the exercise or vesting date differs from the income tax benefit recorded based on the grant date fair value of the RSUs, the excess or shortfall of the tax benefit is recognized within income tax expense.

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 only recognizes tax positions taken or expected to be taken on its tax returns that are more likely than not to be sustained upon examination, and records a tax benefit amount that is more likely than not to be realized upon ultimate settlement with the taxing authority. The Company adjusts its estimate of unrecorded tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a liability that is materially different from its estimate.

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 condition and results of operations.

Stock-based Compensation

The Company's stock-based compensation consists of RSUs granted to employees and the employee stock purchase plan ("ESPP"). Stock-based compensation expense is typically recognized ratably over the requisite service period. Forfeitures of stock-based awards are recognized as they occur. The Company also grants RSUs which include performance conditions, and in some cases market conditions, to certain executives. The expense for these performance-based RSUs is recognized based on the probable outcome of the performance conditions. The expense recognized for awards with market conditions is based on the grant date fair value of the awards including the impact of the market conditions, using a Monte Carlo simulation model. The Company uses the Black-Scholes option pricing model to determine the fair value of its ESPP offerings. The determination of the fair value of stock-based payment awards using the Monte Carlo simulation model or the Black-Scholes option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables.

Earnings per Share

The Company computes basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share gives effect to dilutive potential common shares, including unvested RSUs, ESPP offerings and the conversion spread related to the subordinated convertible debentures, prior to conversion on May 1, 2018, using the treasury stock method.

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.

Legal Proceedings

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

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

Note 2. Financial Instruments

Cash, Cash Equivalents, and Marketable Securities

The following table summarizes the Company's cash, cash equivalents, and marketable securities and the fair value categorization of the financial instruments measured at fair value on a recurring basis:

	As of December 31,	
	2019	2018
	(In thousands)	
Cash	$ 33,238	$ 37,190
Time deposits	3,924	3,810
Money market funds (Level 1)	149,624	120,832
Debt securities issued by the U.S. Treasury (Level 1)	1,040,678	1,117,175
Total	$ 1,227,464	$ 1,279,007
Cash and cash equivalents	$ 508,196	$ 357,415
Restricted cash (included in Other long-term assets)	9,405	9,338
Total Cash, cash equivalents, and restricted cash	517,601	366,753
Marketable securities	709,863	912,254
Total	$ 1,227,464	$ 1,279,007

The fair value of the debt securities held as of December 31, 2019 was $1.04 billion, including less than $0.2 million of gross and net unrealized gains. All of the debt securities held as of December 31, 2019 have contractual maturities of less than one year.

Fair Value Measurements

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

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

As of December 31, 2019, the Company's other financial instruments include cash, accounts receivable, restricted cash, and accounts payable whose carrying values approximated their fair values. The fair values of the Company's senior notes due 2023 (the "2023 Senior Notes"), the senior notes due 2025 (the "2025 Senior Notes"), and the senior notes due 2027 (the "2027 Senior Notes") were $762.8 million, $552.3 million, and $581.9 million, respectively, as of December 31, 2019. The fair values of these debt instruments are based on available market information from public data sources and are classified as Level 2.

Note 3. Other Balance Sheet Items

Other Current Assets

Other current assets consist of the following:

	As of December 31,	
	2019	2018
	(In thousands)	
Prepaid registry fees	$ 21,717	$ 20,696
Prepaid expenses	19,818	14,109
Contingent consideration receivable	14,721	—
Accounts receivable, net	1,524	6,029
Income taxes receivable	1,111	4,451
Other	1,639	2,080
Total other current assets	$ 60,530	$ 47,365

Property and Equipment, Net

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

	As of December 31,	
	2019	2018
	(In thousands)	
Computer equipment and software	$ 470,237	$ 461,829
Buildings and building improvements	248,885	247,870
Land	31,141	31,141
Capital work in progress	6,779	2,013
Office equipment and furniture	8,437	6,912
Leasehold improvements	1,458	1,403
Total cost	766,937	751,168
Less: accumulated depreciation	(516,654)	(497,263)
Total property and equipment, net	$ 250,283	$ 253,905

Substantially all of the Company’s property and equipment were held in the U.S. for both periods presented.

Goodwill

The following table presents the detail of goodwill:

	As of December 31,	
	2019	2018
	(In thousands)	
Goodwill, gross	$ 1,537,843	$ 1,537,843
Accumulated goodwill impairment	(1,485,316)	(1,485,316)
Total goodwill	$ 52,527	$ 52,527

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

Deposits to Acquire Intangible Assets

The Company’s Deposit to acquire intangible assets represents the $145.0 million paid for the future assignment to the Company of contractual rights to the *.web* gTLD, pending resolution of objections by other applicants, and approval from ICANN. Upon assignment of the contractual rights, the Company will record the total investment as an indefinite-lived intangible asset.

Other Long-Term Assets

Other long-term assets consist of the following:

	As of December 31,	
	2019	2018
	(In thousands)	
Restricted cash	$ 9,405	$ 9,338
Long-term prepaid registry fees	7,753	7,779
Other tax receivable	6,927	5,673
Operating lease right-of-use asset	9,133	—
Contingent consideration receivable	—	14,721
Other	6,594	3,535
Total other long-term assets	$ 39,812	$ 41,046

The prepaid registry fees in the tables above relate to the fees the Company pays to ICANN for each annual term of *.com* domain name registrations and renewals which are deferred and amortized over the domain name registration term. The amount of prepaid registry fees as of December 31, 2019 reflects amortization of $34.6 million during 2019 which was recorded in Cost of Revenues. The operating lease right-of-use asset as of December 31, 2019 in the table above reflects amounts recognized in 2019 pursuant to the adoption of ASC 842, *Leases*. The contingent consideration receivable in the tables above relate to the estimated amount due from Neustar in the first quarter of 2020. The receivable was reclassified from Other long-term assets as of December 31, 2018 to Other current assets as of December 31, 2019.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2019	2018
	(In thousands)	
Accounts payable and accrued expenses	$ 15,907	$ 17,263
Customer deposits, net	52,804	57,025
Accrued employee compensation	49,869	54,746
Taxes payable and other tax liabilities	30,308	18,961
Interest Payable	24,318	24,318
Customer incentives payable	13,547	13,771
Accrued registry fees	11,529	11,029
Payables to buyer	331	9,875
Other accrued liabilities	11,375	8,220
Total accounts payable and accrued liabilities	$ 209,988	$ 215,208

Payables to buyer in the table above relate to amounts due to Neustar for estimated collections from customers of the divested security services business of any billings after the closing date and until the customer contracts are assigned to Neustar.

Long-term tax and other liabilities

	As of December 31,	
	2019	2018
	(In thousands)	
Long-term tax liabilities	$ 308,112	$ 281,621
Long-term operating lease liabilities	4,564	—
Long-term tax and other liabilities	$ 312,676	$ 281,621

Long-term tax liabilities include accruals for unrecognized tax benefits and the long-term portion of the U.S. income taxes payable on the Company's accumulated foreign earnings ("Transition Tax") as discussed in Note 10. *Income Taxes*. Long-term operating lease liabilities as of December 31, 2019 in the table above relate to the lease obligations recorded as a result of the adoption of ASC 842, *Leases*, during 2019.

Note 4. Debt and Interest Expense

Senior Notes

As of December 31, 2019, the Company had senior notes outstanding of $1.79 billion, net of unamortized issuance costs. All of the outstanding senior notes were issued at par and are senior unsecured obligations of the Company. Interest is payable on each of the senior notes semi-annually. Each of the senior notes issuances is redeemable, in whole or in part, at the Company's option at times and redemption prices specified in the indentures.

The following table summarizes information related to our Senior notes:

	Issuance Date	Maturity Date	Interest Rate	Principal	
				As of December 31,	
				2019	2018
				(in thousands except interest rates)	
Senior notes due 2023	April 16, 2013	May 1, 2023	4.625%	$ 750,000	$ 750,000
Senior notes due 2025	March 27, 2015	April 1, 2025	5.250%	500,000	500,000
Senior notes due 2027	July 5, 2017	July 15, 2027	4.750%	550,000	550,000
Unamortized issuance costs				(12,435)	(14,953)
Total senior notes				$ 1,787,565	$ 1,785,047

The indenture governing the 2023 Senior Notes contains covenants that limit the ability of the Company and/or its restricted subsidiaries, under certain circumstances, to, among other things: (i) pay dividends or make distributions on, or redeem or repurchase, its capital stock; (ii) make certain investments; (iii) create liens on assets; (iv) enter into sale/leaseback transactions and (v) merge or consolidate or sell all or substantially all of its assets. These covenants are subject to a number of important limitations and exceptions. The Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, accrued and unpaid interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately. The Company has remained in compliance with these covenants and no events of default have occurred over the term of the Notes.

2019 Credit Facility

On December 12, 2019, the Company entered into a credit agreement for a $200.0 million committed unsecured revolving credit facility (the "2019 Credit Facility") which takes the place of its prior unsecured revolving credit facility. The 2019 Credit Facility includes a financial covenant requiring that the Company's leverage ratio not exceed 4.0 to 1.0. As of December 31, 2019, there were no borrowings outstanding under the facility and the Company was in compliance with the financial covenants. The 2019 Credit Facility expires on December 12, 2024 at which time any outstanding borrowings are due. 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.

Subordinated Convertible Debentures

In 2018 the Company settled all of its outstanding subordinated convertible debentures, paying the $1.25 billion principal value in cash, and issuing 26.1 million shares of common stock for the excess of the conversion value over the principal amount. The Company recognized a loss of $6.6 million upon extinguishment of the subordinated convertible debentures based on the amount of the total consideration allocated to the liability component of the debentures.

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

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Contractual interest on Senior Notes	$ 87,063	$ 87,063	$ 73,638
Contractual interest on subordinated convertible debentures	—	20,015	47,432
Amortization of debt discount on the subordinated convertible debentures	—	4,236	12,012
Amortization of debt issuance costs and other interest expense	3,548	3,531	3,254
Total interest expense	$ 90,611	$ 114,845	$ 136,336

Note 5. 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 minimum tax withholdings due upon vesting of RSUs.

On February 7, 2019, the Company's Board of Directors ("Board") authorized the repurchase of its common stock in the amount of approximately $602.9 million, in addition to the $397.1 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to $1.0 billion under the program. The program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. As of December 31, 2019 there was approximately $327.5 million remaining available for repurchases under the program.

Effective February 6, 2020, the Company's Board authorized the repurchase of its common stock in the amount of $743.0 million, in addition to the $257.0 million that remained available for repurchases under the program, for a total repurchase authorization of up to $1.0 billion under the program.

The summary of the Company's common stock repurchases for 2019, 2018 and 2017 are as follows:

	2019		2018		2017	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
	(In thousands, except average price amounts)					
Total repurchases under the repurchase plans	3,911	$ 188.84	4,352	$ 137.86	6,265	$ 94.59
Total repurchases for tax withholdings	243	$ 181.07	309	$ 123.62	335	$ 85.27
Total repurchases	4,154	$ 188.39	4,661	$ 136.91	6,600	$ 94.12
Total costs	$ 782,583		$ 638,152		$ 621,173	

Since inception, the Company has repurchased 236.4 million shares of its common stock for an aggregate cost of $10.20 billion, which is recorded as a reduction of Additional paid-in capital.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in the components of Accumulated other comprehensive loss for 2019 and 2018:

	Foreign Currency Translation Adjustments Loss	Unrealized Gain (Loss) On Investments	Total Accumulated Other Comprehensive Loss
		(In thousands)	
Balance, December 31, 2017	$ (2,836)	$ (105)	$ (2,941)
Changes	—	130	130
Balance, December 31, 2018	(2,836)	25	(2,811)
Changes	—	190	190
Balance, December 31, 2019	$ (2,836)	$ 215	$ (2,621)

Note 6. Calculation of Earnings per Share

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

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
Weighted-average shares of common stock outstanding	118,513	113,452	100,325
Weighted-average potential shares of common stock outstanding:			
Conversion spread related to subordinated convertible debentures	—	8,589	23,247
Unvested RSUs, and ESPP	455	620	608
Shares used to compute diluted earnings per share	118,968	122,661	124,180

The Company settled the subordinated convertible debentures in May 2018. The calculation of diluted weighted average shares outstanding, excludes potentially dilutive securities, the effect of which would have been anti-dilutive, as well as performance-based RSUs granted by the Company for which the relevant performance criteria have not been achieved. The number of potential shares excluded from the calculation was not significant in any period presented.

Note 7. Revenues

The Company generates revenues in the U.S.; Europe, the Middle East and Africa (“EMEA”); China; and certain other countries, including, but not limited to Canada, Australia, and Japan. The following table presents our revenues disaggregated by geography, based on the billing addresses of our customers:

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
U.S	$ 772,586	$ 756,907	$ 707,906
EMEA	206,975	212,699	211,349
China	119,291	106,841	106,526
Other	132,809	138,522	139,314
Total revenues	$ 1,231,661	$ 1,214,969	$ 1,165,095

Revenues in the table above are attributed to the country of domicile and the respective regions in which registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenues for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenues for each region may also be impacted by registrars domiciled in one region, registering domain names in another region.

Major Customers

Our largest customer accounted for approximately 33%, 32%, and 31% of revenues in 2019, 2018, and 2017, respectively and another customer accounted for 10% of revenues during 2018. The Company does not believe that the loss of either of these customers would have a material adverse effect on the Company's business because, in that event, end-users of these customers would transfer to the Company's other existing customers.

Deferred Revenues

As payment for domain name registrations and renewals are due in advance of our performance, we record these amounts as deferred revenues. The increase in the deferred revenues balance in 2019 is primarily driven by amounts billed in 2019 for domain name registrations and renewals to be recognized as revenues in future periods, offset by refunds for domain name renewals deleted during the 45-day grace period, and $707.2 million of revenues recognized that were included in the deferred revenues balance at December 31, 2018. The balance of deferred revenues as of December 31, 2019 represents our aggregate remaining performance obligations. Amounts included in current deferred revenues are all expected to be recognized in revenues within 12 months, except for a portion of deferred revenues that relates to domain name renewals that are deleted in the 45-day grace period following the transaction. The long-term deferred revenues amounts will be recognized in revenues over several years and in some cases up to ten years.

Note 8. 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 50% of their pre-tax salary, subject to the Internal Revenue Service ("IRS") annual contribution limits. The Company matches 50% of up to the first 8% of the employee's annual salary contributed to the plan. The Company contributed $4.7 million in 2019, $4.3 million in 2018, and $4.0 million in 2017 under the 401(k) Plan. The Company can terminate matching contributions at its discretion at any time.

Equity Incentive Plan

The majority of Verisign's stock-based compensation relates to RSUs granted under the 2006 Equity Incentive Plan ("the 2006 Plan"). As of December 31, 2019, a total of 9.0 million shares of common stock remain reserved for issuance upon the vesting of RSUs and for the future grant of equity awards. 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 advisers. 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. 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 over four years. Certain RSUs with performance and market conditions ("PSUs"), granted to the Company's executives, vest over either three-or four-year terms. Additionally, the Company has granted fully vested RSUs to members of its Board in each of the last three years. The Compensation Committee may authorize grants with a different vesting schedule in the future.

2007 Employee Stock Purchase Plan

Eligible employees of the Company may purchase common stock under the 2007 Employee Stock Purchase Plan through payroll deductions by electing to have between 2% 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, 2019, 3.1 million shares of the Company's common stock remain reserved for future issuance under this plan.

Stock-based Compensation

Stock-based compensation is classified in the Consolidated Statements of 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,		
	2019	2018	2017
		(In thousands)	
Cost of revenues	$ 6,739	$ 6,835	$ 7,030
Sales and marketing	3,755	4,972	5,688
Research and development	6,370	6,728	6,113
General and administrative	33,762	33,969	34,076
Total stock-based compensation	$ 50,626	$ 52,504	$ 52,907

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

	Year Ended December 31,		
	2019	2018	2017
		(In thousands)	
RSUs	$ 36,930	$ 38,005	$ 38,087
PSUs	10,522	12,403	13,270
ESPP	4,864	4,166	4,005
Capitalization (Included in Property and equipment, net)	(1,690)	(2,070)	(2,455)
Total stock-based compensation expenses	$ 50,626	$ 52,504	$ 52,907

The income tax benefit that was included within Income tax expense related to these stock-based compensation expenses for 2019, 2018, and 2017 was $11.7 million, $12.3 million, and $12.5 million, respectively.

RSUs Information

The following table summarizes unvested RSUs activity for the year ended December 31, 2019:

	Shares	Weighted-Average Grant-Date Fair Value
	(Shares in thousands)	
Unvested at beginning of period	1,222	$ 90.88
Granted	307	$ 172.87
PSU achievement adjustment	85	$ 42.22
Vested and settled	(682)	$ 81.05
Forfeited	(56)	$ 110.45
	876	$ 121.21

The RSUs in the table above include PSUs. The unvested RSUs as of December 31, 2019 include approximately 0.3 million PSUs. The number of shares received upon vesting of these PSUs may range from zero to 0.6 million depending on the level of performance achieved and whether any market conditions are satisfied.

The closing price of Verisign's stock was $192.68 on December 31, 2019. As of December 31, 2019, the aggregate market value of unvested RSUs was $168.9 million. The fair values of RSUs that vested during 2019, 2018, and 2017 were $124.1 million, $107.2 million, and $70.9 million, respectively. The weighted-average grant-date fair value of RSUs granted during the years ended December 31, 2018 and 2017, was $112.74 and $83.91, respectively. As of December 31, 2019, total unrecognized compensation cost related to unvested RSUs was $71.2 million which is expected to be recognized over a weighted-average period of 2.5 years.

Note 9. Non-operating Income, Net

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

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Interest income	$ 26,596	$ 26,490	$ 17,944
Transition services income	15,600	1,132	—
Gain on sale of business	817	54,840	10,421
Loss on extinguishment of subordinated convertible debentures	—	(6,554)	—
Other, net	247	1,061	(739)
Total non-operating income, net	$ 43,260	$ 76,969	$ 27,626

Interest income is earned principally from the Company's surplus cash balances and marketable securities. Transition services income and gain on sale of business in 2019 and 2018 relate to the divested security services business. Gain on sale of business in 2017 relates to the divested iDefense business.

Note 10. Income Taxes

Income before income taxes is categorized geographically as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
United States	$ 452,793	$ 420,597	$ 313,351
Foreign	305,983	308,919	285,661
Total income before income taxes	$ 758,776	$ 729,516	$ 599,012

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Current expense:			
Federal	$ 74,283	$ 99,127	$ 16,870
State	2,069	1,088	294
Foreign, including withholding tax	31,385	76,199	15,539
	107,737	176,414	32,703
Deferred expense (benefit):			
Federal	30,462	(16,448)	90,113
State	22,899	42,624	19,654
Foreign	(14,621)	(55,563)	(706)
	38,740	(29,387)	109,061
Total income tax expense	$ 146,477	$ 147,027	$ 141,764

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017, and most of its provisions became effective in 2018. The Tax Act made substantial changes to U.S. taxation of corporations, including, lowering the U.S. federal corporate income tax rate from 35% to 21%, and instituting a territorial tax system, along with a one-time Transition Tax.

Federal current expense and federal deferred benefit for 2018 includes $96.4 million related to the Transition tax, net of $106.7 million of carried forward and newly-generated foreign tax credits, payable as a result of the Tax Act. This amount is being paid in installments over an eight-year period which began in 2018, as allowed by the Tax Act. The Transition Tax was recorded as a provisional deferred tax liability in 2017.

State tax expense for 2018 was increased by $10.0 million remeasurement of deferred tax assets because of changes in certain state apportionment rates, and $5.6 million change in estimate related to the 2017 state income tax returns.

Foreign current expense and foreign deferred benefit for 2019 and 2018 includes $13.1 million and $60.7 million, respectively, of withholding taxes paid upon the repatriation of cash held by foreign subsidiaries.

The difference between income tax expense and the amount resulting from applying the federal statutory rate of 21% in 2019 and 2018, and 35% in 2017, to Income before income taxes is attributable to the following:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Income tax expense at federal statutory rate	$ 159,343	$ 153,199	$ 209,654
State taxes, net of federal benefit	20,573	35,852	13,029
Effect of non-U.S. operations	(25,178)	(26,271)	(45,810)
Stock-based compensation	(9,204)	(7,032)	(5,375)
Capital loss carryforwards expiration	—	769,706	—
Change in valuation allowance	(3,555)	(773,737)	(5,813)
Accrual for uncertain tax positions	7,365	2,637	4,923
U.S. federal tax rate change	—	—	(186,800)
Transition tax, net of foreign tax credits	—	(5,602)	162,353
Other	(2,867)	(1,725)	(4,397)
Total income tax expense	$ 146,477	$ 147,027	$ 141,764

The Company qualified for a tax holiday in Switzerland until the end of 2019 which lowered tax rates on certain types of income and required certain thresholds of foreign source income. The tax holiday reduced our foreign income tax expense by $17.3 million ($0.15 per share), $16.9 million ($0.14 per share), and $12.3 million ($0.10) in 2019, 2018, and 2017, respectively. The benefit from the tax holiday is calculated before consideration of any offsetting tax impact in the United States. Effective January 1, 2020, due to Swiss tax law changes, the tax holiday was eliminated, which was partially offset by a lowered statutory tax rate.

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,	
	2019	2018
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 17,897	$ 40,729
Tax credit carryforwards	5,516	3,970
Deferred revenues, accruals and reserves	70,539	73,847
Other	7,401	6,724
Total deferred tax assets	101,353	125,270
Valuation allowance	(6,598)	(10,153)
Net deferred tax assets	94,755	115,117
Deferred tax liabilities:		
Property and equipment	(3,466)	(2,764)
Other	(3,608)	(7,495)
Total deferred tax liabilities	(7,074)	(10,259)
Total net deferred tax assets	$ 87,681	$ 104,858

With the exception of deferred tax assets related to certain state net operating loss carryforwards, management believes it is more likely than not that the tax effects of the deferred tax liabilities together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets. As of December 31, 2019, the Company's Other long-term tax liabilities include the $73.9 million noncurrent liability for Transition Tax, net of applicable foreign tax credits, while the $7.8 million current portion of the liability is included in Accounts payable and accrued liabilities.

As of December 31, 2019, the Company's deferred tax assets included $329.8 million of state net operating loss carryforwards, before applying tax rates for the respective jurisdictions. The tax credit carryforwards as of December 31, 2019 consisted primarily of state research tax credits, and foreign tax credit carryforwards. The net operating loss and federal tax credit carryforwards expire in various years from 2020 through 2034. The foreign tax credits will expire in 2028.

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,	
	2019	2018
	(In thousands)	
Beginning balance	$ 223,455	$ 223,216
Increases in tax positions for prior years	4,467	333
Decreases in tax positions for prior years	(328)	(196)
Increases in tax positions for current year	3,745	436
Lapse in statute of limitations	—	(334)
Ending balance	$ 231,339	$ 223,455

As of December 31, 2019, approximately $229.2 million of unrecognized tax benefits, including penalties and interest, could affect the Company's tax provision and effective tax rate. It is reasonably possible that during the next twelve months, the Company's unrecognized tax benefits may change by a significant amount as a result of IRS audits. However, the timing of completion and ultimate outcome of the audits remains uncertain. Therefore, the Company cannot currently estimate the impact on the balance of unrecognized tax benefits.

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 U.S. federal income tax returns are currently under examination by the IRS for 2010 through 2014. The Company's other material tax returns are not currently under examination by their respective taxing jurisdictions. Because the Company has previously used net operating loss carryforwards and other tax attributes to offset its taxable income in 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 for examination in Switzerland are the 2012 tax year and forward.

Note 11. 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, and the interest payments and principal on the Senior Notes:

	Purchase Obligations	Transition Tax	Operating Leases	*.tv* Agreement	Senior Notes	Total
			(In thousands)			
2020	$ 37,892	$ 7,772	$ 4,632	$ 5,000	$ 87,063	$ 142,359
2021	1,856	7,772	2,576	5,000	87,063	104,267
2022	875	7,772	999	—	87,063	96,709
2023	379	14,573	791	—	819,719	835,462
2024	—	19,430	198	—	52,375	72,003
Thereafter	—	24,288	—	—	1,141,500	1,165,788
Total	$ 41,002	$ 81,607	$ 9,196	$ 10,000	$ 2,274,783	$ 2,416,588

The amounts in the table above exclude $229.2 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 include firm commitments with telecommunication carriers and other service providers. The Company does not have any significant purchase obligations beyond 2023.

The Transition Tax relates to the U.S. income taxes payable on our accumulated foreign earnings pursuant to the Tax Act as discussed in Note 10. *Income Taxes*. As permitted in the Tax Act, the Company will continue to pay the Transition Tax in installments as shown in the table above.

The Company has an agreement with Internet Corporation for Assigned Names and Numbers ("ICANN") to be the sole registry operator for domain names in the *.com* registry through November 30, 2024. Under this agreement, the Company pays ICANN on a quarterly basis, $0.25 for each annual term of a domain name registered or renewed during such quarter. As of December 31, 2019, there were 145.4 million domain names in the *.com* registry. However, the number of domain names registered and renewed each quarter may vary significantly. The Company incurred registry fees for the *.com* registry of $34.7 million in 2019, $33.0 million in 2018, and $32.3 million in 2017. Registry fees for other top-level domains that we operate have been excluded from the table above because the amounts are variable or passed through to registrars.

The Company has an agreement with the Government of Tuvalu to be the sole registry operator for *.tv* domain names through December 31, 2021. Registry fees were $5.0 million in each of the last three years.

Verisign leases a small portion of its office space and a portion of its data center facilities under operating leases, the longest of which extends into 2024. Rental expenses under operating leases were not material in any period presented.

Off-Balance Sheet Arrangements

As of December 31, 2019 and 2018, 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.

Supplementary Data (Unaudited)

The following tables set forth unaudited supplementary quarterly financial data for the two-year period ended December 31, 2019. In management's opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the data for the periods presented.

	2019				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31,
	(In thousands, except per share data)				
Revenues	$ 306,408	$ 306,289	$ 308,421	$ 310,543	$ 1,231,661
Gross Profit	$ 260,904	$ 262,223	$ 263,978	$ 264,089	$ 1,051,194
Operating Income	$ 200,252	$ 201,693	$ 205,616	$ 198,566	$ 806,127
Net income	$ 162,527	$ 147,534	$ 153,913	$ 148,325	$ 612,299
Earnings per share:					
Basic	$ 1.36	$ 1.24	$ 1.30	$ 1.27	$ 5.17
Diluted	$ 1.35	$ 1.24	$ 1.30	$ 1.26	$ 5.15

	2018				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31 (2)	December 31,
	(In thousands, except per share data)				
Revenues	$ 299,288	$ 302,452	$ 305,777	$ 307,452	$ 1,214,969
Gross Profit	$ 251,136	$ 255,087	$ 257,528	$ 259,084	$ 1,022,835
Operating Income	$ 185,419	$ 193,010	$ 194,997	$ 193,966	$ 767,392
Net income	$ 134,263	$ 128,351	$ 137,680	$ 182,195	$ 582,489
Earnings per share:					
Basic (1)	$ 1.38	$ 1.13	$ 1.13	$ 1.51	$ 5.13
Diluted (1)	$ 1.09	$ 1.04	$ 1.13	$ 1.50	$ 4.75

(1) Earnings per share for the year is computed independently and may not equal the sum of the quarterly earnings per share.
(2) Results for the quarter ended December 31, 2018 include a $52.0 million after-tax gain recognized on the sale of the customer contracts of our security services business.

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.

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, 2019, 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, 2019 using the criteria established in *Internal Control-Integrated Framework* (2013 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, 2019. See "Report of Independent Registered Public Accounting Firm" in Item 8 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, 2019 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

On February 11, 2020, the Board appointed Todd B. Strubbe, 56, as President and Chief Operating Officer of the Company, effective as of that date.

Mr. Strubbe previously served as Executive Vice President and Chief Operating Officer since April 2015. See "Information About Our Executive Officers" in Part I, Item 1 for further information.

Mr. Strubbe will continue to earn a base salary at the annual rate of $565,000, payable in accordance with the Company's standard payroll practices. Mr. Strubbe's annual incentive bonus target as a percentage of his Base Salary will be increased from 90% to 95% (the "Annual Incentive Bonus"). The Annual Incentive Bonus is not guaranteed; the Annual Incentive Bonus is based upon the Company's achievement of pre-established financial goals, as well as individual performance. The compensation package also includes a $240,000 promotional equity grant, which is in addition to a $2,760,000 annual long-term incentive equity grant, both consisting of 50% performance-based RSUs and 50% time-vesting RSUs. The metrics associated with the performance-based RSUs consist of two financial measures - compound annual growth rate of operating income per share and the total shareholder return (“TSR”) of Verisign stock compared to the TSR of the S&P 500 Index, each measured over a three-year performance period from January 1, 2020 through December 31, 2022.

Mr. Strubbe has no family relationships with any of the Company’s directors or executive officers, and there have been no related party transactions between the Company and Mr. Strubbe reportable under Item 404(a) of Regulation S-K.

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 “Corporate Governance” in our Proxy Statement related to the 2020 Annual Meeting of Stockholders and is incorporated herein by reference (“2020 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 “Information about our Executive Officers” in Part I of this Annual Report on Form 10-K.

We have adopted a “Verisign Code of Conduct”, which is posted on our website under “Ethics and Business Conduct” at https://investor.verisign.com/corporate-governance.cfm. The code of conduct applies to all directors, officers and employees, including the principal executive officer, principal financial officer and other senior accounting officers. We have also adopted the “Corporate Governance Principles for the Board of Directors,” which provide guidance to our directors on corporate practices that serve the best interests of the Company and its shareholders.

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 “Verisign Code of Conduct,” to the extent applicable to the principal executive officer, principal financial officer, or other senior accounting officers, 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 2020 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 2019,” 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 2020 Proxy Statement.

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

Information required by this item is incorporated herein by reference to our 2020 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 2020 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.”

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

1. Financial statements

The financial statements are set forth under Item 8 of this Form 10-K, as indexed below.

2. 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.

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	Date	Number	Filed Herewith
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	
3.01	Sixth Amended and Restated Certificate of Incorporation of the Registrant.	10-K	2/17/17	3.01	
3.02	Bylaws of VeriSign, Inc.	10-K	2/16/18	3.02	
4.01	Indenture, dated as of April 16, 2013, between VeriSign, Inc., each of the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee.	8-K	4/17/13	4.1	
4.02	Indenture dated as of March 27, 2015 between VeriSign, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/15	4.1	
4.03	Indenture, dated as of July 5, 2017, between VeriSign, Inc. and U.S. Bank National Association, as trustee.	8-K	7/5/17	4.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
4.04	Description of Securities of the Registrant				X
10.01	Amended and Restated 2007 Employee Stock Purchase Plan, as adopted August 30, 2007, and amended May 25, 2017. +	DEF 14A	4/12/17	Appendix A	
10.02	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	
10.03	VeriSign, Inc. Annual Incentive Compensation Plan. +	DEF 14A	4/8/15	Appendix A	
10.04	Form of Amended and Restated Change-in-Control and Retention Agreement [CEO Form of Agreement]. +	10-Q	7/27/17	10.01	
10.05	Amended and Restated Change-in-Control and Retention Agreement. +	10-Q	7/27/17	10.02	
10.06	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	
10.07	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/27/12	10.03	
10.08	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	
10.09	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	
10.10	VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement. +	10-Q	4/25/13	10.02	
10.11	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement +	10-Q	4/28/16	10.01	
10.12	Credit Agreement dated as of December 12, 2019 among VeriSign, Inc., the Lenders as defined therein, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent.	8-K	12/13/19	10.1	
10.13	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement +	10-K	2/19/16	10.70	
10.14	Amendment to the .com Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on October 20, 2016	8-K	10/20/16	10.1	
10.15	Amendment Number Thirty-Three (33) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on October 20, 2016	8-K	10/20/16	10.2	
10.16	Amendment Number Thirty-Four (34) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on October 20, 2016	8-K	10/20/16	10.3	
10.17	Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan, as amended and restated +	DEF 14A	4/29/16	Appendix A	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.18	.Net Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on June 28, 2017.	8-K	6/28/17	10.1	
10.19	Amendment Thirty-Five (35) to the Cooperative Agreement between VeriSign, Inc. and the U.S. Department of Commerce, entered into on October 26, 2018	8-K	11/1/18	10.1	
10.20	Asset Purchase Agreement between Verisign, Inc., as the seller and Neustar, Inc., as the buyer, dated as of October 24, 2018	10-K	2/15/19	10.20	
10.21	Second Amendment to the .com Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on March 27, 2019				X
10.22	Amendment to Asset Purchase Agreement and Transition Services Agreement between Neustar, Inc. and VeriSign, Inc., dated as of December 10, 2019†				X
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
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	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				X

* 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.

† Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

ITEM 16. 10-K SUMMARY

None.

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 14th day of February 2020.

VERISIGN, INC.

By: /S/ D. JAMES BIDZOS

D. James Bidzos

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 Thomas C. Indelicarto, 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 14th day of February 2020.

Signature	Title
/S/ D. JAMES BIDZOS D. JAMES BIDZOS	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/ YEHUDA ARI BUCHALTER YEHUDA ARI BUCHALTER	Director
/S/ KATHLEEN A. COTE KATHLEEN A. COTE	Director
/S/ THOMAS F. FRIST III THOMAS F. FRIST III	Director
/S/ JAMIE S. GORELICK JAMIE S. GORELICK	Director
/S/ ROGER H. MOORE ROGER H. MOORE	Director
/S/ LOUIS A. SIMPSON LOUIS A. SIMPSON	Director
/S/ TIMOTHY TOMLINSON TIMOTHY TOMLINSON	Director