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VeriSign's divestiture deadline being unduly disregarded.

On an April 26 conference call, VeriSign Inc. (NASDAQ: VRSN) (Price: $59.80) stated that it was not in discussion with any potential partners for its registry or registrar businesses. According to an existing agreement, VeriSign had a deadline of May 9, 2001, to divest itself of either its registry or registrar business for .com domain addresses. This deadline has been extended to May 31.

VeriSign is operating under an agreement approved by the Clinton Administration without public notification or competitive bidding. This agreement is considered highly controversial and noncompetitive. It followed legal claims by the company to defend its monopoly and a rerouting of Internet traffic from the publicly owned InterNIC directory to its own home page.

Favorable as this agreement is, VeriSign is now attempting to gain U.S. Department of Commerce ("DOC") approval of a new agreement, already accepted by the Internet Corporation for Assigned Names and Numbers ("ICANN"), that will allow it to maintain control over the .com registry without having to divest itself of its .com registrar business.

On April 17, Salomon Smith Barney issued a report that stated, "We feel the Department of Commerce will pass the Registry agreement which will allow VeriSign to maintain control of the .com Registry." We believe this and other, similar comments are offering investors assurance that the DOC will approve the new agreement to the benefit of VeriSign. We see no reasonable basis for this degree of certainty.

A March 30 letter from the relevant Congressional committee to DOC Secretary Donald Evans expressed concerns about the review process. On April 24, 2001, Alden Abbott, Acting General Counsel for the DOC, wrote a letter to M. Stuart Lynn, President and CEO of ICANN, advising ICANN of the DOC's decision to conduct a review of VeriSign's proposed agreement. In this letter, Mr. Abbott extends VeriSign's divestiture deadline only to May 31.

Given this adverse DOC action, VeriSign's past behavior, and the fact that the new agreement is unnecessary and even more noncompetitive than the previous agreement, it is reasonable to believe that, rather than being a fait accompli as investors may have been led to believe, DOC approval is uncertain at best.

Investors purchasing shares of VeriSign, the price of which reflects representations that are not supported by DOC statements or actions, may be disappointed. Furthermore, it is our belief that even with DOC approval, VeriSign, a quasi-utility suffering incredibly shrinking growth in an increasingly competitive market and currently trading at a multiple of over 180 times tax normalized net operating income, is grossly overvalued.

John Wiley & Sons, Inc. has published a book about Asensio & Company's short selling, "Sold Short: Uncovering Deception in the Markets." The book will be available in bookstores nationwide on May 18, 2001, or can be ordered now through the Internet at www.asensio.com.