FOSSIL INC
Form 10-Q
May 14, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: April 4, 2009

OR

o	**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: 0-19848

FOSSIL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**75-2018505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2280 N. Greenville Avenue, Richardson, Texas 75082

(Address of principal executive offices)

(Zip Code)

(972) 234-2525

(Registrant s telephone number, including area code)

Indicate by check mark whether 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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of the registrant s common stock outstanding as of May 11, 2009: 66,624,557.

PART I - FINANCIAL INFORMATION

Item 1. **Financial Statements**

FOSSIL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

AMOUNTS IN THOUSANDS

	April 4, 2009	January 3, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 195,400	$ 172,012
Securities available for sale	7,516	6,436
Accounts receivable - net of allowances of $49,946 and $55,596, respectively	158,404	205,973
Inventories - net	285,082	291,955
Deferred income tax assets - net	27,394	27,006
Prepaid expenses and other current assets	57,459	60,084
Total current assets	731,255	763,466
Investments	10,219	13,011
Property, plant and equipment - net of accumulated depreciation of $160,399 and $156,758, respectively	202,738	207,328
Goodwill	42,892	43,217
Intangible and other assets - net of accumulated amortization of $10,065 and $9,159, respectively	61,557	60,274
Total assets	$ 1,048,661	$ 1,087,296
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term debt	$ 4,849	$ 5,271
Accounts payable	69,787	91,027
Accrued expenses:		
Compensation	29,371	34,091
Royalties	8,968	17,078
Co-op advertising	10,383	21,869
Other	27,068	30,306
Income taxes payable	4,432	7,327
Total current liabilities	154,858	206,969
Long-term income taxes payable	39,963	38,784
Deferred income tax liabilities	26,248	22,880
Long-term debt	4,460	4,733
Other long-term liabilities	8,780	8,567
Total long-term liabilities	79,451	74,964

Stockholders equity:				
Common stock, 66,622 and 66,502 shares issued at 2009 and 2008, respectively		666		665
Additional paid-in capital		83,593		81,905
Retained earnings		712,747		695,427
Accumulated other comprehensive income		15,218		24,147
Noncontrolling interest		2,128		3,219
Total stockholders equity		814,352		805,363
Total liabilities and stockholders equity	$	1,048,661	$	1,087,296

See notes to the condensed consolidated financial statements.

FOSSIL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

UNAUDITED

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

	For the 13 Weeks Ended	
	April 4, 2009	April 5, 2008
Net sales	$ 323,027	$ 356,184
Cost of sales	153,648	161,933
Gross profit	169,379	194,251
Operating expenses:		
Selling and distribution	108,087	105,323
General and administrative	37,489	39,813
Total operating expenses	145,576	145,136
Operating income	23,803	49,115
Interest expense	63	200
Other income (expense) - net	4,683	124
Income before income taxes	28,423	49,039
Provision for income taxes	9,927	17,888
Net income	18,496	31,151
Less: Net income attributable to noncontrolling interest	1,176	934
Net income attributable to Fossil, Inc.	$ 17,320	$ 30,217
Other comprehensive income (loss), net of taxes:		
Currency translation adjustment	(8,664)	14,653
Unrealized gain (loss) on securities available for sale	256	(405)
Forward contracts hedging intercompany foreign currency payments - change in fair values	(523)	(5,347)
Comprehensive income	8,389	39,118
Comprehensive (loss) income attributable to the noncontrolling interest	(2)	3
Comprehensive income attributable to Fossil, Inc.	$ 8,391	$ 39,115
Earnings per share:		
Basic	$ 0.26	$ 0.44
Diluted	$ 0.26	$ 0.43
Weighted average common shares outstanding:		
Basic	66,554	68,631
Diluted	66,742	69,755

See notes to the condensed consolidated financial statements.

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FOSSIL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

AMOUNTS IN THOUSANDS

	For the 13 Weeks Ended April 4, 2009	For the 13 Weeks Ended April 5, 2008
Operating Activities:		
Net income	$ 18,496	$ 31,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,060	8,981
Stock-based compensation	1,293	1,449
Decrease in allowance for returns - net of related inventory in transit	(3,638)	(1,351)
Loss on disposal of assets	35	82
Equity in loss (income) of joint venture	2,239	(666)
Increase in allowance for doubtful accounts	824	300
Excess tax benefits from stock-based compensation	(341)	1,106
Deferred income taxes	2,927	3,630
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	53,219	26,804
Inventories	4,037	(20,115)
Prepaid expenses and other current assets	8,773	(3,090)
Accounts payable	(25,404)	(22,493)
Accrued expenses	(27,710)	(35,571)
Income taxes payable	(1,744)	11,851
Net cash from operating activities	43,066	2,068
Investing Activities:		
Additions to property, plant, and equipment	(5,310)	(8,902)
Increase in intangible and other assets	(3,017)	(4,317)
Purchase of securities available for sale	(677)	(1,091)
Sales and maturities of securities available for sale	20	5,852
Net cash used in investing activities	(8,984)	(8,458)
Financing Activities:		
Acquisition and retirement of common stock		(52,336)
Distribution of noncontrolling interest earnings	(2,513)	(4,083)
Excess tax benefits from stock-based compensation	341	(1,106)
Payments on notes payable	(69)	(5,828)
Proceeds from exercise of stock options	424	949
Net cash used in financing activities	(1,817)	(62,404)
Effect of exchange rate changes on cash and cash equivalents	(8,877)	10,492
Net increase (decrease) in cash and cash equivalents	23,388	(58,302)
Cash and cash equivalents:		
Beginning of period	172,012	255,244
End of period	$ 195,400	$ 196,942

See notes to the condensed consolidated financial statements.

FOSSIL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

1. FINANCIAL STATEMENT POLICIES

Basis of Presentation. The condensed consolidated financial statements include the accounts of Fossil, Inc., a Delaware corporation, and its wholly and majority-owned subsidiaries (the Company). The condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present a fair statement of the Company s financial position as of April 4, 2009, and the results of operations for the thirteen week periods ended April 4, 2009 (First Quarter) and April 5, 2008 (Prior Year Quarter), respectively. All adjustments are of a normal, recurring nature.

These interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the annual report on Form 10-K filed by the Company pursuant to the Securities Exchange Act of 1934 (the Exchange Act) for the year ended January 3, 2009. Operating results for the thirteen week period ended April 4, 2009 are not necessarily indicative of the results to be achieved for the full year.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company has not made any changes in its significant accounting policies from those disclosed in its most recent annual report.

Business. The Company is a global design, marketing and distribution company that specializes in consumer fashion accessories. Its principal offerings include an extensive line of men s and women s fashion watches and jewelry, handbags, small leather goods, belts, sunglasses, cold weather accessories, footwear and apparel. In the watch and jewelry product category, the Company has a diverse portfolio of globally recognized owned and licensed brand names under which its products are marketed. The Company s products are distributed globally through various distribution channels including wholesale, export and direct to the consumer at varying price points to service the needs of its customers, whether they are value conscious or luxury oriented. Based on its extensive range of accessory products, brands, distribution channels and price points, the Company is able to target style-conscious consumers across a wide age spectrum on a global basis.

Foreign Currency Hedging Instruments. The Company s foreign subsidiaries periodically enter into forward contracts principally to hedge the future payment of intercompany inventory transactions in U.S. dollars. If the Company s foreign subsidiaries were to settle their Euro, British Pound, Swedish Krona, and Japanese Yen based contracts at the reporting date, the net result would be a gain of approximately $1.7 million, net of taxes, as of April 4, 2009. Refer to Note 6, Derivatives and Risk Management, of this Form 10-Q for additional disclosures about the Company s use of forward contracts. The tax benefit of the changes in fair value of hedging activities for the First Quarter and Prior Year Quarter was $364,739 and $410,710, respectively.

Fair Value Measurements. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

SFAS No. 157, *Fair Value Measurements* (SFAS 157) establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs based on the Company s assumptions.

SFAS 157 requires the use of observable market data if such data is available without undue cost and effort.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of April 4, 2009 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale	$ 7,516	$	$	$ 7,516
Foreign exchange forward contracts		6,148		6,148
Total	$ 7,516	$ 6,148	$	$ 13,664
Liabilities:				
Foreign exchange forward contracts	$	$ 2,189	$	$ 2,189
Total	$	$ 2,189	$	$ 2,189

The fair values of the Company s available for sale securities are based on quoted prices. The foreign exchange forward contracts are entered into by the Company principally to hedge the future payment of intercompany inventory transactions by non-U.S. subsidiaries. The fair values of the Company s foreign exchange forward contracts are based on published quotations of spot currency rates and forward points, which are converted into implied forward currency rates.

Earnings Per Share (EPS). The following table reconciles the numerators and denominators used in the computations of both basic and diluted EPS:

	For the 13 Weeks Ended April 4, 2009	April 5, 2008
IN THOUSANDS, EXCEPT PER SHARE DATA		
Numerator:		
Net income attributable to Fossil, Inc.	$ 17,320	$ 30,217
Denominator:		
Basic EPS computations:		
Basic weighted average common shares outstanding	66,554	68,631
Basic EPS	$ 0.26	$ 0.44
Diluted EPS computation:		
Basic weighted average common shares outstanding	66,554	68,631
Stock options, stock appreciation rights and restricted stock units	188	1,124
Diluted weighted average common shares outstanding	66,742	69,755
Diluted EPS	$ 0.26	$ 0.43

Approximately 2,345,000 and 56,000 weighted average shares issuable under stock-based awards were not included in the diluted earnings per share calculation at the end of the First Quarter and Prior Year Quarter, respectively, because they were antidilutive. These common share equivalents may be dilutive in future EPS calculations.

Goodwill. The changes in the carrying amount of goodwill, which is not subject to amortization, are as follows:

IN THOUSANDS	United States - Wholesale	Europe - Wholesale	Other International - Wholesale	Direct to Consumer	Total
Balance at January 5, 2008	$ 21,799	$ 18,908	$ 4,778	$	$ 45,485
Currency		(1,769)	(499)		(2,268)
Balance at January 3, 2009	21,799	17,139	4,279		43,217
Currency		(343)	18		(325)
Balance at April 4, 2009	$ 21,799	$ 16,796	$ 4,297	$	$ 42,892

Newly Issued Accounting Standards.

In April 2009, the Financial Accounting Standards Board (FASB) issued Staff Position No. FAS 115-2 and FAS 124-2, and Emerging Issues Task Force (EITF) 99-20-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2). FSP 115-2 provides additional guidance to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. FSP 115-2 applies to debt securities, and is effective for periods ending after June 15, 2009. The Company does not believe this guidance will have a significant impact on our consolidated results of operations or financial condition.

In April 2009, the FASB released Staff Position FAS No. 157-4, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (FSP 157-4). FSP 157-4 provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP 157-4 provides additional authoritative guidance in determining whether a market is active or inactive and whether a transaction is distressed. FSP 157-4 is applied to all assets and liabilities (i.e. financial and non-financial) and will require enhanced disclosures. This standard is effective for periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company does not believe this guidance will have a significant impact on our consolidated results of operations or financial condition.

In April 2009, the FASB released Staff Position No. FAS 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1). FSP 107-1 amends FASB Statement No. 107, *Disclosures about Fair Values of Financial Instruments*, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. FSP 107-1 also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in all interim financial statements. FSP 107-1 is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company does not believe this guidance will have a significant impact on our consolidated results of operations or financial condition.

Newly Adopted Accounting Standards.

In June 2008, the FASB issued FASB Staff Position Emerging Issues Task Force 03-6-1, *Determining Whether Instruments Granted in Share Based Payment Transactions Are Participating Securities* (FSP-EITF 03-6-1). Under FSP-EITF 03-6-1, unvested share based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP-EITF 03-6-1 was effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years and requires retrospective application. The adoption of FSP-EITF 03-6-1 did not have a significant impact on the Company s earnings per share calculations.

In May 2008, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 162*, The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS 162 was effective November 15, 2008, 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. Adoption of SFAS 162 on January 4, 2009 did not have a material impact on the Company s consolidated results of operations or financial position.

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends SFAS No. 142, *Goodwill and Intangible Assets*, and provides guidance for determining the useful life of a recognized intangible asset and requires enhanced disclosures so that users of financial statements are able to assess the extent to which the expected future cash flows associated with the asset are affected by the Company s intent and/or ability to renew or extend the arrangement. FSP 142-3 was effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP 142-3 on January 4, 2009 did not impact the Company s consolidated results of operations or financial position as this standard is required to be implemented prospectively; however, this standard may impact the Company in future periods.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities aimed at improving the transparency of financial reporting. SFAS 161 was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Adoption of SFAS 161 on January 4, 2009 did not have any impact on the Company s consolidated results of operations or financial position. Refer to Note 6, Derivatives and Risk Management, of this Form 10-Q for the enhanced disclosures required by the adoption of SFAS 161.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how the acquiror in a business combination recognizes and measures in its financial statements the fair value of identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date. SFAS 141(R) significantly changes the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs and restructuring costs. In addition, under SFAS 141(R), changes in an acquired entity s deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. The provisions of this standard will apply to any acquisitions we complete on or after December 15, 2008. The adoption of SFAS 141(R) did not have an impact on the Company s financial condition or results of operations; however, this standard may impact the Company in future periods.

In December 2007, the FASB issued SFAS No. 160*, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). SFAS 160 changes the accounting and reporting for minority interests, which is recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. The provisions of SFAS 160 were applied to all noncontrolling interests prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented and have been disclosed as such in the Company s condensed consolidated financial statements herein. Upon adoption of this statement, the Company has recognized its noncontrolling interests as equity in the condensed consolidated balance sheets, has reflected net income attributable to noncontrolling interests in consolidated net income and has provided, in Note 7, Controlling and Noncontrolling Interests, a summary of changes in equity attributable to controlling and noncontrolling interests.

In September 2006, the FASB issued SFAS 157. SFAS 157 provides guidance for using fair value to measure assets and liabilities. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS 157 became effective for financial statements issued for fiscal years beginning after November 15, 2007; however, the FASB provided a one year deferral for implementation of the standard for non-recurring, non-financial assets and liabilities. The Company adopted SFAS 157 for non-financial assets and non-financial liabilities effective January 4, 2009, which did not have any effect on the Company s consolidated results of operations or financial condition.

2. INVENTORIES

Inventories net consist of the following:

	April 4, 2009	January 3, 2009
	IN THOUSANDS	
Components and parts	$ 14,731	$ 22,354
Work-in-process	1,935	3,339
Inventory purchases in-transit	27,077	30,056
Finished goods	256,950	252,523
	300,693	308,272
Inventory obsolescence reserve	(15,611)	(16,317)
Inventories - net	$ 285,082	$ 291,955

3. INCOME TAXES

The Company s income tax expense net of amounts attributable to noncontrolling interest for the First Quarter and Prior Year Quarter was $9.3 million and $17.2 million, respectively, resulting in an effective income tax rate of 35.0% and 36.3%, respectively. The lower effective rate for the First Quarter is the result of the recognition of previously unrecognized tax benefits due to the settlement of foreign tax audits.

As of April 4, 2009, the total amount of unrecognized tax benefits, excluding interest and penalties, was $34.0 million, of which $8.1 million would favorably impact the effective tax rate in future periods, if recognized. During the fourth quarter of 2008, the Internal Revenue Service opened an audit of the Company s income tax returns for tax years 2005 and 2006. The

Company is also subject to examinations in various state and foreign jurisdictions for the 2004-2007 tax years, none of which are individually significant. Audit outcomes and the timing of audit settlements are subject to significant uncertainty.

The Company has classified uncertain tax positions as long-term income taxes payable unless such amounts are expected to be paid within twelve months of the balance sheet date. As of April 4, 2009, the Company has no unrecognized tax benefits for positions that are expected to be settled within the next twelve months. Consistent with its past practice, the Company recognizes interest and/or penalties related to income tax overpayments and income tax underpayments in income tax expense and income taxes payable, respectively. The total amount of accrued income tax-related interest and penalties included in the condensed consolidated balance sheet at April 4, 2009 was $5.7 million and $0.4 million, respectively. For the First Quarter, the Company accrued interest expense of $0.4 million.

4. STOCKHOLDERS EQUITY AND BENEFIT PLANS

Common Stock Repurchase Program. During 2008 and 2007, the Company s Board of Directors approved two stock repurchase programs, pursuant to which up to 4,000,000 shares of its common stock may be repurchased. During 2008 and 2007, the Company repurchased and retired 3.6 million and 0.4 million shares, respectively, of its common stock under these repurchase programs at a cost of approximately $105.9 million and $15.9 million, respectively. The repurchase programs were conducted pursuant to Rule 10b-18 of the Securities Exchange Act of 1934 and were completed in April 2008 and November 2008.

Stock-Based Compensation Plans. The Company accounts for stock-based compensation in accordance with the provisions of SFAS 123(R), *Share-Based Payment*, using the Black-Scholes option pricing model to determine the fair value of stock options at the date of grant. The Company s current stock-based compensation plans include: (a) stock options and restricted stock for its international employees, (b) stock options for its non-employee directors, and (c) stock appreciation rights, restricted stock and restricted stock units for its U.S.-based employees. Prior to 2006, the Company s stock-based compensation plans included stock options for its non-employee directors and stock options and restricted stock for its employees, including its executive officers.

Long-Term Incentive Plan. Designated employees of the Company, including officers, are eligible to receive (a) stock options, (b) stock appreciation rights, (c) restricted or non-restricted stock awards, (d) restricted stock units, (e) cash awards or (f) any combination of the foregoing. The current stock options, stock appreciation rights, restricted stock and restricted stock units outstanding have original vesting terms ranging from three to five years. All stock options, stock appreciation rights, restricted stock and restricted stock units are accounted for at fair value at the date of grant. All stock appreciation rights and restricted stock units are settled in shares of common stock of the Company.

Restricted Stock Plan. Shares awarded under the 2002 Restricted Stock Plan have been funded with shares contributed to the Company from a significant stockholder. The restricted shares outstanding have original vesting periods that predominately range from one to five years. These shares were accounted for at fair value at the date of grant. On August 29, 2007, the Company s Board of Directors elected to terminate this plan; however, the termination will not impair the remaining 80,965 outstanding shares which will continue in accordance with their original terms.

Non-Employee Director Stock Option Plan. During the first year individuals are elected as non-employee directors of the Company, they receive a grant of 5,000 non-qualified stock options. In addition, on the first day of each subsequent calendar year, each non-employee director automatically receives a grant of an additional 6,000 non-qualified stock options as long as the individual is serving as a non-employee director. Prior to April 1, 2008, 4,000 non-qualified stock options were granted annually. Pursuant to this plan, 50% of the options granted will become exercisable on the first anniversary of the date of grant and in two additional installments of 25% each on the second and third anniversaries of the date of the grant. All stock options granted under this plan are accounted for at fair value at the date of grant.

The following table summarizes stock options and stock appreciation rights activity during the First Quarter:

Stock Options and Stock Appreciation Rights	Number of Shares IN THOUSANDS		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value IN THOUSANDS
Outstanding at January 3, 2009	2,858	$	21.09	5.7	$	5,862
Granted	317		13.65			
Exercised	(42)		10.13			103
Forfeited or expired	(14)		27.12			
Outstanding at April 4, 2009	3,119		20.46	5.8		7,018
Exercisable at April 4, 2009	2,049		18.78	4.7		5,697
Nonvested at April 4, 2009	1,070		23.66	7.9		1,320
Expected to vest	997	$	23.66	7.9	$	1,228

The aggregate intrinsic value in the table above is before income taxes and is based on the exercise price for outstanding and exercisable stock options and stock appreciation rights at April 4, 2009 and the fair market value on the exercise date for stock options and stock appreciation rights that have been exercised during the First Quarter.

Stock Options and Stock Appreciation Rights Outstanding and Exercisable. The following table summarizes information with respect to stock options and stock appreciation rights outstanding and exercisable at April 4, 2009:

	Stock Options and Stock Appreciation Rights Outstanding				Stock Options and Stock Appreciation Rights Exercisable		
Range of Exercise Prices	Number of Shares IN THOUSANDS		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Number of Shares IN THOUSANDS		Weighted-Average Exercise Price
$0.00 $4.39		$				$	
$4.39 - $8.78	207		7.33	1.59	207		7.33
$8.78 - $13.18	538		11.30	3.29	538		11.30
$13.18 - $17.57	415		14.02	8.49	44		13.79
$17.57 - $21.96	417		18.84	5.68	313		18.86
$21.96 - $26.35	850		24.16	5.55	767		24.19
$26.35 - $30.74	382		30.53	7.69	100		30.11
$30.74 - $35.14	257		31.45	7.45	54		31.54
$35.14 - $39.53	2		36.18	6.58			36.18
$39.53 - $43.92	51		43.10	8.74	26		43.10
Total	3,119	$	20.46	5.78	2,049	$	18.78

The Company has elected to apply the long-form method to determine the hypothetical additional paid-in capital (APIC) pool provided by FASB Staff Position No. FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. The Company had determined that a hypothetical pool of excess tax benefits existed in APIC as of January 1, 2006, the date of adoption of SFAS 123R, related to historical stock option exercises. In future periods, excess tax benefits resulting from stock option and stock appreciation right exercises will be recognized as additions to APIC in the period the benefit is realized. In the event of a shortfall (that is, the tax benefit realized is less than the amount previously recognized through periodic stock-based compensation expense recognition and related deferred tax accounting), the shortfall would be charged against

APIC to the extent of previous excess benefits, if any, including the amounts included in the hypothetical APIC pool, and then to tax expense.

Restricted Stock and Restricted Stock Units. The following table summarizes restricted stock and restricted stock unit activity during the First Quarter:

Restricted Stock and Restricted Stock Units	Number of Shares IN THOUSANDS	Weighted-Average Grant Date Fair Value
Nonvested at January 3, 2009	495	$ 24.56
Granted	149	13.61
Vested	(100)	23.27
Forfeited	(3)	27.42
Nonvested at April 4, 2009	541	21.76
Expected to vest	495	$ 21.76

The total fair value of restricted stock and restricted stock units vested during the First Quarter was approximately $1.4 million.

5. SEGMENT INFORMATION

The Company manages its business primarily on a geographic basis. The Company s reportable operating segments are comprised of the United States-Wholesale, Europe-Wholesale, Other International-Wholesale, and Direct to Consumer. The United States-Wholesale, Europe-Wholesale, and Other International-Wholesale reportable segments do not include activities related to the Direct to Consumer segment. The Europe-Wholesale segment primarily includes sales to wholesale or distributor customers based in European countries, the Middle East and Africa. The Other International-Wholesale segment primarily includes sales to wholesale or distributor customers based in Australia, Canada, China (including the Company s assembly and procurement operations), India, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore, Taiwan, Thailand and countries in South America. The Direct to Consumer segment includes company-owned retail stores, e-commerce sales and catalog activities. Each reportable operating segment provides similar products and services.

The Company evaluates the performance of its reportable segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of the customers. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Operating income for each segment includes intercompany profits associated with the sale of products by one segment to another. However, in evaluating the performance of each segment, management considers the impact that such intercompany profits have on each reportable segment. General corporate expenses, including certain administrative, legal, accounting, technology support costs, payroll costs attributable to executive management and amounts related to intercompany eliminations are not allocated to the various segments. Intercompany sales of products between segments are referred to as intersegment items. The following table presents summary information by operating segment:

	For the 13 Weeks Ended April 4, 2009		For the 13 Weeks Ended April 5, 2008	
	Net Sales	Operating Income (Loss)	Net Sales	Operating Income (Loss)
	IN THOUSANDS			
United States Wholesale:				
External customers	$ 100,656	$ 13,321	$ 104,949	$ 7,684
Intersegment	51,493		51,698	
Direct to Consumer	66,522	(2,069)	55,455	(1,232)
Europe Wholesale:				
External customers	103,446	14,478	130,119	36,898
Intersegment	13,226		5,059	
Other International Wholesale:				
External customers	52,403	16,240	65,661	24,897
Intersegment	90,449		102,764	
Intersegment items	(155,168)		(159,521)	
Corporate		(18,167)		(19,132)
Consolidated	$ 323,027	$ 23,803	$ 356,184	$ 49,115

6. DERIVATIVES AND RISK MANAGEMENT

On January 4, 2009, the Company adopted SFAS 161, which requires enhanced disclosures about a company s derivative instruments and hedging activities. The adoption of SFAS 161 did not have any financial impact on the Company s consolidated financial statements.

The Company is exposed to certain risks relating to its ongoing business operations, which it attempts to manage by using derivative instruments. The primary risks managed by using derivative instruments are the future payments of intercompany inventory transactions by non-U.S. subsidiaries. Forward contracts are entered into by the Company to manage fluctuations in global currencies in which various inventory purchases are transacted. SFAS No. 133 (SFAS 133) *Accounting for Derivative Instruments and Hedging Activities*, requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial condition. In accordance with SFAS 133, the Company designates all forward contracts as cash flow hedges.

For a derivative instrument that is designated and qualifies as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss), net of taxes and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Company qualifies only those contracts which closely match the terms of the underlying transaction for hedge accounting treatment. These hedges resulted in no ineffectiveness in the statements of operations, and there were no components excluded from the assessment of hedge effectiveness for the three months ended April 4, 2009.

As of April 4, 2009, the Company had the following outstanding forward contracts that were entered into to hedge the future payments of intercompany inventory transactions:

Functional Currency (Thousands)		Contract Currency (Thousands)	
Type	Amount	Type	Amount
Euro	66,577	U.S. Dollar	92,500
British Pound	1,000	U.S. Dollar	1,831
Japanese Yen	1,017,000	U.S. Dollar	11,095
Swedish Krona	8,149	U.S. Dollar	1,000

The effective portion of gains and losses on derivative instruments designated and qualifying as cash flow hedges that was recognized in other comprehensive income (loss) during the current period (in thousands):

	For the Thirteen Weeks Ended April 4, 2009	For the Thirteen Weeks Ended April 5, 2008
Foreign exchange contracts	$ 2,406.2	$ (6,074.2)
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$ 2,406.2	$ (6,074.2)

The effective portion of gains and losses on derivative instruments designated and qualifying as cash flow hedges recorded in accumulated other comprehensive income (loss) during the term of the hedging relationship and reclassified into earnings during the current period is set forth in the table below (in thousands):

	Income Statement Location	For the Thirteen Weeks Ended April 4, 2009	Income Statement Location	For the Thirteen Weeks Ended April 5, 2008
Foreign exchange contracts	Other Inc/(Exp)	$ 2,929.3	Other Inc/(Exp)	$ (727.0)
Total gain (loss) reclassified from other comprehensive income (loss) into operations, net of taxes		$ 2,929.3		$ (727.0)

The table below discloses the Company s fair value amounts as separate asset and liability values, presents the fair value of derivative instruments on a gross basis, and identifies the line item(s) in the balance sheet in which the fair value amounts for these categories of derivative instruments are included (in thousands).

	Asset Derivatives				Liability Derivatives			
	April 4, 2009		Jan 3, 2009		April 4, 2009		Jan 3, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133:								
Foreign exchange contracts	Other Current Assets	$ 6,147.8	Other Current Assets	$ 8,475.8	Accounts Payable	$ 2,188.6	Other Current Assets	$ 3,628.9
Total derivatives designated as hedging instruments under SFAS 133		$ 6,147.8		$ 8,475.8		$ 2,188.6		$ 3,628.9

At the end of the First Quarter, the Company had foreign exchange contracts with maturities extending through June 2010. The estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months is $4.0 million.

7. CONTROLLING AND NONCONTROLLING INTERESTS

The following tables summarize the changes in equity attributable to controlling and noncontrolling interests (in thousands):

	Fossil, Inc. Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
Balance at January 3, 2009	$ 802,144	$ 3,219	$ 805,363
Net income	17,320	1,176	18,496
Translation adjustments	(8,662)	(2)	(8,664)
Unrealized gain on available for sale securities	256		256
Unrealized loss on forward contracts	(523)		(523)
Common stock issued upon exercise of stock options and SARs	424		424
Tax benefit derived from stock-based compensation	341		341
Other		248	248
Restricted stock forfeiture put to treasury	(369)		(369)
Restricted stock issued in connection with deferred compensation plan	1,293		1,293
Repurchase and retirement of common stock			
Dividends paid		(2,513)	(2,513)
Balance at April 4, 2009	$ 812,224	$ 2,128	$ 814,352

	Fossil, Inc. Stockholders Equity	Noncontrolling Interests	Total Stockholders Equity
Balance at January 5, 2008	$ 771,662	$ 6,127	$ 777,789
Net income	30,217	934	31,151
Translation adjustments	14,650	3	14,653
Unrealized loss on available for sale securities	(405)		(405)
Unrealized loss on forward contracts	(5,347)		(5,347)
Common stock issued upon exercise of stock options and SARs	949		949
Tax expense derived from stock-based compensation	(1,106)		(1,106)
Other		642	642
Restricted stock forfeiture put to treasury	(877)		(877)
Restricted stock issued in connection with deferred compensation plan	1,450		1,450
Repurchase and retirement of common stock	(52,336)		(52,336)
Dividends paid		(4,083)	(4,083)
Balance at April 5, 2008	$ 758,857	$ 3,623	$ 762,480

8. INTANGIBLE AND OTHER ASSETS

		April 4, 2009		January 3, 2009	
Fiscal Year	**Useful Lives**	**Carrying Amount**	**Accumulated Amortization**	**Carrying Amount**	**Accumulated Amortization**
			IN THOUSANDS		
Intangibles - subject to amortization:					
Trademarks	10 yrs.	$ 2,635	$ 1,504	$ 2,620	$ 1,459
Customer list	9 yrs.	7,701	4,872	7,656	4,578
Patents	14 -20 yrs.	753	269	752	258
Other	7-20 yrs.	192	167	196	168
Total intangibles - subject to amortization		11,281	6,812	11,224	6,463
Intangibles - not subject to amortization:					
Tradenames		23,125		23,327	
Other assets:					
Deposits		28,164	2,926	25,650	2,405
Cash surrender value of life insurance		1,994		2,101	
Other		7,058	327	7,131	291
Total other assets		37,216	3,253	34,882	2,696
Total intangibles and other assets		$ 71,622	$ 10,065	$ 69,433	$ 9,159
Net of amortization			$ 61,557		$ 60,274

Estimated aggregate future amortization expense for intangible assets is as follows:

	IN THOUSANDS
For the nine months ended January 2, 2009	$ 1,056
For the twelve months ended January 1, 2011	1,404
For the twelve months ended January 7, 2012	823
For the twelve months ended January 5, 2013	614
For the twelve months ended January 4, 2014	593

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the financial condition and results of operations of Fossil, Inc. and its wholly and majority-owned subsidiaries for the thirteen week period ended April 4, 2009 (the First Quarter) as compared to the thirteen week period ended April 5, 2008 (the Prior Year Quarter). This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the related Notes thereto.

General

We are a global design, marketing and distribution company that specializes in consumer fashion accessories. Our principal offerings include an extensive line of men s and women s fashion watches and jewelry, handbags, small leather goods, belts, sunglasses, cold weather accessories, footwear and apparel. In the watch and jewelry product category, we have a diverse portfolio of globally recognized owned and licensed brand names under which our products are marketed. Our products are distributed globally through various distribution channels including wholesale, export and direct to the consumer at varying price points to service the needs of our customers, whether they are value-conscious or luxury oriented. Based on our extensive range of accessory products, brands, distribution channels and price points, we are able to target style-conscious consumers across a wide age spectrum on a global basis.

Domestically, we sell our products through a diversified distribution network that includes department stores, specialty retail locations, specialty watch and jewelry stores, owned retail and factory outlet stores, mass market stores and through our FOSSIL® catalog and website. Our wholesale customer base includes, among others, Neiman Marcus, Nordstrom, Macy s, Dillard s, JCPenney, Kohl s, Sears, Wal-Mart and Target. We also sell our products in the United States through a network of company-owned stores that included 126 retail stores located in premier retail sites and 71 outlet stores located in major outlet malls as of April 4, 2009. In addition, we offer an extensive collection of our FOSSIL brand products through our catalog and on our website, www.fossil.com, as well as proprietary and licensed watch and jewelry brands through other managed and affiliated websites.

Internationally, our products are sold to department stores, specialty retail stores and specialty watch and jewelry stores in over 100 countries worldwide through 23 company-owned foreign sales subsidiaries and through a network of 59 independent distributors. Our products are distributed in Africa, Asia, Australia, Europe, Central and South America, Canada, the Caribbean, Mexico, and the Middle East. Our products are offered on airlines, cruise ships and in international company-owned retail stores, which included 107 accessory retail stores, 12 multi-brand stores and 9 outlet stores in select international markets as of April 4, 2009. Our products are also sold through independently-owned and franchised FOSSIL retail stores and kiosks in certain international markets. In addition, we offer an extensive collection of our FOSSIL brand products on our websites in certain countries.

11,800,000 * 343,342 343,342

CALAMOS Convertible Opportunities and Income Fund (5)

19,500,000 1.6 567,387 567,387

CALAMOS Global Funds PLC CALAMOS Global Opportunities Fund (5)

700,000 * 20,367 20,367

CALAMOS Global Funds PLC CALAMOS U.S. Opportunities Fund (5)

750,000 * 21,822 21,822

CALAMOS Global Opportunities Fund LP (5)

950,000 * 27,641 27,641

CALAMOS Global Total Return Fund (5)

1,900,000 * 55,283 55,283

CALAMOS Global Growth & Income Fund CALAMOS Investment Trust (5)

18,000,000 1.4 523,742 523,742

CALAMOS Growth & Income Fund CALAMOS Investment Trust (5)

84,204,000 6.7 2,450,066 2,450,066

CALAMOS Growth & Income Portfolio CALAMOS Advisors Trust (5)

505,000 * 14,693 14,693

CALAMOS High Yield Fund CALAMOS Investment Trust (5)

3,200,000 * 93,109 93,109

CALAMOS Strategic Total Return Fund (5)

32,000,000 2.6 931,097 931,097

The California Wellness Foundation (5)

768,000 * 22,346 22,346

CEMEX Pension Plan (5)

365,000 * 10,620 10,620

Class C Trading Company, Ltd. (8)

3,400,000 * 98,929 98,929

CGNU Life Fund (12)

550,000 * 16,003 16,003

Citadel Equity Fund Ltd. ± (13)

110,000,000 8.8 3,200,648 3,200,648

ClearBridge Asset Management, Inc. ± (19)

3,250,000 * 5,987,109 94,564 5,892,545

Commercial Union Life Fund (12)

650,000 * 18,912 18,912

Congregation of the Sisters of Charity of the Incarnate Word (5)

150,000 * 4,364 4,364

Consolidated Fund of the R.W. Grand Lodge of F. & A.M. of Pennsylvania (5)

170,000 * 4,946 4,946

Credit Suisse Securities (USA) LLC # (14)

5,000,000 * 145,484 145,484

Davidson Kempner International Ltd. (15)

2,214,000 * 64,420 64,420

Davidson Kempner Partners (15)

666,000 * 19,378 19,378

DBAG London ± (16)

136,204,000 10.9 3,963,100 3,963,100

dbX-Convertible Arbitrage 12 Fund c/o Quattro Global Capital, LLC (49)

550,000 * 16,003 16,003

DeepRock & Co. (11)

1,250,000 * 36,371 36,371

Delta Airlines Master Trust (5)

1,550,000 * 45,100 45,100

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Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Offered	Percentage of Debentures Outstanding	Number of Shares of Common Stock: Beneficially Owned (2) (3)	That May be Offered	Beneficially Owned After the Offering (4)
Delta Pilots Disability and Survivorship Trust (5)	900,000	*	26,187	26,187	
Deutsche Bank Securities Inc. # (17)	3,500,000	*	101,838	101,838	
DKR SoundShore Oasis Holding Fund Ltd. (48)	2,500,000	*	72,742	72,742	
Dorinco Reinsurance Company (5)	2,025,000	*	58,921	58,921	
The Dow Chemical Company Employees Retirement Plan (5)	4,250,000	*	123,661	123,661	
Dunham Appreciation and Income Fund (5)	531,000	*	15,450	15,450	
Elite Classic Convertible Arbitrage Ltd. (8)	1,100,000	*	32,006	32,006	
Ellington Overseas Partners, Ltd. (46)	44,650,000	3.6	1,299,172	1,299,172	
Equity Overlay Fund, LLC (11)	2,200,000	*	64,012	64,012	
Fore Convertible Master Fund Ltd. (51)	9,000	*	261	261	
Fore ERISA Fund Ltd. (51)	1,000	*	29	29	
Forest Global Convertible Master Fund, L.P. (53)	1,554,000	*	45,216	45,216	
Forest Multi Strategy Master Fund SPC, on behalf of its Multi Strategy Segregated Portfolio (53)	53,000	*	1,542	1,542	
GLG Market Neutral Fund (18)	10,000,000	*	290,968	290,968	
Goldman, Sachs & Co. Profit Sharing Master Trust ± (20)	621,000	*	18,069	18,069	
Good Steward Trading Co., SPC, Class F (54)	78,000	*	2,269	2,269	
HFR CA Global Opportunity Master Trust (53)	390,000	*	11,347	11,347	
HFR CA Global Select Master Trust Account (8)	990,000	*	28,805	28,805	
HFR RVA Select Performance Master Trust (53)	137,000	*	3,986	3,986	
Highbridge International LLC (21)	35,000,000	2.8	1,018,388	1,018,388	
Housing Authority of the City of San Antonio Employees Money Purchase Pension Plan & Trust (5)	106,000	*	3,084	3,084	
ICM Business Trust (22)	2,500,000	*	72,742	72,742	
INOVA Health Care Services (5)	1,150,000	*	33,461	33,461	
INOVA Health System Retirement Plan (5)	240,000	*	6,983	6,983	
Institutional Benchmarks Series (Master Feeder) Limited, in respect of Camden Convertible Arbitrage Series (11)	2,250,000	*	65,467	65,467	
Institutional Benchmark Series (Master Feeder) Limited, in respect of Electra Series c/o Quattro Global Capital, LLC (23)	1,760,000	*	51,210	51,210	
Ionic Capital Master Fund Ltd. (24)	7,500,000	*	218,226	218,226	
John Deere Pension Trust (11)	1,850,000	*	53,829	53,829	
KBC Financial Products USA Inc. # (25)	10,700,000	*	311,335	311,335	
Knoxville Utilities Board Retirement System (5)	310,000	*	9,020	9,020	

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Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Offered	Percentage of Debentures Outstanding	Number of Shares of Common Stock Beneficially Owned (2) (3)	That May be Offered	Beneficially Owned After the Offering (4)
Linden Capital L.P. (26)	10,000,000	*	290,968	290,968	
LLT Limited (55)	176,000	*	5,121	5,121	
Lydian Global Opportunities Master Fund L.T.D. (27)	7,500,000	*	218,226	218,226	
Lydian Overseas Partners Master Fund L.T.D. (27)	17,500,000	1.4	509,194	509,194	
Lyxor / Acuity Fund ± (28)	900,000	*	26,187	26,187	
Lyxor / Forest Fund Limited (53)	2,690,000	*	78,270	78,270	
Lyxor Master Fund Ref: Argent/LowLev CB c/o Argent (8)	1,420,000	*	41,317	41,317	
M.H. Davidson & Co. (15)	81,000	*	2,356	2,356	
Macomb County Employees Retirement System (5)	715,000	*	20,804	20,804	
Magnetar Capital Master Fund, Ltd. (29)	33,500,000	2.7	974,742	974,742	
Meriter Health Services, Inc. Employee Retirement Plan (5)	140,000	*	4,073	4,073	
Millennium Partners, L.P. ± (30)	145,484	*	4,233	4,233	
Nisswa Master Fund Ltd. (56)	28,000,000	2.2	814,710	814,710	
North Dakota State Investment Board (5)	1,553,000	*	45,187	45,187	
North Slope Borough (5)	443,000	*	12,889	12,889	
Norwich Union Life and Pensions (12)	1,300,000	*	37,825	37,825	
Oz Special Funding (Ozmo), LP (31)	49,379,000	4.0	1,436,770	1,436,770	
Peoples Benefit Life Insurance Company Teamsters (11)	18,800,000	1.5	547,019	547,019	
Polygon Global Opportunities Master Fund (32)	100,000,000	8.0	2,909,680	2,909,680	
Partners Group Alternative Strategies PCC Limited, Red Delta Cell c/o Quattro Global Capital LLC (33)	630,000	*	18,330	18,330	
Partners Group Alternative Strategies PCC LTD (8)	3,830,000	*	111,440	111,440	
Piper Jaffray & Co. #	2,000,000	*	58,193	58,193	
Port Authority of Allegheny County Consolidated Trust Fund (5)	130,000	*	3,782	3,782	
Port Authority of Allegheny County Retirement and Disability Allowance Plan for the Employees Represented by Local 85 of the Amalgamated Transit Union (5)	1,425,000	*	41,462	41,462	
Prisma Foundation (5)	670,000	*	19,494	19,494	
Quattro Fund Ltd. (34)	7,920,000	*	230,446	230,446	
Quattro Multistrategy Masterfund LP (34)	770,000	*	22,404	22,404	
Radcliffe SPC, Ltd. for and on behalf of the Class A Segregated Portfolio (35)	12,000,000	*	349,161	349,161	
RCG Enterprise, Ltd. ± (58)	1,500,000	*	43,645	43,645	
RCG Latitude Master Fund Ltd. ± (36)	6,000,000	*	174,580	174,580	
RCG PB LTD ± (36)	3,500,000	*	101,838	101,838	
Redbourn Partners Ltd. (11)	16,250,000	1.3	472,823	472,823	
Retail Clerks Pension Trust #1 (11)	2,550,000	*	74,196	74,196	

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Name of Selling Securityholder (1)	Principal Amount of Debentures Beneficially Owned That May Be Offered	Percentage of Debentures Outstanding	Number of Shares of Common Stock Beneficially Owned (2) (3)	That May be Offered	Beneficially Owned After the Offering (4)
Retail Clerks Pension Trust #2 (11)	2,000,000	*	58,193	58,193	
Royal Bank of Canada ± (37)	20,000,000	1.6	581,936	581,936	
Satellite Convertible Arbitrage Fund, LLC (38)	10,000,000	*	290,968	290,968	
Serena Limited (15)	39,000	*	1,134	1,134	
Silvercreek II Limited (39)	8,000,000	*	232,774	232,774	
Silvercreek Limited Partnership (39)	16,000,000	1.3	465,548	465,548	
SPT (5)	2,850,000	*	82,925	82,925	
Stark Master Fund Ltd. (40)	30,000,000	2.4	872,904	872,904	
Swiss Re Financial Products Corporation ± (41)	10,000,000	*	290,968(42)	290,968	
TD Securities (USA) LLC #	2,500,000	*	72,742	72,742	
UBS O Connor LCC F/B/O: O Connor Global Convertible Arbitrage Master Limited (43)	34,960,000	2.8	1,017,224	1,017,224	
UBS O Connor LLC F/B/O: O Connor Global Convertible Arbitrage II Master Limited (47)	3,040,000	*	88,454	88,454	
Union Carbide Retirement Account (5)	2,175,000	*	63,285	63,285	
United States Province of Missionary Oblates, Inc. (5)	152,000	*	4,422	4,422	
Univar USA Inc. Retirement Plan (5)	1,075,000	*	31,279	31,279	
US Bank FBO Essentia Health Services (5)	385,000	*	11,202	11,202	
Vicis Capital Master Fund (44)	20,000,000	1.6	581,936	581,936	
Wachovia Capital Markets LLC # ± (57)	3,700,000	*	107,658	107,658	
Waterstone Market Neutral MAC51 Fund Ltd. (45)	13,480,000	1.1	392,224	392,224	
Waterstone Market Neutral Master Fund, Ltd. (45)	26,520,000	2.1	771,647	771,647	
Xavex Convertible Arbitrage 2 Fund (8)	1,210,000	*	35,207	35,207	
Xavex Convertible Arbitrage 5 Fund ± (36)	500,000	*	14,548	14,548	
Xavex Convertible Arbitrage 10 Fund (8)	1,210,000	*	35,207	35,207	
Total (50)	1,250,000,000			36,371,000	

* Less than one percent (1%).

\# The selling securityholder is a registered broker-dealer and will be an underwriter within the meaning of the Securities Act with respect to resales of the debentures hereunder.

± The selling securityholder is an affiliate of a registered broker-dealer. Each of these selling securityholders has indicated to us that they have purchased the debentures in the ordinary course of business, and at the time of such purchase, had no agreements or understandings, directly or indirectly, with any person to distribute the debentures or the shares of common stock issuable upon conversion of the debentures.

(1) Information concerning other selling securityholders will be set forth in supplements to this prospectus, from time to time, if required.

(2) Calculated based on Rule 13d-3(d)(i) of the Exchange Act. The number of shares of common stock beneficially owned by each selling securityholder named above is less than 1% of our outstanding common stock, with the exception of Aristeia International Limited, Calamos Growth & Income Fund Calamos

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Investment Trust, Citadel Equity Fund Ltd., ClearBridge Asset Management, Inc., DBAG London, Polygon Global Opportunities Master Fund, calculated based on 196,769,973 shares of common stock outstanding as of February 29, 2008. In calculating this amount for each securityholder, we treated as outstanding the number of shares of common stock issuable upon conversion of all of that selling securityholder s debentures, but we did not assume conversion of any other selling securityholder s debentures.

(3) Assumes conversion of all of the selling securityholders debentures at a conversion rate of 29.0968 shares of common stock per $1,000 principal amount of the debentures upon maturity. This conversion rate is subject to adjustment as described in Description of Debentures Conversion rights Conversion rate adjustments above. As a result, the number of shares of common stock issuable upon conversion of the debentures may increase or decrease in the future. Excludes shares of common stock that may be issued by us upon the repurchase of the debentures as described under Description of Debentures Fundamental change permits holders to require us to repurchase debentures above and fractional shares. The holders of the debentures will receive a cash adjustment for any fractional share amount resulting from conversion of the debentures, as described in Description of the Debentures Conversion rights above.

(4) For purposes of computing the number and percentage of debentures and shares of common stock to be held by the selling securityholders after the conclusion of the offering, we have assumed for purposes of this table above that the selling securityholders named above will sell all of their debentures and all of the common stock issuable upon conversion of their debentures offered by this prospectus, and that any other shares of our common stock beneficially owned by these selling securityholders will continue to be beneficially owned.

(5) Nick Calamos, Chief Investment Officer of Calamos Advisors LLC has voting and investment control over these securities.

(6) David J. Harris and Howard Needle have voting and investment control over these securities.

(7) The Allstate Corporation, an SEC reporting company, is the parent company of Allstate Insurance Company, and has voting and investment control over these securities.

(8) Nathanial Brown and Robert Richardson have voting and investment control over these securities.

(9) Aristeia Capital LLC is the investment manager of Aristeia International Limited and is jointly owned by Kevin Tuner, Robert H. Lynch, Jr., Anthony Fraschella and William R. Techer, who have voting and investment control over these securities.

(10) Aristeia Capital LLC is the investment manager of Aristeia Partners L.P. and is jointly owned by Kevin Tuner, Robert H. Lynch, Jr., Anthony Fraschella and William R. Techer, who have voting and investment control over these securities.

(11) Scott Lange has sole voting and investment control over these securities.

(12) David Clott has sole voting and investment control over these securities.

(13) Citadel Limited Partnership (CLP) is the trading manager of Citadel Equity Fund Ltd. and consequently has investment discretion over securities held by Citadel Equity Fund Ltd. Citadel Investment Group, LLC (CIG) controls CLP. Kenneth C. Griffin controls CIG and, therefore, has ultimate investment discretion over securities held by Citadel Equity Fund Ltd. CLP, CIG, and Mr. Griffin each disclaim beneficial ownership of the shares held by Citadel Equity Fund Ltd.

(14) Jeff Andreski, Managing Director of Credit Suisse Securities (USA) LLC, has voting and investment control over these securities and disclaims beneficial ownership of these shares except for his pecuniary interest.

(15) Messrs. Thomas L. Kempner, Jr., Marvin H. Davidson, Stephen M. Dowicz, Scott E. Davidson, Michael J. Leffel, Timothy I. Levart, Robert J. Brivio, Jr., Anthony A. Yoseloff, Eric P. Epstein and Avram Z. Friedman (collectively, the Principals) are the general partners of M.H. Davidson & Co. and MHD Management Co. (MHD), the general partner of Davidson Kempner Partners, and the sole managing members of Davidson Kempner International Advisors, L.L.C. (DKIA), the investment manager of each of Davidson Kempner International, Ltd. and Serena Limited. Each of the Principals, MHD and DKIA disclaim all beneficial ownership as affiliates of a registered investment adviser, and, in any case, disclaim all beneficial ownership except as to the extent of their pecuniary interest in the securities.

(16) John Arnono has voting and investment control over these securities.

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(17) Deutsche Bank Securities Inc. is a publicly held entity and an investment company registered under the Investment Company Act of 1940, as amended.

(18) GLG Market Neutral Fund (the Fund) is a publicly owned company listed on the Irish Stock Exchange. GLG Partners LP, an English limited partnership, acts as the investment manager of the Fund and has voting and dispositive power over the securities held by the Fund. The general partner of GLG Partners LP is GLG Partners Limited, an English Limited company. The shareholders of GLG Partners Limited are Noam Göttesman, Pierre Lagrange, Jonathan Green and Lehman Brothers (Cayman) Limited, a subsidiary of Lehman Brothers Holdings, Inc., a publicly-held entity. The managing directors of GLG Partners Limited are Noam Göttesman, Pierre Lagrange and Emmanuel Roman and, as a result, each has voting and dispositive power over the securities held by the fund. GLG Partners LP, GLG Partners Limited, Noam Göttesman, Pierre Lagrange and Emmanuel Roman disclaim beneficial ownership of the securities held by the Fund, except for their pecuniary interest therein.

(19) ClearBridge Asset Management, Inc. (CBAM), either directly or through its affiliate ClearBridge Advisors LLC, acts as discretionary investment adviser to the General Motors Investment Management Corporation, the Legg Mason Partner s Convertible Bond Fund, and the Travelers Series Trust Managed Asset Trust (VA Fund) Convertible. Accordingly, CBAM may be deemed to be the beneficial owner, and therefore the selling securityholder, of such securities held for these accounts. CBAM is under common control with Legg Mason Investor Services, LLC (LMIS), a limited purpose broker-dealer affiliate. LMIS serves as a principal underwriter for certain mutual funds managed by investment advisory affiliates of Legg Mason Inc.

(20) Daniel S. Och as Chief Executive Officer of Oz Management, LP, the investment manager to Goldman, Sachs & Co. Profit Sharing Master Trust, may be deemed to have voting and investment control over these securities.

(21) Highbridge Capital Management, LLC is the trading manager of Highbridge International LLC and has voting control and investment discretion over the securities held by Highbridge International LLC. Glenn Dubin and Henry Swieca control Highbridge Capital Management, LLC and have voting control and investment discretion over the securities held by Highbridge International LLC. Each of Highbridge Capital Management, LLC, Glenn Dubin and Henry Swieca disclaims beneficial ownership of the securities held by Highbridge International LLC.

(22) Ionic Capital Partners LP (ICP) is the investment advisor of ICM Business Trust (the Trust) and consequently has voting and investment control over securities held by the Trust. Ionic Capital Management LLC (ICM) controls ICP. Bart Baum, Adam Radosti and Daniel Stone collectively control ICM and therefore have ultimate voting and investment control over securities held by the Trust. ICP, ICM and Messrs. Baum, Radosti and Stone each disclaim beneficial ownership of the securities held by the Trust except to the extent of its pecuniary interest therein.

(23) Gary Crowder has voting and investment control over these securities.

(24) Ionic Capital Partners LP (ICP) is the investment advisor of Ionic Capital Master Fund Ltd. (the Master Fund) and consequently has voting and investment control over securities held by the Master Fund. Ionic Capital Management LLC (ICM) controls ICP. Bart Baum, Adam Radosti and Daniel Stone collectively control ICM and therefore have ultimate voting and investment control over securities held by the Master Fund. ICP, ICM and Messrs. Baum, Radosti and Stone each disclaim beneficial ownership of the securities held by the Master Fund except to the extent of its pecuniary interest therein.

(25) The securities are under the total control of KBC Financial Products USA Inc. KBC Financial Products USA Inc. is a direct wholly-owned subsidiary of KBC Financial Holdings, Inc., which in turn is a direct wholly-owned subsidiary of KBC Bank N.V., which in turn is a direct wholly-owned subsidiary of KBC Group N.V., a publicly traded entity.

(26) Siu Min Wong has voting and investment control over these securities.

(27) David Friezo has voting and investment control over these securities.

(28) SG Hambros Fund Managers (Jersey) Limited shares voting power and investment control over these securities. Lyxor AM is the sub-manager for the selling security holder. Lyxor AM and is a wholly owned subsidiary of Société Générale, which is an affiliate of Fimat USA LLC, a registered broker-dealer.

(29) Magnetar Financial LLC is the investment advisor of Magnetar Capital Master Fund, Ltd. (Magnetar Master Fund) and consequently has voting control and investment discretion over securities held by Magnetar Master Fund. Magnetar Financial LLC disclaims beneficial ownership of the shares held by Magnetar Master Fund. Alec Litowitz has voting control over Supernova Management LLC, the general partner of Magnetar Capital Partners L.P., the sole managing member of Magnetar Financial LLC. As a result, Mr. Litowitz may be considered the beneficial owner of any shares deemed to be beneficially owned by Magnetar Financial LLC. Mr. Litowitz disclaims beneficial ownership of these securities.

(30) Millennium Management, L.L.C., a Delaware limited liability company, is the general partner of Millennium Partners, L.P., a Cayman Islands exempted limited partnership, and consequently may be deemed to have voting control and investment discretion over securities owned by Millennium Partners, L.P. Israel A. Englander is the managing member of Millennium Management, L.L.C. As a result, Mr. Englander may be deemed to be the beneficial owner of any shares deemed to be beneficially owned by Millennium Management, L.L.C. The foregoing should not be construed in and of itself as an admission by either Millennium Management, L.L.C. or Mr. Englander as to beneficial ownership of the shares of the Company s common stock owned by Millennium Partners, L.P.

(31) Daniel S. Och as Chief Executive Officer of Oz Management, LP, the investment manager to Oz Special Funding (Ozmo), LP, may be deemed to have voting and investment control over these securities.

(32) Polygon Investment Partners LLP, Polygon Investment Partners L.P. and Polygon Investment Partners HK Limited (the Investment Managers), Polygon Investments Ltd. (the Manager), Alexander Jackson, Reade Griffith and Paddy Dear share voting and investment control over the securities held by Polygon Global Opportunities Master Fund (the Master Fund). The Investment Managers, the Manager, Alexander Jackson, Reade Griffith and Paddy Dear disclaim beneficial ownership of the securities held by the Master Fund.

(33) Mark Rowe, Felix Haldner, Michael Fitchet and Denis O Malley have voting and investment control over these securities.

(34) Andrew Kaplan, Brian Swain and Louis Napoli have voting and investment control over these securities.

(35) Pursuant to an investment management agreement, RG Capital Management, L.P. (RG Capital) serves as an investment manager of Radcliffe SPC, Ltd. s Class A Segregated Portfolio. RGC Management Company, LLC (Management) is the general partner of RG Capital. Steve Katznelson and Gerald Stahlecker serve as the managing members of Management. Each of RG Capital, Management and Messrs. Katznelson and Stahlecker disclaims beneficial ownership of the securities owned by Radcliffe SPC, Ltd. for and on behalf of the Class A Segregated Portfolio.

(36) Ramius Capital Group, LLC (Ramius Capital) is the investment adviser of RCG Latitude Master Fund, Ltd. (Latitude) and Xavex Convertible Arbitrage 5 (Xavex) and consequently has voting control and investment discretion over securities held by Latitude and Xavex. Ramius Capital disclaims beneficial ownership of the shares held by Latitude and Xavex. Peter A. Cohen, Morgan B. Stark, Thomas W. Strauss and Jeffrey M. Solomon are the sole managing members of C4S & Co., LLC, the sole managing member of Ramius Capital. As a result, Messrs. Cohen, Stark, Strauss and Solomon may be considered beneficial owners of any shares deemed to be beneficially owned by Ramius Capital. Messrs. Cohen, Stark, Strauss and Solomon disclaim beneficial ownership of these shares.

(37) The selling securityholder is a wholly-owned subsidiary of RBC Capital Markets Corporation, which is an institutional investment manager pursuant to section 13(f) of the Exchange Act and the rules thereunder.

(38) The discretionary investment manager of the selling securityholder is Satellite Asset Management, L.P. (SAM). The controlling entity of SAM is Satellite Fund Management, LLC (SFM). The managing members of SFM are Lief Rosenblatt, Mark Sonnino & Gabe Nechamkin. SAM, SFN and each named individual disclaims beneficial ownership of these securities.

(39) Louise Morwick, Bryn Joynt and Chris Witkowski have voting and investment control over these securities.

(40) Michael A. Roght and Brian J. Stark have voting and investment control over these securities, but Messrs. Roth and Stark disclaim beneficial ownership of such securities.

(41) The selling securityholder is an institutional investment manager pursuant to section 13(f) of the Exchange Act and the rules thereunder.

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(42) The selling securityholder reports a short position of 276,600 shares as of September 11, 2007.

(43) UBS O Connor LLC (the Investment Manager) has voting and investment control over these securities, and is a wholly owned subsidiary of UBS AG, which is an SEC reporting company.

(44) Vicis Capital LLC is the investment manager of Vicis Capital Market Fund. Shad Stastney, John Succo and Sky Lucas control Vicis Capital LLC equally but disclaim individual ownership of the securities.

(45) Shawn Bergerson has voting and investment control over these securities.

(46) Ellington Management Group, LLC is the investment advisor of the selling securityholder. Michael Vranos, as principal of Ellington Management Group, LLC, has voting and investment control of the securities offered hereby. Mr. Vranos disclaims beneficial ownership over the registrable securities except to the extent of any indirect ownership interest he may have in such securities through his economic participation in the selling securityholder.

(47) The selling securityholder is a fund that cedes investment control to UBS O Connor LLC (the Investment Manager). The Investment Manager makes all the necessary investment and voting decisions. The Investment Manager is a wholly-owned subsidiary of UBS AG, which is listed and traded on the NYSE.

(48) The investment manager of DKR SoundShore Oasis Holding Fund Ltd. (the Fund) is DKR Oasis Management Company LP (the Investment Manager). The Investment Manager has the authority to do any and all acts on behalf of the Fund, including voting any shares held by the Fund. Mr. Seth Fischer is the managing partner of Oasis Management Holdings LLC, one of the general partners of the Investment Manager. Mr. Fischer has ultimate responsibility for investments with respect to the Fund. Mr. Fischer disclaims beneficial ownership of the shares.

(49) Robert Aaron and Guy Castranova have voting and investment control over these securities.

(50) Although the total holdings of the selling securityholders listed in the table exceeds $1,250,000,000 (aggregate principal amount of debentures outstanding), the aggregate principal amount of debentures outstanding has not and will not be increased. The number of common shares that may be sold upon conversion of the debentures will not be more than 36,371,000 unless the conversion rate is adjusted in accordance with the terms of the debentures. See Description of Debentures Conversion rights Adjustment to shares delivered upon conversion in connection with certain fundamental changes. We believe that the excess listed in the table reflects the fact that certain selling securityholders have transferred unregistered debentures without notifying us.

(51) Matthew Li has voting and investment control over these securities.

(52) Victoria Eckert has sole voting and investment control over these securities.

(53) Forest Investment Management LLC exercises voting and/or dispositive power with respect to the debentures and the common shares underlying the debentures. Forest Investment Management LLC is wholly owned by Forest Partners II, L.P., the sole general partner of which is Michael A. Boyd, Inc., which is controlled by Michael A. Boyd.

(54) Robert Zoellner has sole voting and investment control over these securities.

(55) Forest Investment Management LP (Forest) has sole voting control and shared investment control over these securities. Forest is wholly owned by Forest Partners II, the sole General Partner of which is Michael A. Boyd Inc., which is solely owned by Michael A. Boyd.

(56) Brian Taylor has shared voting and investment control over these securities.

(57) Wachovia Securities International, Ltd. is a subsidiary of Wachovia Corp.

(58) Ramius Capital Group, LLC (Ramius Capital) is the investment manager of RCG Enterprise, Ltd. (Enterprise) and consequently has voting control and investment discretion over securities held by Enterprise. Ramius Capital disclaims beneficial ownership of these securities. C4S & Co., LLC (C4S) is the managing member of Ramius Capital and may be considered the beneficial owner of any securities deemed to be beneficially owned by Ramius Capital. C4S disclaims beneficial ownership of these securities. Peter A. Cohen, Morgan B. Stark, Thomas W. Strauss and Jeffrey M. Solomon are the sole managing members of C4S and may be considered beneficial owners of any securities deemed to be beneficially owned by C4S. Messrs. Cohen, Stark, Strauss and Solomon disclaim beneficial ownership of these securities.

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Only securityholders identified above who beneficially own the securities set forth opposite each such selling securityholder s name in the foregoing table may sell such securities under the registration statement. Prior to any use of this prospectus in connection with an offering of the debentures and/or the underlying common stock by any holder not identified above, this prospectus will be supplemented to set forth the name and other information about the selling securityholder intending to sell such debentures and the underlying common stock. The prospectus supplement will also disclose whether any securityholder selling in connection with such prospectus supplement has held any position or office with, been employed by, or otherwise had a material relationship with us or any of our affiliates during the three years prior to the date of the prospectus supplement if such information has not been disclosed in this prospectus.

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PLAN OF DISTRIBUTION

The selling securityholders and their successors, which includes their transferees, pledgees or donees or their successors, may, from time to time, sell the debentures and the underlying common stock directly to purchasers or through underwriters, broker-dealers or agents who may receive compensation in the form of underwriting discounts, concessions or commissions from the selling securityholders and/or the purchasers of the securities. These discounts, concessions or commissions may be in excess of those customary in the types of transactions involved.

The selling securityholders may sell the debentures and the underlying common stock, from time to time, in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to such prevailing market prices;
- varying prices determined at the time of sale; or
- negotiated prices.

These sales may be effected in transactions (which may involve block transactions) in the following manner:

- on any national securities exchange or quotation service on which the debentures or the underlying common stock may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on such exchanges or services or in the over-the-counter market (including the issuance of derivative securities, whether such derivative securities are listed on an exchange or otherwise);
- through the writing of options, whether such options are listed on option exchanges or otherwise through the settlement of short sales; or
- any combination of the foregoing.

These sales may include crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the transaction.

The selling securityholders may also enter into hedging transactions with broker-dealers or other financial institutions in connection with the sales of the debentures or the underlying common stock. These broker-dealers or other financial institutions may in turn engage in short sales of these securities in the course of hedging their positions. The selling securityholders may sell these securities short to close out short positions, or loan or pledge these securities to broker-dealers or other financial institutions that, in turn, may sell such securities. The selling securityholders may also enter into option or other transactions with broker-dealers or other financial institutions that require the debentures or underlying common stock to be delivered to the broker-dealer or other financial institution, which may then resell the debentures or underlying common stock pursuant to the prospectus; or the selling securityholders may enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

A short sale of the debentures or the underlying common stock by a broker-dealer, financial institution or selling securityholder would involve the sale of such debentures or underlying common stock that are not owned, and therefore must be borrowed, in order to make delivery of the security in connection with such sale. In connection with a short sale of the debentures or the underlying common stock, a broker-dealer, financial

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institution or selling securityholder may purchase the debentures or our common stock on the open market to cover positions created by short sales. In determining the source of the debentures or shares of common stock to close out such short positions, the broker-dealer, financial institution or selling securityholders may consider, among other things, the price of debentures or shares of common stock available for purchase in the open market.

The aggregate proceeds to the selling securityholders from the sale of the debentures or underlying common stock will be the purchase price of the debentures or common stock less any discounts or commissions. A selling securityholder reserves the right to accept, and together with its agents, to reject (except when we decide to redeem the debentures in accordance with the terms of the indenture) any proposed purchase of debentures or common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

To comply with certain states securities laws, if applicable, the selling securityholders will offer or sell the debentures and the common stock into which the debentures are convertible in such jurisdictions only through registered or licensed brokers-dealers. In addition, in some states the selling securityholders may not sell the debentures and the common stock into which the debentures are convertible unless such securities have been registered or qualified for sale in the applicable state or an exemption from registration or qualification is available and the conditions of which have been satisfied.

Our outstanding common stock is listed for trading on the Nasdaq Global Select Market. Since their initial issuance, the debentures have been eligible for trading on the PORTAL Market. However, debentures sold by means of this prospectus will no longer be eligible for trading on the PORTAL Market. We do not intend to list the debentures for trading on any other automated quotation system or any securities exchange.

The selling securityholders and any underwriters, broker-dealers or agents that participate in the distribution of the debentures and underlying common stock may, in connection with these sales, be deemed to be underwriters within the meaning of the Securities Act. Any selling securityholder that is an affiliate of a broker-dealer will be deemed to be an underwriter within the meaning of the Securities Act, unless such selling securityholder purchased its debentures in the ordinary course of business, and at the time of its purchase of the debentures to be resold, did not have any agreements or understandings, directly or indirectly, with any person to distribute the debentures. As a result, any discounts, commissions, concessions or profit they earn on any resale of the debentures or the shares of the underlying common stock may be underwriting discounts and commissions under the Securities Act. Selling securityholders who are deemed to be underwriters within the meaning of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act and to certain statutory liabilities, including but not limited to those relating to Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act. The selling securityholders have agreed to comply with the prospectus delivery requirements of the Securities Act, if any. To our knowledge, none of the selling securityholders who are affiliates of broker-dealers purchased debentures outside of the ordinary course of business or, at the time of the purchase of the debentures, had any agreements or understandings, directly or indirectly, with any person to distribute the debentures.

The selling securityholders and any other person participating in the sale of the debentures or the underlying common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the debentures and the underlying common stock by the selling securityholders and any other such person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the debentures and the underlying common stock to engage in market-making activities with respect to the particular debentures and the underlying common stock being distributed for a period of up to five business days before the commencement of such distribution. This may affect the marketability of the debentures and the underlying common stock and the ability of any person or entity to engage in market-making activities with respect to the debentures and the underlying common stock.

We cannot assure you that any selling securityholder will sell any or all of the debentures or the underlying common stock with this prospectus. Further, we cannot assure you that any such selling securityholder will not

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transfer, devise or gift the debentures and the underlying common stock by other means not described in this prospectus. As a result, there may be, at any time, securities outstanding that are subject to restrictions on transferability and resale. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A under the Securities Act may be sold pursuant to Rule 144 or Rule 144A rather than pursuant to this prospectus. Each selling securityholder has represented that it will not sell any debentures or common stock pursuant to this prospectus except as described in this prospectus.

At the time a particular offering of the debentures or underlying common stock is made, if required, a prospectus supplement, or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part, will be distributed setting forth the names of the selling securityholders, the aggregate amount and type of securities being offered, and, to the extent required, the terms of the offering, including the name or names of any underwriters, broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling securityholders and any discounts, commission or concessions allowed or reallowed or paid to the broker-dealers.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholder and any underwriter, broker-dealer or agent regarding the sale of debentures and the underlying common stock by the selling securityholders.

Pursuant to the registration rights agreement, all expenses of the registration of debentures and underlying common stock will be paid by us, except that the selling securityholders will pay all underwriting discounts and selling commissions. The selling securityholders and we have agreed to indemnify each other and our respective directors, officers and controlling persons against, and in certain circumstances to provide contribution with respect to, specific liabilities in connection with the offer and sale of the debentures and the common stock, including liabilities under the Securities Act.

The registration rights agreement requires that we use reasonable efforts to keep the shelf registration statement effective until the earliest of (i) the second anniversary of the date of the original issuance of the debentures and (ii) such time as all of the debentures and the common stock issuable on the conversion thereof cease to be outstanding or have either (A) been sold or otherwise transferred pursuant to an effective registration statement, (B) been sold pursuant to Rule 144 under circumstances in which any legend borne by the debentures or common stock relating to restrictions on transferability thereof is removed, (C) become eligible for sale pursuant to Rule 144(k) or any successor provision or (D) become freely tradeable without restriction. Notwithstanding the foregoing obligations, we may, under certain circumstances, postpone or suspend the filing or the effectiveness of the shelf registration statement, or any amendments or supplements thereto, or the sale of the debentures or underlying common stock hereunder. See Description of Debentures Registration rights.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York.

EXPERTS

The consolidated financial statements of VeriSign, Inc. as of December 31, 2007 and 2006, and for each of the years in the three-year period ended December 31, 2007, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The audit report covering the December 31, 2007 consolidated financial statements contains an explanatory note that refers to the Company s adoption of the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* and FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* effective January 1, 2006, and January 1, 2007, respectively.

The audit report on the effectiveness of internal control over financial reporting as of December 31, 2007, expresses an opinion that VeriSign, Inc. did not maintain effective internal control over financial reporting as of December 31, 2007 because of the effect of a material weakness related to the Company s stock administration policies and practices.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference in this prospectus the information in documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained in or omitted from this prospectus, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. The following documents filed with the SEC are hereby incorporated by reference in this prospectus:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

- Current Reports on Form 8-K filed on January 7, 2008, February 4, 2008, February 14, 2008, February 25, 2008, and March 20, 2008.

We hereby undertake to provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request of any such person, a copy of any and all of the reports or documents that have been incorporated by reference in this prospectus, other than exhibits to such documents unless such exhibits have been specifically incorporated by reference thereto. Requests for such copies should be directed to our Investor Relations department, at the following address:

VeriSign, Inc.

487 East Middlefield Road

Mountain View, CA 94043

Attention: Investor Relations

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any documents we file at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference room. The SEC also maintains an Internet Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov.

Our Internet address is www.verisign.com. There we make available free of charge, on or through the investor relations section of our Web site, annual reports 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 Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information found on our Web site, other than as specifically incorporated by reference into this prospectus, is not part of this prospectus.

This prospectus constitutes a part of a Registration Statement we filed with the SEC under the Securities Act. This prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the shares of common stock offered by this prospectus, reference is hereby made to the Registration Statement. The Registration Statement may be inspected at the public reference facilities maintained by the SEC at the address set forth above. Statements contained herein concerning any document filed as an exhibit are not necessarily complete, and, in each instance, reference is made to the company of such document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by such reference.

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$1,250,000,000

3.25% Junior Subordinated Convertible Debentures due 2037 and 36,371,000 Shares of Common Stock

Issuable Upon Conversion of the Debentures

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses to be paid by the Registrant, other than estimated underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee:

SEC registration fee	$ 38,375
Legal fees and expenses	130,000
Accounting fees and expenses	156,751
Printing and other miscellaneous	6,000
Total	$ 331,126

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation s board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the Delaware General Corporation Law, the Registrant s restated certificate of incorporation contains provisions that eliminate the personal liability of its directors for monetary damages for any breach of fiduciary duties as a director, except liability for the following:

- any breach of the director s duty of loyalty to the Registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant s restated bylaws provide that:

- the Registrant is required to indemnify its directors and executive officers to the fullest extent permitted by the Delaware General Corporation Law, subject to very limited exceptions;
- the Registrant may indemnify its other employees and agents as set forth in the Delaware General Corporation Law;

- the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to very limited exceptions; and

- the rights conferred in the restated bylaws are not exclusive.

The Registrant has entered into or will enter into indemnity agreements with each of its current directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant s restated certificate of incorporation and restated bylaws and to provide additional procedural protections. At present, except as described in Item 3 of the Registrant s Annual Report or Form 10-K for the year ended December 31, 2007, there is no pending litigation or proceeding involving a director, executive officer or employee of the Registrant regarding which indemnification

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is sought. The indemnification provision in the Registrant s restated certificate of incorporation, restated bylaws and the indemnification agreements entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant s directors and executive officers for liabilities arising under the Securities Act.

The Registrant currently carries liability insurance for its directors and officers.

Reference is made to the following documents filed as exhibits to this registration statement regarding relevant indemnification provisions described above and elsewhere herein:

Exhibit Description	**Exhibit Number**
Fourth Amended and Restated Certificate of Incorporation of the Registrant	3.01
Third Amended and Restated Bylaws of the Registrant	3.02
Registration Rights Agreement dated as of August 20, 2007 between the Registrant and J.P. Morgan Securities, Inc.	4.04
Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers	10.01

Item 15. Recent Sales of Unregistered Securities

1. On August 20, 2007, the Registrant issued $1,250,000,000 aggregate principal amount of 3.25% Junior Subordinated Debentures due 2037 to J.P. Morgan Securities, Inc. The offer and sale of these securities were effected without registration in reliance on the exemption afforded by Section 4(2) of the Securities Act promulgated thereunder.

2. On July 16, 2007, August 1, 2007 and August 24, 2007, the Registrant issued an aggregate of 68,350 shares of common stock to certain directors and executive officers of the Registrant in connection with the vesting of certain restricted stock units issued in 2006 under the Registrant s 2006 Equity Incentive Plan. The offer and sale of these securities were effected without registration in reliance on the exemption afforded by Regulation D and/or Section 4(2) of the Securities Act promulgated thereunder.

3. On April 6, 2005, the Registrant issued an aggregate of 9,083,074 shares of common stock in connection with the acquisition of LightSurf Technologies, Inc. The offer and sale of these securities were effected without registration in reliance on the exemption afforded by Section 3(a)(10) of the Securities Act. The issuance was approved, after a hearing upon the fairness of the terms and conditions of the transaction, by the California Department of Corporations under authority to grant such approval as expressly authorized by the laws of the State of California.

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Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits. The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Description	Incorporated by Reference 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	
2.02	Agreement and Plan of Merger dated September 23, 2001, by and among the Registrant, Illinois Acquisition Corporation and Illuminet Holdings, Inc.	S-4	10/10/01	4.03	
2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein	8-K	12/10/03	2.1	
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares In Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals	10-K	3/16/05	2.04	
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto.	8-K	11/23/05	2.1	
3.01	Fourth Amended and Restated Certificate of Incorporation of the Registrant	S-1	11/5/07	3.01	
3.02	Third Amended and Restated Bylaws of the Registrant	8-K	2/25/08	3.01	
4.01	Rights Agreement dated as of September 27, 2002, between the Registrant and Mellon Investor Services LLC, as Rights Agent, which includes as Exhibit A the Form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the Summary of Stock Purchase Rights and as Exhibit C the Form of Rights Certificate	8-A	9/30/02	4.01	
4.02	Amendment to Rights Agreement dated as of February 11, 2003, between the Registrant and Mellon Investor Services LLC, as Rights Agent	8-K/A	3/19/03	4.02	
4.03	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association	8-K/A	9/6/07	4.1	
4.04	Registration Rights Agreement dated as of August 20, 2007 between the Registrant and J.P. Morgan Securities, Inc.	8-K/A	9/6/07	4.2	
5.01	Opinion of Cleary Gottlieb Steen & Hamilton LLP	S-1/A	3/3/08	5.01	
10.01	Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers	10-K	3/31/03	10.02	
10.02	Registrant s 1995 Stock Option Plan, as amended through 8/6/96	S-1	1/29/98	10.06	

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Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.03	Registrant s 1997 Stock Option Plan	S-1	1/29/98	10.07	
10.04	Registrant s 1998 Equity Incentive Plan, as amended through 2/8/05	10-K	3/16/05	10.04	
10.05	Form of 1998 Equity Incentive Plan Restricted Stock Purchase Agreement	10-Q	11/14/03	10.1	
10.06	Form of 1998 Equity Incentive Plan Restricted Stock Unit Agreement	10-K	3/16/05	10.06	
10.07	409A Options Election Form and related documentation	8-K	1/4/07	99.01	
10.08	Registrant s 1998 Directors Stock Option Plan, as amended through 5/22/03, and form of stock option agreement	S-8	6/23/03	4.02	
10.09	Registrant s 1998 Employee Stock Purchase Plan, as amended through 1/30/07	10-Q	7/16/07	10.01	
10.10	Registrant s 2001 Stock Incentive Plan, as amended through 11/22/02	10-K	3/31/03	10.08	
10.11	Registrant s 2006 Equity Incentive Plan, as adopted 5/26/06	10-Q	7/12/07	10.02	
10.12	Registrant s 2006 Equity Incentive Plan, form of Stock Option Agreement	10-Q	7/12/07	10.03	
10.13	Registrant s 2006 Equity Incentive Plan, form of Directors Nonqualified Stock Option Grant	10-Q	8/9/07	10.01	
10.14	Registrant s 2006 Equity Incentive Plan, amended form of Directors Nonqualified Stock Option Grant	S-1	11/5/07	10.15	
10.15	Registrant s 2006 Equity Incentive Plan, form of Employee Restricted Stock Unit Agreement	10-Q	7/12/07	10.04	
10.16	Registrant s 2006 Equity Incentive Plan, form of Non-Employee Director Restricted Stock Unit Agreement	10-Q	7/12/07	10.05	
10.17	Registrant s 2006 Equity Incentive Plan, form of Performance-Based Restricted Stock Unit Agreement	8-K	8/30/07	99.1	
10.18	Registrant s 2007 Employee Stock Purchase Plan, as adopted August 30, 2007	S-1	11/5/07	10.19	
10.19	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1	1/29/98	10.15	
10.20	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended	S-1	1/29/98	10.16	
10.21	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31	
10.22	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Security, Inc.	S-1	1/29/98	10.17	

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Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.23	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation*	S-1	1/29/98	10.18	
10.24	Master Development and License Agreement, dated as of September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.*	S-1	1/29/98	10.19	
10.25	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/5/99	10.30	
10.26	Transition Services and General Release Agreement between the Registrant and James M. Ulam dated May 18, 2006	10-Q	7/12/07	10.01	
10.27	Amended and Restated Transition Services and General Release Agreement between the Registrant and James M. Ulam dated September 27, 2006	10-Q	7/12/07	10.01	
10.28	Severance Agreement between the Registrant and Vernon Irvin dated October 31, 2006	8-K	11/6/06	99.01	
10.29	Agreement between the Registrant and Judy Lin dated February 16, 2007	10-Q	7/16/07	10.02	
10.30	Consulting and Separation Agreement between the Registrant and Stratton D. Sclavos effective July 9, 2007	10-Q	8/9/07	10.03	
10.31	Severance and General Release Agreement between the Registrant and Rodney A. McCowan dated July 9, 2007	10-Q	8/9/07	10.04	
10.32	Severance and General Release Agreement between the Registrant and Dana L. Evan dated July 27, 2007	S-1	11/5/07	10.33	
10.33	Employment Offer Letter between the Registrant and John M. Donovan dated November 20, 2006	10-K	7/12/07	10.25	
10.34	Employment Offer Letter between the Registrant and Richard H. Goshorn dated April 25, 2007	10-Q	8/9/07	10.02	
10.35	Employment Offer Letter between the Registrant and Anne-Marie Law dated May 2, 2007	S-1	11/5/07	10.36	
10.36	Employment Offer Letter between the Registrant and Kevin A. Werner dated September 20, 2007	S-1	11/5/07	10.37	
10.37	Employment Offer Letter between the Registrant and Grant L. Clark dated September 20, 2007	S-1	11/5/07	10.38	
10.38	Separation and General Release Agreement between the Registrant and Mark D. McLaughlin dated November 28, 2007	10-K	2/29/08	10.33	
10.39	Employment Agreement between the Registrant and William A. Roper, Jr. dated November 26, 2007 with effect on May 27, 2007	10-K	2/29/08	10.39	
10.40	2006 *.com* Registry Agreement between VeriSign and ICANN, effective March 1, 2006	10-K	7/12/07	10.26	
10.41	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between the Registrant and U.S. Department of Commerce managers	10-K	7/12/07	10.27	

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Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.42	Deed of Lease between TST Waterview I, L.L.C. and the Registrant, dated as of July 19, 2001	10-Q	11/14/01	10.01	
10.43	Confirmation of Accelerated Purchase of Equity Securities dated August 14, 2007 between the Registrant and JP Morgan Securities, Inc.*	S-1	11/5/07	10.44	
10.44	Credit Agreement dated as of June 7, 2006 among Registrant and certain of its subsidiaries, the Designated Borrowers named therein, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, the other lenders party thereto, Citibank, N.A., as Syndication Agent, JP Morgan Chase Bank, N.A., KeyBank National Association and U.S. Bank National Association, as Co-Documentation Agents, and Banc of America Securities LLC and Citigroup Global Markets, Inc., as Joint Lead Arrangers and Joint Book Managers	8-K	6/7/06	10.1	
10.45	Amendment Agreement dated September 17, 2007 by and among Registrant, the several financial institutions thereto and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender	8-K	9/21/07	99.1	
10.46	Subsidiary Guaranty dated June 7, 2006, made by the subsidiaries of Registrant named therein in favor of the Lenders party to the Credit Agreement, the L/C Issuer, the Swing Line Lender and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.2	
10.47	Company Guaranty dated June 7, 2006, made by Registrant, in favor of the Lenders party to the Credit Agreement and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.3	
10.48	Limited Liability Company Agreement by and among Fox US Mobile Holdings, Inc., News Corporation, VeriSign U.S. Holdings, Inc. and US Mobile Holdings, LLC, dated January 31, 2007*	10-Q	7/16/07	10.03	
10.49	Form of Change-in-Control and Retention Agreement for Executive Officers	8-K	8/30/07	99.2	
10.50	Form of Change-in-Control and Retention Agreement for Chief Executive Officer	8-K	8/30/07	99.3	
12.01	Statement Regarding Computation of Ratio of Earnings to Fixed Charges	S-1/A	3/3/08	12.01	
21.01	Subsidiaries of the Registrant	10-K	2/29/08	21.01	
23.01	Consent of Independent Registered Public Accounting Firm				X
23.02	Consent of Cleary Gottlieb Steen & Hamilton LLP (contained in Exhibit 5.01)	S-1/A	3/3/08	23.02	
24.01	Powers of Attorney	S-1	11/5/07	24.01	

Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
24.02	Power of Attorney of Timothy Tomlinson	S-1/A	3/3/08	24.02	
24.03	Power of Attorney of Kathleen A. Cote	S-1/A	3/3/08	24.03	
25.01	Statement of Eligibility of Trustee on Form T-1 with respect to the Indenture dated as of August 20, 2007	S-1	11/5/07	25.01	

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

(b) *Financial Statement Schedules*. Financial statement schedules are omitted because they are not applicable or the information is included in Registrant s consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining liability under the Securities Act to any purchaser:

(A) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b) as part of a registration statement relating to an offering shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness.

Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the

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registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

(6) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this post-effective amendment no. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on this 20th day of March, 2008.

VERISIGN, INC.

By: /s/ WILLIAM A. ROPER, JR.
William A. Roper, Jr.

President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this post-effective amendment no. 1 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WILLIAM A. ROPER, JR. William A. Roper, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	March 20, 2008
/s/ ALBERT E. CLEMENT Albert E. Clement	Chief Financial Officer (Principal Financial and Accounting Officer)	March 20, 2008
* D. James Bidzos	Chairman of the Board	March 20, 2008
* William L. Chenevich	Director	March 20, 2008
* Kathleen A. Cote	Director	March 20, 2008
* Scott G. Kriens	Director	March 20, 2008
* Roger H. Moore	Director	March 20, 2008
* John D. Roach	Director	March 20, 2008
* Louis A. Simpson	Director	March 20, 2008
*	Director	March 20, 2008

Timothy Tomlinson

*By: /s/ Albert E. Clement	Attorney-in-Fact	March 20, 2008

Albert E. Clement

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EXHIBIT INDEX

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2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein	8-K	12/10/03	2.1	
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares In Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals	10-K	3/16/05	2.04	
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto.	8-K	11/23/05	2.1	
3.01	Fourth Amended and Restated Certificate of Incorporation of the Registrant	S-1	11/5/07	3.01	
3.02	Third Amended and Restated Bylaws of the Registrant	8-K	2/25/08	3.01	
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4.02	Amendment to Rights Agreement dated as of February 11, 2003, between the Registrant and Mellon Investor Services LLC, as Rights Agent	8-K/A	3/19/03	4.02	
4.03	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association	8-K/A	9/6/07	4.1	
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10.02	Registrant s 1995 Stock Option Plan, as amended through 8/6/96	S-1	1/29/98	10.06	
10.03	Registrant s 1997 Stock Option Plan	S-1	1/29/98	10.07	

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Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.04	Registrant s 1998 Equity Incentive Plan, as amended through 2/8/05	10-K	3/16/05	10.04	
10.05	Form of 1998 Equity Incentive Plan Restricted Stock Purchase Agreement	10-Q	11/14/03	10.1	
10.06	Form of 1998 Equity Incentive Plan Restricted Stock Unit Agreement	10-K	3/16/05	10.06	
10.07	409A Options Election Form and related documentation	8-K	1/4/07	99.01	
10.08	Registrant s 1998 Directors Stock Option Plan, as amended through 5/22/03, and form of stock option agreement	S-8	6/23/03	4.02	
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10.10	Registrant s 2001 Stock Incentive Plan, as amended through 11/22/02	10-K	3/31/03	10.08	
10.11	Registrant s 2006 Equity Incentive Plan, as adopted 5/26/06	10-Q	7/12/07	10.02	
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10.19	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1	1/29/98	10.15	
10.20	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended	S-1	1/29/98	10.16	
10.21	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31	
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10.50	Form of Change-in-Control and Retention Agreement for Chief Executive Officer	8-K	8/30/07	99.3	

Exhibit Number	Description	Incorporated by Reference Form	Date	Number	Filed Herewith
12.01	Statement Regarding Computation of Ratio of Earnings to Fixed Charges	S-1/A	3/3/08	12.01	
21.01	Subsidiaries of the Registrant	10-K	2/29/08	21.01	
23.01	Consent of Independent Registered Public Accounting Firm				X
23.02	Consent of Cleary Gottlieb Steen & Hamilton LLP (contained in Exhibit 5.01)	S-1/A	3/3/08	23.02	
24.01	Powers of Attorney	S-1	11/5/07	24.01	
24.02	Power of Attorney of Timothy Tomlinson	S-1/A	3/3/08	24.02	
24.03	Power of Attorney of Kathleen A. Cote	S-1/A	3/3/08	24.03	
25.01	Statement of Eligibility of Trustee on Form T-1 with respect to the Indenture dated as of August 20, 2007	S-1	11/5/07	25.01	

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