

May 21, 2001

No DOC ruling on ICANN's jurisdiction. Justice and GAO begin investigations.

The Department of Commerce ("DOC") did not validate the ICANN staff representation that their VeriSign, Inc. (NASDAQ; \$62) agreement contained no policy decision. ICANN's staff used the representation to defend their failure to notify the Names Council and their actions in seeking Board approval despite the Names Council's rejection. ICANN's staff also failed to comply with the Names Council's instructions not to consider, much less seek approval, of the agreement. ICANN's staff is required to abide by Names Council decisions on domain names business. The DOC made no ruling concerning the legality of ICANN staff's behavior strictly limiting its involvement to its contractual obligations.

ICANN staff's behavior is the subject of a Senate investigation initiated shortly after the staff elected to ignore the Names Council. The Senate investigation led to the initiation of an investigation by the U. S. General Accounting Office. Separately, congressional leaders of the Energy and Commerce Committee and its Internet subcommittee have notified the DOC that they have reviewed the staff's behavior and found that they denied a full comment period and expressed their disbelief of the staff's "no policy" representation.

The market anticipated the DOC's rubber stamp. The rubber stamp does not impact the GAO or legislative investigations. Such is the risk of a business based exclusively on government control of competition. Our belief that VeriSign's stock is grossly overvalued is based on the opinion that it is trading at such a high multiple that even if VeriSign achieves its projections, which we believe to be unrealistic, its stock must decline. The anti-trust and investigations, and VeriSign's questionable accounting, only serve to increase the stock's risk.

Shorting stock exposes investors to the risk of losing money if the stock sold goes up, with no limitations, and to trading restrictions not associated with buying stock. Even if VeriSign misses its quarterly operating forecasts, and regulatory decisions go against the company's interest, there is no way of knowing how VeriSign's stock will behave, whether it will go up or how long it will stay up, before it drops. This report does not constitute an offer to sell or buy or short any security.