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VeriSign and its analysts have sown inevitable investor disappointment.

VeriSign, Inc.'s (NASDAQ: VRSN, \$59.40) sudden stock run-up has caused it to trade at 219 times its latest twelve-month net income and 145 times 2001 projected net income. This price level is unsustainable, even assuming VeriSign meets its analysts' large and highly questionable growth projections for this year and next. However, there is no certainty that VeriSign will meet even this quarter's relatively modest projections, much less each of this year's ensuing quarters' higher and higher projections, or next year's even higher expectations. All relevant facts indicate the exact opposite will occur. Revenue and income growth have slowed drastically, and are now only a small fraction of analysts' projections. In fact, management has already acknowledged that any growth in the second quarter could be "challenging."

In the last nine months, quarterly operating income grew from \$22 million to \$27.3 million, up only \$5.3 million. This modest growth occurred before VeriSign's drastic slowdown. Yet analysts are still projecting quarterly operating income to rise from the just announced first quarter's \$27.3 million to \$43.8 million in the fourth quarter, or \$16.5 million in the next nine months (triple the pre-slowdown growth). Analysts are handicapped by VeriSign's refusal to disclose release its specific performance of even its largest product lines.

Invertors may have been further misled by VeriSign's incomplete first-quarter results announcement. In that announcement, VeriSign compared March 2001's income to March 2000 income of \$2.2 million. In fact, the March 2000 comparable income was \$27 million, not \$2.2 million. The difference in these figures is due to Network Solutions results being included by VeriSign in its March 2001 results but not in its March 2000 results.

There are other material concerns related to VeriSign's 2001 first quarter earnings. During this quarter, VeriSign's accounts receivable increased by \$33.1 million. Yet revenues increased by just \$16 million. In other words, accounts receivable increased by \$17.1 million, or 5.2 times more than the \$3.2 million revenue increase. This increase in accounts receivable represents 62% of total income. In the quarter, VeriSign also generated an undisclosed amount from certain related party transactions. VeriSign invested \$125 million in these companies during the first quarter.

As a result of company and analyst actions, VeriSign's investors are unfortunately faced with questionable earnings, unrealistic forecasts and, worst of all, an extremely excessive stock price.

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