

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 12, 2008

VIRNETX HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

333-75137
(Commission File Number)

77-0390628
(IRS Employer Identification No.)

5615 Scotts Valley Drive, Suite 110
Scotts Valley, CA 95066
(Address of principal executive offices and Zip Code)

(831) 438-8200
(Registrant's telephone number, including area code)

9453 Alcosta Boulevard
San Ramon, CA 94583
(925) 828-0934
(Former name or former address since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a -12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d -2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e -4(c))
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TABLE OF CONTENTS

[Item 1.01 Entry into a Material Definitive Agreement](#)

[Item 9.01 Financial Statements and Exhibits.](#)

[SIGNATURES](#)

[EXHIBIT 10.1](#)

[EXHIBIT 10.2](#)

[EXHIBIT 10.3](#)

[Table of Contents](#)

This current report responds to the following items on Form 8-K:

Item 1.01 Entry into a Material Definitive Agreement.

Item 9.01 Financial Statements and Exhibits.

As used in this current report and unless otherwise indicated, the terms the “Company,” “we,” “us,” and “our” refer to VirnetX Holding Corporation, a Delaware corporation, formerly PASW, Inc.

[Table of Contents](#)

Item 1.01 Entry into a Material Definitive Agreement.

Amendment No. 2 to Patent License and Assignment Agreement

Virnetx Inc., the Company's wholly owned subsidiary entered into an Amendment No. 2 to Patent License and Assignment Agreement by and between the Company and Science Applications International Corporation, dated as of March 12, 2008 (the "Amendment"). This Amendment reflects a change from an exclusive to a non-exclusive license back to SAIC of certain patent rights outside the Company's field of use.

Agreements with ipCapital Group, Inc.

Virnetx Inc., the Company's wholly owned subsidiary entered into an Intellectual Property Brokerage Agreement with ipCapital Group, Inc., a Delaware corporation ("ipCapital"), dated as of March 13, 2008. Pursuant to this agreement, ipCapital has agreed to introduce the Company to five mutually agreed strategic licensees of the Company's technology, in exchange for 10% of the royalties of each resulting licensing arrangement up to an aggregate maximum of \$2,000,000 per licensee or \$10,000,000 in the aggregate.

The Company entered into an Engagement Letter for Strategic Intellectual Property Licensing and Training with ipCapital, dated as of March 12, 2008. Pursuant to this engagement letter, ipCapital will develop the Company's licensing strategy and train the Company to pitch their licenses effectively for a fee of \$75,000.

Item 9.01 Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment No. 2 to Patent License and Assignment Agreement by and between VirnetX, Inc. and Science Applications International Corporation, dated as of March 12, 2008.
10.2	Intellectual Property Brokerage Agreement by and between VirnetX, Inc. and ipCapital Group, Inc., dated as of March 13, 2008.
10.3	Engagement Letter for Strategic Intellectual Property Licensing and Training by and between the Company and ipCapital Group, Inc., dated as of March 12, 2008.

Table of Contents

Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment No. 2 to Patent License and Assignment Agreement by and between VirnetX, Inc. and Science Applications International Corporation, dated as of March 12, 2008.
10.2	Intellectual Property Brokerage Agreement by and between VirnetX, Inc. and ipCapital Group, Inc., dated as of March 13, 2008.
10.3	Engagement Letter for Strategic Intellectual Property Licensing and Training by and between the Company and ipCapital Group, Inc., dated as of March 12, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 18, 2008

VIRNETX HOLDING CORPORATION

By: /s/ Kendall Larsen

Name: Kendall Larsen

Title: Chief Executive Officer

**AMENDMENT NO. 2
TO
PATENT LICENSE AND ASSIGNMENT AGREEMENT**

This Amendment No. 2 to Patent License and Assignment Agreement (“Amendment No. 2”) is entered into as of March 12, 2008 (the “Second Amendment Effective Date”) by and between Science Applications International Corporation (“SAIC”), a Delaware corporation, and VirnetX Inc. (“VirnetX”), a Delaware corporation, herein individually referred to as a “Party” and collectively referred to as the “Parties.”

RECITALS

WHEREAS, the Parties entered into a Patent License and Assignment Agreement dated as of August 12, 2005 (“Original Agreement”);

WHEREAS, the Parties entered into an Amendment No. 1 to Patent License and Assignment Agreement dated as of November 2, 2006 (“Amendment No. 1”);

WHEREAS, by operation of Amendment No. 1, SAIC conveyed all right, title, and interest in the SAIC Patents Rights (defined in Section 1.36 and Recital No. 1 of the Original Agreement) to VirnetX;

WHEREAS, by operation of Amendment No. 1 and Section 4.2 of the Original Agreement, VirnetX conveyed back to SAIC an exclusive, royalty free, fully paid, perpetual, worldwide, irrevocable, sublicensable and transferable right and license under the SAIC Patent Rights outside the Field of Use (defined in Section 1.10 of the Original Agreement);

WHEREAS, subsequent to the Original Agreement and Amendment No. 1, VirnetX has sued Microsoft Corporation (“Microsoft”) alleging infringement of three patents included within the SAIC Patent Rights;

WHEREAS, Microsoft has indicated that it intends to argue that SAIC is an indispensable party to VirnetX’s lawsuit against Microsoft;

WHEREAS, the law governing indispensable parties in patent infringement actions has continued to develop and has been clarified since the Parties’ entered the Original Agreement and Amendment No. 1;

WHEREAS, the Parties believed as of November 2, 2006 that together the Original Agreement and Amendment No. 1 conveyed all substantial rights in the SAIC Patent Rights to VirnetX and continue to so believe;

WHEREAS, the Parties wish to avoid time consuming, expensive and unnecessary litigation regarding VirnetX’s standing to sue Microsoft for infringement of the three asserted patents;

WHEREAS, SAIC is willing for good and valuable consideration to relinquish its exclusive license to practice the SAIC Patent Rights outside the Field of Use;

WHEREAS, VirnetX is willing to convey to SAIC a non-exclusive, royalty free, fully paid, perpetual, worldwide, irrevocable, sublicensable and transferable license under the SAIC Patent Rights outside the Field of Use; and

WHEREAS, the Parties wish to enter this Amendment No. 2 in order to amend certain provisions of the Original Agreement and of Amendment No. 1 to facilitate VirnetX's enforcement of the SAIC Patent Rights against Microsoft.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises made herein and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties agree to amend the Original Agreement and Amendment No. 1 as follows:

1. **Definitions.** Unless otherwise defined herein, terms used in this Amendment No. 2 shall have the meanings given them in the Original Agreement and Amendment No. 1. Terms not defined by the Parties in the Original Agreement, Amendment No. 1 or in this Amendment No. 2, shall have their plain and ordinary meaning.

2. **SAIC Relinquishment Of Its Exclusive License To Practice The SAIC Patent Rights Outside The Field Of Use.** Effective upon the execution of Amendment No. 2 by the Parties, SAIC hereby relinquishes the exclusive grant back license provided to it by VirnetX pursuant to Section 4.2 of the Original Agreement and Section 2 of Amendment No. 1, as well as any right to obtain such exclusive license in the future. In addition, SAIC confirms that VirnetX has the sole and exclusive right to enforce the SAIC Patent Rights outside the Field of Use for past, present and future infringement, including, without limitation, the right to sue for injunction, damages and otherwise, and the right to collect damages and fees.

3. **VirnetX Grant Of A Non-Exclusive License To SAIC To Practice The SAIC Patent Rights Outside The Field Of Use.** Effective upon the execution of Amendment No. 2 by the Parties, in consideration of the additional exclusive rights obtained by VirnetX from SAIC to practice and license the SAIC Patent Rights outside the Field of Use, VirnetX hereby grants SAIC a nonexclusive, royalty free, fully paid, perpetual, worldwide, irrevocable, sublicensable and transferable right and license under the SAIC Patent Rights outside the Field of Use permitting SAIC and its assignees to make, have made, import, use, offer for sale, and sell products and services covered by, and to make improvements to, the SAIC Patent Rights outside the Field of Use.

4. **Further Consideration For SAIC's Transfer Of License Rights Outside The Field Of Use.** In further consideration of the additional rights obtained by VirnetX from SAIC to practice and license the SAIC Patent Rights outside the Field of Use, subject to Section 6 below, Section 7.1 of the Original Agreement is hereby amended and restated as follows:

VirnetX shall pay SAIC royalties in the amount of (i) fifteen percent (15%) of all non-license Revenues (as defined in the Original Agreement, but as used throughout this Amendment No. 2, such term shall expressly not include any M&A Entities Recovery, Other Entities Recovery or Acquisition Proceeds (each as defined in Amendment No. 1)) generated by VirnetX in practicing the SAIC Patent Rights in the Field of Use, (ii) fifteen percent (15%) of all license Revenues received by VirnetX pursuant to a license that VirnetX grants in the Field of Use, (iii) fifteen percent (15%) of all non-license Revenues generated by VirnetX in practicing the SAIC Patent Rights outside the Field of Use, and (iv) fifty percent (50%) of all license Revenues received by VirnetX pursuant to a license that VirnetX grants outside the Field of Use. For clarity, in the case of a license that grants rights both inside and outside the Field of Use, VirnetX shall make a good faith apportionment of the license Revenues between payments received for activities within the Field of Use and activities outside the Field of Use and pay the applicable royalty rate on such apportioned Revenues. In addition, in the case of bundled fees received by VirnetX allocable to both non-license Revenues generated by VirnetX in practicing the SAIC Patent Rights and license Revenues received by VirnetX pursuant to a license that VirnetX grants, VirnetX shall make a good faith apportionment of the non-license and license Revenues and pay the applicable royalty with respect to such apportioned Revenues. Notwithstanding the foregoing, VirnetX shall not be obligated to pay any additional amounts pursuant to clauses (i) or (ii) above once the aggregate payments by VirnetX to SAIC are equal to the Maximum Amount (as defined in the Original Agreement); provided that royalty payments due SAIC pursuant to clauses (iii) and (iv) above shall not be included for purposes of determining whether the Minimum Royalty of Section 7.2 of the Original Agreement or whether the Maximum Amount of Section 7.3 of the Original Agreement have been satisfied, and shall not be subject to any minimum or maximum payments, but shall be subject to the payment, reporting and audit requirements of Sections 7.4, 7.5 and 7.6 of the Original Agreement.

5. **Enforcement Of The SAIC Patent Rights.** Notwithstanding anything else in the Original Agreement or Amendment No. 1 to the contrary, from and after the Second Amendment Effective Date, VirnetX shall have the sole right to enforce the SAIC Patent Rights both inside and outside the Field of Use. VirnetX shall take commercially reasonable steps to enforce the SAIC Patent Rights and to protect SAIC's interest in receiving the bargained-for consideration. VirnetX shall have no obligation to practice the SAIC Patent Rights outside the Field of Use or to seek licensees of the SAIC Patent Rights outside the Field of Use, but VirnetX shall be obligated to use commercially reasonable efforts to prevent infringement of the SAIC Patent Rights outside the Field of Use.

6. **Allocation Of Certain Proceeds.** Notwithstanding anything else herein to the contrary, allocation between VirnetX and SAIC of any M&A Entities Recovery, any Other Entities Recovery and any Acquisition Proceeds shall be governed exclusively by Sections 4, 5, 6 and 7 of Amendment No. 1.

7. **Arbitration Of Disputes Regarding VirnetX's Payment Obligations.** Any disputes between VirnetX and SAIC regarding any claim, controversy or dispute arising under or related to this Amendment No. 2 shall be addressed and resolved in accordance with Section 13 of the Original Agreement. VirnetX and SAIC agree that Section 13 of the Original Agreement

may be used to seek specific performance of VirnetX's obligation to use commercially reasonable effort to prevent infringement of the SAIC Patent Rights outside the Field of Use.

8. **SAIC Review Rights.** Notwithstanding anything else in the Original Agreement or Amendment No. 1 to the contrary, VirnetX shall give SAIC reasonable notice in accordance with Section 16.1 of the Original Agreement of any proposed license or assignment of the SAIC Patent Rights (other than to a VirnetX subsidiary as provided in Section 14.3 of the Original Agreement) and any proposed settlement of an action to enforce the SAIC Patent Rights. SAIC may object to the proposed license, assignment or settlement solely on the ground that it unreasonably diminishes the bargained-for consideration agreed by the parties, and SAIC may so object within three business days of receiving notice in accordance with Section 16.1 of the Original Agreement. VirnetX may request SAIC's consent to any proposed license, assignment or settlement and such consent shall not be unreasonably withheld.

9. **Modification Of Sections 1.31 And 12 Of The Original Agreement.** VirnetX and SAIC agree to the following modifications of the Original Agreement.

- a. Subsection (iii) of Section 1.31 is deleted.
- b. Section 12.2.1 is deleted.
- c. Section 12.2.2 is deleted.
- d. Section 12.2.5 is deleted.
- e. Section 12.2.6 is deleted.
- f. Section 12.2.8 is deleted.
- g. Section 12.2.9 is deleted.

10. **SAIC Security Interest In The SAIC Patent Rights.** The Security Agreement dated August 12, 2005 between VirnetX and SAIC remains in effect and continues to apply with full force and effect to the SAIC Patent Rights.

11. **No Other Changes.** Except as expressly modified hereby, the Original Agreement and Amendment No. 1 remain in full force and effect.

12. **Miscellaneous Provisions.**

(a) **Entire Agreement.** This Amendment No. 2 constitutes the Parties' entire agreement and understanding with respect to modification of the Original Agreement and Amendment No. 1, supersedes and replaces any and all prior or contemporaneous proposals, agreements, understandings, commitments or representations of any kind, whether written or oral, relating to the Parties' modification of the Original Agreement and Amendment No. 1.

(b) Conflicting Provisions. This Amendment No. 2, Amendment No. 1 and the Original Agreement are intended to be read and construed in harmony with each other except as expressly provided. In the event that any provision of the Original Agreement or Amendment No. 1 conflicts with this Amendment No. 2, then this Amendment No. 2 shall be deemed to control, and such conflicting provision, to the extent it conflicts, shall be deemed removed and replaced with the governing provision herein.

(c) Multiple Copies Or Counterparts Of This Agreement. This Amendment No. 2 may be executed in one or more counterparts, each of which will be deemed an original, but all of which together constitute one and the same instrument and is binding upon the Parties. This Amendment No. 2 shall not be effective until the execution and delivery between the Parties of at least one complete set of the counterparts.

(d) Governing Law. This Amendment No. 2 shall be governed by and construed in accordance with the laws of the State of California in all respects without giving effect to the principles of conflicts of law thereof.

(e) Remaining Miscellaneous Provisions and Disputes. The Parties agree that the remaining Miscellaneous Provisions of the Original Agreement shall be applicable to this Amendment No. 2 and are hereby incorporated by reference herein as if restated in their entirety herein with references to the "Agreement" amended to mean this Amendment No. 2. The Parties further agree, to the extent necessary, Section 13 (Disputes) of the Original Agreement shall be applicable to this Amendment No. 2 and is hereby incorporated by reference herein as if restated in its entirety herein with references to the "Agreement" amended to mean this Amendment No. 2.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 as of the Second Amendment Effective Date.

VIRNETX INC.

By: /s/ Kendall Larsen
Name: Kendall Larsen
Title: President & CEO

SCIENCE APPLICATIONS
INTERNATIONAL CORPORATION

By: /s/ Pamela J. Bumann
Name: Pamela J. Bumann
Title: Technology Commercialization

IP BROKERAGE AGREEMENT

This IP Brokerage Agreement (the "Agreement"), effective as of March 13, 2008 ("Effective Date"), is made by and between ipCapital Group, Inc., a Delaware corporation having a mailing address of 400 Cornerstone Drive, Suite 325, Williston, VT 05495-4046 ("ipCG"), and VirnetX, Inc., a Delaware corporation having an office at 5615 Scotts Valley Drive, Suite 110, Scotts Valley, CA 95066 ("Client").

1. PRELIMINARY STATEMENT

ipCG provides intellectual property strategic planning, development, assessment, implementation, and management services to a variety of business clients. ipCG has developed extensive knowledge and experience in defining opportunities for its clients in building the value of their businesses using intellectual property. Client desires to engage ipCG to present Client with one or more Candidates that may be seeking intellectual property owned by Client, for the purpose of exploiting such intellectual property. ipCG is willing to enter into such an engagement.

In view of the foregoing, ipCG and Client desire to enter into the present Agreement, and in consideration of the mutual promises and covenants contained herein, the parties agree as set forth herein.

2. DEFINITIONS

2.1 "IP Rights" shall mean the legal rights in any copyrights, patents, trademarks, trade secrets, know-how, or other intellectual property.

2.2 "Candidate" shall mean any entity, natural person, or group of entities or natural persons presented to Client by ipCG during the term of this Agreement, that is seeking IP Rights from Client. For the purposes of determining when Success Fee(s) are payable under this Agreement, when a Candidate is other than a natural person, entities owned by, or holding direct or indirect ownership interest in, a Candidate which is a party to the IP Agreement, including parent, subsidiary, and sister entities (e.g., two divisions of a parent corporation) of such Candidate, shall not be considered a Candidate.

2.3 "IP Agreement" shall mean any contract or agreement (including settlements entered into in connection with any litigation, actual or threatened), and amendments to any such contract or agreement between Client (or a Client affiliate) and any Candidate, including, but not limited to, rights to make, have made, use, sell, offer for sale, import or license others to make, have made, use, sell, offer for sale, or import products or use processes in connection with any of the foregoing, that are covered by or use the IP Rights. The rights can include but are not limited to (1) exclusive or non-exclusive patent and/or technology licenses, (2) covenants not to sue, (3) settlement agreements, (4) partial or total assignments of intellectual property in the IP Rights and (5) corporate merger or acquisition where the primary purpose is the acquisition of IP Rights.

2.4 “Success Fee” shall have the meaning ascribed in Section 4.1.

2.5 “Target Technology” shall mean the technical subject matter identified in Attachment A.

2.6 “Additional Services” include, but are not limited to, patent mapping, invention development, strategic inventing, strategic planning, patent scoring, due diligence, market analysis, IP valuation, and litigation support.

3. BROKERAGE SERVICES

3.1 ipCG shall use commercially reasonable efforts to introduce Client to five Candidates mutually agreed upon by ipCG and Client in writing (the “Mutually Agreed Candidates”), which are interested in seeking IP Rights relating to the Target Technology from Client, whether by assignment, license or otherwise.

3.2 Once Client and a Mutually Agreed Candidate have agreed in principle to enter into an IP Agreement, and at Client’s request, ipCG shall use commercially reasonable efforts, to assist Client in negotiating the IP Agreement, including i) assisting Client in developing terms and conditions for the IP Agreement; ii) reviewing and providing feedback relative to drafts of the IP Agreement prepared by Client’s counsel; iii) assisting Client in negotiating deal terms; and iv) assisting Client in closing the IP Agreement. ipCG is not a law firm and shall have no obligation to provide legal services under this Agreement.

3.3 Client agrees that ipCG shall be Client’s exclusive broker for IP Rights relating to the Target Technology with respect to the Mutually Agreed Candidates during the term of this Agreement. Client shall notify ipCG of any inquiries made to Client by Mutually Agreed Candidates, or by Client to Mutually Agreed Candidates, in either case during the term of this Agreement concerning assigning, licensing or otherwise exploiting IP Rights relating to the Target Technology.

3.4 ipCG reserves the right to present any Candidate to parties other than Client.

3.5 Client, at ipCG’s discretion, may engage ipCG under this Agreement to perform one or more Additional Services. Client will provide mutually agreeable compensation to ipCG for such Additional Services, as negotiated by the parties. For clarity, Client and ipCG acknowledge that they are concurrently entering into a separate Engagement Letter for Strategic Intellectual Property Licensing and Training (the “Engagement Letter”), which are Additional Services that are critical to Client’s willingness to enter into this Agreement.

3.6 Client agrees by signing this agreement that it is recognized that ipCG may find that a simple introduction of the Target Technology to a Mutually Agreed Candidate may be enough to obtain results from the Mutually Agreed Candidate and / or the Client also recognizes that ipCG may have to spend significant time to track down a viable opportunity that obtains results, and that in either of these cases, the Success Fee shall be granted to ipCG independent of the effort ipCG makes.

4. ipCG SUCCESS FEE

4.1 If, at any time during the term of this Agreement or prior to the 3rd anniversary of the date of termination of this Agreement, Client enters into an IP Agreement relating to IP Rights with a Mutually Agreed Candidate, then except as otherwise provided in this Agreement, Client will pay ipCG the following success fee (the "Success Fee"):

4.1.1 10% of the royalties, fees and other consideration, including non-cash consideration, paid over the life of the IP Agreement, payable to ipCG within thirty (30) days of receipt of each payment, up to a maximum aggregate amount of \$2,000,000 per Mutually Agreed Candidate or \$10,000,000 in the aggregate to be paid as Success Fees to ipCG with respect to any and all IP Agreements or otherwise to ipCG by Client hereunder.

4.2 Client agrees that it shall take no action to delay closing of an IP Agreement beyond the three-year period primarily for the purpose of avoiding payment of a Success Fee, nor shall it avoid taking any action primarily for the purpose of delaying closing beyond the three-year period to avoid payment of a Success Fee.

4.3 ipCG acknowledges and agrees that Client may decide, in its sole discretion, whether or not to enter into an IP Agreement concerning any given IP Rights and there is a possibility that no Success Fee or other compensation will be earned by ipCG under this Agreement.

4.4 Client shall keep accurate records sufficient to permit determination of the payments due hereunder and shall make such records available for examination by a third-party auditor designated by ipCG and reasonably acceptable to Client, following reasonable advance notice and under conditions of confidentiality during regular business hours. Audits may be performed covering no more than the four most recently reported consecutive quarters preceding the audit and may be performed no more than once in any calendar year. ipCG's failure to inspect shall not constitute a waiver of ipCG's right to object to the accuracy of payments made under this Agreement. Before beginning any audit, ipCG agrees that the third-party auditors shall be required to sign a confidentiality agreement provided by Client that restricts the auditors from disclosing to any third party any and all records and other information provided by Client. Each party shall be responsible for its own costs and expenses that it incurs in the course of the audit and ipCG shall be responsible for the costs and expenses charged by the third-party auditors.

5. CLIENT DUTIES

5.1 Client will, upon request, promptly provide all information and documentation reasonably deemed necessary or desirable by ipCG in connection with performing its services under this Agreement. Client understands and agrees that ipCG intends to use the information and documentation furnished by Client without making an independent investigation into the accuracy of the information and documentation.

5.2 Client agrees to promptly notify ipCG of any matters affecting ipCG's ability to provide its services under this Agreement including, but not limited to, loss of any portion of the IP Rights and the existence of potentially interfering rights owned by others.

6. TERMINATION AND CONSEQUENCES OF TERMINATION

6.1 Either party shall have the right to terminate this Agreement for convenience at any time following the one-year anniversary of the Effective Date of the Agreement, with sixty (60) days written notice to the other party.

6.2 Either party shall have the right to terminate this Agreement if the other party breaches any material obligation hereunder or under the Engagement Letter by providing written notice of such breach to the other party and affording said other party a forty-five (45) day cure period. Such termination shall become automatically effective unless such other party shall have remedied the breach prior to the expiration of the forty-five (45) day cure period.

6.3 Upon any termination of this Agreement, the provisions of Sections 4, 7, 8 and 9 shall survive and continue in full force and effect, except to the extent they expire of their own accord, and except that Section 4 shall not survive in the event Client terminates this Agreement pursuant to Section 6.2.

7. CONFIDENTIALITY

7.1 Confidential Information shall include the terms and conditions of this Agreement, the terms and conditions of any and all agreements between a Candidate and Client, the fact that Client is considering entering into, may enter into, or has entered into any IP Agreement with a Candidate, any and all agreements between a Candidate and other third parties involving the IP Rights and any actions taken by Client to enforce the IP Rights or any licensing or other agreements resulting therefrom, any patent applications, any information pertaining to patent applications, and any information identified by either of the parties to this Agreement as "confidential," but shall specifically exclude the following information (except that the terms and conditions hereof shall always be kept confidential and shall not be subject to the following exceptions):

- (a) which as shown by written records, was in the non-disclosing party's possession prior to receipt from the disclosing party; or
- (b) which, is at the time of disclosure, or thereafter becomes a part of the public domain through no act or omission by the non-disclosing party; or
- (c) which is thereafter lawfully disclosed to the non-disclosing party by a third party which did not acquire the information under an obligation of confidentiality from or through the disclosing party; or
- (d) which is, subsequent to disclosure, independently developed by the non-disclosing party without reference to the Confidential Information of the disclosing party.

7.2 The party receiving Confidential Information (the "Recipient") may only use such Confidential Information in furtherance of the purposes of this Agreement and may only disclose such Confidential Information, on a need-to-know basis, to: (a) its employees; (b) employees of its parent and subsidiary companies or affiliates; (c) its legal counsel; and (d) anyone else with Discloser's prior written consent. Before disclosure to any such party, Recipient will have an

agreement in place requiring the party to treat Confidential Information in accordance with the use and disclosure restrictions contained in this Agreement. Recipient may disclose Confidential Information to the extent required by law; provided, however, that Recipient must give the disclosing party prior written notice and make a reasonable effort to obtain a protective order.

7.3 Recipient shall protect the disclosed Confidential Information by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized use, dissemination, or publication of the Confidential Information, as Recipient uses to protect its own confidential information of a like nature.

7.4 No license under any patent, copyright, trade secret, trademark or other intellectual property right, whether by implication, estoppel or otherwise, is granted by either party under this Agreement.

7.5 A disclosing party can require the return of its Confidential Information by sending a written notice to the Recipient. The Recipient will have thirty (30) days after receipt of the written notice to return the Confidential Information to the disclosing party.

8. WARRANTIES AND DISCLAIMER OF WARRANTIES

8.1 ipCG warrants that all services it provides under this Agreement will be provided in a professional manner and that it is skilled in providing such services.

8.2 Each party disclosing Confidential Information warrants that it has the right to make the disclosures under this Agreement.

8.3 Neither party warrants the completeness or accuracy of any Confidential Information which it may disclose under this Agreement.

8.4 THESE WARRANTIES ARE EXCLUSIVE AND OFFERED IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION OF LIABILITY

9.1 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, INDIRECT OR EXEMPLARY DAMAGES ARISING OUT OF THIS AGREEMENT, INCLUDING LOST PROFITS OR COSTS OF COVER, LOSS OF USE OR BUSINESS INTERRUPTION OR THE LIKE, REGARDLESS OF WHETHER THE PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

9.2 IPCG'S TOTAL, CUMULATIVE LIABILITY UNDER THIS AGREEMENT SHALL NOT EXCEED THE TOTAL OF ALL AMOUNTS PAID TO IPCG BY VIRNETX HEREUNDER OR UNDER ANY SEPARATE ENGAGEMENT LETTERS OR OTHERWISE FROM TIME TO TIME, INCLUDING ANY PAYMENTS OF SUCCESS FEES ONCE THEY HAVE ACTUALLY BEEN PAID TO IPCG.

9.3 THE LIMITATIONS OF SECTION 9.1 AND 9.2 WILL APPLY, REGARDLESS OF WHETHER A CLAIM OR ACTION SOUNDS IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION, INDEMNITY OR ANY OTHER LEGAL THEORY.

10. INDEMNIFICATION

10.1 ipCG hereby agrees that Client, its affiliated entities, and their respective officers, directors, investors, employees, and agents (together, the “Client Indemnitees”) shall be held harmless and be indemnified by ipCG for any liability, loss, damages or expenses (including reasonable attorney’s fees) suffered by the Client Indemnitees by virtue of any acts or omissions or alleged acts or omissions arising out of ipCG’s activities with, for, or on behalf of Candidate relating to IP Rights ipCG introduced to Client hereunder. Notwithstanding the above, ipCG shall have no duty to indemnify the Client for any liability, loss, damages or expenses (including attorney’s fees) to the extent such damages arise out of the Client’s intentional or willful misconduct, misrepresentation, fraud or its willful breach of this Agreement or the law.

10.2 Client hereby agrees that ipCG, its affiliated entities, and their respective officers, directors, investors, employees, and agents (together, the “ipCG Indemnitees”) shall be held harmless and be indemnified by Client for any liability, loss, damages or expenses (including reasonable attorney’s fees) suffered by the ipCG Indemnitees by virtue of any acts or omissions or alleged acts or omissions arising out of Client’s activities with Candidate relating to IP Rights ipCG introduced to Client hereunder and/or Client’s or Candidate’s enforcement or other commercialization of IP Rights whether through litigation or otherwise. Notwithstanding the above, the Client shall have no duty to indemnify ipCG for any liability, loss, damages or expenses (including attorney’s fees) to the extent such damages arise out of ipCG’s intentional or willful misconduct, misrepresentation, fraud or its willful breach of this Agreement or the law.

11. MISCELLANEOUS

11.1 This Agreement, the Engagement Letter, the NDA (as defined in the Engagement Letter) and the Common Interest Agreement (as defined in the Engagement Letter) set forth the entire understanding between ipCG and Client and supersede all previous understandings, agreements, communications, and representations, whether written or oral, concerning the subject matter to which such agreements relate.

11.2 ipCG and Client are independent contractors. Neither Client nor ipCG nor their respective employees, members, consultants, contractors or agents are agents, fiduciaries, employees or joint venturers of the other party, nor do they have any authority to bind the other party by contract or otherwise to any obligation.

11.3 Although ipCG retains and employs attorneys, neither ipCG nor its attorneys are rendering legal services to the Client as part of this Agreement. When a party is concerned about a legal matter or issue, or the legal effect of any document, including, without limitation, this Agreement or the IP Agreement, it will consult with its own attorneys for advice or opinions. Each party agrees to be liable for, and to pay, its own legal expenses.

11.4 If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, that provision shall be limited or eliminated to the minimum

extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

11.5 This Agreement shall be governed exclusively in accordance with the laws of the State of New York, without regard to the conflict-of-law principles thereof. All disputes under this Agreement shall be resolved by the courts of the State of New York, including the United States courts within New York, and the parties consent to the jurisdiction of such courts and agree to accept service of process by mail.

11.6 Notwithstanding anything to the contrary in this Agreement, enforcement of the IP Rights against infringers, and the granting to third parties of licenses or releases under the IP Rights, shall be within the sole discretion and control of the owner of the IP Rights.

11.7 The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

11.8 The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right not to use any or all other remedies. Such rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

11.9 None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of any party hereto. The Agreement is entered into among the parties for the exclusive benefit of the parties and their successors and assigns. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under the Agreement.

11.10 This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. One or more copies of this Agreement may be executed but it shall not be necessary, in making proof of the existence of this Agreement, to provide more than one original copy.

11.11 Any amendment to this Agreement shall be made in writing and signed by all parties.

11.12 ipCG and Client each represents that it has the full right and authority to enter into this Agreement.

11.13 ipCG acknowledges and agrees that Client may assign any of its rights under this Agreement or in the IP Rights to an entity affiliated with Client.

11.14 All notices and other communications provided for herein shall be in writing and delivered personally, or mailed by prepaid First Class US Mail, or delivered by a recognized national overnight courier service, to:

For ipCG:
President (currently, Robert McDonald)
400 Cornerstone Drive, Suite 325
Williston, VT 05495-4046
Telephone: 802-872-3200
Facsimile: 802-288-9468

For Client:
President (currently, Kendall Larsen)
5615 Scotts Valley Drive, Suite 110
Scotts Valley, CA 95066
Telephone: 831-438-8700
Facsimile: 831-438-3078

If delivered personally, the notice or other communication shall be deemed to have been made at the time of delivery. If mailed by prepaid First Class US Mail, the notice or other communication shall be deemed to have been made five (5) days after the date of mailing. If delivered by a recognized overnight courier service, the notice or other communication shall be deemed to have been made one (1) day after delivery to the courier service. A party may change the address to which notice is to be sent hereunder by written notice to the other party in accordance with the provisions of this Section 11.14.

11.15 The headings in this Agreement are provided for convenience only and shall not have any bearing on the interpretation or meaning of any term or condition of this Agreement.

11.16 The terms and conditions of this Agreement are between ipCG and Client only. There are no third party beneficiaries of any of the terms or conditions hereunder.

IN WITNESS WHEREOF, this Agreement has been executed by duly authorized representatives of the parties on the dates below.

Signed on behalf of:

Signed on behalf of:

ipCapital Group, Inc.

VirnetX, Inc.

By: /s/ Robert McDonald
Name: Robert McDonald
Title: President
Date: March 12, 2008

By: /s/ Kendall Larsen
Name: Kendall Larsen
Title: President
Date: March 13, 2008

Attachment A

Description of Target Technology: Secure real-time communications solutions, based on seamless authentication and automatic encryption via a domain name (DNS) look-up.

Candidates Previously Identified or Contacted:



March 12, 2008

Kendall Larsen
President & CEO
VirnetX Holding Corporation
5615 Scotts Valley Drive, Suite 110
Scotts Valley, CA 95066

Via Email: Kendall_Larsen@VirnetX.com

Re.: Engagement Letter for Strategic Intellectual Property Licensing and Training

Kendall:

Thank you very much for the opportunity to provide you and the VirnetX team with this Engagement Letter outlining the terms by which ipCapital Group (ipCG®) will support VirnetX's intellectual property (IP) licensing efforts.

Work steps include:

Step 1: Licensing Training

ipCG will develop and facilitate a one-day training course, or the equivalent duration of training over the course of the engagement, in the use of the ipLicensing and ipValue Model tools and provide reasonable post-training support by phone. In addition, ipCG will lead the VirnetX licensing team through the process of creating a customized licensing pitch for an identified target licensee.

Step 2: Develop a Licensing Map

ipCG will work with VirnetX to develop a Licensing Map (graphical representation of the market and technology space on which to map the relevant IP for the purposes of licensing). This Licensing Map will allow VirnetX to better communicate what its IP covers and compare it to the IP of a target licensee.

Step 3: Identify the Relevant Competitive IP and Map it onto the Licensing Map

ipCG will conduct an examination and analysis of the competitive patents and applications in VirnetX's IP Space. The competitive IP will be mapped onto the Licensing Map as a means to analyze the competitive environment. In addition, the relevant IP portfolio of a target licensee and the boundaries of what its IP covers and what VirnetX's IP covers can be communicated to a target licensee. This analysis will allow ipCG to identify target licensees, as well as structure and support an IP story for a target licensee about the licensing value of VirnetX's portfolio.

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Step 4: Invent-Around

ipCG will conduct and facilitate an Invent-Around session related to the core patents to be licensed. Prior to the session, ipCG will review VirnetX's relevant patents and any background reading on the technology that VirnetX provides. ipCG will conduct a facilitated session with VirnetX technologists. The session will begin with ipCG extracting inventions around the technology from the inventors' heads that are not contained in the current patents. The group will go through the patents' claims one-by-one and seek to identify what a competitor could do to weaken VirnetX's patent protection by inventing-around them, on-top-of them, underneath-them, and so on. Following the session, ipCG will review the inventions with VirnetX to identify which inventions, if any, patent counsel should file in a Provisional Patent application, or be protected using other appropriate means.

The Invent-Around session generates a number of recommendations and ideas/inventions. ipCG agrees to cooperate with VirnetX in making assignment of rights for the entire interests in such inventions, and in the filing of patent applications for VirnetX's exclusive ownership. For clarity, ipCG agrees and acknowledges that (1) the Invent-Around Session is subject to the Common Interest Agreement between ipCG and VirnetX, as well and (2) ipCG and its employees hereby assign to VirnetX all inventions generated in connection with this Agreement and engagement. This agreement conveys no rights to ipCG, with respect to any of VirnetX's patents, trade secrets, know-how, or other intellectual property.

Step 5: Determine the Potential Licensing Value Range of the IP portfolio to a Target Licensee

ipCG will develop a risk-adjusted financial model, ipValue Model, that will estimate a potential licensing value range of VirnetX's IP for the target licensee, based on inputs from VirnetX. The Licensing Pricing Model brings together the market and business drivers, as found in many financial models, with a unique IP perspective, in order to estimate the potential licensing value for a target licensee. This value assessment is critical to understanding the key drivers for the value of VirnetX's technology, determining a fair price for the IP license, and justifying the proposed price to the target licensee.

Note: The ipValue Model will not be a formal valuation opinion.

Step 6: Develop a Means to Communicate the Technical Depth, Breadth, Power, and Value of VirnetX's IP Portfolio to a Target Licensee

Demonstrate to licensees how the IP will address business, technical, legal, and marketing issues that are important to their companies. A clear approach will achieve consensus sooner and increase the value of the transaction to all participants. ipCG will develop a presentation (ipStorySM) that communicates the technical depth, breadth, power, and value of VirnetX's IP portfolio to a target licensee. The presentation will be suitable for clearly describing to the target licensee what VirnetX's IP covers and what its business value is to the target licensee. The presentation will be based on ipCG's



proven ipStory framework and links the IP for license to the technologies it protects, the products it enables, the market drivers/needs it addresses, and the business objectives it helps achieve. The ipStory will also outline the deal structure and build the value of the portfolio using findings from the ipValue Model.

The ipStory presentation can generally be adapted to different target licensees with minimal effort.

Step 7: Lead and/or Participate in Presentation of the ipStory and Negotiations with a Target Licensee

ipCG will provide direct support to Client by playing an active role in licensing negotiations with target licensees to assist in closing licensing deals. ipCG has had great success in assisting clients close licensing deals, both large and small, and we are pleased to provide references upon request.

Under the scope of this engagement, ipCG will perform the services described in the table below entitled “Professional Services and Fees” (hereinafter referred to as “Services”) in accordance with the following terms and conditions:

1. Professional Services and Fees

Professional Services	Fees
Step 1: Licensing Training	
Step 2: Develop Licensing Map	
Step 3: Identify and Map Relevant IP of the Target Licensee	
Step 4: Invent-Around	
Step 5: Determine Potential Licensing Value Range of the IP Portfolio for a Target Licensee	
Step 6: Develop a Means to Communicate the Licensing Value of the IP Portfolio to a Target Licensee	
Step 7: Lead and/or Participate in Presentation of the ipStory and Negotiations with a Target Licensee	
Total	\$75,000 + 10% Success Fee¹

Should VirnetX request additional meetings, reports, analyses, or services outside the scope of the Services, the scope of such services and fees will be mutually agreed upon in writing between ipCG and VirnetX.

2. Timing & Delivery. Work can begin upon acceptance of the terms in this engagement letter. ipCG and VirnetX shall mutually agree upon a project schedule.

¹ For clarity and to avoid duplication, the 10% Success Fee referred to herein is the “Success Fee” referenced in the IP Brokerage Agreement between VirnetX and ipCG entered into concurrently herewith.



3. Resources. John Cronin and Douglas Roth will facilitate the Services with VirnetX and provide guidance and support within the scope of the project. Additional company resources will be utilized as required. ipCG will work in a close, collaborative manner with VirnetX to execute the Services. Because of the highly interactive nature of this work, the availability of VirnetX's management and key technical personnel will be critical to the completion of the project. VirnetX agrees to provide ipCG with its full assistance and cooperation including, but not limited to, providing all information as may be necessary or reasonable for ipCG to discharge its duties under this engagement letter and making the appropriate VirnetX personnel available to enable ipCG to obtain such VirnetX information.

4. Compensation. The aggregate fee for Services is \$75,000 ("Contract Total"). In addition, VirnetX will pay ipCG a Success Fee, as defined in and governed by the terms of the March ____, 2008 IP Brokerage Agreement (the "IP Brokerage Agreement"). VirnetX agrees to pay ipCG 25% of the Contract Total upon execution of this engagement letter. This prepayment will be applied to the final invoice(s). VirnetX agrees to pay the balance of the Contract Total within ten (10) days from receipt of the invoice for Services, together with all reasonable out of pocket expenses estimated at 15% — 20% of fees; provided that ipCG shall obtain VirnetX's approval prior to incurring any expenses of more than \$1,000 individually or \$10,000 in the aggregate. VirnetX shall pay all charges and fees in U.S. Dollars.

5. Confidential Nature. ipCG and VirnetX agree that the terms and conditions of the Mutual Non-Disclosure Agreement executed or intended to be executed by ipCG and VirnetX simultaneously herewith ("NDA"), shall govern and control the manner in which Confidential Information is protected. The term Confidential Information shall have the meaning set forth in the NDA.

6. Independent Contactor. The parties are and shall be independent contractors to one another, and nothing herein shall be deemed to cause these services to create an agency, partnership, or joint venture between the parties. Further, nothing in this engagement letter shall be interpreted or construed as creating or establishing the relationship of employer and employee between VirnetX and either ipCG or any employee of ipCG.

7. Warranty. The services are warranted to conform substantially to the services described in Section 1 entitled "Professional Services and Fees." As the exclusive remedy for any breach of this warranty, ipCG shall reperform Services at no cost to VirnetX necessary to remedy or avoid any condition that results in the services not performing as warranted above. This warranty is conditioned upon receipt by ipCG of VirnetX's written notice of all claimed breaches within sixty (60) days of the date of delivery of the services. **VIRNETX ACKNOWLEDGES THAT NO EXPRESS WARRANTIES HAVE BEEN MADE BY IPCG EXCEPT FOR THE LIMITED WARRANTY MADE IN THIS PARAGRAPH. THIS LIMITED WARRANTY AND THE ASSOCIATED LIMITED REMEDY IS PROVIDED BY IPCG IN LIEU OF ALL OTHER WARRANTIES AND REMEDIES RELATED TO PERFORMANCE OF THE SERVICES. IPCG DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING**

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IMPLIED WARRANTIES OF TITLE, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

8. VIRNETX AGREES THAT IPCG'S AGGREGATE MONETARY LIABILITY FOR ALL CAUSES (REGARDLESS OF THE FORM OF ACTION) UNDER OR RELATING TO THIS AGREEMENT, WHETHER PRIOR OR SUBSEQUENT TO ITS EXECUTION OR TERMINATION, SHALL IN NO EVENT EXCEED THE TOTAL OF ALL AMOUNTS PAID TO IPCG BY VIRNETX HEREUNDER OR UNDER ANY SEPARATE IP BROKERAGE AGREEMENTS OR OTHERWISE FROM TIME TO TIME, INCLUDING ANY PAYMENTS OF SUCCESS FEES ONCE THEY HAVE ACTUALLY BEEN PAID TO IPCG. VIRNETX WILL INDEMNIFY AND HOLD HARMLESS IPCG AND ITS PERSONNEL FROM ANY CLAIMS, LIABILITIES, COSTS, AND EXPENSES THAT ARISE, FOR ANY REASON, RELATED TO THE DELIVERY OF THE SERVICES PURSUANT TO THIS AGREEMENT. NOTWITHSTANDING THE ABOVE, THE CLIENT SHALL HAVE NO DUTY TO INDEMNIFY IPCG OR ITS PERSONNEL FOR ANY LIABILITY, LOSS, DAMAGES OR EXPENSES (INCLUDING ATTORNEY'S FEES) TO THE EXTENT SUCH DAMAGES ARISE OUT OF IPCG'S OR ITS PERSONNEL'S INTENTIONAL OR WILLFUL MISCONDUCT, MISREPRESENTATION, FRAUD OR ITS WILLFUL BREACH OF THIS AGREEMENT OR THE LAW.

9. Taxes. All charges for the sale or delivery of services purchased or licensed pursuant to this engagement letter, unless otherwise noted, are exclusive of applicable taxes. Excluding taxes on ipCG's income, VirnetX agrees to pay any current or future applicable tax which ipCG may be required to pay or collect and which is imposed on the sale or delivery or services purchased or licensed in this engagement letter. Such taxes may include, but are not limited to, state and local privilege, excise, sales, services, withholding, and use. VirnetX's obligation to pay taxes includes any interest. To the extent ipCG has not collected and remitted any applicable tax for VirnetX in reliance upon an erroneous representation of VirnetX as to its tax status, VirnetX's obligation to pay taxes shall include any penalties imposed by any taxing authorities.

10. Entire Agreement. This engagement letter, the NDA and that certain Common Interest Agreement between ipCG and VirnetX dated 1-25-2008 (the "Common Interest Agreement"), and the IP Brokerage Agreement, reflect the entire agreement between ipCG and VirnetX related to the subject matter of such agreements. These Agreements replace and supersede any previous proposals, correspondence, and understandings, whether written or oral. The agreements of ipCG and VirnetX contained in this letter shall survive the completion of the Services or termination of this letter. In the event of any inconsistency between the NDA and this letter, the terms of the NDA will govern unless this letter specifically references a paragraph of the NDA and expressly states that such paragraph is intended to be amended by this engagement letter. Subject to the preceding sentence, any terms or conditions in this engagement letter which conflict with NDA shall have no force or effect.

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11. Governing Law; Jurisdiction & Venue. This Agreement shall be governed exclusively in accordance with the laws of the State of New York, without regard to the conflict-of-law principles thereof. All disputes under this Agreement shall be resolved by the courts of the State of New York, including the United States courts within New York, and the parties consent to the jurisdiction of such courts and agree to accept service of process by mail.

Please confirm your agreement with the foregoing by signing a copy of this letter and returning it to ipCG. We are pleased to have this opportunity to be of service to you.

ipCapital Group, Inc.

By: /s/ Robert McDonald

Name: Robert McDonald

Title: President

Date: March 12, 2008

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VirnetX agrees to, accepts, and acknowledges the foregoing terms and conditions pursuant to which ipCapital Group, Inc. will provide services to VirnetX.

By: _____
Name: _____
Title: _____
Date: _____

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