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

FORM 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2013

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: 001-33852

VirnetX Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	**77-0390628**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
308 Dorla Court, Suite 206 Zephyr Cove, Nevada	**89448**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 775-548-1785
Former name, former address and former fiscal year, if changed since last report:
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, par value $0.0001 per share	NYSE MKT LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the 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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 28, 2013, was $1,023,550,789 based upon the closing price of the common shares of the Registrant on June 28, 2013. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

51,236,141 shares of Registrant’s Common Stock were outstanding as of February 21, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

VirnetX Holding Corporation (the “Company,” “VirnetX,” “we,” “us” or “our”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend our Annual Report on Form 10-K for the year ended December 31, 2013, originally filed with the Securities and Exchange Commission (the “SEC”) on March 3, 2014 (the “Original Filing”), to include certain information required by Part II, Item 8 of Form 10-K. The third paragraph of the Report of the Independent Registered Public Accounting Firm inadvertently omitted our auditors’ opinion with respect to our balance sheet as of December 31, 2012. This amendment includes an audit opinion that covers all periods for which financial statements are presented in our Original Filing.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Part II, Item 8 of the Original Filing is hereby amended and restated in its entirety, with the only change being the addition of the opinion of our auditors with respect to our balance sheet as of December 31, 2012. This Amendment No. 1 does not amend or otherwise update any other information in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC subsequent to the Original Filing.

Item 8. ***Financial Statements and Supplementary Data.***

FINANCIAL STATEMENTS

Financial Statements Index

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
VirnetX Holding Corporation

We have audited the accompanying consolidated balance sheets of VirnetX Holding Corporation (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. VirnetX Holding Corporation's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VirnetX Holding Corporation, Inc. as of December 31, 2013 and 2012, and the consolidated results of their operations, and cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VirnetX Holding Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2014 expressed an unqualified opinion as to the effectiveness of the Company's control over financial reporting.

/s/ *Farber Hass Hurley LLP*

Chatsworth, California
March 3, 2014

VirnetX Holding Corporation

CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	As of December 31, 2013	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,173	$ 19,661
Investments available for sale	19,815	26,493
Prepaid taxes	—	14,963
Prepaid expenses and other current assets	357	114
Total current assets	39,345	61,231
Property and equipment, net	53	70
Intangible and other assets	—	12
Total assets	$ 39,398	$ 61,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,748	$ 3,197
Income tax liability	395	—
Deferred revenue	667	—
Derivative liability	2,564	4,172
Total current liabilities	5,374	7,369
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, par value $0.0001 per share		
Authorized: 10,000,000 shares at December 31, 2013 and 2012,		
Issued and outstanding: 0 shares at December 31, 2013 and 2012	—	—
Common stock, par value $0.0001 per share		
Authorized: 100,000,000 shares at December 31, 2013 and 2012, Issued and outstanding: 51,236,141 shares and 51,150,242 shares, at December 31, 2013 and 2012, respectively	5	5
Additional paid-in capital	124,589	116,856
Accumulated deficit	(90,533)	(62,925)
Accumulated other comprehensive income (loss)	(37)	8
Total stockholders' equity	34,024	53,944
Total liabilities and stockholders' equity	$ 39,398	$ 61,313

The accompanying notes are an integral part of these consolidated financial statements

VirnetX Holding Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenue	$ 2,197	$ 412	$ 20
Operating expenses:			
Research and development	1,782	1,555	1,464
General, selling and administrative	29,002	37,718	15,932
Total operating expenses	30,784	39,273	17,396
Loss from operations	(28,587)	(38,861)	(17,376)
Gain (loss) on change in value of embedded derivative and warrants	1,608	(927)	(5,595)
Interest income, net	122	329	228
Loss before taxes	(26,857)	(39,459)	(22,743)
Income tax (expense) benefit	(751)	12,535	5,480
Net loss	$ (27,608)	$ (26,924)	$ (17,263)
Basic and diluted loss per share:	$ (0.54)	$ (0.53)	$ (0.35)
Weighted average shares outstanding basic and diluted	51,188,006	50,934,266	50,028,413

VirnetX Holding Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Net loss	$ (27,608)	$ (26,924)	$ (17,263)
Other comprehensive income (loss), net of tax:			
Change in equity adjustment from foreign currency translation, net of tax	(12)	—	—
Change in unrealized gain (loss) on investments, net of tax	(33)	12	(3)
Total other comprehensive income (loss), net of tax	(45)	12	(3)
Comprehensive loss	$ (27,653)	$ (26,912)	$ (17,266)

The accompanying notes are an integral part of these consolidated financial statements

VirnetX Holding Corporation
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Expense)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance at December 31, 2010	**49,341,028**	**$ 5**	**$ 78,187**	**$ (17,755)**	**$ (984)**	**$ 59,453**
Stock issued for cash exercise of warrants at $3.93-3.59 per share, net	855,536		3,063			3,063
Stock-based compensation			4,368			4,368
Deferred tax benefit related to stock based compensation			2,331			2,331
Derivative liability			15,260			15,260
Cashless exercise of $4.80 underwriter warrants	24,178					--
Exercise of options	398,394		1,068			1,068
Comprehensive income:						
Reclassification adjustment for net loss included in net income				(983)	983	--
Net loss				(17,263)		(17,263)
Other comprehensive income net of tax					(3)	(3)
Comprehensive loss						(17,266)
Balance at December 31, 2011	**50,619,136**	**5**	**104,277**	**(36,001)**	**(4)**	**68,277**
Stock issued for cash exercise of warrants at $3.93-3.59 per share, net	44,941		161			161
Stock-based compensation			6,162			6,162
Deferred tax benefit related to stock based compensation			3,111			3,111
Derivative liability			1,454			1,454
Exercise of options	486,165		1,691			1,691
Comprehensive income:						
Net loss				(26,924)		(26,924)
Other comprehensive income net of tax					12	12
Comprehensive loss						(26,912)
Balance at December 31, 2012	**51,150,242**	**5**	**116,856**	**(62,925)**	**8**	**53,944**
Stock-based compensation			7,563			7,563
Exercise of options	39,833		170			170
Vested RSU's	46,066					
Comprehensive income:						
Net loss				(27,608)		(27,608)
Other comprehensive income net of tax					(45)	(45)
Comprehensive loss						(27,653)
Balance at December 31, 2013	51,236,141	$ 5	$ 124,589	$ (90,533)	$ (37)	$ 34,024

The accompanying notes are an integral part of these consolidated financial statements

VirnetX Holding Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash flows from operating activities:			
Net (loss)	$ (27,608)	$ (26,924)	$ (17,263)
Adjustments to reconcile net (loss) to net cash used in operating activities:			
Depreciation and amortization	36	71	68
Stock-based compensation	7,563	6,162	4,367
Net change in deferred taxes	—	3,158	5,663
Change in value of derivative liability	(1,608)	927	5,595
Changes in assets and liabilities:			
Prepaid expenses and other current assets	(243)	(23)	(3)
Prepaid taxes	14,963	(4,934)	(10,459)
Deferred revenue	667	—	—
Accounts payable and accrued liabilities	(1,449)	1,970	708
Income tax liability	395	—	(6,928)
Net cash used in operating activities	(7,284)	(19,593)	(18,252)
Cash flows from investing activities:			
Purchase of property and equipment	(7)	(37)	(51)
Purchase of investments	(92,729)	(59,342)	(34,082)
Proceeds from sale, maturity of investments	99,362	47,299	63,101
Net cash provided by (used in) investing activities	6,626	(12,080)	28,968
Cash flows from financing activities:			
Proceeds from exercise of options	170	1,691	1,068
Proceeds from exercise of warrants	—	161	3,063
Net cash provided by financing activities	170	1,852	4,131
Net increase (decrease) in cash and cash equivalents	(488)	(29,821)	14,847
Cash and cash equivalents, beginning of year	19,661	49,482	34,635
Cash and cash equivalents, end of year	$ 19,173	$ 19,661	$ 49,482
Supplemental disclosure of cash flow information:			
Cash paid during the year for taxes	$ —	$ —	$ 9,600
Cash paid during the year for interest	$ —	$ —	$ —

The accompanying notes are an integral part of these consolidated financial statements

Note 1 - Formation and Business of the Company

VirnetX Holding Corporation, which we refer to as" we", "us", "our", "the Company" or "VirnetX", is engaged in the business of commercializing a portfolio of patents. We seek to license our technology, including GABRIEL Connection Technology™, to various original equipment manufacturers, or OEMs, that use our technologies in the development and manufacturing of their own products within the IP-telephony, mobility, fixed-mobile convergence and unified communications markets. Prior to 2012 our revenue was limited to an insignificant amount of software royalties pursuant to the terms of a single license agreement. During 2013 and 2012 we had revenues from settlements of patent infringement disputes whereby we received consideration for past sales of licensees that utilized our technology, where there was no prior patent license agreement (see "Revenue Recognition").

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of VirnetX Holding Corporation and all wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to current year presentations.

Use of Estimates

We have made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as delineated by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). Generally, assets and liabilities that are subject to estimation and judgment include the fair value of stock-based compensation, the fair value of our warrant liability and deferred income taxes. While actual results could differ, we believe such estimates to be reasonable.

Revenue Recognition

We derive our revenue from patent licensing. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the specific terms of each agreement and the nature of the deliverables and obligations. Such agreements can be complex and may or may not include multiple elements. These agreements may include, without limitation, elements related to the settlement of past patent infringement liabilities, up-front and non-refundable license fees for the use of patents, patent licensing royalties on covered products sold by licensees, and the compensation structure and ownership of intellectual property rights associated with contractual technology development arrangements. Licensing agreements are accounted for under the FASB revenue recognition guidance, "Revenue Arrangements with Multiple Deliverables." This guidance requires consideration to be allocated to each element of an agreement that has stand-alone value using the relative fair value method. In other circumstances, such as those agreements involving consideration for past and expected future patent royalty obligations, after consideration of the particular facts and circumstances, the appropriate recording of revenue between periods may require the use of judgment. In all cases, revenue is only recognized after all of the following criteria are met: (1) written agreements have been executed; (2) delivery of technology or intellectual property rights has occurred or services have been rendered; (3) fees are fixed or determinable; and (4) collectability of fees is reasonably assured.

Patent License Agreements: Upon signing a patent license agreement, including licenses entered into settlement of litigation, we provide the licensee permission to use our patented technology in specific applications. We account for patent license agreements in accordance with the guidance for revenue recognition for arrangements with multiple deliverables, with amounts allocated to each element based on their fair values. We have elected to utilize the leased-based model for revenue recognition with revenue being recognized over the expected period of benefit to the licensee. Under our patent license agreements, we typically receive one or a combination of the following forms of payment as consideration for permitting our licensees to use our patented inventions in specific applications and products:

- *Consideration for Past Sales*: Consideration related to a licensee's product sales from prior periods may result from a negotiated agreement with a licensee that utilized our patented technology prior to signing a patent license agreement with us or from the resolution of a litigation, disagreement or arbitration with a licensee over the specific terms of an existing license agreement. We may also receive royalty for past sales in connection with the settlement of patent litigation where there was no prior patent license agreement. These amounts are negotiated, typically based upon application of a royalty rate to historical sales prior to the execution of the license agreement. In each of these cases, since delivery has occurred, we record the consideration as revenue when we have obtained a signed agreement, identified a fixed or determinable price, and determined that collectability is reasonably assured.

- *Current Royalty Payments*: We may also receive ongoing royalty payments covering a licensee's obligations to us related to its sales of covered products in the current contractual reporting period. Licensees that owe these current royalty payments are obligated to provide us with quarterly or semi-annual royalty reports that summarize their sales of covered products and their related royalty obligations to us. We expect to receive these royalty reports subsequent to the period in which our licensees' underlying sales occurred. As a result, it is impractical for us to recognize revenue in the period in which the underlying sales occur, and, in most cases, we will recognize revenue in the period in which the royalty report is received and other revenue recognition criteria are met due to the fact that without royalty reports from our licensees, our visibility into our licensees' sales is limited.

- *Non-Refundable Prepaid Fees and Minimum Fee Contracts*: For contracts which contain non-refundable prepayment or fixed minimum payments over the remaining term of the license, where we have no future obligations or performance requirements, revenue will generally be deferred and recognized over the license term, depending on how and when the revenue recognition process is complete. Revenue for contracts longer than one year may not be recognized in advance of collections as the fee may be considered to be not fixed and determinable.

- *Non-Royalty Elements*: Elements that are not related to royalty revenue in nature, such as settlement fees, expense reimbursement, and damages, if any, are recorded as gain from settlement which is reflected as a separate line item within the operating expenses section in the consolidated statements of operations.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with original maturities of three months or less at the date of purchase to be cash equivalents. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these investments.

Investments

Investments are classified as available-for-sale and are recorded at fair market value. Unrealized gain and losses are reported as other comprehensive income. Realized gains and losses are recorded in income in the period they are realized. We invest our excess cash primarily in highly liquid debt instruments including municipal and federal agency securities. By policy, we limit the amount of credit exposure to any one issuer.

Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the accelerated and straight line methods over the estimated useful lives of the assets, which range from five to seven years. Repair and maintenance costs are charged to expense as incurred.

Concentration of Credit Risk and Other Risks and Uncertainties

Our cash and cash equivalents are primarily maintained at two major financial institutions in the United States. Deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. A portion of those balances are insured by the Federal Deposit Insurance Corporation, or FDIC. During the year ended December 31, 2013 and 2012, we had, at times, funds that were uninsured. We do not believe that we are subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. We have not experienced any losses on our deposits of cash and cash equivalents.

Fair Value

The carrying amounts of our financial instruments, including cash equivalents, accounts payable, and accrued liabilities, approximate fair value because of their generally short maturities.

Intangible Assets

We record intangible assets at cost, less accumulated amortization. Amortization of intangible assets is provided over their estimated useful lives, which can range from 3 to 15 years, on either a straight-line basis or as revenue is generated by the assets.

Impairment of Long-Lived Assets

We identify and record impairment losses on long-lived assets used in operations when events and changes in circumstances indicate that the carrying amount of an asset might not be recoverable, but not less than annually. Recoverability is measured by comparison of the anticipated future net undiscounted cash flows to the related assets' carrying value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the projected discounted future net cash flows arising from the asset.

Research and Development

Research and development costs include expenses paid to outside development consultants and compensation related expenses for our engineering staff. Research and development costs are expensed as incurred.

Income Taxes

We account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities. We calculate current and deferred tax provisions based on estimates and assumptions that could differ from actual results reflected on the income tax returns filed during the following years. Adjustments based on filed returns are recorded when identified in the subsequent years. The effect on deferred taxes for a change in tax rates is recognized in income in the period that the tax rate change is enacted. In assessing if we will realize our deferred tax assets, we consider whether it is more likely than not that some portion of the deferred tax assets will not be realized.

A valuation allowance is provided for deferred income tax assets when, in our judgment, based upon currently available information and other factors, it is more likely than not that all or a portion of such deferred income tax assets will not be realized. The determination of the need for a valuation allowance is based on an on-going evaluation of current information including, among other things, historical operating results, estimates of future earnings in different taxing jurisdictions and the expected timing of the reversals of temporary differences. We believe the determination to record a valuation allowance to reduce a deferred income tax asset is a significant accounting estimate because it is based, among other things, on an estimate of future taxable income in the United States and certain other jurisdictions, which is susceptible to change and may or may not occur, and because the impact of adjusting a valuation allowance may be material. In determining when to release the valuation allowance established against our net deferred income tax assets, we consider all available evidence, both positive and negative. Consistent with our policy, and because of our history of operating losses, we do not currently recognize the benefit of all of our deferred tax assets, including tax loss carry forwards, that may be used to offset future taxable income. We continually assess our ability to generate sufficient taxable income during future periods in which our deferred tax assets may be realized. If and when we believe it is more likely than not that we will recover our deferred tax assets, we will reverse the valuation allowance as an income tax benefit in our statements of operations.

We account for our uncertain tax positions in accordance with U.S. GAAP. The purpose of this method is to clarify accounting for uncertain tax positions recognized. The U.S. GAAP method of accounting for uncertain tax positions utilizes a two-step approach to evaluate tax positions. Step one, recognition, requires evaluation of the tax position to determine if based solely on technical merits it is more likely than not to be sustained upon examination. Step two, measurement, is addressed only if a position is more likely than not to be sustained. In step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement with tax authorities. If a position does not meet the more likely than not threshold for recognition in step one, no benefit is recorded until the first subsequent period in which the more likely than not standard is met, the issue is resolved with the taxing authority, or the statute of limitations expires. Positions previously recognized are derecognized when we subsequently determine the position no longer is more likely than not to be sustained. Evaluation of tax positions, their technical merits, and measurements using cumulative probability are highly subjective management estimates. Actual results could differ materially from these estimates.

Derivative Instruments

Our Series I Warrants are accounted for as derivative instruments as a result of an anti-dilution provision which, in accordance with U.S. GAAP, prevents them from being considered indexed to our stock and qualified for an exception to derivative accounting.

We recognize derivative instruments as either assets or liabilities on the accompanying Consolidated Balance Sheets at fair value. We record changes in the fair value (i.e., gains or losses) of the derivatives in the accompanying Consolidated Statements of Operations.

Stock-Based Compensation

We account for stock-based compensation using the fair value recognition method in accordance with U.S. GAAP. We recognize these compensation costs net of the applicable forfeiture rate and recognize the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of 4 years. We estimate the forfeiture rate based on our historical experience if any. See Note 6 - Stock-Based Compensation for additional information concerning our share-based compensation awards.

In addition, as required we record stock and options granted to non-employees at fair value of the consideration received or the fair value of the equity instruments issued as they vest over the performance period.

Earnings per Share

Basic earnings per share are computed by dividing earnings available to common stockholders by the weighted average number of outstanding common shares during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. During 2013, 2012 and 2011 we incurred losses; therefore the effect of any common stock equivalent would be anti-dilutive during these periods.

New Accounting Pronouncements

In February 2013, the FASB issued final guidance on the presentation of reclassifications out of other comprehensive income. The guidance requires an entity to provide information about the amounts reclassified out of other comprehensive income by component. In addition, an entity is required to present, either on the face of the income statement or in a footnote, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, only if the amount reclassified is required by GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide detail about those amounts. This guidance was effective for interim and fiscal years beginning after December 15, 2012. The guidance did not impact our financial position or results of operations.

In July 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists." The guidance is a new accounting standard on the financial statement presentation of unrecognized tax benefits. The standard provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a net operating loss carry forward, a similar tax loss or a tax credit carry forward if such settlement is required or expected in the event the uncertain tax position is disallowed. The standard became effective for us on January 1, 2014 and had no material effect on our financial position or statement of operations.

Note 3 - Property and Equipment

Our major classes of property and equipment were as follows:

	December 31		
	2013	2012	2011
Office furniture	$ 70	$ 70	$ 57
Computer equipment	121	115	91
Total	191	185	148
Less accumulated depreciation	(138)	(115)	(92)
	$ 53	$ 70	$ 56

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $24, $23 and $20 respectively.

Note 4 - Commitments

We lease our offices under an operating lease with a third party expiring in October 2015. We recognize rent expense on a straight-line basis over the term of the lease. Rent expense was $56, $56 and $59 for the years ended December 31, 2013, 2012 and 2011, respectively.

We entered into a non-cancelable agreement for corporate promotional and marketing purposes for a period of ten years at a cost of $4,000. Initial payments of $250 have been prepaid and are included in prepaid expenses and other current assets on our Consolidated Balance Sheet. The remaining balance is due on March 1 of the year the facility will become available for use, which the lessor anticipates will be in 2014, at which time we will begin amortizing the agreement over the contract period. The lease terms include certain refunds and deductions in the event construction is delayed or not completed within specified time-frames.

The following table summarizes our contractual obligations, including interest expense, and commitments as of December 31, 2013:

	Total	2014	2015	Thereafter
Contractual obligations	$ 3,750	$ 3,750	$ —	—
Leases	102	56	46	—
Total	$ 3,852	$ 3,806	$ 46	—

Note 5 - Stock Plan

In 2005, VirnetX, Inc. adopted the 2005 Stock Plan (the "2005 Plan"), which was assumed by us upon the closing of the transaction between VirnetX Holding Corporation and VirnetX, Inc. on July 5, 2007. Our Board of Directors renamed the 2005 Plan the VirnetX Holding Corporation 2007 Stock Plan and our stockholders approved the 2007 Plan at our 2008 annual stockholders' meeting. The 2007 Plan provided for the issuance of up to 11,624,469 shares of our common stock. The 2007 Plan provided for the granting of stock options and restricted stock purchase rights (RSU) to our employees and consultants.

On May 22, 2013, our stockholders approved the VirnetX Holding Corporation 2013 Equity Incentive Plan (the "2013 Plan") at our 2013 annual stockholders' meeting. The 2013 Plan provides for the issuance of up to 2,500,000 shares of our common stock. To the extent that any award should expire, become un-exercisable or is otherwise forfeited, the shares subject to such award will again become available for issuance under the 2013 Plan. The 2013 Plan provides for the granting of stock options and restricted stock purchase rights (“RSU”) to our employees and consultants. Stock options granted under the 2013 Plan may be incentive stock options or nonqualified stock options. Incentive stock options ("ISO") may only be granted to our employees (including officers and directors). Nonqualified stock options ("NSO") and stock purchase rights may be granted to our employees and consultants.

The 2013 Plan will expire in 2023. Options may be granted under the 2013 Plan with an exercise price determined by our Board of Directors, or a duly appointed committee thereof, provided, however, that the exercise price of an option granted to any employee shall be not less than 100% of the fair market value at the date of grant in the case of ISO or 85% of the fair market value at the date of grant in the case of an NSO. The exercise price of an ISO or NSO granted to one of our Named Executive Officers shall not be less than 100% fair market value of the shares at the date of grant and the exercise price of an ISO granted to a 10% shareholder shall not be less than 110% of the fair market value of the shares on the date of grant. Stock options granted under the 2013 Plan typically vest over four years and have a 10 year term. All RSUs are considered to be granted at the fair value of our stock on the date of grant because they have no exercise price. RSUs typically vest over four years. At December 31, 2013 there were 2,227,882 shares available for grant under the 2013 Plan.

Note 6 - Stock-Based Compensation

The following tables summarize information about stock-options and RSU's outstanding at December 31, 2013:

	Options Outstanding				Options Vested and Exercisable		
Date of Option Issue	**Range of Exercise Prices**	**Number Outstanding**	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**
2006	$ 0.24	690,612	2.22	$ 0.24	690,612	2.22	$ 0.24
2007	$ 4.20	1,277,574	3.56	4.20	1,277,574	3.56	4.20
2007	$ 5.88-6.47	563,931	3.99	5.88	563,931	3.99	5.88
2008	$ 1.74-6.20	169,500	4.37	5.13	169,500	4.37	5.13
2009	$ 1.15- 1.58	933,211	5.26	1.16	933,211	5.26	1.16
2010	$ 5.48-6.03	279,896	6.17	5.49	268,440	6.17	5.49
2011	$ 19.85-23.62	425,000	7.37	23.62	290,416	7.37	23.62
2012	$ 23.84 – 35.25	362,500	8.39	27.00	164,166	8.35	27.16
2013	$ 23.72 – 35.05	274,625	9.37	25.37	52,561	9.36	25.70
		4,976,849	4.91	$ 7.86	4,410,411	4.45	$ 5.66

	RSU's Outstanding		
Grant Date	**Range of Grant Prices**	**Number Outstanding**	**Weighted Average Grant Price**
2012	$ 24.75 – 29.90	92,500	$ 24.75
2013	$ 23.72	156,415	23.72
		248,915	$ 24.10

The following tables summarize activity under the Plan for the indicated periods:

	Options			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	4,830,391	$ 3.14	—	—
Options granted	475,000	23.80	—	—
Options exercised	(398,393)	2.68	—	—
Options cancelled	—	—	—	—
Outstanding at December 31, 2011	4,906,998	5.12	—	—
Options granted	367,500	26.97	—	—
Options exercised	(486,165)	3.48	—	—
Options cancelled	(12,109)	17.34	—	—
Outstanding at December 31, 2012	4,776,224	6.94	—	—
Options granted	274,625	25.37	—	—
Options exercised	(39,833)	4.27	—	—
Options cancelled	(34,167)	20.57	—	—
Outstanding at December 31, 2013	4,976,849	$ 7.86	4.91	$ 63,649

	RSU's		
	Number of RSU's	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at December 31, 2011	—	—	—
RSU's granted	151,665	25.60	—
Outstanding at December 31, 2012	151,665	$ 25.60	$ —
RSU's granted	156,415	23.72	—
RSU's vested	(55,832)	27.06	—
RSU's cancelled	(3,333)	24.75	—
Outstanding at December 31, 2013	248,915	$ 24.10	$ —

Intrinsic value is calculated as the difference between, the per share market price of our common stock on the last trading day of 2013, which was $19.41, and the exercise price of the options. For options exercised, the intrinsic value is the difference between market price and the exercise price on the date of exercise. We received cash proceeds of $170, $1,691 and $1,068 from stock options exercised in 2013, 2012 and 2011 respectively. The total intrinsic value of options exercised was $676, $11,509 and $8,050 during the years ended December 31, 2013, 2012 and 2011, respectively. The aggregate intrinsic value of options exercisable at December 31, 2013 was $63,490. For RSU's vested, the intrinsic value is the difference between market price and the vested price on the date of vest. The total intrinsic value of the RSU's vested was zero during the year ended December 31, 2013.

Stock-based compensation expense is included in general and administrative expense for each period as follows:

Stock-Based Compensation by Type of Award	**Year Ended December 31, 2013**	**Year Ended December 31, 2012**	**Year Ended December 31, 2011**
Employee stock options	$ 6,488	$ 5,171	$ 4,367
RSU's	1,075	991	—
Total stock-based compensation expense	$ 7,563	$ 6,162	$ 4,367

As of December 31, 2013, there was $11,752 of unrecognized stock-based compensation expense expected to be recognized related to unvested employee stock options and 4,773 of unrecognized stock-based compensation expense to be recognized related to unvested RSU's. These costs are expected to be recognized over a weighted-average period of 2.39 and 2.70 years, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	Year Ended December 31, 2013	**Year Ended December 31, 2012**	**Year Ended December 31, 2011**
Expected stock price volatility	93%	111%	123%
Risk-free interest rate	2.04%	1.90%	3.05%
Expected life term (in years)	6.10 years	6.8 years	6.6 years
Expected dividends	0%	0%	0%

Based on the Black-Scholes option pricing model, the weighted average estimated fair value of employee stock options granted was $19.24, $23.17 and $21.43 per share during the years ended December 31, 2013, 2012 and 2011, respectively.

The expected life was determined using the simplified method outlined in ASC 718, taking the average of the vesting term and the contractual term of the option. Expected volatility of the stock options was based upon historical data and other relevant factors, such as the volatility of comparable publicly-traded companies at a similar stage of life cycle. We have not provided an estimate for forfeitures because we have had nominal forfeited options and believe that all outstanding options at December 31, 2013, will vest. In the future, we may change this estimate based on actual and expected future forfeiture rates.

Note 7 - Earnings Per Share

Basic earnings per share are based on the weighted average number of shares outstanding for a period. Diluted earnings per share are based upon the weighted average number of shares and potentially dilutive common shares outstanding. Potential common shares outstanding principally include stock options, under our stock plan and warrants. During 2013, 2012 and 2011 we incurred losses; therefore the effect of any common stock equivalent would be anti-dilutive during those periods.

The table below sets forth the basic loss per share calculations:

	Period Ended December 31,		
	2013	**2012**	**2011**
Net loss	$ (27,608)	$ (26,924)	$ (17,263)
Basic weighted average number of shares outstanding	51,188	50,934	50,028
Diluted weighted average number of shares outstanding	51,188	50,934	50,028
Basic and diluted loss per share	$ (0.54)	$ (0.53)	$ (0.35)

Note 8 - Common Stock

Each share of common stock has the right to one vote. The holders of common stock are entitled to receive dividends whenever funds are legally available and when declared by our Board of Directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. Our restated articles of incorporation authorize us to issue up to 100,000,000 shares of $.0001 par value common stock.

Note 9 - Warrants

Information about warrants outstanding during the twelve months ended December 31, 2013 follows:

Original Number of Warrants Issued	Exercise Price per Common Share	Exercisable at December 31, 2012	Became Exercisable	Exercised	Terminated / Cancelled / Expired	Exercisable at December 31, 2013	Expiration Date
2,619,036(1)	$ 3.59	159,967	—	—	—	159,967	March 2015
Total		159,967	—	—	—	159,967	

(1) Referred to as our Series I Warrants.

Note 10 - Employee Benefit Plan

We sponsor a defined contribution, 401k plan, covering substantially all our employees. Our matching contribution to the plan was approximately, $47 in 2013, $41 in 2012 and $36 in 2011.

Note 11 - Income Taxes

The benefit (provision) for income taxes is comprised of the following:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Current:			
Federal	$ (354)	$ 12,154	$ 8,036
State	(397)	428	767
Foreign	-	-	9
	(751)	12,582	8,812
Deferred:			
Federal	-	(40)	(3,331)
State	-	(7)	(1)
	-	(47)	(3,332)
Total benefit (provision) for income taxes	$ (751)	$ 12,535	$ 5,480

A reconciliation of the United States federal statutory income tax rate to our effective income tax rate is as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
United States federal statutory rate	35.00%	35.00%	35.00%
State taxes, net of federal benefit	(1.48)%	1.07%	2.19%
Valuation allowance	(37.11)%	(4.41)%	(4.39)%
Stock options	(0.17)%	0.14%	(1.92)%
Prior year true-up	(1.32)%	1.03%	-
Warrants	2.10%	(0.82)%	(8.60)%
Other	0.18%	(0.32)%	1.79%
Balance at the end of the year	(2.80)%	31.69%	24.07%

Deferred tax assets (liabilities) consist of the following:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Deferred tax assets:			
Reserves and accruals	$ 58	$ 50	$ 46
State tax	1	1	1
Research and development credits and other credits	907	-	-
Net operating loss carry forward	8,249	2,254	2,822
Stock based compensation	6,600	4,506	3,155
Other	154	177	211
Total deferred tax assets	15,969	6,988	6,235
Valuation allowance	(15,955)	(6,969)	(6,168)
Deferred tax assets after valuation allowance	14	19	67
Deferred tax liability:			
Depreciation and amortization	(14)	(19)	(20)
Total deferred tax liability	(14)	(19)	(20)
Net deferred tax assets	$ -	$ -	$ 47

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets at December 31, 2013 will not be fully realizable. Accordingly, management has maintained a full valuation allowance against its net deferred tax assets at December 31, 2013. The net change in the total valuation allowance for the 12 months ended December 31, 2013 was an increase of $8,986. At December 31, 2013, we had federal and state net operating loss carry-forwards of approximately $23,468 and $37,993, respectively, expiring beginning in 2027 and 2016, respectively. At December 31, 2013, we had federal research and development credit carry-forwards of approximately $907 expiring beginning in 2031.

Internal Revenue Code Section 382 places a limitation (the "Section 382 Limitation") on the amount of taxable income can be offset by net operating loss carry forwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. California has similar rules. Our capitalization described herein may have resulted in such a change. Generally, after a control change, a loss corporation cannot deduct net operating loss carry forwards generated in years prior to the deemed change of control under IRC Section 382 in excess of the Section 382 Limitation.

We are required to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As a result, we have provided contingent reserve under ASC 740-10 of $316, $128 and $128 at December 31, 2013, December 31, 2012 and December 31, 2011, respectively. Our tax returns are subject to review by various tax authorities. The returns are subject to review those from 2008 forward.

Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. We have accrued interest or penalties during the 12 month period ended December 31, 2013 in the amount of $79.

A reconciliation of beginning and ending amounts of unrecognized tax benefits follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Balance at the beginning of the year	$ 128	$ 128	$ 128
Additions based on tax positions related to the current year	-	-	-
Additions for tax positions of prior years	188	-	-
Settlements	-	-	-
Lapse of applicable statute of limitations	-	-	-
Balance at the end of the year	$ 316	$ 128	$ 128

Note 12 - Fair Value Measurement

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts for cash and cash equivalents, investments in certificates of deposit, accounts payable and accrued expenses approximate their fair values due to the short period of time until maturity.

Certificate of deposits: Fair value measured at face value plus accrued interest.

Mutual Funds: Valued at the quoted net asset value (NAV) of shares held.

Corporate, Municipal and U.S. Agency securities: Fair value measured at the closing price reported on the active market on which the individual securities are traded.

Series I Warrants: Fair value measured by using a Binomial valuation model. As of December 31, 2013, the assumptions used to measure fair value of the liability embedded in our outstanding Series I Warrants included a warrant exercise price of $3.59 per share, a common share price of $19.41, a discount rate of 1.75%, and a volatility of 91.55%. As of December 31, 2012, the assumptions used to measure fair value of the liability embedded in our outstanding Series I Warrants included a warrant exercise price of $3.59 per share, a common share price of $29.28, a discount rate of 0.72%, and a volatility of 94.15%.

The following table shows our cash and available-for-sale securities adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents of investments available for sale as of December 31, 2013 and 2012 respectively (in thousands):

	December 31, 2013					
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Investments Available for Sale
Cash	$ 11,699	$ -	$ -	$ 11,699	$ 11,699	$ -
Level 1:						
Mutual funds	73	-	-	73	73	-
Corporate securities	10,782	-	-	10,782	2,325	8,457
Municipal securities	2,173	-	-	2,173	665	1,508
U.S agency securities	14,287	-	(25)	14,262	4,411	9,851
	27,315	-	(25)	27,289	7,474	19,815
Total	$ 39,014	$ -	$ (25)	$ 38,988	$ 19,173	$ 19,815

	December 31, 2012					
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Investments Available for Sale
Cash	$ 19,661	$ -	$ -	$ 19,661	$ 19,661	$ -
Level 1:						
Certificates of deposit	17,836	-	-	17,836	-	17,836
Corporate securities	8,649	8	-	8,657	-	8,657
	26,485	8	-	26,493	-	26,493
Total	$ 46,146	$ 8	$ -	$ 46,154	$ 19,661	$ 26,493

The maturities of the Company's marketable securities generally range from within one to two years. Actual maturities could differ from contractual maturities due to call or prepayment provisions.

The following table sets forth, by level within the fair value hierarchy, our financial instrument liabilities as of December 31, 2013 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Series l Warrants	$ —	$ —	$ 2,564	$ 2,564
Total	$ —	$ —	$ 2,564	$ 2,564

The following table sets forth, by level within the fair value hierarchy, our financial instrument liabilities as of December 31, 2012 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Series l Warrants	$ —	$ —	$ 4,172	$ 4,172
Total	$ —	$ —	$ 4,172	$ 4,172

The following table sets forth a summary of changes in the fair value of our Level 3 financial instrument liability for the year ended December 31, 2013, 2012 and 2011 (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Beginning Balance	$ 4,172	$ 4,699	$ 14,364
(Gain) losses included in losses	(1,608)	927	5,595
Settlements	—	(1,454)	(15,260)
Ending Balance	$ 2,564	$ 4,172	$ 4,699

Note 13 - Patent Portfolio

As of December 31, 2013, we have over 80 U.S. and international patents with over 100 pending applications. Our issued U.S. and foreign patents expire at various times during the period from 2019 to 2024. Some of our issued patents and pending patent applications were acquired by our principal operating subsidiary, VirnetX, Inc., from Leidos, Inc. in 2006 and we are required to make payments to Leidos, Inc. based on cash or certain other values generated from those patents. The amount of such payments depends upon the type of value generated, and certain categories are subject to maximums and other limitations. As of June 30, 2010, we met our maximum royalty payment requirement; however, Leidos, Inc. is also entitled under certain circumstances to receive a portion of the proceeds paid to us for certain acquisitions of VirnetX or from the settlement of certain patent infringement claims of ours.

Note 14 - Litigation

We have four intellectual property infringement lawsuits pending against multiple parties in the United States District Court for the Eastern District of Texas, Tyler Division, pursuant to which we allege that these parties infringe on certain of our patents. We seek damages and injunctive relief in all the complaints.

VirnetX Inc. et al., v. Microsoft Corporation
On April 22, 2013, we initiated a lawsuit by filing a complaint against Microsoft Corporation in the United States District Court for the Eastern District of Texas, Tyler Division, pursuant to which we allege that Microsoft has infringed U.S. Patent Nos. 6,502,135, 7,188,180, 7,418,504, 7,490,151, 7,921,211, and 7,987,274. We seek damages and injunctive relief. The Markman hearing in this case is scheduled for September 4, 2014 and the jury trial is scheduled for July 13, 2015.

VirnetX Inc. v. Cisco Systems, Inc. et al and VirnetX Inc. v. Apple Inc. (Severed Case)
On August 11, 2010, we initiated a lawsuit by filing a complaint against Aastra, Apple, Cisco, and NEC in the United States District Court for the Eastern District of Texas, Tyler Division, pursuant to which we allege that these parties infringe on certain of our patents. We seek damages and injunctive relief. On February 4, 2011, we amended our original complaint, filed on August 11, 2010, against Aastra, Apple, Cisco and NEC in the United States District Court for the Eastern District of Texas, Tyler Division, to assert U.S. Patent No. 7,418,504 against Apple and Aastra. On April 5, 2011, we again amended our complaint against Aastra, Apple, Cisco and NEC in the United States District Court for the Eastern District of Texas, Tyler Division, to include Apple's iPad 2 in the list of Apple products that are accused of infringing our patents. We also asserted our newly-issued patent, U.S. Patent No. 7,921,211 against all of the defendants in that lawsuit. A claim construction hearing was held on January 5, 2012 and the court issued a Markman ruling on April 25, 2012. Aastra and NEC have signed license agreements with us and we have agreed to drop all the accusations of infringement against them. At the pre-trial hearing, the judge decided to postpone the trial against Cisco to March 4, 2013 and just try the case against Apple. On November 6, 2012, a Jury in the United States Court for the Eastern District of Texas, Tyler Division, awarded us over $368 million in a verdict against Apple Corporation for infringing four of our patents. A post-trial hearing in the case against Apple was held on December 20, 2012. On February 26, 2013, the United States District Court for the Eastern District of Texas, Tyler Division issued its Memorandum Opinion and Order regarding post-trial motions resulting from the prior jury verdict. The Court denied Apple's motion to reduce the damages awarded by the jury for past infringement. The Court further denied Apple's request for a new trial on the liability and damages portions of the verdict. Additionally, the Court granted our motions for pre-judgment interest, post-judgment interest, and post-verdict damages to date. Specifically, the Court ordered that Apple pay $34 in daily interest up to final judgment and $330 in daily damages for infringement up to final judgment for certain Apple devices included in the verdict. The Court denied our request for a permanent injunction. In doing so, the Court ordered the parties to mediate over a license in the following 45 days for Apple's future infringing use not covered by the Court's Order, and ordered us to file an appropriate motion with the court if the parties fail to agree to a license. On March 28, 2013, Apple filed a motion to alter or amend the judgment entered by the Court. The mediation was held on April 9, 2013 and the parties did not come to an agreement on an ongoing royalty rate for infringing Apple products. We filed our opposition to this motion on April 10, 2013. As ordered by the Court, we filed a sealed motion with the Court on April 16, 2013, requesting the Court's assistance in deciding an appropriate royalty rate for all infringing products shipped by Apple that are "not more than colorably different" with regards to the accused functionality. However, the judgment may be appealed and no assurances can be given as to when or if we will receive any proceeds in connection with these matters, and accordingly there has been no recognition of the jury awards or royalties in our accompanying financial statements. Under our agreements with Leidos, Inc. we would pay to Leidos, Inc. 25% of the proceeds obtained by us in this lawsuit against Apple after reduction for attorneys' fees and costs incurred in litigating those claims. We are awaiting the Court's decision in this matter. On July 1, 2013, the Court entered an Order setting a hearing on our motion for an ongoing royalty for August 15, 2013. On July 3, 2013, Apple filed an appeal of the judgment dated February 27, 2013 and order dated June 4, 2013 denying Apple's motion to alter or amend the judgment to the United States Court of Appeals for the Federal Circuit. On October 16, 2013 Apple filed its opening appeal brief to the United States Court of Appeals for the Federal Circuit. Our response to the opening brief was filed on December 02, 2013, and on December 19, 2013, Apple filed its final response to complete the briefing of the court. The case is scheduled for hearing on March 03, 2014 at 10:00 a.m. at the United States Court of Appeals for the Federal Circuit (Howard T. Markey National Courts Building, 717 Madison Place, N.W. Washington, DC 20439), Courtroom 402.

The jury trial against Cisco was held on March 4, 2013. At the end of the trial, the jury came back with a verdict of non-infringement in the trial. The same jury determined that all our patents-in-suit patents are not invalid. On April 3, 2013, we filed a request for a new trial regarding Cisco's infringement of four of our patents based primarily on our allegations of Cisco's inappropriate conduct and arguments during the jury trial that concluded on March 14, 2013. In addition to the request for a new trial, we filed a motion for a judgment as a matter of law on Cisco's infringement of the '759 patent. On April 11, 2013, in response to our motion, Cisco filed its renewed motion to dismiss as moot its invalidity counterclaims against the claims in our patents that were not asserted in the lawsuit as well as a conditional motion for a new trial on certain limited claims and defenses. We are awaiting the Court's decision in this matter. A hearing on our motion for new trial and Cisco's renewed motion to dismiss as moot its invalidity counterclaims and conditional motion for a new trial was held on June 17, 2013. We are awaiting the Court's ruling on these motions.

VirnetX Inc. v. Apple, Inc.

On November 1, 2011, we initiated a lawsuit against Apple in the United States District Court, Tyler Division, pursuant to which we allege that Apple infringes one or more claims of our U.S. Patent No. 8,051,181. We seek damages and injunctive relief. On June 17, 2013 the Court granted our unopposed motion to lift the stay ordered by the Court on December 15, 2011. On June 18, 2013 the Court granted the parties unopposed motion to consolidate this case with Civil Action No. 6:12-cv-00855-LED.

VirnetX Inc. v. Apple, Inc.

On November 6, 2012, we filed a new complaint against Apple Inc., in the United States District Court for the Eastern District of Texas, Tyler Division for willfully infringing four of our patents, U.S. Patent Nos. 6,502,135, 7,418,504, 7,921,211 and 7,490,151, and seeking both damages and injunctive relief. The accused products include the iPhone 5, iPod Touch 5th Generation, iPad 4th Generation, iPad mini, and the latest Macintosh computers. Due to their release dates, these products were not included in the previous lawsuit that concluded with a Jury verdict on November 6, 2012 that was subsequently upheld by the United States District Court for the Eastern District of Texas, Tyler Division, on February 26, 2013. On July 1, 2013, we filed a consolidated and amended complaint to include U.S. Patent No. 8,051,181 and consolidate Civil Action No. 6:11-cv-00563-LED. On August 27, 2013, we filed an amended complaint including allegations of willful infringement related to U.S. Patent No. 8,504,697 seeking both damages and injunctive relief. The Markman hearing in this case is scheduled for May 8, 2014 and the jury trial is scheduled for October 13, 2015.

One or more potential intellectual property infringement claims may also be available to us against certain other companies who have the resources to defend against any such claims. Although we believe these potential claims are worth pursuing, commencing a lawsuit can be expensive and time-consuming, and there is no assurance that we will prevail on such potential claims. In addition, bringing a lawsuit may lead to potential counterclaims which may preclude our ability to commercialize our initial products, which are currently in development. Currently, we are not a party to any other pending legal proceedings, and are not aware of any proceeding threatened or contemplated against us by any governmental authority or other party.

Note 15 - Quarterly Financial Information (unaudited)

	First	Second	Third	Fourth
	(in thousands except per share)			
2013				
Revenue	$ 293	$ 6	$ 1,612	$ 286
Loss from operations	(9,529)	(6,578)	(5,133)	(7,347)
Net loss	(7,891)	(7,029)	(5,134)	(7,554)
Basic and diluted loss per common share	$ (0.15)	$ (0.14)	$ (0.10)	$ (0.15)

	First	Second	Third	Fourth
	(in thousands except per share)			
2012				
Revenue	$ -	$ 36	$ 368	$ 8
Loss from operations	(7,223)	(11,734)	(9,371)	(10,533)
Net loss	(4,707)	(10,264)	(4,719)	(7,234)
Basic and diluted loss per common share	$ (0.09)	$ (0.20)	$ (0.09)	$ (0.14)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of VirnetX Holding Corporation

We have audited the internal control over financial reporting of VirnetX Holding Corporation (the “Company”) as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013, of the Company and our report dated March 3, 2014, expressed an unqualified opinion on those financial statements.

/s/ Farber Hass Hurley LLP

Chatsworth, California
March 3, 2014

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

VirnetX Holding Corporation

By: /s/ Kendall Larsen
Name: Kendall Larsen
Title: Chief Executive Officer and President

Dated: July 29, 2014

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-149884, 333-153645 and 333-162145) and Form S- 8 (No. 333-149883) of our reports dated March 3, 2014, relating to the consolidated financial statements of VirnetX Holding Corporation (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2013.

/s/ Farber Hass Hurley LLP
Chatsworth, CA
July 29, 2014

EXHIBIT 31.1

CERTIFICATIONS

I, Kendall Larsen, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of VirnetX Holding Corporation for the fiscal year ended December 31, 2013 (the "Amendment");

2. Based on my knowledge, the Amendment does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

/s/ Kendall Larsen
Kendall Larsen
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 29, 2014

EXHIBIT 31.2

CERTIFICATIONS

I, Richard H. Nance, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of VirnetX Holding Corporation for the fiscal year ended December 31, 2013 (the "Amendment");

2. Based on my knowledge, the Amendment does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

/s/ Richard H. Nance
Richard H. Nance
Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: July 29, 2014

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Amendment No. 1 to the Annual Report of VirnetX Holding Corporation (the "Company") on Form 10-K for the fiscal year ended December 31, 2013 (the "Amendment"), I, Kendall Larsen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Amendment fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Kendall Larsen
Kendall Larsen
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 29, 2014

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Amendment No. 1 to the Annual Report of VirnetX Holding Corporation (the "Company") on Form 10-K for the fiscal year ended December 31, 2013 (the "Amendment"), I, Richard Nance, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Amendment fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Richard H. Nance
Richard H. Nance
Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: July 29, 2014