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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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## COMPANY INTERVIEW

### KENDALL LARSEN

#### VirnetX Holding Corporation

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# VirnetX Holding Corporation (VHC)



**KENDALL LARSEN** is Chairman, President and CEO of VirnetX Holding Corporation. Prior to joining VirnetX, he was a security domain expert at Osprey Ventures, part of the investment team focusing on early stage companies in the business and consumer technology marketplace. Before Osprey, he was Senior Vice President and General Manager of Phoenix Technologies' security division. Mr. Larsen was

also Senior Vice President of OEM and Developer Sales at RSA, where he successfully ran the worldwide sales strategies, program and staff of the company's security tools business. While there, he played a key role in growing RSA Security's BSAFE security tools business. Mr. Larsen has more than 18 years of high-tech experience, with an emphasis on strategic market development and execution. He held other senior sales and management positions at corporations such as Ramp Networks, General Magic, Novell Inc., IBM/Rolm and Xerox Corporation. Mr. Larsen holds a Bachelor of Science degree from the University of Utah.

## SECTOR – SECURITY SOFTWARE & SERVICES

**(AJK621) TWST: Please begin with a brief historical sketch of the company and a picture of the things you are doing at the present time.**

**Mr. Larsen:** First of all, VirnetX stands for virtual network exchange. We are first and foremost a security company that enables the next generation of virtual networks. The company was founded and incorporated in 2005. Privately held since late 2007, the company has been publicly listed on the American Stock Exchange under the call letters VHC. VirnetX Holding Corporation is based in Scotts Valley in Northern California.

**TWST: You recently formed an alliance with ipCapital Group.**

**Mr. Larsen:** This is nothing less than a blockbuster announcement for VirnetX. ipCapital is a premier intellectual property consulting firm. This partnership is ideal, based on our significant intellectual property patent position. This alliance was made with the understanding that ipCapital, under the direction of CEO John Cronin, would architect, template, strategize and implement VirnetX's licensing practice. As a result, we are currently moving forward with our licensing strategy with the help of John Cronin and the ipCapital Group.

**TWST: Would you describe your principle products?**

**Mr. Larsen:** VirnetX is a security company involved in the design and development of

foundational security technology. Our core technology consists of a set of techniques and methods that enable us to license and then implement the methods into our own products. These methods enable seamless, fully authenticated and encrypted real-time communications channels. Everything that VirnetX has in its deep technology portfolio is designed to facilitate and enable security, and we will enable this with our partners through a licensing strategy and bringing our own products to market in 2009.

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**TWST: What is the competitive landscape like and what are your competitive advantages?**

**Mr. Larsen:** The competitive landscape consists primarily of enterprises inventing and implementing security solutions within their own products. VirnetX is a company that looks to deploy its techniques across the entire Internet from a vendor-neutral and a protocol-independent perspective. We connect, enable and facilitate intercommunications between systems that have been designed for vendor-specific solutions.

**TWST: Would you discuss your patent portfolio?**

**Mr. Larsen:** We have 18 US and international patents granted and 29 applications pending for secure real-time communications and collaboration technologies. VirnetX believes that more users will move from a physi-

cally defined network to a virtually defined network. Much like individuals today are members of a physical network, in order to operate virtually and seamlessly they need to move into a more widely deployed virtual network. This widely deployed virtual network is cryptographically designed or authenticated versus physically defined and authenticated.

**TWST: Would you sketch out your strategic agenda for the next two to three years?**

**Mr. Larsen:** In 2008 we are focusing on licensing our unique technology. Much like how Qualcomm designed licensing for CDMA, we are designing our licensing strategy to enable the widespread adoption of VirnetX’s technology with vendor companies and certainly within the company’s own service offerings. First and foremost, we will be a technology and licensing company and then, secondly, VirnetX will aim to offer products and services that utilize its patents and methods in 2009.

**TWST: What about possible challenges or problems?**

**Mr. Larsen:** VirnetX’s first five customers and strategic alliances are the company’s most important step in the marketplace. Facilitating those relationships with the help of ipCapital pose the most immediate challenges and opportunities.

**TWST: What is the picture that you would hope to see for the company in about three years?**

**Mr. Larsen:** In three years, we would like to be positioned (from an alliance and major player’s perspective) as a leading company for next-generation and unified communications. We believe that in order to do that, it’s important to partner with the right organizations to effectively implement our licensing practice and fa-

cilitate the delivery of next-generation networks to the marketplace.

**TWST: What might be some year-by-year milestones or indicators that investors could look for?**

**Mr. Larsen:** Currently, we are pre-revenue with a \$200 million market cap. Our first strategic licensing agreement will be a significant company milestone for us. This is the marker, showing that we're on track to produce significant revenue and additional value to our shareholders.

**TWST: How do you approach R&D?**

**Mr. Larsen:** R&D is a very important aspect of VirnetX. In fact, half of our personnel are in R&D. We have employed some of the brightest and best technologists in the field of security technology in our Virginia location.

**TWST: Would you tell us about your own background and expertise?**

**Mr. Larsen:** I'm a domain expert in security. I have run licensing practices on a global scale for cryptographic libraries for RSA Security and implemented and facilitated the export of strong cryptographic libraries outside of the United States. I have also built, designed and implemented security foundation products and services when I was at Phoenix Technologies. And I have a background in the financial sector as a venture capitalist specializing in security investments as a venture partner at Osprey Ventures.

**TWST: What occupies your own attention most on a day-by-day basis?**

**Mr. Larsen:** I would say on a day-by-day basis I'm most occupied with quantifying, structuring and rolling out our licensing practice with ipCapital.

**TWST: Would you also tell us about the backgrounds of one or two of your colleagues?**

**Mr. Larsen:** I'll give you some background on Dr. Robert Short, our Chief Scientist.

He came from the Science Applications International Corporation (SAIC) and has a PhD from Purdue. SAIC is one of the foremost technology integrators and research institutions in the country. Dr. Short has been involved in many crisis situations where national security was under his direction. He operated teams in the military, homeland security and Department of Defense initiatives where he was relied upon by the country's foremost people securing the country. Dr. Short was a member of the founding and inventing team of VirnetX's patents. When he was at SAIC, he was awarded the top scientist award out of 10,000 PhDs at SAIC.

Another one of my colleagues is Edmund "Gif" Munger. He's the Chief Technology Officer for VirnetX and the co-inventor of the company's technologies. Not only did he work at SAIC, but he was also the chief system architect for the FBI's Counterterrorism Data Warehouse Prototype and has worked on several advanced defense systems.

We're very privileged to have Dr. Short and Edmund Munger as part of the VirnetX team.

**TWST: How many employees do you have?**

**Mr. Larsen:** Currently, we have 10 full-time employees and at any one time can have up to 120 people working on VirnetX on an outsourced basis.

**TWST: Would you describe your investor base?**

**Mr. Larsen:** Our investors are widespread, ranging from small hedge funds to high net worth individuals. We're moving into larger institutions as well, conducting a financial road show in the first part of April. Small hedge funds and high net worth individuals have purchased VirnetX shares on a public basis. We also have a large contingency of founder and employee

stock. Lastly and just most important is our new set of target customers — institutions.

**TWST: What would be the two or three best reasons for the long-term investor to take a very close look at VirnetX?**

**Mr. Larsen:** If I were to look at an analogous company, I can best draw a comparison to being the next Qualcomm. We believe our designs, our patents, and our overall impact on the marketplace are very similar to what Qualcomm looked at when they were undertaking, pursuing, licensing and implementing circuit-switched CDMA technologies with the equivalence in the Internet Protocol world and bringing next generation network technology to us.

**TWST: Is there anything that you would like to add, especially regarding strategies, long-term objectives and regions for an investor to look at the company?**

**Mr. Larsen:** Our patent portfolio is nothing less than the strongest portfolio in the marketplace today and it's an asset that's going to be monetized and will return a rich set of rewards to our investor base.

**TWST: The way you've described things, you must be on the verge of a great deal of personal satisfaction considering the value of what you are offering.**

**Mr. Larsen:** We're proud of what we have been able to achieve and where we are at right now. We've hit every target and exceeded every goal — and we plan on growing the company and returning an investor dollar even more so than we have today.

**TWST: What would be your feeling down the road about being acquired by a larger company?**

**Mr. Larsen:** VirnetX technology needs to be industry- wide. Right now, as a company, we believe that it's our job to facilitate the broad implementation of our patented technology through many vendors, not just one. This will help drive a wider target base and greater adoption of the technology.

**TWST: Thank you. (MC)**

**KENDALL LARSEN**  
**Chairman, President & CEO**  
**VirnetX Holding Corporation**  
**5615 Scotts Valley Drive**  
**Suite 110**  
**Scotts Valley, CA 95066**  
**(831) 438-8200**  
**www.virtnetx.com**  
**e-mail: info@virnetx.com**

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