

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

AMENDMENT NO. 1

FORM 10-QSB/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-33852

VIRNETX HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0390628

(I.R.S. Employer Identification No.)

5615 Scotts Valley

Scotts Valley, California

(Address of principal executive offices)

95066

(Zip Code)

(831) 438-8200

(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act) Yes No

There were 31,217,198 shares outstanding of the registrant's Common Stock, par value \$0.0001 per share, as of October 31, 2007.

Transitional Small Business Disclosure Format (check one:) Yes No

EXPLANATORY NOTE

This Quarterly Report on Form 10-QSB/A is being filed as Amendment No. 1 to our Quarterly Report on Form 10-QSB which was originally filed with the Securities and Exchange Commission (“SEC”) on November 15, 2007. We are filing this form 10-QSB/A to amend our prior disclosure to provide additional details concerning our internal controls in order to better conform our disclosure in the 10-QSB/A to our disclosure on internal controls contained in our registration statement on Form SB-2 (Registration No. 333-145765) and to provide more detailed disclosure as required by Item 3 of Form 10-QSB.

This Form 10-QSB/A amends and restates only certain information in the following sections as a result of the revised disclosure described above:

Part I—Item 3. Controls and Procedures

In addition, we are also including currently dated Sarbanes Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Chief Financial Officer that are attached to this Form 10-QSB/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

INDEX

[PART I – FINANCIAL INFORMATION](#)

[ITEM 3. CONTROLS AND PROCEDURES](#)

[PART II – OTHER INFORMATION](#)

[ITEM 6. EXHIBITS](#)

[EXHIBIT 31.1](#)

[EXHIBIT 31.2](#)

[EXHIBIT 32.1](#)

[EXHIBIT 32.2](#)

PART I – FINANCIAL INFORMATION

ITEM 3. CONTROLS AND PROCEDURES

On May 4, 2007, Burr, Pilger & Mayer LLP, the independent audit firm retained to audit the 2005 and 2006 financial statements for our wholly-owned subsidiary and principal operating company, VirnetX, Inc., sent a letter to the VirnetX board identifying several significant deficiencies and material weaknesses in our internal controls noted in connection with its audit.

The material weaknesses identified were as follows:

- Segregation of Duties – the Company’s small size and few employees resulted in a situation where the same individuals were responsible for multiple steps in the major transaction cycles such as cash receipts, cash disbursements and payroll.
- Technical Accounting Function – the Company’s internal accounting staff didn’t have the public company experience necessary for more complicated accounting issues such as accounting for stock compensation expense under FAS 123R.

The significant deficiencies identified were as follows:

- The need for additional documentation policies and procedures
- The need for additional information technology (IT) organizational controls
- The need for more security with respect to access to financial software applications

Burr, Pilger & Mayer LLP resigned on October 26, 2007 as the auditor for our wholly-owned subsidiary. The reason for the resignation was concern that we would not become compliant with the internal controls requirements of Section 404 of the Sarbanes Oxley Act by December 31, 2007 and due to an insufficient quantity of experienced resources involved with the financial reporting and period closing process. Following the resignation of Burr, Pilger & Mayer LLP, we promptly retained an implementation consultant recommended by our independent audit firm, Farber Hass Hurley & McEwen LLP, to institute the necessary controls and procedures in order to become compliant with Section 404 of the Sarbanes Oxley Act by December 31, 2007. We have committed significant financial and personnel resources to achieve this goal as well as to address any weaknesses in our financial reporting and period closing process. Accordingly, although we are not currently compliant with these internal control requirements, we and our implementation consultant are committed to becoming compliant by December 31, 2007 and to maintaining our compliance thereafter.

In addition to the implementation consultant we hired to generally help us become compliant with Section 404 of the Sarbanes Oxley Act, since the date of Burr Pilger & Mayer LLP’s letter identifying material weaknesses in our internal controls, we hired a new Chief Financial Officer with significant public company experience, as well as a new bookkeeper to operate and maintain our basic accounting programs. We have begun to segregate responsibility for major transaction cycles to address the material weakness concerning segregation of duties described

[Table of Contents](#)

above. In addition, we contracted with a consultant with significant expertise in equity accounting issues to analyze and review our equity transactions on a continuing basis.

Under the supervision and with the participation of our principal executive and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the changes made to address our internal controls weaknesses and in light of the external resources we have engaged to help us with our disclosure obligations, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period ending September 30, 2007. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports under the Exchange Act are processed and reported within the time periods specified by law. The design of any such system of controls is based in part on assumptions about the likelihood of future events, and there can be no assurance that any such system of controls will succeed in all circumstances. See discussion in Item 2 of Part 1 of this Report on Form 10-QSB under the heading “In connection with an audit that was conducted of VirnetX in connection with the merger, VirnetX’s independent auditors identified material weaknesses in VirnetX’s internal controls over financial reporting.”

PART II — OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit 31.1 – Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

Exhibit 31.2 – Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

Exhibit 32.1 – Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 – Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 thereunto duly authorized.

Date: December 10, 2007

VIRNETX HOLDING CORPORATION

/s/ WILLIAM E. SLINEY

William E. Sliney
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Exhibit Index

Exhibit 31.1 – Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

Exhibit 31.2 – Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

Exhibit 32.1 – Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 – Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CERTIFICATION

VirnetX Holding Corporation — Principal Executive Officer

I, Kendall Larsen, the principal executive officer of VirnetX Holding Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB for the quarter ended September 30, 2007;
 2. Based on my knowledge, this report 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;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.
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(d) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(e) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2007

/s/ **Kendall Larsen**

Kendall Larsen, President and Chief Executive Officer

CERTIFICATION

VirnetX Holding Corporation — Principal Financial Officer

I, William E. Sliney, the principal financial officer of VirnetX Holding Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB for the quarter ended September 30, 2007;
 2. Based on my knowledge, this report 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;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.
-

(d) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(e) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2007

/s/ **William E. Sliney**

William E. Sliney, Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of VirnetX Holding Corporation (the “Company”) hereby certifies that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2007 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 10, 2007

/s/ Kendall Larsen

Kendall Larsen

President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to VirnetX Holding Corporation and will be retained by VirnetX Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of VirnetX Holding Corporation (the “Company”) hereby certifies that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2007 (the “Report”) fully complies with the requirements of Section 13(a) Section 15(d), as applicable, of the Securities Exchange Act of 1934 as amended; and
- (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 10, 2007

/s/ William E Sliney

William E. Sliney
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to VirnetX Holding Corporation and will be retained by VirnetX Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

[Orrick, Herrington & Sutcliffe LLP letterhead]

December 10, 2007

Lowell D. Ness
(650) 614-7455
lness@orrick.com

VIA FEDERAL EXPRESS

Barbara C. Jacobs
Assistant Director
Securities and Exchange Commission (Mail Stop 4561)
100 F Street, N.E.
Washington, D.C. 20549

**Re: VirnetX Holding Corporation (the "Company")
Amendments Numbered 2, 3 and 4 to a Form SB-2 Registration Statement
Filed November 5, 16, and 21, 2007
File No. 333-145765**

**Form 10-QSB for the three months ended September 30, 2007
Filed November 15, 2007
File No. 0-26895**

Dear Ms. Jacobs,

On behalf of our client, VirnetX Holding Corporation (the "Company"), we have set forth below the Company's responses to the Staff's comment letter dated December 5, 2007. For the Staff's convenience, the Staff's comments are set forth in italics before each response.

Form 10-Q for the quarterly period ended September 30, 2007

1. *Disclose in greater detail the nature of the material weakness identified in your disclosure. In this regard, also revise to disclose the specific steps that the company has taken, if any, to remediate the material weaknesses.*

In response to the Staff's comment, the Company has revised its disclosure in Item 3 of its Form 10-QSB for the three months ended September 30, 2007 to disclose additional details as to the material weaknesses identified by the Company's auditors and the changes to internal controls based on steps taken to remediate the material weaknesses.

2. *In light of the existence of the material weakness(es), disclose in reasonable detail the basis for officers' conclusions that the company's disclosure controls and procedures were nonetheless effective as of the end of the period covered by the report.*

The Company supplementally advises the Staff that management considered the fact that the Company had made a number of changes to address the weaknesses in its internal controls as described in the revised disclosure in the Form 10-QSB. In addition, the Company has been in the process of

Barbara C. Jacobs
December 10, 2007
Page 2

completing a public offering since August 2007 and management based its conclusions in part on the fact that experienced audit firms and law firms have reviewed and commented on its disclosure documents during this period. The material weaknesses in internal controls identified by the auditors related to the fact that the Company did not have adequate internal resources, but its disclosure controls include reliance on experienced external resources that the Company believes have enhanced the quality of the Company's disclosure generally, including the disclosure in its 10-QSB for the three months ended September 30, 2007.

Please contact me at (650) 614-7455 if you have any questions or require additional information concerning the foregoing.

Sincerely,

/s/ Lowell D. Ness

LDN

cc: Kendall Larsen
Chief Executive Officer
VirnetX Holding Corporation