FORM Holdings Corp.

INSIDER TRADING POLICY
(effective May 13, 2013)

FORM Holdings Corp. (the "Company") has adopted the following policy regarding trading by Company personnel in the Company's securities (the "Insider Trading Policy," or this "Policy"). This Policy applies to *all* Company personnel, including directors, officers, employees and consultants of the Company and its subsidiaries. This Policy also applies to certain family members, other members of a person's household and entities controlled by Company personnel, as described in Section IV below.

I. The Need for an Insider Trading Policy

This Policy has been developed:

- to educate all Company personnel as to the federal securities laws and the rules of the Securities and Exchange Commission (the "SEC") on insider trading in public company securities;
- to set forth requirements that apply to Company personnel and other persons covered by this Policy who seek to trade in the Company's securities;
- to protect the Company and its personnel from legal liability; and
- to preserve the reputation of the Company and its personnel for integrity and ethical conduct.

Because the Company is a public company, transactions in the Company's securities are subject to the federal securities laws and regulations adopted by the SEC. These laws and regulations make it illegal for an individual to buy or sell securities of the Company while aware of ***material non-public information***. The SEC takes insider trading very seriously and devotes significant resources to uncovering the activity and to prosecuting offenders. Liability may extend not only to the individuals who trade while in possession of material non-public information but also to their "tippers," people who leak material non-public information to individuals who then trade based on that information. The Company and "controlling persons" of the Company may also be liable for violations by Company employees.

II. What is Material Non-Public Information?

Definition.

Material non-public information is any information (positive or negative) that:

- is not generally known to the public, and

- which, if publicly known, would likely affect either the market price of the Company's securities or a person's decision to buy, sell or hold the Company's securities.

Examples. Common examples of information that will frequently be regarded as material include, but are not limited to:

— quarterly or annual earnings results;
— projections of future financial results;
— earnings or losses;
— developments in litigation or licensing matters involving the Company;
— news of a pending or proposed merger, acquisition or tender offer;
— news of a pending or proposed acquisition or disposition of a significant asset;
— news of a pending or proposed joint venture;
— a company restructuring;
— significant transactions with officers, directors or greater than 5% shareholders;
— financing transactions;
— changes in dividend policies, the declaration of a stock split or the offering of additional securities;
— establishment of a stock repurchase program;
— changes in pricing or cost structure of Company products or services;
— changes in management;
— changes in auditors or notification that the auditor's reports may no longer be relied upon;
— significant new products or discoveries;
— impending bankruptcy or financial liquidity problems;
— internal financial information which departs from what the market expects;
— the gain or loss of a significant customer or supplier, major contract, license, registration or collaboration;
— the entry, amendment or termination of a material contract; or
— other items that require the filing of a Current Report on Form 8-K with the SEC.

Twenty-Twenty Hindsight. In determining whether information is material, the SEC and other regulators will view the information after-the-fact with the benefit of hindsight. As a result, in determining whether any information is material, we will and you should carefully consider whether regulators and others might view the information as being material in hindsight, with the benefit of all relevant information that later becomes available. For example, if there is a significant change in the Company's stock price following release of certain information, that information will likely be determined to have been material when viewed with the benefit of hindsight.

In addition to addressing the relevant statutes and regulations in this area, we are adopting this Policy to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company and certain related persons, not just members of senior management.

III. The Consequences of Insider Trading

The consequences of insider trading violations can be severe:

For individuals who trade while in possession of material non-public information (or tip information to others):

- a civil penalty of up to three times the profit gained or loss avoided;
- a criminal fine (no matter how small the profit) of up to $5 million; and
- a jail term of up to 20 years.

These penalties can apply even if the individual is not a member of the Board of Directors or an officer of the Company. Moreover, if an employee violates this Policy, he or she may also be subject to Company-imposed sanctions, including termination for cause.

For a Company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- a civil penalty of the greater of $1 million or three times the profit gained or loss avoided as a result of the employee's violation; and
- a criminal penalty of up to $25 million.

Any of the above consequences, including an SEC investigation that does not result in prosecution, can tarnish the Company's or an individual's reputation and irreparably damage a career.

IV. Our Policy

General Prohibition on Trading. Company personnel and Related Persons (as defined below in this Section IV) may not buy or sell securities of the Company while in possession of material non-public information or engage in any other action to take advantage of, or pass on to others, that information, subject to the specific exceptions noted below in this Section IV under the caption "Exceptions for Certain Transactions."

Transactions by Family Members, Others in Your Household and Entities You Control. The restrictions in this Policy also apply to (1) immediate family members who reside with you, (2) others living in your household (whether or not related to you), (3) family members who do not live in your household but whose transactions in the Company's securities are directed by you or are subject to your influence or control (e.g., parents or children who consult with you before they trade in the Company's securities) and (4) any entities that you influence or control, including any corporations, limited liability companies, partnerships or trusts (each person or entity identified in clauses (1) – (4), a "Related Person"). SEC regulations specifically provide that any material non-public information about the Company communicated to any spouse, parent, child or sibling is considered to have been communicated under a duty of trust or confidence; and that any trading in the Company's securities by such family members while they are aware of such information may, therefore, violate insider trading laws and regulations. Company personnel are expected to be responsible for the compliance of all Related Persons with this Policy. This means that, to the extent such Related Persons of Company personnel intend to trade in the Company's securities, the Related Persons need to comply with the black-out periods and all other restrictions in this Policy. Furthermore, you should not participate in any investment club (i.e., groups of people who pool their money to make investments) that may invest in the Company's securities.

Other Companies' Non-public Information. This Policy also applies with equal force to information relating to any other company, including our customers or suppliers, obtained by Company personnel during the course of their service to or employment by the Company. Specifically, no Company personnel who, in the course of work on behalf of the Company, learns of material non-public information about a company with which the Company does business may trade in the other company's securities until the information becomes public or is no longer material.

Personal or Independent Reasons Are Not Exceptions. Transactions in the Company's securities that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct.

Policy Administrator. This Policy shall be administered by the "Policy Administrator," who shall initially be the Chief Financial Officer, and if such person is not available, then either the Chief Executive Officer or Chief Operating Officer shall serve as the alternate Policy Administrator. The Policy Administrator may, however, change from time to time.

When Information Becomes Public. This Policy applies to material *non-public* information about the Company, which means that trading is permitted once the information becomes known to the public (unless some other Company policy or legal obligation restricts trading at that time). Because the Company's shareholders and the investing public should be afforded time to receive and absorb information, as a general rule you should not engage in any transactions until the beginning of the first business day after material information has been released. Thus, if an announcement is made before the market opens on a Monday, Tuesday generally would be the first day on which you may trade. If an announcement is made before the market opens on a Friday, Monday generally would be the first day on which you may trade. However, if the information released is complex, such as a major financing or other significant transaction, it may be necessary to allow additional time for the information to be absorbed by the investing public. In such circumstances, you will be notified by the Policy Administrator regarding a suitable waiting period before trading. In addition, we have established specified black-out periods, as described below.

Prohibited Trading Periods. While it is never permissible to trade based on material non-public information, we are implementing the following procedures to help prevent inadvertent violations of this Policy and avoid even the appearance of an improper transaction (which could result, for example, where Company personnel engage in a trade while unaware *of a pending major development).*

(1) Company Wide Black-Out Periods Applicable to All Company Personnel. All Company personnel and Related Persons are prohibited from trading in any of the Company's securities during the following periods:

- from the time each such individual becomes aware of the material information (the black-out start times often vary), until the beginning of the first business day after the day the Company has made a public announcement of material information, including earnings releases, unless the information released is complex, in which case it may be necessary to extend this period and the Policy Administrator will notify you of any such extension of the black-out period; and

- during other specified periods when significant developments or announcements are anticipated, as notified by the Policy Administrator.

You will be notified by e-mail when you may not trade in the Company's securities during periods when significant developments or announcements are anticipated, in which event you will also be notified when trading restrictions are lifted. *Of course, even during periods when trading is permitted, no one, including persons or entities who do not fall within the definition of Related Persons, should trade in the Company's securities if he or she possesses material non-public information.*

(2) Additional Black-Out Periods Applicable to the Board of Directors, Senior Management, Financial Team Members and Designated Employees. In addition to being subject to the trading procedures applicable to all Company personnel (above), members of the Company's Board of Directors, Senior Management, Financial Team Members, Designated Employees (each as defined below) and Related Persons of such individuals are also subject to additional trading procedures and restrictions during the following periods:

- the periods from five (5) days prior to the close of each fiscal quarter until the beginning of the first business day after the release of the Company's financial results for each quarter and, in the case of the fourth quarter, financial results for the year end; and

- any other periods as determined by the Company.

The following members of management constitute the "Senior Management" of the Company: all Executive (Section 16) Officers, as listed on Exhibit A hereto, which list shall be amended from time to time to reflect the then-current group of such individuals.

The following individuals constitute the "Financial Team Members" of the Company: all members of the Company's financial team, as listed on Exhibit B hereto, which list shall be amended from time to time to reflect the then-current group of such individuals.

The following individuals constitute other "Designated Employees" of the Company: certain additional members of Company personnel, as listed on Exhibit C hereto, which list shall be amended from time to time to reflect the then-current group of such individuals.

The Policy Administrator may, from time to time, amend the list of and/or designate other employees as Senior Management, Financial Team Members or Designated Employees, in which case the Policy Administrator shall notify the affected individuals.

Exceptions for Certain Transactions.

(1) Gifts. *Bona fide* gifts are not transactions that are subject to this Policy, unless the person making the gift (the donor) has reason to believe that the recipient of the gift intends to sell the Company's securities while the donor is in possession of material non-public information.

(2) Mutual Funds. Transactions in mutual funds that are invested in the Company's securities are not transactions subject to this Policy.

(3) Transactions Involving Company Equity Plans. Except as otherwise noted below, this Policy does not apply to the following transactions:

- *Stock Option Exercises.* This Policy does not apply to the exercise of an employee stock option acquired pursuant to the Company's equity plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale of stock for the purpose of generating the cash needed to pay the exercise price and or taxes upon the exercise of an option.

- *Restricted Stock Awards and Restricted Stock Unit Awards.* This Policy does not apply to the vesting of restricted stock or restricted stock units, or the exercise of a tax withholding right pursuant to which a person elects to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting

of any restricted stock or restricted stock unit. This Policy does apply, however, to any market sale of restricted stock or shares received upon vesting of restricted stock units.

- *Employee Stock Purchase Plan.* This Policy does not apply to purchases of the Company's securities under the Company's employee stock purchase plan. This Policy does apply, however, to subsequent sales or other transfers of such securities.

- *Other Transactions with the Company.* Any other purchase of the Company's securities from the Company or sales of the Company's securities to the Company are not subject to this Policy.

(4) Rule 10b5-1 Trading Plans. Notwithstanding the restrictions and prohibitions on trading in the Company's securities set forth in this Policy, persons subject to this Policy are permitted to effect transactions in the Company's securities pursuant to approved trading plans established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended ("Trading Plans"), which may include transactions during the prohibited periods discussed above. Rule 10b5-1 requires that these transactions be made pursuant to a plan that was established while the person was not in possession of material non-public information, and the SEC requires that these plans not be entered into during any applicable Company-imposed black-out period. In order to comply with this Policy, the Company must pre-approve any such Trading Plan prior to its effectiveness. After a Trading Plan is approved, you must wait for a cooling-off period before the first trade is made under the Trading Plan, the length of which will be determined by the Policy Administrator. Once the Trading Plan is adopted, you must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the dates of the trades. The Trading Plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Any modification of a Trading Plan is the equivalent of entering into a new Trading Plan and cancelling the old Trading Plan. Company personnel seeking to establish, modify or cancel a Trading Plan should contact the Policy Administrator.

Pre-Clearance of All Acquisitions, Sales and Other Transfers by Certain Company Personnel. In order to ensure compliance with this Policy and with any Section 16 reporting requirements (see Exhibit D attached hereto), all transactions in the Company's securities (including acquisitions, sales, gifts and other transfers, whether or not for value), including the execution of Trading Plans (as defined below), by members of the Company's Board of Directors, Senior Management, Financial Team Members, Designated Employees and Related Persons, must be pre-cleared by the Policy Administrator. If you are a member of one of the groups listed above and you contemplate a transaction in the Company's securities, you must contact the Policy Administrator or other designated individual prior to executing the transaction. The Policy Administrator will use his or her reasonable best efforts to provide approval or disapproval within two business days. You must wait until receiving pre-clearance to execute the transaction. Neither the Company nor the Policy Administrator shall be liable for any delays that may occur due to the pre-clearance process. If the transaction is pre-cleared by the Policy Administrator, it must be executed by the end of the second business day after receipt of pre-clearance. Notwithstanding receipt of pre-clearance of a transaction, if you become aware of material non-public information about the Company

after receiving the pre-clearance but prior to the execution of the transaction, you may not execute the transaction. The responsibility for determining whether you are in possession of material non-public information rests with you, as discussed below in Section V. If you are a Section 16 reporting person, promptly following execution of the transaction, but in no event later than the end of the first business day after the execution of the transaction, you must notify the Policy Administrator and provide details regarding the transaction sufficient to complete the required Section 16 filing.

Employees of the Company who are not Directors, members of Senior Management, Financial Team Members or Designated Employees may, but are not required to, pre-clear transactions in the Company's securities in the same manner as set forth above. Such employees are not required to notify the Policy Administrator following execution of the transaction.

Please note that pre-clearance does not provide Company personnel with immunity from investigation or suit, for which it is the responsibility of the individual to comply with the federal securities regulations.

V. Individual Responsibility

Persons subject to this Policy have ethical and legal obligations to maintain the confidentiality of information about the Company and to not engage in transactions in the Company's securities while in possession of material non-public information. Each individual is responsible for making sure that he or she complies with this Policy, and that any Related Person, whose transactions are subject to this Policy, also comply with this Policy. In all cases, the responsibility for determining whether an individual is in possession of material non-public information rests with that individual, and any action on the part of the Company, the Policy Administrator or any other employee or director pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You may be subject to legal penalties and disciplinary action by law enforcement officials and/or the Company for any conduct prohibited by this Policy or applicable securities laws, as described in Section III above.

Tipping Information to Others. Company personnel must not disclose non-public information about the Company to others outside the Company who do not have an obligation to maintain the confidentiality of such information. If the outsider trades on such information, penalties for insider trading may apply in these situations whether or not you derive any monetary benefit from the other person's trading activities. Material non-public information is often inadvertently disclosed or overheard in casual, social conversations. Please take care to avoid such disclosures.

Prevention of Insider Trading by Others. If you become aware of a potential insider trading violation, you must immediately advise our Policy Administrator and/or report the matter using the Company's anonymous whistleblower reporting procedures. You should also take steps, where appropriate, to prevent persons under your supervision and/or control from using material non-public information for trading purposes. Moreover, Company-imposed sanctions, including termination for cause, could result if an employee fails to comply with this Policy.

Confidentiality. Serious problems could be caused for the Company by the unauthorized disclosure of internal information about the Company, whether or not for the purpose of facilitating improper trading in the Company's securities. Company personnel should not discuss internal Company matters or developments (whether or not you think such information is material) with anyone outside of the Company (including, but not limited to, family, friends, business associates, investors and expert consulting firms), except as required in the performance of regular corporate duties. This prohibition applies specifically (but not exclusively) to inquiries about the Company that may be made by the financial press, investment analysts or others in the financial community and also includes posting material non-public information on any social media outlets such as Facebook, Twitter, etc. It is important that all such communications on behalf of the Company be made only through an authorized officer under carefully controlled circumstances. Unless you are expressly authorized to the contrary, if you receive any inquiries of this nature, you should decline comment and refer the inquirer to Clifford Weinstein, the Company's Executive Vice President. Please review the Company's separate Regulation FD Policy, which governs all public communications with people outside the Company.

VI. Additional Prohibited Transactions

Because we believe it is generally improper and inappropriate for Company personnel to engage in short-term or speculative transactions involving the Company's securities, it is our policy that Company personnel and Related Persons not engage in any of the following activities, except in each case in limited circumstances with prior approval of the Policy Administrator:

- trading in the Company's securities on a short-term basis. Any shares of Company common stock purchased in the open market must be held for a minimum of six months and ideally longer;
- short sales of the Company's securities;
- use of the Company's securities to secure a margin or other loan;
- transactions in straddles, collars or other similar risk reduction or hedging devices; and
- transactions in publicly-traded options relating to the Company's securities (i.e., options that are not granted by the Company).

VII. Post-Separation Transactions

This Policy will no longer apply after separation from service with the Company. However, if an individual is in possession of material non-public information when he or she leaves the Company, that individual may not trade in the Company's securities until that information has become public or is no longer material, and it would be prudent for the individual, if he or she is subject to a black-out period upon separation of service, to refrain from trading until those restrictions no longer apply to Company personnel. In addition, if an individual is subject to Section 16 by virtue of his or her position as a member of Senior Management of the Company, he or she will remain subject to the pre-clearance procedures set forth above under "Pre-Clearance of All Acquisitions, Sales and Other Transfers by Certain Company Personnel" for as long as he or she is subject to Section 16.

VIII. Company Assistance

Any person who has any questions about specific transactions or this Policy in general may obtain additional guidance from the Policy Administrator. Remember, however, the ultimate responsibility for adhering to this Policy and avoiding improper transactions rests with you. In this regard, please use your best judgment when considering a transaction in the Company's securities.

IX. Certifications

As a condition to employment, all employees will be required to certify their understanding of and intent to comply with this Policy. Members of the Board of Directors, Senior Management and other personnel may be required to certify compliance on an annual basis.

As of May 13, 2013:

Exhibit A
"Senior Management"

All Executive (Section 16) Officers, including:

1. Andrew D. Perlman, Chief Executive Officer
2. Anastasia Nyrkovskaya , Chief Financial Officer
3. Andrew Kennedy Lang, Chief Technology Officer
4. David L. Cohen, Esq., Chief Legal and IP Officer

This list may be updated by the Chief Executive Officer or Chief Financial Officer as circumstances may dictate.

Exhibit B
"Financial Team Members"

All members of the Company's financial team, including:

1. Anastasia Nyrkovskaya, Chief Financial Officer
2. Gary Hansen, Controller
3. Edmund Baker, Accounting Manager

This list may be updated by the Chief Executive Officer or Chief Financial Officer as circumstances may dictate.

Exhibit C
"Designated Employees"

Certain additional Company personnel, including:

1. Clifford J. Weinstein, Executive Vice President
2. Jason Charkow, Intellectual Property Counsel
3. Lauren Goldman, Office Manager
4. Samuel Leffell, Analyst

This list may be updated by the Chief Executive Officer or Chief Financial Officer as circumstances may dictate.

FORM Holdings Corp.

Certification Under Insider Trading Policy

The undersigned hereby certifies that he/she has read and understands, and agrees to comply with, the Company's Insider Trading Policy, made effective May 13, 2013, a copy of which was distributed with this Certification.

Date: _____ Signature: _____

Name: _____

(Please Print)

Title: _____

EXHIBIT D

MEMORANDUM

TO: **Directors and Executive Officers of Vringo, Inc.**

FROM: **Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.**

DATE: **January 31, 2013**

RE: **Insider Reporting and Liability for Short-Swing Trading Pursuant to Section 16 of the Exchange Act**

Vringo, Inc. (the "Company") has registered shares of its Common Stock under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, all directors, certain officers[1] and ten percent stockholders of the Company ("Insiders") are subject to the reporting and insider trading provisions of Section 16 of the Exchange Act ("Section 16"). This Memorandum is intended to explain certain of your obligations under Section 16.

I. OVERVIEW

Section 16 is intended to prevent unfair use of inside information and discourage speculative trading by Insiders by requiring them to report holdings and transactions in the Company's securities (under Section 16(a)). In addition, Section 16 also requires Insiders to pay over to the Company any "profits" realized from any purchase and sale (or any sale and purchase) of Company securities within a six-month period (under Section 16(b)). Under Section 16(c), Insiders are precluded from making short sales (sales of shares they do not own at the time of the sale) of the Company's securities.

Federal legislation has given the Securities and Exchange Commission (the "SEC") and courts significant powers in sanctioning and imposing penalties for violations of the federal securities laws. In addition, the SEC requires that the Company disclose in its annual proxy statement the names of Insiders who have failed to make required Section 16 filings on a timely basis, and also to note the existence of such disclosure on the cover of its annual report on Form 10-K.

The rules under Section 16 are complex and contain a number of "gray" areas and potential traps for the unwary. **You should consult with counsel before engaging in any transaction in the Company's securities, particularly transactions involving "derivative" securities (such as options or warrants).**

II. YOUR REPORTING OBLIGATIONS

[1] "Officer" of the Company for purposes of Section 16 includes the Company's president, principal financial officer, principal accounting officer (or, if none, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions. In addition, officers of any current or future parent companies or subsidiaries of the Company are included in the definition of "officer" if they perform policy-making functions for the Company.

Section 16 requires you to have filed an initial statement of beneficial ownership of the Company's securities on Form 3 at the time that you became subject to Section 16, as well as periodic statements reflecting changes in beneficial ownership of the Company's securities. Most changes in beneficial ownership (as defined below) must be reported. When you report and on what form you report depends on the type of transaction, and sometimes whether or not you wish to report particular transactions earlier than the rules would require. There are several relevant times when filings are required:

A. **Form 3 Initial Report**. Form 3, which is filed when a person first becomes a director, officer or ten percent stockholder subject to Section 16, reports all Company stock owned by the Insider at that time and must be filed electronically with the SEC via EDGAR within 10 calendar days after assuming the position (except in the case of a company's initial registration of a class of securities under the Exchange Act). Section 16 reporting rules require that the Insider include all Company stock in which the Insider has a "pecuniary interest" as defined in the rules. These shares include, among others, shares held by the Insider's relatives sharing his or her household, a general partner's proportionate interest in the portfolio securities held by a general or limited partnership, and shares held by certain trusts. Additional information with regard to what qualifies as a "pecuniary interest" is provided below.

B. **Form 4**. You must file a Form 4 whenever there is a subsequent acquisition or disposition of shares in which you have a pecuniary interest. All option grants, exercises and conversions of securities must also be reported on Form 4. A Form 4 must be filed electronically with the SEC via EDGAR within two business days following the date of the transaction. Certain changes in beneficial ownership, such as gifts and inheritances of stock, are not required to be reported on a Form 4, but must be reported at the end of the Company's fiscal year on a Form 5. However, to avoid inadvertent failures to report such changes, it is best to report them contemporaneously on a Form 4. In addition, officers and directors (but not ten percent owners) must report any non-exempt purchases or sales which occur during the six months after leaving office if the change takes place within six months of any "opposite" (i.e., a purchase following a sale, or a sale following a purchase) non-exempt transaction that took place while an Insider.

C. **Form 5**. You must file a Form 5 each year to report any transactions not previously reported, including certain small acquisitions, gifts, and failures to file previously due reports. This report is due within 45 days after the end of the Company's fiscal year. A primary purpose of the Form 5 is to promote compliance with Section 16(a) by requiring Insiders to report any required Forms 3 and 4 which were not filed during the year. In addition, at year-end officers and directors who do not need to file a Form 5 will be required to confirm that no Form 5 filing is due (i.e., there are no unreported transactions).

The transactions which trigger an immediate Form 4 filing requirement are generally those which may be matched to result in short-swing liability under Section 16(b). The grant and exercise of a stock option are, in most cases, exempt from Section 16(b) matching and therefore not purchases that may be matched against another transaction. However, because option grants and the decision by an Insider to exercise an option are deemed to be of interest to the marketplace, option grants and exercises also trigger an immediate filing on Form 4. Otherwise, reporting of holdings and transactions which are exempt from matching under

Section 16(b) may generally be deferred to the year-end Form 5 or are not required to be separately reported at all.

Even though reporting of some transactions may be deferred, it is advisable to report all reportable transactions on Form 4 at the time of the transaction because it is possible that you may not recall the transaction when it is time to file the Form 5. If you file a Form 4 for every reportable transaction, you will not be required to file a Form 5 at the end of the Company's fiscal year.

Certain transactions need not be separately reported (although their effect on an Insider's holdings will ultimately be reflected in Section 16 filings). You are not required to report "spin-off" or other dividend transactions in which equity securities of a different company are distributed to you, acquisitions pursuant to certain dividend or interest reinvestment programs, transactions in tax-conditioned benefit plans (other than discretionary intra-plan transfers and cash distributions), transactions after you cease to be a director or officer that are exempt from Section 16(b) or that do not occur within six months of an opposite non-exempt transaction, transactions which reflect a mere change in the form of your beneficial ownership (e.g., direct to indirect) and transactions pursuant to certain qualified domestic relations orders.

Attached to this memo is a table of typical transactions you may encounter and when you must report them. The table is intended to assist you with your preparation of Forms 4 and 5, but is not in any way intended to replace the advice of your personal attorney or advisor, with whom you should always consult before making any conclusions regarding your reporting obligations arising out of any transaction, including those listed in the chart.

III. BENEFICIAL OWNERSHIP

Beneficial ownership is an important concept under Section 16 in two regards. First, in addition to officers and directors, the statute applies to persons who "beneficially own" more than ten percent of a class of registered equity securities. Second, the reporting and liability provisions of Section 16 are triggered by changes in an Insider's "beneficial ownership" of such securities.

The principles of "beneficial ownership" for this purpose focus on whether a person, directly or indirectly, has or shares a direct or indirect pecuniary interest in the securities. "Pecuniary interest" is defined as the "opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the subject securities." A rebuttable presumption exists that a person has an indirect pecuniary interest in certain partnerships, corporations or trusts with which such person is associated or in securities held by family members.

For Section 16 reporting purposes, a person is presumed to be the beneficial owner of securities held by members of his or her "immediate family" who share the same household. A person's "immediate family" includes his or her spouse, children, stepchildren, grandchildren, parents, stepparents, grandparents, siblings, mothers- and fathers-in-law, sons- and daughters-in-law and brothers- and sisters-in-law (including adoptive relationships). This rule usually includes children temporarily living away from home while attending college. When a reporting person actually controls a purchase and sale of securities held of

record by a relative, the reporting person will be deemed to be the beneficial owner, even if the reporting person and the relative are not sharing the same household.

A reporting person is deemed to be the beneficial owner of stock held by a trust (a) for which he or she serves as a trustee, or has or shares with the trustee investment control over trust shares, and (b) in which the reporting person, or at least one member of the reporting person's immediate family (whether or not they share the same household), has a pecuniary interest in the Company's securities held by the trust. Mere consultation between a beneficiary and a trustee regarding investment decisions may be sufficient to constitute shared investment control.

Generally, Form 3 and Form 4 reports should include all shares of which you are presumptively considered the beneficial owner. You may, however, disclaim beneficial ownership of any such securities listed in the report. We recommend that you consider disclaiming beneficial ownership of shares held by family members, since courts have considered the failure to make such a disclaimer relevant in establishing the Insider's liability for purchases or sales made by those family members. See Section V.A of this memo regarding disclaimer of beneficial ownership language.

IV. CHANGES IN BENEFICIAL OWNERSHIP - "PURCHASES" AND "SALES"

For purposes of Section 16, the terms "purchase" and "sale" include more than just open market cash purchases and cash sales of securities. The following are some examples of what does and does not constitute a "purchase" or "sale."

(a) Stock Options and Other Derivative Securities. The grant or acquisition of a "derivative security," such as a stock option, is deemed to be a "purchase" of the underlying security for purposes of Section 16. Grants and awards of derivative securities will be exempt from short swing liability, however, if *any one* of the three following requirements of Rule 16b-3 under the Exchange Act are met:

(i) the specific grant or award receives prior approval by the Company's Board of Directors or a committee of two or more non-employee directors;

(ii) the specific grant or award is approved in advance by stockholders or subsequently ratified by stockholders not later than the date of the next annual meeting of shareholders; or

(iii) at least six months elapse between the grant of the derivative security and the sale of the underlying security.

Similarly, the exercise of stock options or other derivative securities is also exempt from Section 16(b), if the exercise is pursuant to the terms of the derivative security as originally approved. Although grants and exercises of stock options will be exempt from short-swing liability, they are still reportable events under Section 16(a).

(b) Pledge. A pledge of stock is not a "sale" for purposes of Section 16(b) short-swing liability and need not be reported under Section 16(a) on Form 4.

However, a sale of the pledged stock by the pledgee in satisfaction of an existing debt is considered a sale by the pledgor and must be reported. Moreover, if the sale of the pledged stock by the pledgee occurs within six months of any purchase of the same class of stock by the pledgor, the pledgor may be liable under Section 16(b) for any realized profit.

(c) Gifts and Inheritances. All gifts and inheritances of the Company's stock involving Section 16 Insiders must be reported under Section 16(a) on the annual Form 5 (or on a voluntary Form 4). Nevertheless, bona fide gifts, inheritances and bequests are specifically exempt from the "short-swing" profit provisions of Section 16(b). In the case of a gift to anyone other than an independent charity, however, the relationship between the donor and the donee may call into question the bona fide nature of the gift.

(d) Small Acquisitions. An acquisition of securities or the right to acquire securities with a market value of $10,000 or less shall be reported on the annual Form 5 (or on a voluntary Form 4) if the acquirer (i) acquired the security from a party other than the Company or an employee benefit plan sponsored by the Company, (ii) has not acquired, in the aggregate, more than $10,000 in securities of the same class (including securities underlying derivative securities) within the prior six months and (iii) engages only in dispositions exempt from Section 16(b) within the succeeding six months. Such acquisitions, however, are treated as purchases for Section 16(b) liability purposes and are thus subject to the short-swing liability provisions.

(e) Stock Splits and Dividends. Stock splits and stock dividends applying equally to all securities in the class and acquisitions pursuant to certain broad-based dividend or interest reinvestment plans are exempt from both the reporting and short-swing liability provisions of Section 16. In the event of a change in the Insider's total securities ownership due to a stock split or dividend, the Insider may note the reason for the change in a footnote to his or her next required Form 4 or Form 5.

V. FILING SECTION 16 FORMS

A. Disclaimer of Beneficial Ownership. When there is doubt as to your beneficial ownership of securities, you should report such securities as being beneficially owned. Such report will not amount to an admission of beneficial ownership if accompanied by a disclaimer of beneficial ownership. If you wish to disclaim beneficial ownership of securities, you should make the disclaimer on your Form 3 and also in any Form 4 or 5 (discussed below) which you may subsequently file. An appropriate form of disclaimer is as follows:

> "The undersigned disclaims beneficial ownership of the securities indicated, and the reporting herein of such securities shall not be construed as an admission that the undersigned is the beneficial owner thereof for the purposes of Section 16 or for any other purpose."

A disclaimer of beneficial ownership does not relieve the Insider from his or her reporting obligation. It simply prevents the report from being evidence of effective beneficial ownership in a short-swing trading suit.

B. **When Due**. For persons who become Insiders after the date the Company first registered a class of securities under the Exchange Act, the Form 3 is due within 10 days of the date they become Insiders.

Forms 4 (other than voluntary filings) must be filed within two business days of the date on which the reportable transaction occurred. A voluntary Form 4 may be filed at any time. The two-business day deadline is extended to a maximum of five business days for the following transactions, under which objective criteria prevent the Insider from controlling (and in many cases predicting) the timing of the execution of the transaction: (a) transactions involving a valid Rule 10b5-1 trading plan or other preexisting contract or arrangement, where the reporting person does not select the date of execution; and (b) "discretionary transactions" where the reporting person does not select the date of execution. For each of these two types of transactions, the date on which the plan administrator notifies the reporting person that the transaction has been executed is considered the date of execution, as long as the notification date is not later than the third business day following the trade date. The Insider must report the transaction on Form 4 before the end of the second business day following the deemed date of execution for the transaction. The deferred reporting provisions described in this paragraph are only available if the Insider does not select the date of execution. In a transaction where the Insider selects the date of execution, such as a 10b5-1 plan which provides for the sale of a certain number of shares on the last day of every month, deferred reporting is not available, and a Form 4 would be required to be filed within two business days after each trade date.

Form 5 is due within 45 days after the end of the Company's fiscal year. If any transactions should have been reported earlier, the delinquent reports of those transactions must be included in the Form 5 and a special box must be checked indicating that reporting delinquencies have occurred. If all holdings and transactions have previously been reported, no Form 5 need be filed.

If the due date falls on a weekend or a national holiday, you have until the next business day to get the form to the SEC.

C. **Where to File Forms**. Reporting persons must file these forms electronically with the SEC via EDGAR. A copy of each form must also be sent to the Company (to the attention of the Chief Financial Officer). The Company will rely on these copies to determine whether Form 10-K and proxy statement disclosure of delinquent filings is required.

VI. THE IMPORTANCE OF ACCURATE AND TIMELY REPORTING

Correct and timely reporting to the SEC is imperative. The Company is required each year to disclose to the public in its proxy statement the name of any Insider who has not met his or her SEC reporting obligations in a timely manner, even if a report was late by just one day. The existence of such disclosure will also be flagged on the cover of the Company's annual report on Form 10-K. The SEC has expressed its intention to use this information to take action under federal legislation which gives the SEC and courts the ability to impose sanctions for violations of federal securities laws.

VII. AVOIDING SHORT-SWING LIABILITY

In addition to making complete and timely reports under Section 16(a), you must also be careful to plan transactions to avoid short-swing liability under Section 16(b). Otherwise, any "profit" realized by matching a purchase and sale within a six-month period is recoverable by the Company. If the Company fails to recover such profit, any stockholder of the Company may sue to recover it on behalf of the Company. As you may know, Forms 3, 4 and 5 filed with the SEC are publicly available and are routinely monitored by attorneys who make their living by threatening to file Section 16(b) suits on behalf of stockholders. In the event of a violation of Section 16(b) by an Insider, these attorneys are generally able to compel the Company and/or the offending Insider to pay their fees and expenses if the Company had not acted to obtain restitution of the deemed "profit" from the Insider prior to receiving a communication from the attorney.

Unlike other provisions in the federal securities laws, intent to take unfair advantage of non-public information is not required for recovery under Section 16(b). Section 16(b) liability is a strict liability standard. In other words, transactions in the Company's securities within six months of one another can lead to recovery of profits irrespective of the reasons for or purposes of the transaction.

Except in the case of options and other derivative securities (for which there is a special rule for calculating profits), transactions are paired with mechanical rigidity so as to match the lowest purchase price with the highest sale price, thus squeezing out the maximum amount of "profit". Thus, although you may have realized an economic loss, you may be treated for Section 16(b) purposes as having realized a "profit."

Attached to this memo is a table of typical transactions and how they would be treated for purposes of these rules. It does not matter for Section 16(b) purposes whether the purchase or sale occurs first. It also makes no difference that the particular shares sold happen to be shares you have held more than six months, since it is not necessary for the same shares to be involved in each of the "matched" transactions. The rules apply not only to your individual transactions but also to transactions engaged in by others if you are deemed to have a pecuniary interest in their shares. Thus, a purchase by you could be matched with a sale of shares by your spouse. Public and private transactions also can be matched. In the case of officers and directors, transactions before the Company became a public company may be matched with transactions occurring after it became a public company and transactions while you are an Insider may be matched with transactions after you cease to be an Insider.

The purchase and sale of securities that are convertible into or exercisable for the purchase of shares of Common Stock may be matched either against the sale and purchase of other securities which are so convertible or the sale and purchase of shares of Common Stock. For example, a sale of warrants to acquire Common Stock might be matched either against a purchase of convertible securities or a purchase of Common Stock within six months before or after such sale. The acquisition of warrants or convertible securities will also generally be treated as an acquisition of the underlying equity security, but the exercise of such warrant or conversion of such convertible securities will not be treated as a matchable purchase.

Any acquisition by an officer or director (but not a 10% holder) from the Company, or any disposition by an officer or director to the Company, is exempt from matching if approved in advance by the Board of Directors or a properly constituted committee of the Board. Thus, neither the grant nor the exercise of an option issued under the Company's stock option plans will generally be treated as a matchable "purchase" for purposes of Section 16(b). If the officer or director elects to pay the exercise price (and/or any tax withholding obligations) by withholding option shares or tendering previously held shares to the Company, the disposition of such shares will likewise be exempt from matching if properly approved in advance. However, the sale of shares by a broker to pay the exercise price and/or tax withholding would be treated as a matchable "sale" for purposes of Section 16(b).

Section 16(b) applies to transactions by directors, officers and ten percent beneficial owners of the Company (i.e., Insiders required to file Forms 3, 4 and 5). A ten percent beneficial owner must be a ten percent beneficial owner at both the time of purchase and the time of sale to trigger Section 16(b). However, directors and officers generally need not have held office at both such times: transactions by officers and directors prior to a company's initial public offering may be matched with transactions after the public offering and any transactions up to six months after a person ceases to be an officer or director may be matched with transactions while such person was an Insider.

In short, Section 16 contains many traps for the unwary. **Thus, please consult with a knowledgeable adviser before executing any transaction.**

VIII. SHORT SALES

In general, Section 16(c) of the Exchange Act makes it unlawful for an Insider to make "short sales" or "sales against the box" when the securities sold are not delivered within the time periods set forth in Section 16(c). A "short sale" is any sale of a security which the seller does not own or any sale which is consummated by the delivery of a security borrowed by, or for the account of, the seller. A "sale against the box" is the type of short sale in which the seller actually owns sufficient shares to make delivery but chooses to borrow shares to cover the sale. The seller subsequently can either buy securities or use his own securities to repay the lender to complete the transaction.

IX. AVOIDING LIABILITY UNDER OTHER INSIDER TRADING RULES

As discussed above, Section 16 is based on a presumption that certain people inevitably benefit from their access to inside information. Insiders should not forget that the Exchange Act also prohibits the actual use of inside information, whether or not this involves six-month matching of purchase and sale transactions. In addition to the direct liability of Insiders for insider trading violations, companies and their directors and officers may also be legally liable for failing to prevent such violations by Company personnel. In light of this potential indirect liability, and the severity of possible sanctions both to you and to the Company for insider trading violations, the Company's policies and procedures set forth in its insider trading policy statement should be observed at all times.

X. CONCLUSION

Remember that it is your responsibility to meet Section 16(a) reporting obligations and to avoid Section 16(b) short-swing profit liability. You should obtain assistance from your personal attorney or adviser prior to executing any transactions to avoid liability, determine what your reporting obligations are and complete the necessary filings. While the primary responsibility for Section 16 compliance remains with you, your compliance is extremely important to the Company.

MATCHING AND REPORTING UNDER SECTION 16 RULES

Event	Report on Form 4 (due within two business days of the transaction)	Report on Form 5 (due within 45 days of end of fiscal year)	Not Required to be Reported (2)
Grant to officer or director under a stock option plan	Exempt (1) Code A		
Exercise of option or warrant	Exempt acquisition of common stock, disposition of option (1) Code M		
Cashless option exercise by officer or director through issuer (by withholding shares or delivering previously held shares)	Exempt acquisition (of gross shares) (1) (Code M) Exempt disposition (of shares tendered) (1) (Code F)		
Cashless option exercise through broker	Exempt acquisition (of gross shares) (1) Code M Matchable sale (of shares sold) Code S		
Expiration of option for no value			Exempt disposition
Transfer pursuant to domestic relations order			Exempt acquisition or disposition
Stock dividend			Exempt acquisition
Distribution from limited partnership to general partner			Exempt change in form of beneficial ownership
Distribution from limited partnership to limited partner	Matchable purchase Code J		
Other acquisition from issuer	Exempt acquisition, if by director or officer (1) Code A Matchable purchase, if by 10% holder Code P		
Acquisition from someone other than issuer	Matchable purchase Code P		
Sale to issuer	Exempt disposition, if by officer or director Code D Matchable sale, if by 10% holder Code S		

Sale to someone other than issuer	Matchable sale Code S		
Gift		Exempt Code G	

(1) Assuming that the specific approval of the transaction required by Rule 16b-3 has been obtained or, in the case of an acquisition, the security is held at least six months.

(2) Transactions that are not required to be reported as separate line items must be reflected in end-of-period holdings. Insiders may choose to indicate, by a footnote, that the report reflects the results of transactions which are not required to be reported.