

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

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 20, 2012 (July 19, 2012)

VRINGO, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34785
(Commission
File Number)

20-4988129
(I.R.S. Employer
Identification No.)

44 W. 28th Street
New York, New York 10001
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: (646) 525-4319

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

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

Statements contained in this Current Report on Form 8-K relating to Vringo's or management's intentions, hopes, beliefs, expectations or predictions of the future, including statements relating to the combined company's management and board of directors and any other statements about Vringo's management team's future expectations, beliefs, goals, plans or prospects are forward-looking statements. Vringo's actual results could differ materially from those projected in these forward-looking statements. Additional factors that could cause actual results to differ materially from those described in the forward-looking statements are set forth in the 424(b)(3) proxy statement/prospectus of Vringo, Inc. (File No. 333-180609), filed with the SEC on June 21, 2012, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Vringo. Vringo disclaims any intention or obligation to revise any forward-looking statements, including financial estimates, whether as a result of new information, future events or otherwise.

Item 1.01 Entry into a Material Definitive Agreement

The disclosure in Item 2.01 of this Current Report on Form 8-K (the "Current Report") is incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement

The disclosure in Item 2.01 of this Current Report is incorporated herein by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets

Completion of Merger with Innovate/Protect

On July 19, 2012 (the "Closing Date"), Innovate/Protect, Inc., a Delaware corporation ("Innovate Protect"), merged with and into VIP Merger Sub, Inc. (which changed its name to Innovate/Protect, Inc.) ("Merger Sub"), a Delaware corporation and wholly-owned subsidiary of Vringo, Inc. (the "Company"), pursuant to the terms and conditions of the previously announced Agreement and Plan of Merger, dated as of March 12, 2012 (the "Merger Agreement"), by and among the Company, Merger Sub and Innovate/Protect (the "Merger"). In connection with the Merger, the Company caused to be issued, as of the Closing Date, its securities to Innovate/Protect's stockholders in exchange for the capital stock owned by Innovate/Protect's stockholders, as follows (the "Merger Consideration"): (i) an aggregate of 18,617,569 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), (ii) an aggregate of 6,673 shares of the Company's Series A Preferred Stock, par value \$0.01 per share, convertible into an aggregate of 20,136,445 shares of the Company's Common Stock, with such powers, designations, preferences and other rights as set forth in the Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock attached hereto as Exhibit 3.2 and incorporated herein by reference, (iii) an aggregate of 8,299,116 Series 1 warrants to purchase up to an aggregate 8,299,116 shares of the Company's Common Stock, with an exercise price of \$1.76 per share and expiring on July 19, 2017, and (iv) an aggregate of 7,660,722 Series 2 warrants to purchase up to an aggregate of 7,660,722 shares of the Company's Common Stock, with an exercise price of \$1.76 per share and expiring on July 19, 2017. In addition, the Company assumed an option to purchase an aggregate of 41,178 shares of the Company's common stock at an exercise price of \$0.994 per share, in exchange for the outstanding and unexercised stock option to purchase shares of Innovate/Protect's common stock.

As a result of the consummation of the Merger, as of the Closing Date, the former stockholders of Innovate/Protect own approximately 55.04% of the outstanding shares of Common Stock of the Company (or 67.61% of the outstanding shares of Common Stock of the Company calculated on a fully diluted basis) and the stockholders of the Company prior to the Merger own approximately 44.06% of the outstanding shares of Common Stock of the Company (or 32.39% of the outstanding shares of Common Stock of the Company calculated on a fully diluted basis) and a change of control may be deemed to have occurred.

For accounting purposes, the Merger is treated as a “reverse acquisition” and Innovate/Protect is considered the accounting acquirer. Accordingly, Innovate/Protect will be reflected as the predecessor and acquirer in the Company’s financial statements. The Company’s financial statements will reflect the historical financial statements of Innovate/Protect as the Company’s historical financial statements, except for the legal capital which will reflect Vringo’s legal capital (common stock).

The Merger Consideration was registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to a registration statement on Form S-4 (File No. 333-180609), originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on April 6, 2012, as amended, and declared effective on June 20, 2012 (the “Form S-4”). The prospectus included in the Form S-4 contains additional information about the Merger and the related transactions. The Form S-4 also included the proxy statement for the 2012 Annual Meeting of Stockholders, held on July 19, 2012 (the “Proxy Statement”).

The foregoing description of the Merger Agreement is not complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which was attached as Exhibit 2.1 to the Company’s Current Report on Form 8-K filed with the SEC on March 14, 2012, the terms of which are incorporated herein by reference.

Assumption of Debt

On July 19, 2012, in connection with the consummation of the Merger and in accordance with the Merger Agreement, the Company entered into an Amended and Restated Pledge and Security Agreement and an Amended and Restated Guaranty with each of its subsidiaries to guaranty the obligations of Innovate/Protect under that certain Amended and Restated Senior Secured Promissory Note (the “Secured Note”), dated July 19, 2012, by and between Innovate/Protect and its principal stockholder prior to the completion of the Merger, Hudson Bay Master Fund Ltd. (“Hudson Bay”). As of the Closing Date, the outstanding balance under the Secured Note is \$3.2 million. The Secured Note accrues interest at 0.46% per annum and matures on June 22, 2013. From and after the date upon which (i) the Company and its subsidiaries have more than \$15,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require the Company to redeem up to 50% of the outstanding principal amount of the Secured Note, (ii) the Company and its subsidiaries have more than \$20,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require the Company to redeem up to 100% of the outstanding principal of the Secured Note, (iii) the Company and its subsidiaries receive proceeds in excess of \$500,000 in the aggregate from the issuance of any equity or indebtedness, Hudson Bay may require the Company to redeem the outstanding principal under the note in an amount equal to up to 20% of the proceeds of the issuance of any such equity or indebtedness. In addition, the Secured Note provides that in the event of a change of control, Hudson Bay may require the company to redeem all or any portion of the Secured Note at a price in cash equal to 125% of the amount redeemed. Innovate/Protect has granted Hudson Bay a security interest in all of its tangible and intangible personal property (including the Lycos’s patents) to secure its obligations under the Secured Note. In connection with the Merger, the Company has assumed the Secured Note and guaranteed the obligations thereunder.

On June 1, 2012, Hudson Bay committed, subject to the terms and conditions of a commitment letter agreement (the "Commitment Letter Agreement"), that, at any time within 18 months following the closing of the Merger and upon the request of Innovate/Protect, it or, at its election, one or more of its affiliated funds or entities shall provide debt financing to Innovate/Protect in the aggregate principal amount of up to \$6,000,000. Hudson Bay's commitment shall be reduced, on a dollar for dollar basis, by (i) any cash or capital raised by the Company, Innovate/Protect and/or any of their subsidiaries (each a "Vringo entity" and, together the "Vringo entities"), including, without limitation, through the issuance of any debt, equity and/or securities convertible, exercisable or exchangeable into equity of any of the Vringo entities or the incurrence of indebtedness by any of the Vringo entities and (ii) any cash received by any Vringo entity in connection with the exercise of any of its outstanding warrants. Any such financing provided under such facility will be in the form of senior secured notes at an interest rate of the greater of (i) LIBOR plus 300 basis points and (ii) 8% per annum with a maturity of seven years after issuance. Such obligations will be guaranteed by each of the Vringo entities and secured by a first priority lien on all assets of the Vringo entities. In addition, both Innovate/Protect and the holder of the notes will be able to require redemption of all or any portion of the Notes at any time after 18 months following the consummation of the Merger, subject to an interest make-whole through maturity. In addition to other covenants to be mutually agreed between Innovate/Protect and Hudson Bay, the Vringo entities will not spend cash during any calendar quarter while any notes are outstanding at a rate greater than the amount specified in the capital budget of Vringo and its subsidiaries, prepared on a combined basis, agreed to by Hudson Bay, without the prior written consent of Hudson Bay. The obligations of Hudson Bay or any of its affiliated funds under the Commitment Letter Agreement will be subject to certain conditions set forth in the Commitment Letter Agreement and will terminate automatically and immediately upon the earlier to occur of (a) the termination of the Merger Agreement pursuant to its terms, (b) any default under or acceleration prior to maturity of any indebtedness of any Vringo entity, (c) the failure of any Vringo entity to satisfy any of the conditions set forth in the Commitment Letter Agreement, (d) any event, which, if occurring prior to the closing of the Merger, would have resulted in the failure of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement to be satisfied, (e) upon written notice to terminate the Commitment Letter Agreement delivered by Innovate/Protect to Hudson Bay or (f) 18 months after the consummation of the Merger. The Company assumed the Commitment Letter Agreement in connection with the Merger.

The foregoing descriptions of the Amended and Restated Senior Secured Promissory Note, Amended and Restated Pledge and Security Agreement, Amended and Restated Guaranty and Commitment Letter Agreement are not complete and are subject to, and qualified in their entirety by, the full text of such documents, which are attached to this Current Report as Exhibits 10.2, 10.3, 10.4 and 10.5, respectively, and are incorporated herein by reference.

Termination of Hudson Bay Letter Agreement

Following the closing of the Merger, on July 19, 2012, the Company sent notice of termination to Hudson Bay to terminate that certain letter agreement, by and between the Company and Hudson Bay, dated as of March 12, 2012, which provided, among other things, restrictions on the number of shares of Common Stock of the Company that Hudson Bay may sell and a right of Hudson Bay to participate in up to 25% of certain offerings conducted by the Company. Pursuant to the terms of such agreement, the Company must continue to comply with the provisions relating to Hudson Bay's participation in up to 25% of certain offerings until 30 days following the termination date.

Lock-Up Agreement

Following the closing of the Merger and after deliberation at the Board meeting held immediately following the 2012 Annual Meeting of Stockholders, each of the officers and directors of the Company immediately following the consummation of the Merger (collectively, the "Insiders") delivered to the Company a lock-up agreement (each, a "Lock-Up Agreement" and collectively, the "Lock-Up Agreements"). Pursuant to the terms of the Lock-Up Agreements, the Insiders agreed that, for a period of six months following the closing of the Merger, without the prior written consent of the Company, they will not: (1) offer, pledge, assign, encumber, announce the intention to sell, sell, contract to sell (including any short sale), sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock owned either of record or beneficially or may be deemed to be beneficially owned (as defined in the Exchange Act by the undersigned on the date hereof or hereafter acquired or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, or (4) publicly announce an intention to do any of the foregoing (the "Lock-Up").

The restrictions contained in each Lock-Up Agreement do not apply to:

(a) transfers of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock (i) as a bona fide gift, or gifts, (ii) to an immediate family member (as such term is defined in Item 404 of Regulation S-K) or a trust for the direct or indirect benefit of the undersigned or such immediate family member of the undersigned, or (iii) by will or intestacy;

(b) the exercise of options granted under the Company's 2012 Employee, Director and Consultant Equity Incentive Plan (the "2012 Plan") and 2006 Stock Option Plan (the "2006 Plan") provided that the shares of Common Stock delivered upon such exercise are subject to the Lock-Up;

(c) transfers of shares of Common Stock to the Company as forfeitures to satisfy tax withholding and remittance obligations of the undersigned in connection with the vesting or exercise of equity awards granted pursuant to the Company's 2012 Plan and/or 2006 Plan;

(d) in the case of Innovate/Protect's former officers and directors, the exercise of any of the Company's Series 1 Warrants and Series 2 Warrants issued to the undersigned in connection with the transactions consummated by the Agreement and Plan of Merger, dated March 12, 2012, by and between the Company, VIP Merger Sub, Inc. and Innovate/Protect, Inc. (collectively, the "Warrants") and the sale or disposition of the shares of Common Stock issuable thereunder, in the event the Company calls such Warrants for redemption pursuant to and in accordance with the provisions of the Warrants;

(e) the conversion of the Company's Series A Preferred Stock that are outstanding as of the date hereof, provided that the shares of Common Stock delivered upon such conversion are subject to the restrictions set forth in the Lock-Up; and

(f) the establishment of a trading plan that complies with Rule 10b5-1 under the Exchange Act; provided, however, that (i) the restrictions shall apply in full force to sales or other dispositions pursuant to such Rule 10b5-1 plan during the Lock-Up Period and (ii) no public announcement or disclosure of entry into such Rule 10b5-1 plan is made or required to be made during the Lock-Up Period, including any filing with the SEC under Section 13 or Section 16 of the Exchange Act;

provided that in case of any transfer pursuant to clause (a) above, each transferee, trustee, donee or distributee shall sign and deliver a lock-up letter substantially in the form of this Lock-Up Agreement, and provided further that such transfer shall not involve a disposition for value and such transfer is not required to be reported in any public report or filing with the SEC during the Lock-Up Period.

The foregoing description of the Lock-Up Agreements is not complete and is subject to, and qualified in their entirety by, the full text of the form of such Lock-Up Agreement, which is filed as Exhibit 10.8 to this Current Report, and is incorporated into this Current Report by reference.

Business Strategy Following the Merger

Following the Merger, the Company intends to attempt to maximize the economic benefits of its intellectual property portfolio, add significant talent in technological innovation, and potentially enhance its opportunities for revenue generation through the monetization of the combined company's assets, including patents owned by Innovate/Protect and the outcome of the litigation against online search companies.

The Company expects to undergo changes in connection with the Merger. Prior to the Merger, the Company was engaged in developing software platforms and applications for mobile devices and Innovate/Protect's business was to maximize, for inventors and investors, the economic benefits of intellectual property assets through acquiring or internally developing patents or other intellectual property assets. Following the Merger, the Company will have enhanced technology capabilities to create, build and deliver mobile applications and services to its handset and mobile operator partners as well as directly to consumers. The Company believes that the value of each company's intellectual property portfolio will be enhanced through the combined company's ability to license and enforce its intellectual property rights.

The Company expects that the combined company will have two key areas of operation:

- delivery and monetization of mobile social applications, and
- maximization of the economic benefits of intellectual property.

The Company has developed a platform for the distribution of mobile applications. The Company believes that its technology and business relationships will allow it to distribute new applications and services through:

- mobile operators,
- handset makers, and
- application storefronts.

The Company intends to expand its intellectual property portfolio through both internal development and acquisition. The Company believes that the experience and liquidity of the combined company will enable it to expand its intellectual property portfolio as well as create additional intellectually property internally. The Company intends to monetize its intellectual property through:

- licensing,
- strategic partnerships, and
- litigation.

Following the Merger, the Company will continue to actively seek to broaden its intellectual property portfolio. Its philosophy is to seek to acquire intellectual property and technology. The Company is reviewing portfolio opportunities with a view toward acquiring those which it believes have potential for monetization through licensing opportunities or enforcement. The Company is actively engaged in due diligence with respect to a number of patent and intellectual property portfolios and is in advanced discussions as to the acquisition of several such portfolios. The Company will likely need to raise additional capital to make any such acquisition. There is no assurance that the Company will succeed in acquiring any such portfolios, as to the terms of any such acquisition or that the Company will successfully monetize any portfolio that it acquires.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The disclosure in Item 2.01 of this Current Report is incorporated herein by reference.

Item 3.03 Material Modification to Rights of Security Holders

On July 19, 2012, as contemplated by the Merger Agreement and as approved by the Company's stockholders, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to increase the number of authorized shares of Common Stock of the Company from 28,000,000 to 150,000,000 (the "Certificate of Amendment").

Furthermore, on July 19, 2012, the Company filed with the Secretary of State of the State of Delaware a Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock (the "Certificate of Designations"). Pursuant to the Certificate of Designations, the holders of the Company's Series A Preferred Stock ("Preferred Stock") will be entitled, among other things, to a liquidation preference of \$1,000 per share and the right to participate in any dividends and distributions paid to common stockholders on an as-converted basis. The Preferred Stock will be non-voting. The Company may not create a class of capital stock senior or pari passu to the Preferred Stock. In addition, except for certain excluded issuances, the Vringo Preferred Stock will be adjusted for issuances below the initial conversion price (as adjusted for stock splits, stock dividends and similar events) until the date the Common Stock of the Company has traded an aggregate of 100,000,000 shares at above \$3.00 per share (as adjusted for stock splits, stock dividends and similar events). On a change of control, except for a change of control where the holder receives all publicly traded stock, the holder of the Preferred Stock will be able to require the Company to redeem the Preferred Stock. The Preferred Stock also contains a covenant prohibiting Vringo, for a period of 18 months following the closing, from incurring indebtedness senior to the Vringo Preferred Stock in excess of \$6 million (in the aggregate, including the then outstanding principal amount of existing Innovate/Protect indebtedness); provided, that, this covenant shall not apply to indebtedness secured by assets of the Company acquired after the Closing in which the lender expressly subordinates to the holder of the Preferred Stock. The holder of the Preferred Stock shall be indemnified against losses due to a buy-in following a conversion failure and Vringo shall pay the holders of the Preferred Stock a penalty of one-quarter of one percent (0.25%) for each full 15 day period during which the Common Stock is suspended from trading or if the Common Stock is delisted.

The foregoing descriptions of the Certificate of Amendment and the Certificate of Designations are not complete and are subject to, and qualified in their entirety by, the full text of the Certificate of Amendment and the Certificate of Designations, which are attached to this Current Report as Exhibit 3.1 and Exhibit 3.2, respectively, and are incorporated herein by reference.

Item 5.01 Changes in Control of Registrant

As a result of the transactions contemplated under the Merger Agreement, a change of control of the Company may be deemed to have occurred. The disclosure of Item 2.01 of this Current Report is incorporated herein by reference.

Item 5.07 Submission of Matters to a Vote of Security Holders

The following proposals were voted on by the stockholders of the Company at its 2012 Annual Meeting of Stockholders (the “Annual Meeting”) which was held on July 19, 2012. At the Annual Meeting, a total of 11,486,472 shares, or 81.67%, of the Company’s common stock issued and outstanding as of the record date, were represented in person or by proxy. Set forth below is a brief description of each matter voted upon at the Annual Meeting and the voting results with respect to each matter.

(i) To approve the Merger and the issuance of the Company’s securities thereunder:

| For: | Against: | Abstain | Broker Non-Vote |
|-------------|-----------------|----------------|------------------------|
| 7,999,857 | 26,387 | 4,864 | 3,455,364 |

(ii) To approve an amendment to the Company’s certificate of incorporation to effect a reverse stock split:

| For: | Against: | Abstain | Broker Non-Vote |
|-------------|-----------------|----------------|------------------------|
| 6,702,509 | 1,278,532 | 50,067 | 3,455,364 |

(iii) To approve an amendment to the Company’s certificate of incorporation to increase the number of authorized shares of Common Stock to up to 150,000,000 shares:

| For: | Against: | Abstain: | Broker Non-Vote: |
|-------------|-----------------|-----------------|-------------------------|
| 7,480,928 | 502,216 | 47,964 | 3,455,364 |

(iv) To elect to the Board seven (7) directors, to serve until the Company’s next Annual Meeting of Stockholders or until their successors are duly elected and qualify or until their earlier death, resignation or removal, subject to the Closing of the Merger:

| | For: | Withheld: |
|---------------------|-------------|------------------|
| Andrew D. Perlman | 8,008,798 | 22,310 |
| Seth M. Siegel | 8,008,753 | 22,355 |
| John Engelman | 8,000,553 | 22,555 |
| Andrew Kennedy Lang | 8,007,753 | 23,355 |
| Alexander R. Berger | 8,008,749 | 22,359 |
| Donald E. Stout | 8,010,853 | 20,255 |
| H. Van Sinclair | 8,006,649 | 24,459 |

(v) To approve the Vringo, Inc. 2012 Employee, Director and Consultant Equity Incentive Plan:

| For: | Against: | Abstain: | Broker Non-Vote: |
|-------------|-----------------|-----------------|-------------------------|
| 7,661,227 | 280,502 | 89,379 | 3,455,364 |

(vi) To ratify the appointment of Somech Chaikin, a member firm of KPMG International as the Company’s independent registered public accounting firm:

| For: | Against: | Abstain: |
|-------------|-----------------|-----------------|
| 11,414,738 | 31,171 | 40,563 |

(vii) To adjourn to the Annual Meeting, to solicit additional proxies if there are not sufficient votes in favor of the proposals referred to in clauses (i) through (vi):

| For: | Against: | Abstain: |
|-------------|-----------------|-----------------|
| 11,044,395 | 390,065 | 52,012 |

Therefore, all the proposals, except for the proposal to effect a reverse merger, were approved.

Item 8.01 Other Events

On July 19, 2012, the Company issued a press release announcing the completion of the previously announced Merger, pursuant to the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

For informational purposes, the Company has filed as Exhibits 99.2, 99.3 and 99.4, a description of Innovate/Protect's business, the risk factors relating to Innovate/Protect and Innovate/Protect's Management's Discussion and Analysis of Financial Condition and Results of Operations, respectively.

As required by Item 9.01, the Company has also filed as Exhibits 99.5 and 99.6: (i) the audited consolidated balance sheet of Innovate/Protect as of December 31, 2011, the related consolidated statement of income, statement of stockholders' equity and statement of cash flows for the period from June 8, 2011 (Inception) to December 31, 2011, and related notes thereto, and (ii) the unaudited condensed consolidated balance sheet of Innovate/Protect as of March 31, 2012, the related condensed consolidated statement of income, statement of stockholders' equity and statement of cash flows for the three month period ended March 31, 2012, and related notes thereto, filed pursuant to Item 9.01(a) of this Current Report.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of business acquired.

The audited consolidated financial statements of Innovate/Protect for the period from June 8, 2011 (Inception) to December 31, 2011 and the unaudited interim financial statements of Innovate/Protect for the three month period ended March 31, 2012, required to be filed pursuant to Items 9.01(a) of Form 8-K, are filed herewith as Exhibits 99.5 and 99.6, respectively, and are incorporated into this Current Report by reference.

(b) Pro forma financial information.

The unaudited pro forma financial information required to be filed pursuant to Item 9.01(b) of Form 8-K was attached as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 19, 2012, and is incorporated into this Current Report by reference.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| 2.1 | Agreement and Plan of Merger by and among Vringo, Inc., VIP Merger Sub, Inc. and Innovate/Protect, Inc., dated as of March 12, 2012 (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on March 14, 2012) |
| 3.1 | Certificate of Amendment to Amended and Restated Certificate of Incorporation to effect an increase in authorized shares |
| 3.2 | Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock |
| 4.1 | Form of Series 1 Warrant (previously filed as Annex F to the Company's Registration Statement on Form S-4 (File No. 333-180609) originally filed with the SEC on April 6, 2012) |
| 4.2 | Form of Series 1 Warrant (previously filed as Annex G to the Company's Registration Statement on Form S-4 (File No. 333-180609) originally filed with the SEC on April 6, 2012) |
| 10.1 | Vringo, Inc. 2012 Employee, Director and Consultant Equity Incentive Plan (previously filed as Annex D to the Company's Registration Statement on Form S-4 (File No. 333-180609) originally filed with the SEC on April 6, 2012) |
| 10.2 | Amended and Restated Senior Secured Note, by and between Innovate/Protect, Inc. and Hudson Bay Master Fund Ltd., dated July 19, 2012 |
| 10.3 | Amended and Restated Pledge and Security Agreement, by and between the Company and each of its subsidiaries, dated July 19, 2012 |
| 10.4 | Amended and Restated Guaranty, by and between the Company and each of its subsidiaries, dated July 19, 2012 |
| 10.5 | Commitment Letter Agreement between Hudson Bay Master Fund Ltd. and Innovate/Protect, dated June 1, 2012 |
| 10.6 | Form of Lock-Up Agreement from the officers and directors of Vringo, Inc., dated July 19, 2012 |
| 23.1 | Consent of Grant Thornton LLP |
| 99.1 | Press Release, dated July 19, 2012 |
| 99.2 | Information about Innovate/Protect, Inc. |
| 99.3 | Risk Factors Relating to Innovate/Protect, Inc. |
| 99.4 | Innovate/Protect, Inc. Management's Discussion and Analysis of Financial Condition and Results of Operations |
| 99.5 | Innovate/Protect, Inc. audited consolidated balance sheet as of December 31, 2011, the related consolidated statement of income, statement of stockholders' equity and statement of cash flows for the period from June 8, 2011 (Inception) to December 31, 2011, and related notes thereto |
| 99.6 | Innovate/Protect, Inc. unaudited condensed consolidated balance sheet as of March 31, 2012, the related condensed consolidated statement of income, statement of stockholders' equity and statement of cash flows for the three month period ended March 31, 2012, and related notes thereto |
| 99.7 | Unaudited pro forma combined financial information (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 19, 2012) |

SIGNATURES

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

VRINGO, INC.

Dated: July 20, 2012

By: /s/ Andrew D. Perlman

Name: Andrew D. Perlman

Title: Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF THE
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
VRINGO, INC.**

VRINGO, INC., a Delaware corporation (the “**Corporation**”), does hereby certify that:

FIRST: The name of the Corporation is **VRINGO, INC.**

SECOND: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 9, 2006 and the Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 22, 2010.

THIRD: The Board of Directors of the Corporation (the “**Board**”), acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware (the “**DGCL**”), adopted resolutions amending the Corporation’s Amended and Restated Certificate of Incorporation as follows:

The second sentence of Article Fourth of the Corporation’s Amended and Restated Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

“The total number of shares the Corporation shall have the authority to issue is one hundred fifty-five million (155,000,000) shares, one hundred fifty million (150,000,000) shares of which shall be Common Stock and five million (5,000,000) shares of which shall be Preferred Stock.”

FOURTH: Thereafter, pursuant to a resolution of the Board, this Certificate of Amendment was submitted to the stockholders of the Corporation for their approval, and was duly adopted in accordance with the provisions of Sections 222 and 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this **CERTIFICATE OF AMENDMENT** to be signed by its Chief Executive Officer as of the 19th day of July, 2012.

VRINGO, INC.

By: /s/ Andrew D. Perlman
Name: Andrew D. Perlman
Title: Chief Executive Officer

**CERTIFICATE OF DESIGNATIONS, PREFERENCES
AND RIGHTS OF SERIES A CONVERTIBLE PREFERRED STOCK
OF VRINGO, INC.**

Vringo, Inc. (the "**Corporation**"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "**DGCL**"), does hereby certify that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "**Board**") by the Amended and Restated Certificate of Incorporation, as amended, of the Corporation, and pursuant to Sections 151 and 141 of the DGCL, the Board adopted resolutions (i) designating a series of the Corporation's previously authorized preferred stock, par value \$0.01 per share, and (ii) providing for the designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of six thousand nine hundred and sixty eight (6,968) shares of Series A Convertible Preferred Stock of the Corporation, as follows:

RESOLVED, that the Corporation is authorized to issue six thousand nine hundred and sixty eight (6,968) shares of Series A Convertible Preferred Stock (the "**Series A Preferred Stock**"), par value \$0.01 per share, which shall have the following powers, designations, preferences and other special rights:

1. Designation and Amount. The class of preferred stock hereby classified shall be designated the "Series A Preferred Stock". The initial number of authorized shares of the Series A Preferred Stock shall be six thousand nine hundred and sixty eight (6,968), which shall not be subject to increase without the consent of the holders of a majority of the then outstanding shares of Series A Preferred Stock. Each share of the Series A Preferred Stock shall have a par value of \$0.01.

2. Ranking. The Series A Preferred Stock shall rank prior and superior to all of the common stock, par value \$0.01 per share, of the Corporation ("**Common Stock**") and any other capital stock of the Corporation (other than the Series A Preferred Stock) with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Corporation. The rights of the shares of Common Stock and other capital stock of the Corporation (other than the Series A Preferred Stock) shall be subject to the preferences and relative rights of the Series A Preferred Stock.

3. Dividends. From and after the first date of issuance of any shares of Series A Preferred Stock (the "**Initial Issuance Date**"), the holders of Series A Preferred Stock (each, a "**Holder**" and collectively, the "**Holders**") shall be entitled to receive such dividends paid and distributions made to the holders of Common Stock, which right shall be prior to the rights of the holders of capital stock of the Corporation, including the Common Stock, junior in rank to the Series A Preferred Stock in respect of the preferences as to distributions and payments upon a Liquidation Event (such stock, including the Common Stock, being referred to hereinafter collectively as "**Junior Stock**") (if any) (but after and subject to the rights of holders of Senior Preferred Stock (as defined below), if any, and *pari passu* to the rights of holders of capital stock of the Corporation *pari passu* in rank to the Series A Preferred Stock in respect of the preferences as to distributions and payments upon a Liquidation Event (such stock being referred to hereinafter collectively as "**Pari Passu Stock**") (if any)), to the same extent as if such Holders had converted the Series A Preferred Stock into Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions (provided, however, to the extent that a Holder's right to participate in any such dividend or distribution would result in the Holder exceeding the Maximum Percentage (as defined below), then the Holder shall not be entitled to participate in such dividend or distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such dividend or distribution to such extent) and the portion of such dividend or distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage, at which time such Holder shall be delivered such dividend or distribution to the extent as if there had been no such limitation). Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Stock. Following the occurrence of a Liquidation Event (as defined below) and the payment in full to a Holder of its applicable liquidation preference, other than as set forth in Section 4 below, such Holder shall cease to have any rights hereunder to participate in any future dividends or distributions made to the holders of Common Stock. The Corporation shall not declare or pay any dividends on any other shares of Junior Stock or any Pari Passu Stock unless the holders of Series A Preferred Stock then outstanding shall simultaneously receive a dividend on a pro rata basis as if the shares of Series A Preferred Stock had been converted into shares of Common Stock pursuant to Section 7 immediately prior to the record date for determining the stockholders eligible to receive such dividends.

4. Liquidation Preference. Upon any Liquidation Event, the Holders shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any other Preferred Stock of the Corporation ranking on liquidation prior and in preference to the Series A Preferred Stock (such Preferred Stock being referred to hereinafter as "**Senior Preferred Stock**") upon such liquidation, dissolution or winding up, but before any payment shall be made to the holders of Junior Stock, an amount in cash equal to the Stated Value. If upon any such Liquidation Event, the remaining assets of the Corporation available for the distribution to its stockholders after payment in full of amounts required to be paid or distributed to holders of Senior Preferred Stock shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series A Preferred Stock and any class of stock ranking on liquidation on a parity with the Series A Preferred Stock, shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect to the shares held by them upon such distribution if all amounts payable on or with respect to said shares were paid in full. For purposes of this Certificate of Designations, the term "**Stated Value**" shall mean one thousand dollars (\$1,000) per share, subject to adjustment for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, reverse stock splits or other similar events relating to the Series A Preferred Stock after the Initial Issuance Date. For purposes of this Certificate of Designations, a "**Liquidation Event**" means the voluntary or involuntary liquidation, dissolution or winding up of the Corporation or its Subsidiaries, the assets of which constitute all or substantially all of the assets of the business of the Corporation and its Subsidiaries taken as a whole, in a single transaction or series of transactions.

5. Fundamental Transactions; Put Triggering Event.

(a) Certain definitions. For purposes of this Certificate of Designations, the following definitions shall apply:

(i) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(ii) "**Cash Conversion Amount**" means the product of (A) the percentage of the consideration in the Put Triggering Event (in relation to all consideration being paid in such Put Triggering Event) being paid in cash multiplied by (B) the Conversion Amount as to which a Put Triggering Event Redemption Notice is being delivered.

(iii) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(iv) "**Eligible Market**" means The New York Stock Exchange, Inc., the NYSE MKT, The NASDAQ Global Select Market, The NASDAQ Global Market or The NASDAQ Capital Market.

(v) "**Change of Control**" means any Fundamental Transaction other than (A) any reorganization, recapitalization or reclassification of the Common Stock in which holders of the Corporation's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities, or (B) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Corporation.

(vi) "**Eligible Successor Common Stock**" means common stock of a Successor Entity that is a publicly traded corporation, whose common stock is quoted or listed for trading on an Eligible Market, and that assumes in writing all obligations of the Corporation under this Certificate of Designations in accordance with Section 5(b) hereof such that the applicable Series A Preferred Stock shall be convertible into publicly traded common stock (or its equivalent) of such Successor Entity.

(vii) "**Fundamental Transaction**" means that the Corporation shall (or in the case of clause (F) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act)), directly or indirectly, in one or more related transactions, (A) consolidate or merge with or into (whether or not the Corporation is the surviving corporation) another entity, or (B) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Corporation to another entity, or (C) allow another entity or entities to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock (not including any shares of Voting Stock held by the entity or entities making or party to, or associated or affiliated with the entity or entities making or party to, such purchase, tender or exchange offer), or (D) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another entity whereby such other entity acquires more than the 50% of the outstanding shares of Voting Stock (not including any shares of Voting Stock held by the other entity or other entities making or party to, or associated or affiliated with the other entities making or party to, such stock purchase agreement or other business combination), or (E) reorganize, recapitalize or reclassify its Common Stock, or (F) become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock.

(viii) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(ix) "**Put Triggering Event**" means any Change of Control other than one in which a Successor Entity that is a publicly traded corporation, whose common stock is quoted or listed for trading on an Eligible Market, assumes in writing all obligations of the Corporation under this Certificate of Designations in accordance with Section 5(b) hereof such that the Series A Preferred Stock shall be convertible into publicly traded common stock (or its equivalent) of such Successor Entity.

(x) "**Required Holders**" means the holders of record of a majority of the outstanding shares of Series A Preferred Stock.

(xi) "**Securities Conversion Amount**" means the product of (A) the percentage of the consideration in the Put Triggering Event (in relation to all consideration being paid in such Put Triggering Event) being paid in securities (other than in Eligible Successor Common Stock) multiplied by (B) the Conversion Amount as to which a Put Triggering Event Redemption Notice is being delivered.

(xii) "**Successor Entity**" means the Person, which may be the Corporation, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made, provided that if such Person is not a publicly traded entity whose common stock or equivalent equity security is quoted or listed for trading on an Eligible Market, Successor Entity shall mean such Person's Parent Entity.

(xiii) "**Successor Entity Conversion Amount**" means the product of (A) the percentage of the consideration in the Put Triggering Event (in relation to all consideration being paid in such Put Triggering Event) being paid in Eligible Successor Common Stock multiplied by (B) the Conversion Amount as to which a Put Triggering Event Redemption Notice is being delivered.

(xiv) "**Trading Day**" means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the shares of Common Stock are then traded; provided that "Trading Day" shall not include any day on which the shares of Common Stock are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the shares of Common Stock are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York Time).

(xv) "**Voting Stock**" means capital stock of the class or classes pursuant to which the holders thereof have the general voting power to elect or the general power to appoint, at least a majority of the board of directors, managers or trustees thereof (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(b) Assumption. The Corporation shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Corporation under this Certificate of Designations in accordance with the provisions of this Section 5 pursuant to written agreements in form and substance satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each Holder of Series A Preferred Stock in exchange for such Series A Preferred Stock a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Certificate of Designations including, without limitation, having a stated value equal to the Stated Value of the Series A Preferred Stock held by such Holder and having similar ranking to the Series A Preferred Stock, and satisfactory to the Required Holders and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designations referring to the "Corporation" shall refer instead to the Successor Entity), and may exercise every right and power of the Corporation and shall assume all of the obligations of the Corporation under this Certificate of Designations with the same effect as if such Successor Entity had been named as the Corporation herein. Upon consummation of the Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon conversion of the Series A Preferred Stock at any time after the consummation of the Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property) issuable upon the conversion of the Series A Preferred Stock prior to such Fundamental Transaction (without regard to any limitations on the conversion of the Series A Preferred Stock), such shares of publicly traded common stock (or their equivalent) of the Successor Entity, as adjusted in accordance with the provisions of this Certificate of Designations, which the Holder would have been entitled to receive had such Holder converted the Series A Preferred Stock in full (without regard to any limitations on conversion, including without limitation, the Maximum Percentage) immediately prior to such Fundamental Transaction (provided, however, to the extent that a Holder's right to receive any such shares of publicly traded common stock (or their equivalent) of the Successor Entity would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to receive such shares to such extent (or to beneficially own any shares of publicly traded common stock (or their equivalent) of the Successor Entity as a result of such consideration to such extent) and the portion of such shares shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage, at which time such Holder shall be delivered such shares to the extent as if there had been no such limitation). The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of the Series A Preferred Stock.

(c) Put Triggering Event. No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Change of Control, but not prior to the public announcement of such Change of Control, the Corporation shall deliver written notice thereof via facsimile and overnight courier to the Holders (a "**Change of Control Notice**"). At any time during the period beginning after a Holder's receipt of a Change of Control Notice with respect to a Put Triggering Event and ending on the date that is twenty (20) Trading Days after such Put Triggering Event, such Holder may require the Corporation to redeem all or any portion of such Holder's Series A Preferred Stock by delivering (such date of delivery, the "**Put Triggering Event Redemption Notice Date**") written notice thereof ("**Put Triggering Event Redemption Notice**") to the Corporation, which Put Triggering Event Redemption Notice shall indicate the Conversion Amount the Holder is electing to be redeemed and/or assumed as provided below. Any Series A Preferred Stock subject to redemption pursuant to this Section 5(c) shall be redeemed by the Corporation in cash at a price equal to (I) in the event of a Put Triggering Event that provides for cash payments to the Corporation or the equity holders of the Corporation, the greater of (i) 100% of the Cash Conversion Amount and (ii) the product of (x) the Conversion Rate in effect at such time as the Holder delivers a Put Triggering Event Redemption Notice with respect to such Cash Conversion Amount and (y) the highest amount of cash consideration to be paid to a holder of one share of Common Stock upon consummation of such Put Triggering Event (or, if such cash consideration is paid to the Corporation, that would be payable to a holder of one share of Common Stock after consummation of such Put Triggering Event and distribution of such cash by the Corporation to its holders of Common Stock), (II) in the event of a Put Triggering Event that provides for payments in securities (other than in Eligible Successor Common Stock) to the Corporation or the equity holders of the Corporation, the greater of (i) 100% of the Securities Conversion Amount and (ii) the product of (x) the Conversion Rate in effect at such time as the Holder delivers a Put Triggering Event Redemption Notice with respect to such Securities Conversion Amount and (y) the last Closing Sale Price of the Common Stock in effect immediately prior to the consummation of the Put Triggering Event (the "**Put Triggering Event Redemption Price**"), and (III) in the event of a Triggering Event that provides for payments in Eligible Successor Common Stock to the Corporation or the equity holders of the Corporation, the Successor Entity shall assume the Successor Entity Conversion Amount in accordance with the provisions of Section 5(b) above. Upon the Corporation's receipt of a Put Triggering Event Redemption Notice(s) from any Holder, the Corporation shall within one (1) Business Day of such receipt notify each other Holder by facsimile of the Corporation's receipt of such notice(s). The Corporation shall make payment of the Put Triggering Event Redemption Price concurrently with the consummation of such Put Triggering Event to all Holders that deliver a Put Triggering Event Redemption Notice prior to the consummation of such Put Triggering Event and within five (5) Trading Days after the Corporation's receipt of such notice otherwise (the "**Put Triggering Event Redemption Date**"). To the extent redemptions required by this Section 5(c) are deemed or determined by a court of competent jurisdiction to be prepayments of the Series A Preferred Stock by the Corporation, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5(c), until the Put Triggering Event Redemption Price (together with any interest thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 5(c) may be converted, in whole or in part, by the Holder into shares of Common Stock, or in the event the Conversion Date is after the consummation of the Put Triggering Event, shares or equity interests of the Successor Entity substantially equivalent to the Corporation's Common Stock pursuant to Section 7(c)(i). The Holders and the Corporation agree that in the event of the Corporation's redemption of any Series A Preferred Stock under this Section 5(c), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future dividend rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 5(c) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. In the event that the Corporation does not pay the Put Triggering Event Redemption Price on the Put Triggering Event Redemption Date, then the Holder shall have the right to void the redemption pursuant to Section 5(d).

(d) Void Redemption. In the event that the Corporation does not pay a Put Triggering Event Redemption Price within the time period set forth in this Certificate of Designations, at any time thereafter and until the Corporation pays such unpaid applicable Put Triggering Event Redemption Price in full, a Holder shall have the option to, in lieu of redemption, require the Corporation to promptly return to such Holder any or all of the Series A Preferred Stock that were submitted for redemption by such Holder and for which the applicable Put Triggering Event Redemption Price has not been paid, by sending written notice thereof to the Corporation via facsimile (the "**Void Redemption Notice**"). Upon the Corporation's receipt of such Void Redemption Notice, (i) the applicable Redemption Notice shall be null and void with respect to the Series A Preferred Stock subject to the Void Redemption Notice, (ii) the Corporation shall immediately return any Series A Preferred Stock subject to the Void Redemption Notice, and (iii) the Conversion Price of such returned Series A Preferred Stock shall be adjusted to the lesser of (A) the Conversion Price as in effect on the date on which the Void Redemption Notice is delivered to the Corporation and (B) the lowest Weighted Average Price of the Common Stock during the period beginning on the date on which the applicable Redemption Notice is delivered to the Corporation and ending on the date on which the Void Redemption Notice is delivered to the Corporation, as applicable, subject to further adjustment as provided in this Certificate of Designations.

(e) Disputes. In the event of a dispute as to the determination of the arithmetic calculation of the Put Triggering Event Redemption Price, such dispute shall be resolved pursuant to Section 7(e) with the term " Put Triggering Event Redemption Price " being substituted for the term "Conversion Rate". A Holder's delivery of a Void Redemption Notice and exercise of its rights following such notice shall not effect the Corporation's obligations to make any payments which have accrued prior to the date of such notice.

6. Voting Rights.

(a) Certain definitions. For purposes of this Certificate of Designations, the following definitions shall apply:

(i) "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(ii) "**GAAP**" means United States generally accepted accounting principles, consistently applied.

(iii) "**Indebtedness**" of any Person means, without duplication (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including (without limitation) "capital leases" in accordance with GAAP (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (viii) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) above.

(iv) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(b) General. The Holders shall not be entitled to vote, except (i) as otherwise required by applicable law and (ii) subject to Section 7(i), that each issued and outstanding share of Series A Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which each such share of Series A Preferred Stock is convertible (as adjusted from time to time pursuant to Section 8 hereof), at each meeting of stockholders of the Corporation (or pursuant to any action by written consent) with respect to matters presented to the stockholders of the Corporation for their action or consideration in connection with (A) a Change of Control of the Corporation or (B) the issuance by the Corporation, directly or indirectly, in one or more transactions or series of transactions, of shares of Common Stock, Options or Convertible Securities if, in the aggregate, the number of such shares of Common Stock together with the number of shares of Common Stock issuable upon the conversion or exercise, as applicable, of such Options and Convertible Securities is more than 20% of the number of shares of Common Stock issued and outstanding prior to any such issuance (such issuance, the "**Twenty Percent Issuance**").

(c) Series A Preferred Stock Protective Provisions. In addition to any other rights provided by law, the Corporation shall not and shall not permit any direct or indirect Subsidiary of the Corporation to, without first obtaining the affirmative vote or written consent of the holders of a majority of the outstanding shares of Series A Preferred Stock:

(i) increase the authorized number of shares of Series A Preferred Stock;

(ii) amend, alter or repeal the preferences, special rights or other powers of the Series A Preferred Stock so as to affect adversely the Series A Preferred Stock;

(iii) on or prior to the 18th month anniversary of the Initial Issuance Date, create, or authorize the creation of, or issue, or authorize the issuance of any debt security or any equity security or incur, or authorize the incurrence of any other Indebtedness, if such debt security, equity security or other Indebtedness is (A) one with preference or priority over the rights of the Series A Preferred Stock as to the right to either receive dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation and (B) issued or incurred with net proceeds to the Corporation or will have outstanding principal amount incurred plus accrued interest, as applicable, in an amount, individually or in the aggregate, more than \$6,000,000 less the then outstanding principal amount of Vringo Notes (as defined in the Agreement and Plan of Merger, dated as of March 12, 2012 (the "**Subscription Date**"), by and among Vringo, Inc., a Delaware corporation ("**Parent**"), VIP Merger Sub, Inc., a Delaware corporation and wholly owned Subsidiary of Parent, and the Corporation; provided, that the Corporation and its Subsidiaries shall be permitted to incur Indebtedness, provided, that the liens or other encumbrances, if any, on such Indebtedness cover only assets acquired after the Initial Issuance Date, and the holder of such Indebtedness expressly subordinates to the Holders of the Series A Preferred Stock with respect to assets owned by the Corporation on or prior to the Initial Issuance Date pursuant to a subordination agreement in form and substance reasonably satisfactory to the Required Holders; or

(iv) in any manner, issue or sell any rights, warrants or options to subscribe for or purchase shares of Common Stock or securities directly or indirectly convertible into or exchangeable or exercisable for shares of Common Stock at a price which varies or may vary with the market price of the shares of Common Stock, including by way of one or more reset(s) to any fixed price, unless the conversion, exchange or exercise price of any such security cannot be less than the then applicable Conversion Price. Nothing herein shall prevent the Corporation from consummating an acquisition that does not result in capital raising for the Corporation and/or any of its Subsidiaries where the purchase price with respect thereto is a fixed price determined on or prior to the consummation of such transaction based on an average of recent market prices prior to such consummation, but only if all parties to any agreement with respect to such transaction and all Persons that are entitled to receive any securities pursuant to any such agreement are prohibited from selling, directly or indirectly, all equity and equity linked securities of the Corporation at all times after commencement of negotiations with respect to any such transaction until the consummation of any such transaction.

7. Conversion. Subject to Section 7(i), each share of Series A Preferred Stock may be converted into shares of Common Stock at any time or times, at the option of any Holder as provided in this Section 7, provided, however, that in connection with any Liquidation Event, the right of conversion shall terminate at the close of business on the full business day next preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of Series A Preferred Stock.

(a) Certain definitions. For purposes of this Certificate of Designations, the following definitions shall apply:

(i) "**Bloomberg**" means Bloomberg Financial Markets.

(ii) "**Conversion Amount**" means the Stated Value.

(iii) "**Conversion Price**" means \$.33138918, subject to adjustment as provided herein.

(iv) "**Subsidiary**" means, with respect to the Corporation, any entity in which the Corporation, directly or indirectly, owns any of the capital stock or holds an equity or similar interest.

(v) "**Weighted Average Price**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Weighted Average Price cannot be calculated for such security on such date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Corporation and the Required Holders. If the Corporation and the Required Holders are unable to agree upon the fair market value of the Common Stock, then such dispute shall be resolved pursuant to Section 7(e) below with the term "Weighted Average Price" being substituted for the term "Conversion Rate." All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(b) Conversion. The number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock pursuant to this Section 7 shall be determined according to the following formula (the "**Conversion Rate**"):

$$\frac{\text{Conversion Amount}}{\text{Conversion Price}}$$

No fractional shares of Common Stock are to be issued upon the conversion of any Series A Preferred Stock, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number.

The applicable Conversion Rate and Conversion Price from time to time in effect is subject to adjustment as hereinafter provided.

(c) Mechanics of Conversion. The conversion of Series A Preferred Stock shall be conducted in the following manner:

(i) Holder's Delivery Requirements. To convert Series A Preferred Stock into shares of Common Stock on any date (a "**Conversion Date**"), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m., New York City time, on such date, a copy of a properly completed notice of conversion executed by the registered Holder of the Series A Preferred Stock subject to such conversion in the form attached hereto as Exhibit I (the "**Conversion Notice**") to the Corporation and if the Corporation has appointed a registered transfer agent, the Corporation's registered transfer agent (the "**Transfer Agent**") (if the Corporation does not have a registered transfer agent, references hereto to the "Transfer Agent" shall be deemed to be references to the Corporation) and (B) if required by Section 7(c)(iv), surrender to a common carrier for delivery to the Corporation as soon as practicable following such date the original certificates representing the Series A Preferred Stock being converted (or compliance with the procedures set forth in Section 11) (the "**Preferred Stock Certificates**").

(ii) Corporation's Response. Upon receipt by the Corporation of a copy of a Conversion Notice, the Corporation shall (A) as soon as practicable, but in any event within two (2) Trading Days, send, via facsimile, a confirmation of receipt of such Conversion Notice to such Holder and the Transfer Agent, if applicable, which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein and (B) on or before the third (3rd) Trading Day following the date of receipt by the Corporation of such Conversion Notice (the "**Share Delivery Date**"), (1) provided the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal At Custodian system, or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled. If the number of shares of Series A Preferred Stock represented by the Preferred Stock Certificate(s) submitted for conversion, as may be required pursuant to Section 7(c)(iv), is greater than the number of shares of Series A Preferred Stock being converted, then the Corporation shall, as soon as practicable and in no event later than five (5) Business Days after receipt of the Preferred Stock Certificate(s) (the "**Preferred Stock Delivery Date**") and at its own expense, issue and deliver to the Holder a new Preferred Stock Certificate representing the number of shares of Series A Preferred Stock not converted.

(iii) Corporation's Failure to Timely Convert.

(A) Cash Damages. If within three (3) Trading Days after the Corporation's receipt of the facsimile copy of a Conversion Notice the Corporation shall fail to credit a Holder's balance account with DTC or issue and deliver a certificate to such Holder for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion of Series A Preferred Stock (a "**Conversion Failure**"), and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the shares of Common Stock issuable upon such conversion that the Holder anticipated receiving from the Corporation (a "**Buy-In**"), then the Corporation shall, within three (3) Trading Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and out-of-pocket expenses, if any) for the shares of Common Stock so purchased (the "**Buy-In Price**"), at which point the Corporation's obligation to deliver such certificate (and to issue such Common Stock) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Closing Sale Price on the Conversion Date. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the Series A Preferred Stock as required pursuant to the terms hereof.

(B) Void Conversion Notice; Adjustment of Conversion Price. If for any reason a Holder has not received all of the shares of Common Stock to which such Holder is entitled prior to the tenth (10th) Trading Day after the Share Delivery Date with respect to a conversion of Series A Preferred Stock, then the Holder, upon written notice to the Corporation, with a copy to the Transfer Agent, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any shares of Series A Preferred Stock that have not been converted pursuant to such Holder's Conversion Notice; provided that the voiding of a Holder's Conversion Notice shall not effect the Corporation's obligations to make any payments which have accrued prior to the date of such notice pursuant to Section 7(c)(iii)(A) or otherwise.

(iv) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of Series A Preferred Stock in accordance with the terms hereof, the Holder thereof shall not be required to physically surrender the certificate representing the Series A Preferred Stock to the Corporation unless (A) the full or remaining number of shares of Series A Preferred Stock represented by the certificate are being converted, in which case the Holder shall deliver such stock certificate to the Corporation promptly following such conversion, or (B) a Holder has provided the Corporation with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of Series A Preferred Stock upon physical surrender of any Series A Preferred Stock. The Holder and the Corporation shall maintain records showing the number of shares of Series A Preferred Stock so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Corporation, so as not to require physical surrender of the certificate representing the Series A Preferred Stock upon each such conversion. In the event of any dispute or discrepancy, such records of the Corporation establishing the number of shares of Series A Preferred Stock to which the record holder is entitled shall be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if Series A Preferred Stock represented by a certificate are converted as aforesaid, a Holder may not transfer the certificate representing the Series A Preferred Stock unless such Holder first physically surrenders the certificate representing the Series A Preferred Stock to the Corporation, whereupon the Corporation will forthwith issue and deliver upon the order of such Holder a new certificate of like tenor, registered as such Holder may request, representing in the aggregate the remaining number of shares of Series A Preferred Stock represented by such certificate. A Holder and any assignee, by acceptance of a certificate, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of any Series A Preferred Stock, the number of shares of Series A Preferred Stock represented by such certificate may be less than the number of shares of Series A Preferred Stock stated on the face thereof. Each certificate for Series A Preferred Stock shall bear the following legend:

ANY TRANSFEREE OF THIS CERTIFICATE SHOULD CAREFULLY REVIEW THE TERMS OF THE CORPORATION'S CERTIFICATE OF DESIGNATIONS RELATING TO THE SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE, INCLUDING SECTION 7(c)(iv) THEREOF. THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE MAY BE LESS THAN THE NUMBER OF SHARES OF SERIES A PREFERRED STOCK STATED ON THE FACE HEREOF PURSUANT TO SECTION 7(c)(iv) OF THE CERTIFICATE OF DESIGNATIONS RELATING TO THE SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE.

(d) Reservation of Shares.

(i) The Corporation shall have such number of its duly authorized and unissued shares of Common Stock for each Series A Preferred Stock equal to 130% of the number of shares of Common Stock necessary to effect the conversion at the Conversion Rate with respect to each such Series A Preferred Stock as of the Initial Issuance Date. The Corporation shall at all times when the Series A Preferred Stock shall be outstanding reserve and keep available out of its authorized but unissued stock, for the purposes of effecting the conversion of the Series A Preferred Stock, such number of its duly authorized and unissued shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Stock (the "**Required Reserve Amount**"). The initial number of shares of Common Stock reserved for conversions of the Series A Preferred Stock and each increase in the number of shares so reserved shall be allocated pro rata among the Holders based on the number of shares of Series A Preferred Stock held by each Holder at the time of issuance of the Series A Preferred Stock or increase in the number of reserved shares, as the case may be (the "**Authorized Share Allocation**"). In the event a Holder shall sell or otherwise transfer any of such Holder's Series A Preferred Stock, each transferee shall be allocated a pro rata portion of the number of reserved shares of Common Stock reserved for such transferor. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Series A Preferred Stock (other than pursuant to a transfer of Series A Preferred Stock in accordance with the immediately preceding sentence) shall be allocated to the remaining Holders of Series A Preferred Stock, pro rata based on the number of shares of Series A Preferred Stock then held by such Holders. Before taking any action that would cause an adjustment reducing the Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, the Corporation will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully-paid and nonassessable shares of such Common Stock at such adjusted conversion price.

(ii) If at any time while any of the Series A Preferred Stock remain outstanding the Corporation does not have a sufficient number of duly authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Series A Preferred Stock at least a number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Corporation shall immediately take all action necessary to increase the Corporation's authorized shares of Common Stock to an amount sufficient to allow the Corporation to reserve the Required Reserve Amount for the Series A Preferred Stock then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Corporation shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Corporation shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

(e) Dispute Resolution. In the case of a dispute as to the arithmetic calculation of the Conversion Rate, the Corporation shall issue to the Holder the number of shares of Common Stock that is not disputed and shall transmit an explanation of the disputed determinations or arithmetic calculations to the Holder via facsimile within one (1) Business Day of receipt of such Holder's Conversion Notice or other date of determination. If such Holder and the Corporation are unable to agree upon the determination of the arithmetic calculation of the Conversion Rate within two (2) Business Days of such disputed determination or arithmetic calculation being transmitted to the Holder, then the Corporation shall within one (1) Business Day submit via facsimile the disputed arithmetic calculation of the Conversion Rate to any "big four" international accounting firm. The Corporation shall cause, at the Corporation's expense (unless the accounting firm determines in favor of the Corporation, in which case the Holder shall be responsible for such expense), the accountant to perform the determinations or calculations and notify the Corporation and the Holders of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such accountant's determination or calculation, as the case may be, shall be binding upon all parties absent error.

(f) Record Holder. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of Series A Preferred Stock shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date.

(g) Effect of Conversion. All shares of Series A Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall forthwith cease and terminate except only the right of the holder thereof to receive shares of Common Stock in exchange therefor and payment of any accrued but unpaid dividends thereon (whether or not declared). Subject to Section 7(c)(iii)(B), any shares of Series A Preferred Stock so converted shall be retired and canceled and shall not be reissued, and the Corporation may from time to time take such appropriate action as may be necessary to reduce the authorized Series A Preferred Stock accordingly.

(h) Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of this Series A Preferred Stock shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such shares of Series A Preferred Stock so converted and the Corporation shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(i) Maximum Percentage. Notwithstanding anything to the contrary set forth herein, the Corporation shall not effect any conversion of Series A Preferred Stock, and no Holder shall have the right to convert any Series A Preferred Stock, to the extent that after giving effect to such conversion, the beneficial owner of such shares (together with such Person's affiliates) would have acquired, through conversion of Series A Preferred Stock or otherwise, beneficial ownership of a number of shares of Common Stock that exceeds 9.99% (the "**Maximum Percentage**") of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. The Corporation shall not give effect to any voting rights of the Series A Preferred Stock, and any Holder shall not have the right to exercise voting rights with respect to any Series A Preferred Stock pursuant hereto, to the extent that giving effect to such voting rights would result in such Holder (together with its affiliates) being deemed to beneficially own in excess of the Maximum Percentage of the number of shares of Common Stock outstanding immediately after giving effect to such exercise, assuming such exercise as being equivalent to conversion. For purposes of the foregoing, the number of shares of Common Stock beneficially owned by a Person and its affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted shares of Series A Preferred Stock beneficially owned by such Person or any of its affiliates and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including, without limitation, any notes or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 7(i) beneficially owned by such Person or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 7(i), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. For purposes of this Section 7(i), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Corporation's most recent Form 10-K, Form 10-Q, or Form 8-K, as the case may be, (2) a more recent public announcement by the Corporation, or (3) any other notice by the Corporation or the Transfer Agent setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written request of any Holder, the Corporation shall within one (1) Business Day following the receipt of such notice, confirm orally and in writing to any such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Corporation, including the Series A Preferred Stock, by such Holder and its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. By written notice to the Corporation, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided, that (i) any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Corporation, and (ii) any such increase or decrease will apply only to the Holder providing such written notice and not to any other Holder. In the event that the Corporation cannot pay any portion of any dividend, distribution, grant or issuance hereunder (including pursuant to Sections 3, 5(b) or 8(f)) to a Holder solely by reason of this Section 7(i) (such shares, the "**Limited Shares**"), notwithstanding anything to the contrary contained herein, the Corporation shall not be required to pay cash in lieu of the payment that otherwise would have been made in such Limited Shares, but shall hold any such Limited Shares in abeyance for such Holder until such time, if ever, that the delivery of such Limited Shares shall not cause the Holder to exceed the Maximum Percentage, at which time such Holder shall be delivered such Limited Shares to the extent as if there had been no such limitation. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 7(i) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

8. Anti-Dilution Provisions. The Conversion Price shall be subject to adjustment from time to time in accordance with this Section 8.

(a) Certain Definitions. For purposes of this Certificate of Designations, the following definitions shall apply:

(i) "**Closing Sale Price**" means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price then the last trade price of such security prior to 4:00:00 p.m., New York City time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or, if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Corporation and the Required Holders. If the Corporation and the Required Holders are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 7(e). All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(ii) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exchangeable or exercisable for Common Stock.

(iii) "**Excluded Securities**" means any capital stock issued or issuable: (i) upon conversion of the Series A Preferred Stock; (ii) as a dividend or distribution on the Series A Preferred Stock; (iii) upon conversion of any Options or Convertible Securities which are outstanding on the day immediately preceding the Subscription Date, provided that the terms of such Options or Convertible Securities are not amended, modified or changed on or after the Subscription Date; (iv) pursuant to any benefit plan, program or agreement approved by the Corporation's board of directors or any committee thereof pursuant to which the Corporation's securities may be issued to any employee, officer or director for bona fide services provided to the Corporation; and (v) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Corporation, provided that any such issuance shall only be to a Person (or to the equity holders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Corporation and shall provide to Corporation additional benefits in addition to the investment of funds, but shall not include a transaction in which the Corporation is issuing securities for the purpose of raising capital or to an entity whose primary business is investing in securities.

(iv) "**Options**" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(v) "**Option Value**" means the value of an Option based on the Black and Scholes Option Pricing model obtained from the "OV" function on Bloomberg determined (1) in the event the issuance of such Option is publicly announced, the day prior to the public announcement of the applicable Option for pricing purposes or (2) in the event the issuance of such Option is not publicly announced, the day of issuance of such Option, and reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of the applicable Option as of the applicable date of determination, (ii) an expected volatility equal to the lesser of 50% and the 100 day volatility obtained from the HVT function on Bloomberg as of the day immediately following the public announcement of the applicable Option, (iii) the underlying price per share used in such calculation shall be the highest Weighted Average Price during the period beginning on the day prior to the execution of definitive documentation relating to the issuance of the applicable Option and the public announcement of such issuance, (iv) a zero cost of borrow, and (v) a 250 day annualization factor.

(vi) "**Principal Market**" means the Eligible Market that is the principal securities exchange market for the Common Stock.

(b) Adjustment of Series A Conversion Price Upon Issuance of Additional Shares of Common Stock. If and whenever after the Subscription Date the Corporation issues or sells, or in accordance with this Section 8(b) is deemed to have issued or sold, any Common Stock (including the issuance or sale of Common Stock owned or held by or for the account of the Corporation but excluding Excluded Securities) for a consideration per share (the "**New Issuance Price**") less than a price (the "**Applicable Price**") equal to the Conversion Price in effect immediately prior to such issue or sale or deemed issuance or sale (the foregoing, a "**Dilutive Issuance**"), then immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced to an amount equal to the New Issuance Price. Notwithstanding anything to the contrary contained herein, from and after the date on which an aggregate of at least 100,000,000 shares of Common Stock have been traded on an Eligible Market from and after the Initial Issuance Date at a per share price above \$3.00 (as adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period), the provisions of this Section 8(b) shall no longer be applicable. For purposes of determining the adjusted Conversion Price under this Section 8(b), the following shall be applicable:

(i) Issuance of Options. If the Corporation in any manner grants or sells any Options and the lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion or exchange or exercise of any Convertible Securities issuable upon exercise of such Option is less than the Applicable Price, then each such share of Common Stock underlying such Option shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the granting or sale of such Option for such price per share. For purposes of this Section 8(b)(i), the "lowest price per share for which one share of Common Stock is issuable upon the exercise of any such Option or upon conversion or exchange or exercise of any Convertible Securities issuable upon exercise of such Option" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Corporation with respect to any one share of Common Stock upon granting or sale of the Option, upon exercise of the Option and upon conversion or exchange or exercise of any Convertible Security issuable upon exercise of such Option less any consideration paid or payable by the Corporation with respect to such one Ordinary Share upon the granting or sale of such Option, upon exercise of such Option and upon conversion exercise or exchange of any Convertible Security issuable upon exercise of such Option. No further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such Common Stock upon conversion or exchange or exercise of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Corporation in any manner issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise thereof is less than the Applicable Price, then each such share of Common Stock underlying such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Corporation at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 8(b)(ii), the "lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Corporation with respect to any one share of Common Stock upon the issuance or sale of the Convertible Security and upon the conversion or exchange or exercise of such Convertible Security less any consideration paid or payable by the Corporation with respect to such one Ordinary Share upon the issuance or sale of such Convertible Security and upon conversion, exercise or exchange of such Convertible Security. No further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock upon conversion or exchange or exercise of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of the Conversion Price had been or are to be made pursuant to other provisions of this Section 8(b), no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exchange or exercise of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable or exercisable for Common Stock changes at any time, the Conversion Price in effect at the time of such change shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 8(b)(iii), if the terms of any Option or Convertible Security that was outstanding as of the Subscription Date are changed in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such change. No adjustment shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. In case any Option is issued in connection with the issue or sale of other securities of the Corporation, together comprising one integrated transaction (x) the Options will be deemed to have been issued for the Option Value of such Options and (y) the other securities issued or sold in such integrated transaction shall be deemed to have been issued for the difference of (x) the aggregate consideration received by the Corporation less any consideration paid or payable by the Corporation pursuant to the terms of such other securities of the Corporation, less (y) the Option Value of such Options. If any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation will be the fair value of such consideration, except where such consideration consists of marketable securities, in which case the amount of consideration received by the Corporation will be the Closing Sale Price of such marketable securities on the date of receipt of such securities. If any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Corporation is the surviving entity, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or marketable securities will be determined jointly by the Corporation and the Required Holders. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Business Days after the tenth (10th) day following the Valuation Event by an independent, reputable appraiser jointly selected by the Corporation and the Required Holders. The determination of such appraiser shall be deemed binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Corporation.

(c) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. If the Corporation at any time after the Initial Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Corporation at any time after the Initial Issuance Date combines (by combination, reverse stock split or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased.

(d) Other Events. If any event occurs of the type contemplated by the provisions of this Section 8 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features, other than the issuance of Excluded Securities), then the Corporation's Board of Directors will make an appropriate adjustment in the Conversion Price so as to protect the rights of the holders of Series A Preferred Stock; provided that no such adjustment will increase the Conversion Price as otherwise determined pursuant to this Section 8.

(e) Voluntary Adjustment By Corporation. The Corporation may at any time reduce the then current Conversion Price to any amount and for any period of time deemed appropriate and approved by the Board of Directors in accordance with Delaware law.

(f) Purchase Rights. If at any time the Corporation grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "**Purchase Rights**"), then the Holders will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series A Preferred Stock (without taking into account any limitations or restrictions on the convertibility of the Series A Preferred Stock) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that to the extent that a Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Maximum Percentage, at which time the Holder shall be granted such right to the same extent as if there had been no such limitation).

(g) Notices.

(i) Immediately upon any adjustment of the Conversion Rate and Conversion Price pursuant to Section 8 hereof, the Corporation will give written notice thereof sent by mail, first class, postage prepaid to each Holder at its address appearing on the stock register, setting forth in reasonable detail, and certifying, the calculation of such adjustment. In the case of a dispute as to the determination of such adjustment, then such dispute shall be resolved in accordance with the procedures set forth in Section 7(e).

(ii) Except as otherwise required by law, the Corporation will give written notice to each Holder at least ten (10) Business Days prior to the date on which the Corporation closes its books or takes a record (I) with respect to any dividend or distribution upon the Common Stock, (II) with respect to any pro rata subscription offer to holders of Common Stock or (III) for determining rights to vote with respect to any Change of Control, any Twenty Percent Issuance, any Fundamental Transaction or any Liquidation Event.

(iii) The Corporation will also give written notice to each Holder at least ten (10) Business Days prior to the date on which any Change of Control, any Twenty Percent Issuance, any Fundamental Transaction or any Liquidation Event will take place.

9. Suspension from Trading. If on any day after the Initial Issuance Date, the sale of any of the shares of Common Stock issued or issuable upon the conversion of any shares of Series A Preferred Stock (the "**Conversion Shares**") (without giving effect to the Maximum Percentage) issuable hereunder cannot be made (i) because of the suspension of trading by the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the shares of Common Stock are then traded (a "**Maintenance Failure**"), then, as partial relief for the damages to any Holder by reason of any such delay in or reduction of its ability to sell the Conversion Shares (which remedy shall not be exclusive of any other remedies available at law or in equity, including, without limitation, specific performance), the Corporation shall pay to each Holder, for each full fifteen (15) day period during which there is a Maintenance Failure, an amount in cash equal to one quarter of one percent (0.25%) of the product of (I) the total number of Conversion Shares issuable hereunder (without giving effect to the Maximum Percentage) and (II) the highest Closing Sale Price of the Common Stock during the period beginning on the Trading Date immediately prior to the first date of the Maintenance Failure and ending on the date such Maintenance Failure is cured or (ii) because of a failure to maintain the listing of the Common Stock on one or more Eligible Markets (a "**Delisting Maintenance Failure**"), then, as partial relief for the damages to any Holder by reason of any such delay in or reduction of its ability to sell the Conversion Shares (which remedy shall not be exclusive of any other remedies available at law or in equity, including, without limitation, specific performance), the Corporation shall pay to each Holder, for each full fifteen (15) day period during which there is a Delisting Maintenance Failure, an amount in cash equal to one quarter of one percent (0.25%) of the Conversion Amount then held by such Holder. The payments to which a Holder shall be entitled pursuant to this Section 9 are referred to herein as "**Suspension Payments**". Suspension Payments shall be paid on the third Business Day after each full fifteen (15) day period during which there is a Maintenance Failure or a Delisting Maintenance Failure, as applicable.

10. Status of Converted Stock. In the event any shares of Series A Preferred Stock shall be converted pursuant to Section 7 hereof, the shares so converted shall be canceled and shall not be issuable by the Corporation.

11. Lost or Stolen Certificates. Upon receipt by the Corporation of evidence reasonably satisfactory to the Corporation of the loss, theft, destruction or mutilation of any Series A Preferred Stock Certificates representing the Series A Preferred Stock, and, in the case of loss, theft or destruction, of an indemnification undertaking by the holder thereof to the Corporation in customary form and, in the case of mutilation, upon surrender and cancellation of the Series A Preferred Stock Certificate(s), the Corporation shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, the Corporation shall not be obligated to re-issue preferred stock certificates if the holder contemporaneously requests the Corporation to convert such Series A Preferred Stock into Common Stock.

12. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designations shall be cumulative and in addition to all other remedies available under this Certificate of Designations, at law or in equity (including a decree of specific performance and/or other injunctive relief). No remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy. Nothing herein shall limit a holder of Series A Preferred Stock's right to pursue actual damages for any failure by the Corporation to comply with the terms of this Certificate of Designations. The Corporation covenants to each holder of Series A Preferred Stock that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder of Series A Preferred Stock thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Corporation (or the performance thereof). The Corporation acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the holders of Series A Preferred Stock and that the remedy at law for any such breach may be inadequate. The Corporation therefore agrees that, in the event of any such breach or threatened breach, the holders of Series A Preferred Stock shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

13. Notice. Whenever notice or other communication is required to be given under this Certificate of Designations, unless otherwise provided herein, such notice shall be given in accordance with contact information provided by each Holder to the Corporation and set forth in the register for the Series A Preferred Stock maintained by the Corporation as set forth in Section 16.

14. Failure or Indulgence Not Waiver. No failure or delay on the part of any holder of Series A Preferred Stock in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

15. Transfer of Series A Preferred Stock. A Holder may assign some or all of the Series A Preferred Stock and the accompanying rights hereunder held by such Holder without the consent of the Corporation; provided that such assignment is in compliance with applicable securities laws.

16. Series A Preferred Stock Register. The Corporation shall maintain at its principal executive offices (or such other office or agency of the Corporation as it may designate by notice to the Holders), a register for the Series A Preferred Stock, in which the Corporation shall record the name and address of the persons in whose name the Series A Preferred Stock have been issued, as well as the name and address of each transferee. The Corporation may treat the person in whose name any Series A Preferred Stock is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any properly made transfers.

17. Stockholder Matters. Any stockholder action, approval or consent required, desired or otherwise sought by the Corporation pursuant to the DGCL, this Certificate of Designations or otherwise with respect to the issuance of the Series A Preferred Stock or the Common Stock issuable upon conversion thereof may be effected by written consent of the Corporation's stockholders or at a duly called meeting of the Corporation's stockholders, all in accordance with the applicable rules and regulations of the DGCL. This provision is intended to comply with the applicable sections of the DGCL permitting stockholder action, approval and consent affected by written consent in lieu of a meeting.

18. General Provisions. In addition to the above provisions with respect to Series A Preferred Stock, such Series A Preferred Stock shall be subject to and be entitled to the benefit of the provisions set forth in the Certificate of Incorporation of the Corporation with respect to preferred stock of the Corporation generally.

19. Disclosure. Upon receipt or delivery by the Corporation of any notice in accordance with the terms of this Certificate of Designations, unless the Corporation has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Corporation or any of its Subsidiaries, the Corporation shall within one (1) Business Day after any such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Corporation believes that a notice contains material, nonpublic information relating to the Corporation or its Subsidiaries, the Corporation so shall indicate to the Holders contemporaneously with delivery of such notice, and in the absence of any such indication, the Holders shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Corporation or its Subsidiaries.

IN WITNESS WHEREOF, the undersigned has signed this Certificate of Designation on the 19th day of July 2012, and affirms the statements contained therein as true under the penalties of perjury.

VRINGO, INC.

By: /s/ Andrew D. Perlman

Name: Andrew D. Perlman

Its: Chief Executive Officer

EXHIBIT I

VRINGO, INC.

Reference is made to the Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock of Vringo, Inc. (the "**Certificate of Designations**"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series A Convertible Preferred Stock, par value \$0.01 per share (the "**Series A Preferred Stock**"), of Vringo, Inc., a Delaware corporation (the "**Corporation**"), indicated below into shares of Common Stock, par value \$0.01 per share (the "**Common Stock**"), of the Corporation, as of the date specified below. The undersigned represents and warrants that such conversion is not prohibited by Section 7(i) of the Certificate of Designations.

Date of Conversion: _____

Number of shares of Series A Preferred Stock to be converted: _____

Stock certificate no(s). of Series A Preferred Stock to be converted: _____

Tax ID Number (If applicable): _____

Please confirm the following information: _____

Conversion Price: _____

Number of shares of Common Stock to be issued: _____

Please issue the Common Stock into which the Series A Preferred Stock are being converted in the following name and to the following address:

Issue to: _____

Address: _____

Telephone Number: _____

Facsimile Number: _____

Authorization: _____

By: _____

Title: _____

Dated:

Account Number (if electronic book entry transfer): _____

Transaction Code Number (if electronic book entry transfer): _____

ACKNOWLEDGMENT

The Corporation hereby acknowledges this Conversion Notice and hereby directs American Stock Transfer & Trust Company, LLC to issue the above indicated number of shares of Common Stock.

VRINGO, INC.

By: _____

Name: _____

Title: _____

THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTION 13(a) HEREOF. THE PRINCIPAL REPRESENTED BY THIS NOTE MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF.

INNOVATE/PROTECT, INC.

AMENDED AND RESTATED SENIOR SECURED NOTE

Original Issuance Date: June 22, 2011

Original Principal Amount: U.S. \$3,200,000

Amendment and
Restatement Date: July 19, 2012

FOR VALUE RECEIVED, INNOVATE/PROTECT, INC., a Delaware corporation (the "**Company**"), hereby promises to pay to HUDSON BAY MASTER FUND LTD. or registered assigns (the "**Holder**") the amount set out above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption or otherwise, the "**Principal**") when due, whether upon the Maturity Date (as defined below), acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest ("**Interest**") on any outstanding Principal at the applicable Interest Rate from the date set out above as the Original Issuance Date (the "**Issuance Date**") until the same becomes due and payable, whether upon an Interest Date (as defined below), the Maturity Date, acceleration, redemption or otherwise (in each case in accordance with the terms hereof). This Senior Secured Note (including all Senior Secured Notes issued in exchange, transfer or replacement hereof, this "**Note**") was issued pursuant to the Subscription Agreement on June 22, 2011. Certain capitalized terms used herein are defined in Section 25.

(1) **PAYMENTS OF PRINCIPAL.** On the Maturity Date, the Company shall pay to the Holder an amount in cash representing all outstanding Principal, accrued and unpaid Interest and accrued and unpaid Late Charges on such Principal and Interest. The "**Maturity Date**" shall be June 22, 2013, as may be extended at the option of the Holder (i) in the event that, and for so long as, an Event of Default (as defined in Section 4(a)) shall have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) or any event shall have occurred and be continuing on the Maturity Date (as may be extended pursuant to this Section 1) that with the passage of time and the failure to cure would result in an Event of Default and (ii) through the date that is ten (10) Business Days after the consummation of a Change of Control in the event that a Change of Control is publicly announced or a Change of Control Notice (as defined in Section 5(b)) is delivered prior to the Maturity Date. Other than as specifically permitted by this Note, the Company may not prepay any portion of the outstanding Principal, accrued and unpaid Interest or accrued and unpaid Late Charges on Principal and Interest, if any.

(2) **INTEREST; INTEREST RATE.** (a) Interest on this Note shall commence accruing on the Issuance Date and shall be computed on the basis of a 360-day year and twelve 30-day months and shall be payable in arrears on the first calendar day of each Calendar Quarter after the Issuance Date (each, an "**Interest Date**") with the first Interest Date being July 1, 2011. Interest shall be payable in cash on each Interest Date, to the record holder of this Note on the applicable Interest Date ("**Interest**"). It is understood and agreed that Interest has been paid through July 1, 2012.

(b) From and after the occurrence and during the continuance of an Event of Default, the Interest Rate shall be increased to eighteen percent (18%). In the event that such Event of Default is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of cure of such Event of Default.

(3) **REGISTRATION; BOOK-ENTRY.** The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the holders of each Note and the principal amount of the Notes held by such holders (the "**Registered Notes**"). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and the holders of the Notes shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes, including, without limitation, the right to receive payments of Principal and Interest, if any, hereunder, notwithstanding notice to the contrary. A Registered Note may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a request to assign or sell all or part of any Registered Note by a Holder, the Company shall record the information contained therein in the Register and issue one or more new Registered Notes in the same aggregate principal amount as the principal amount of the surrendered Registered Note to the designated assignee or transferee pursuant to Section 13. Notwithstanding anything to the contrary in this Section 3, the Holder may assign any Note or any portion thereof to an Affiliate of such Holder or a related fund of such Holder without delivering a request to assign or sell such Note to the Company and the recordation of such assignment or sale in the Register (a "**Related Party Assignment**"); provided, that (x) the Company may continue to deal solely with such assigning or selling Holder unless and until such Holder has delivered a request to assign or sell such Note or portion thereof to the Company for recordation in the Register; (y) the failure of such assigning or selling Holder to deliver a request to assign or sell such Note or portion thereof to the Company shall not affect the legality, validity, or binding effect of such assignment or sale and (z) such assigning or selling Holder shall, acting solely for this purpose as a non-fiduciary agent of the Company, maintain a register (the "**Related Party Register**") comparable to the Register on behalf of the Company, and any such assignment or sale shall be effective upon recordation of such assignment or sale in the Related Party Register.

(4) RIGHTS UPON EVENT OF DEFAULT.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**" upon receipt by the Company of a notice thereof by the Holder:

(i) the Company's failure to pay to the Holder any amount of Principal (including, without limitation, any redemption payments), Interest, Late Charges or other amounts when and as due under this Note or any other Note Transaction Document (as defined below);

(ii) any default under, redemption of or acceleration prior to maturity of any Indebtedness of any Note Party or any of its Subsidiaries;

(iii) any Note Party or any of its Subsidiaries, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, "**Bankruptcy Law**"), (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "**Custodian**"), (D) makes a general assignment for the benefit of its creditors or (E) admits in writing that it is generally unable to pay its debts as they become due;

(iv) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against any Note Party or any of its Subsidiaries in an involuntary case, (B) appoints a Custodian of any Note Party or any of its Subsidiaries or (C) orders the liquidation of any Note Party or any of its Subsidiaries;

(v) a final judgment or judgments for the payment of money aggregating in excess of \$250,000 are rendered against any Note Party or any of its Subsidiaries and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within sixty (60) days after the expiration of such stay; provided, however, that any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the \$250,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity and such Person will receive the proceeds of such insurance or indemnity within thirty (30) days of the issuance of such judgment;

(vi) any Note Party breaches any material representation, warranty, covenant or other term or condition of any Note Transaction Document;

(vii) any material breach or material failure in any respect to comply with Section 10 of this Note;

(viii) any Note Party or any of its Subsidiaries shall fail to perform or comply in any material respect with any covenant or agreement contained in the Security Documents to which it is a party;

(ix) any material provision of any Security Document (as determined by the Holder) shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against any Note Party or any Subsidiary intended to be a party thereto (except the guaranty obligations of Vringo, Ltd. with respect to the Guaranty to which it is a party), or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by any Note Party or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or any Note Party or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Security Document;

(x) any Security Document, after delivery thereof pursuant hereto, shall for any reason fail or cease to create a valid and perfected (except as otherwise provided by Section 5(n) of the Security Agreement) and, except to the extent permitted by the terms hereof or thereof, first priority Lien in favor of the Holder for the benefit of the holders of the Notes on any Collateral (as defined in the Security Agreement) purported to be covered thereby;

(xi) any material damage to, or loss, theft or destruction of, a material amount of Collateral, whether or not insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of any Note Party or any Subsidiary, if any such event or circumstance could reasonably be expected to have a Material Adverse Effect.

(b) Redemption Right. On and after a Default Date, with respect to this Note, the Company shall within one (1) Business Day deliver written notice thereof via facsimile and overnight courier (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Default Date, the Holder may require the Company to redeem (an "**Event of Default Redemption**") all or any portion of this Note by delivering written notice thereof (the "**Event of Default Redemption Notice**") to the Company, which Event of Default Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem; provided, that, an Event of Default Redemption Notice may only be delivered so long as an Event of Default is continuing. Each portion of this Note subject to redemption by the Company pursuant to this Section 4(b) shall be redeemed by the Company in cash at a price equal to 125% of the Redemption Amount to be redeemed (the "**Event of Default Redemption Price**"). Redemptions required by this Section 4(b) shall be made in accordance with the provisions of Section 8. To the extent redemptions required by this Section 4(b) are deemed or determined by a court of competent jurisdiction to be prepayments of the Note by the Company, such redemptions shall be deemed to be voluntary prepayments. The parties hereto agree that in the event of the Company's redemption of any portion of the Note under this Section 4(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any Event of Default redemption premium due under this Section 4(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

(5) RIGHTS UPON FUNDAMENTAL TRANSACTION AND CHANGE OF CONTROL.

(a) Assumption. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Note and the other Note Transaction Documents in accordance with the provisions of this Section 5(a) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to each holder of Notes in exchange for such Notes a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Notes, including, without limitation, having a principal amount and interest rate equal to the principal amounts and the interest rates of the Note then outstanding held by such holder, having similar ranking and security to the Note, and satisfactory to the Holder. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Note referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Note with the same effect as if such Successor Entity had been named as the Company herein. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the redemption of this Note.

(b) Redemption Right. No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Change of Control, but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a "**Change of Control Notice**"). At any time during the period beginning after the Holder's receipt of a Change of Control Notice and ending twenty (20) Business Days after the date of the consummation of such Change of Control, the Holder may require the Company to redeem (a "**Change of Control Redemption**") all or any portion of this Note by delivering written notice thereof ("**Change of Control Redemption Notice**", and the date thereof, the "**Change of Control Redemption Notice Date**") to the Company, which Change of Control Redemption Notice shall indicate the Redemption Amount the Holder is electing to require the Company to redeem. The portion of this Note subject to redemption pursuant to this Section 5(b) shall be redeemed by the Company in cash at a price equal to 125% of the Redemption Amount to be redeemed. Redemptions required by this Section 5 shall be made in accordance with the provisions of Section 8 and shall have priority to payments to stockholders in connection with a Change of Control. To the extent redemptions required by this Section 5(b) are deemed or determined by a court of competent jurisdiction to be prepayments of the Note by the Company, such redemptions shall be deemed to be voluntary prepayments. The parties hereto agree that in the event of the Company's redemption of any portion of the Note under this Section 5(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any Change of Control redemption premium due under this Section 5(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

(6) **OPTIONAL REDEMPTION RIGHT.** From and after the date upon which (i) the Company and its Subsidiaries has more than \$15,000,000 in the aggregate of cash and Cash Equivalents, the Holder may, within 10 days of receipt of the Optional Redemption Notice, require the Company to redeem up to 50% of the outstanding principal amount of this Note, (ii) the Company and its Subsidiaries has more than \$20,000,000 in the aggregate of cash and Cash Equivalents, the Holder may, within 10 days of receipt of the Optional Redemption Notice, require the Company to redeem up to 100% of the outstanding principal of this Note, (iii) the Company and its Subsidiaries receives proceeds in excess of \$500,000 in the aggregate (for all such transactions after the Amendment and Restatement Date of this Note) from the issuance of any equity or indebtedness of the Company or any of its Subsidiaries (excluding any proceeds received upon the exercise of options or warrants which are outstanding on the day immediately preceding the Amendment and Restatement Date, provided that the terms of such options or warrants are not amended, modified or changed on or after the Amendment and Restatement Date), the Holder may, within 10 days of receipt of the Optional Redemption Notice, require the Company to redeem the outstanding principal under this Note in an amount equal to up to 20% of the proceeds of the issuance of any such equity or indebtedness (each such occurrence described in clauses (i) through (iii) above, an "**Optional Redemption**"), in each case by delivering written notice thereof (the "**Optional Redemption Notice**") to the Company within the time periods set forth above, which Optional Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem. Each portion of this Note subject to redemption by the Company pursuant to this Section 6 shall be redeemed by the Company in cash at a price equal to 100% of the Redemption Amount to be redeemed (the "**Optional Redemption Price**"). Redemptions required by this Section 6 shall be made in accordance with the provisions of Section 8. To the extent redemptions required by this Section 6 are deemed or determined by a court of competent jurisdiction to be prepayments of the Note by the Company, such redemptions shall be deemed to be voluntary prepayments. The parties hereto agree that in the event of the Company's redemption of any portion of the Note under this Section 6, the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder.

(7) **NONCIRCUMVENTION.** The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

(8) **REDEMPTIONS.** The Company shall deliver the applicable Event of Default Redemption Price to the Holder within five (5) Business Days after the Company's receipt of the Holder's Event of Default Redemption Notice (the "**Event of Default Redemption Date**"). If the Holder has submitted a Change of Control Redemption Notice in accordance with Section 5(b), the Company shall deliver the applicable Change of Control Redemption Price to the Holder (i) concurrently with the consummation of such Change of Control if such notice is received prior to the consummation of such Change of Control and (ii) within five (5) Business Days after the Company's receipt of such notice otherwise (such date, the "**Change of Control Redemption Date**"). The Company shall deliver the applicable Optional Redemption Price to the Holder within five (5) Business Days after the Company's receipt of the Holder's Optional Redemption Notice (the "**Optional Redemption Date**"). In the event of a redemption of less than all of the Redemption Amount of this Note, the Company shall promptly cause to be issued and delivered to the Holder a new Note (in accordance with Section 13(d)) representing the outstanding Principal which has not been redeemed. In the event that the Company does not pay the applicable Redemption Price to the Holder within the time period required, at any time thereafter and until the Company pays such unpaid Redemption Price in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the Redemption Amount that was submitted for redemption and for which the applicable Redemption Price (together with any Late Charges thereon) has not been paid. Upon the Company's receipt of such notice, (x) the applicable Redemption Notice shall be null and void with respect to such Redemption Amount, (y) the Company shall immediately return this Note, or issue a new Note (in accordance with Section 13(d)) to the Holder representing such Redemption Amount to be redeemed. The Holder's delivery of a notice voiding a Redemption Notice and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Late Charges which have accrued prior to the date of such notice with respect to the Redemption Amount subject to such notice.

(9) **VOTING RIGHTS.** The Holder shall have no voting rights as the holder of this Note, except as required by law, including, but not limited to, the laws of the State of Delaware, and as expressly provided in this Note.

(10) **COVENANTS.**

(a) **Rank.** All payments due under this Note shall be senior to all other Indebtedness of the Company and its Subsidiaries other than Permitted Senior Indebtedness.

(b) **Incurrence of Indebtedness.** So long as this Note is outstanding, the Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries) not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness, other than Permitted Indebtedness.

(c) **Existence of Liens.** So long as this Note is outstanding, the Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries) not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

(d) Restricted Payments. The Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries) not, and the Company shall not permit any of its Subsidiaries to, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or Cash Equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than this Note), whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, an event constituting, or that with the passage of time and without being cured would constitute, an Event of Default has occurred and is continuing.

(e) Restriction on Redemption. Until this Note has been redeemed or otherwise satisfied in accordance with its terms, the Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries) not, directly or indirectly, redeem or repurchase its capital stock without the prior express written consent of the Holder.

(f) [Intentionally Omitted]

(g) Intellectual Property. The Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries) not, and the Company shall not permit any of its Subsidiaries, directly or indirectly, to encumber or allow any Liens on, any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of the Company and its Subsidiaries and the Parent and the Parent's other Subsidiaries connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, other than Permitted Liens.

(h) Preservation of Existence, Etc. The Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries to) maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(i) Maintenance of Properties, Etc. The Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries to) maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(j) Maintenance of Insurance. The Company shall (and shall use its commercially reasonable efforts to cause the Parent and the Parent's other Subsidiaries to) maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard, rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

(11) VOTE TO ISSUE, OR CHANGE THE TERMS OF, NOTES. The consent of the Holder shall be required for any change or amendment to this Note.

(12) TRANSFER. This Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company.

(13) REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 13(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 13(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, following redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 13(d)) representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes (in accordance with Section 13(d) and in principal amounts of at least \$100,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 13(a) or Section 13(c), the Principal designated by the Holder which, when added to the principal represented by the other new Notes issued in connection with such issuance, does not exceed the Principal remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest and Late Charges, if any, on the Principal and Interest of this Note, from the Issuance Date.

(14) TAXES.

(i) Any and all payments made by the Corporation hereunder, including any on account of Interest or Late Charges, must be made by it without any a deduction or withholding for or on account of any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) from a payment under this Note (a "**Tax Deduction**"), unless a Tax Deduction is required by law. If the Corporation is aware that it must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction), it must notify the Holder promptly.

(ii) If the Corporation is required to make a Tax Deduction from or in respect to any sum payable hereunder to the Holder, (i) the sum payable shall be increased by the amount by which the sum payable would otherwise have to be increased (the "**tax gross up amount**") to ensure that after making all required deductions (including deductions applicable to the tax gross-up amount) the Holder would receive an amount equal to the sum it would have received had no such Tax Deductions been made, (ii) the Company shall make such Tax Deductions and (iii) the Company shall pay the full amount withheld or deducted to the applicable governmental authority within the time required. As soon as practicable after making a Tax Deduction or a payment required in connection with a Tax Deduction, the Corporation must deliver to the Holder any official receipt or form, if any, provided by or required by the taxing authority to whom the Tax Deduction was paid.

(iii) The obligations of the Corporation under this Section 14 shall survive the termination of this Note and the payment of the Note and all other amounts payable hereunder.

(15) REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Note Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, redemption and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

(16) PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, attorneys' fees and disbursements.

(17) CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note.

(18) FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(19) DISPUTE RESOLUTION. In the case of a dispute as to the determination of any Redemption Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within one (1) Business Day of receipt, or deemed receipt, of the Redemption Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation within one (1) Business Day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within one (1) Business Day submit via facsimile the disputed arithmetic calculation of the Redemption Price to an independent, outside accountant, selected by the Holder and approved by the Company, such approval not to be unreasonably withheld or delayed. The Company, at the Company's expense, shall cause the accountant to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

(20) NOTICES; PAYMENTS.

(a) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Note must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Innovate/Protect, Inc.
c/o Vringo, Inc.
44 West 28th Street
New York, NY 10001
Telephone: (212) 571-1244
Facsimile: (646) 214-7946
E-mail: aberger@smartsearchlabs.com
Attention: Chief Operating Officer

With a copy to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Chrysler Center
666 Third Avenue
New York, NY 10017
Telephone: (212) 935-3000
Facsimile: (212) 983-3115
E-mail: KRKoch@mintz.com
Attention: Kenneth R. Koch, Esq.

If to the Buyer:

Hudson Bay Master Fund Ltd.
c/o Hudson Bay Capital Management LP
777 Third Avenue, 30th Floor
New York, NY 10017
Telephone: (212) 571-1244
Facsimile: (646) 214-7946
E-mail: investments@hudsonbaycapital.com
operations@hudsonbaycapital.com
Attention: Yoav Roth

With a copy (for informational purposes only) to:

Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 756-2000
Facsimile: (212) 593-5955
Attention: Eleazer N. Klein, Esq.
E-mail: eleazer.klein@srz.com

or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder at least twenty (20) days prior to the date on which the Company closes its books or takes a record for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, such payment shall be made in lawful money of the United States of America by a check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing; provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day and, in the case of any Interest Date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of Interest due on such date. Any amount of Principal or other amounts due under the Note Transaction Documents which is not paid when due shall result in a late charge being incurred and payable by the Company in an amount equal to interest on such amount at the rate of twenty four percent (24%) per annum from the Default Date due until the same is paid in full ("**Late Charge**").

(21) CANCELLATION. After all Principal, accrued Interest and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

(22) WAIVER OF NOTICE. To the extent permitted by law, the Company hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

(23) **GOVERNING LAW; JURISDICTION; JURY TRIAL.** This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Company hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address it set forth on the signature page hereto and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(24) **SEVERABILITY.** If any provision of this Note is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Note so long as this Note as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

(25) **CERTAIN DEFINITIONS.** For purposes of this Note, the following terms shall have the following meanings:

(a) **"Affiliate"** has the meaning set forth in Rule 405 under the Securities Act of 1933, as amended.

(b) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) **"Change of Control"** means any Fundamental Transaction other than (i) any reorganization, recapitalization or reclassification of the Common Stock in which holders of the Company's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, are, in all material respect, the holders of the voting power of the surviving entity (or entities with the authority or voting power to elect the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities) after such reorganization, recapitalization or reclassification or (ii) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company.

(d) **"Calendar Quarter"** means each of: the period beginning on and including January 1 and ending on and including March 31; the period beginning on and including April 1 and ending on and including June 30; the period beginning on and including July 1 and ending on and including September 30; and the period beginning on and including October 1 and ending on and including December 31.

(e) **"Cash Equivalents"** means (a) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case, maturing within six months from the date of acquisition thereof; (b) commercial paper, maturing not more than 270 days after the date of issue rated P 1 by Moody's or A 1 by Standard & Poor's; (c) certificates of deposit maturing not more than 270 days after the date of issue, issued by commercial banking institutions and money market or demand deposit accounts maintained at commercial banking institutions, each of which is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000; (d) repurchase agreements having maturities of not more than 90 days from the date of acquisition which are entered into with major money center banks included in the commercial banking institutions described in clause (c) above and which are secured by readily marketable direct obligations of the United States Government or any agency thereof; (e) money market accounts maintained with mutual funds having assets in excess of \$2,500,000,000; and (f) marketable tax exempt securities rated A or higher by Moody's or A+ or higher by Standard & Poor's, in each case, maturing within six months from the date of acquisition thereof.

(f) **"Common Stock"** means the Company's common stock, par value \$0.0001 per share.

(g) **"Contingent Obligation"** means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(h) **"Default Date"** means the date that is four (4) days after the Holder gives notice of the existence of an Event of Default that has occurred and continued for at least eight (8) days.

(i) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(j) **"Fundamental Transaction"** means that (A) the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person or Persons, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Voting Stock (not including any shares of Voting Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Voting Stock (not including any shares of Voting Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), (v) reorganize, recapitalize or reclassify its Common Stock or (B) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock.

(k) **"GAAP"** means United States generally accepted accounting principles, consistently applied.

(l) **"Indebtedness"** of any Person means, without duplication (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including (without limitation) "capital leases" in accordance with GAAP (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (viii) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) above.

(m) **"Interest Rate"** means 0.46% per annum, subject to adjustment as set forth in Section 2.

(n) **"Material Adverse Effect"** means any material adverse effect on the business, properties, assets, operations, results of operations, condition (financial or otherwise) or prospects of the Parent and its Subsidiaries, individually or taken as a whole, or on the transactions contemplated hereby or on the other Note Transaction Documents or by the agreements and instruments to be entered into in connection herewith or therewith, or on the authority or ability of the Company to perform its obligations under the Note Transaction Documents.

(o) **"Note Party"** means each of the Company, the Parent and each other Subsidiary of the Parent party to any Note Transaction Document.

(p) **"Note Transaction Documents"** means this Note and the Security Documents.

(q) **"Parent"** means Vringo, Inc., a Delaware corporation.

(r) **"Permitted Indebtedness"** means (i) Indebtedness evidenced by this Note, (ii) unsecured Indebtedness incurred by the Parent or any of its Subsidiaries that is made expressly subordinate in right of payment to the Indebtedness evidenced by this Note, as reflected in a written agreement acceptable to the Holder and approved by the Holder in writing, and which Indebtedness does not provide at any time for (A) the payment, prepayment, repayment, repurchase or defeasance, directly or indirectly, of any principal or premium, if any, thereon until ninety-one (91) days after the Maturity Date or later and (B) total interest and fees at a rate in excess of 8% per annum, (iii) Specified Indebtedness and (iv) Indebtedness secured by Permitted Liens described in clauses (ii), (iii), (iv) and (v) of the definition of Permitted Liens.

(s) **"Permitted Liens"** means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) Liens (A) upon or in any equipment acquired or held by the Parent or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition or lease of such equipment, or (B) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment, (v) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clause (iv) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase, (vi) leases or subleases and licenses and sublicenses granted to others in the ordinary course of the Parent's business, not interfering in any material respect with the business of the Parent and its Subsidiaries taken as a whole, (vii) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of custom duties in connection with the importation of goods, and (viii) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 4(a)(v) and (ix) Liens securing Specified Indebtedness as described in such definition.

(t) **"Permitted Senior Indebtedness"** means the following Indebtedness (with applicable lien priorities which may be senior or junior, as the case may be and with payment priorities to the extent, but only to the extent, of any proceeds from the collateral which the holders of Permitted Senior Indebtedness have a lien on and which lien is senior to the liens by which this Note is secured): (i) Indebtedness permitted under clause (iii) of the definition of Permitted Indebtedness and (ii) Indebtedness permitted under clause (iv) of the definition of Permitted Indebtedness.

(u) **"Person"** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(v) **"Public Company Date"** means the date the shares of Common Stock of the Company (or its successor by merger, recapitalization, reorganization, or otherwise) are registered under the Exchange Act.

(w) **"Redemption Amount"** means the sum of (A) the portion of the Principal to be redeemed or otherwise with respect to which this determination is being made, (B) accrued and unpaid Interest with respect to such Principal and (C) accrued and unpaid Late Charged with respect to such Principal and Interest.

(x) **"Redemption Notices"** means, collectively, the Event of Default Redemption Notices, the Change of Control Redemption Notices and the Optional Redemption Notices, each of the foregoing, individually, a Redemption Notice.

(y) **"Redemption Prices"** means, collectively, the Event of Default Redemption Price, the Change of Control Redemption Price and the Optional Redemption Prices, each of the foregoing, individually, a Redemption Price.

(z) **"Security Documents"** means (i) that certain Amended and Restated Pledge and Security Agreement, dated as of the date hereof, by and among Parent and its Subsidiaries pursuant to which Parent and its Subsidiaries granted security interests in and liens on their assets in favor of the Buyer (as defined therein) to secure their respective obligations under the Note Transaction Documents, (ii) that certain Amended and Restated Guaranty, dated as of the date hereof, by and among Parent and certain of its Subsidiaries pursuant to which Parent and such Subsidiaries guaranteed all of the obligations of the Company under the Note Transaction Documents in favor of the Buyer, and (iii) any ancillary agreements, instruments and other documents relating to the enforcement or protection of the Collateral, including, agreements, instruments and other documents to create or further the attachment, perfection or priority of the liens on and security interests in the Collateral.

(aa) "**Specified Indebtedness**" means, on or prior to the date that is 18 months after the first issuance of the Series A Preferred Stock (the "Series A Preferred Stock") of the Parent to the Holder, Indebtedness, to the extent such Indebtedness (i) is issued or incurred with net proceeds to the Parent or (ii) will have an outstanding principal amount incurred plus accrued interest, as applicable, in an amount, individually or in the aggregate, up to \$6,000,000 less the then outstanding principal amount of this Note; provided, that the Parent and its Subsidiaries shall be permitted to incur Indebtedness, provided, that the liens or other encumbrances, if any, on such Indebtedness cover only assets acquired after the initial issuance date of the Series A Preferred Stock, and the holder of such Indebtedness expressly subordinates to the holders of the Series A Preferred Stock with respect to assets owned by the Parent on or prior to such initial issuance date pursuant to a subordination agreement in form and substance reasonably satisfactory to the Required Holders (as defined in the instrument governing the Series A Preferred Stock).

(bb) "**Subscription Agreement**" means that certain subscription agreement dated as of June 22, 2011 by and among the Company and the Holder pursuant to which the Company issued to the Holder this Note and certain shares of convertible preferred stock, as the same may be amended, restated, supplemented or otherwise modified from time to time.

(cc) "**Subsidiary**" means any entity in which the Parent, directly or indirectly, owns at least a majority of the voting stock or voting securities.

(dd) "**Successor Entity**" means the Person, which may be the Company, formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been made.

(ee) "**Voting Stock**" of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(26) DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Note after the Public Company Date, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries, the Company shall within one (1) Business Day after any such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, nonpublic information relating to the Company or its Subsidiaries, the Company so shall indicate to such Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries. In addition, contemporaneously with the occurrence of either event described in Sections 6(i) or 6(ii), the Company shall publicly disclose the occurrence of such event (whether by press release or otherwise).

(27) **ASSUMPTION; AMENDMENT AND RESTATEMENT.** This Note amends and restates in its entirety the Senior Secured Note, dated June 22, 2011, as amended, originally made by the Company (as successor to Labrador Search Corporation) to the order of the Holder (the "Original Note"). This Note shall not in any way constitute (i) an extinguishment of the indebtedness of the Company under the Original Note, (ii) a release or other discharge of the Company from any of its obligations and liabilities under the Original Note or any documents related thereto, or (iii) a novation of the Original Note.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Amendment and Restatement Date set out above.

INNOVATE/PROTECT, INC.

By: /s/ Andrew Perlman
Name: Andrew Perlman
Title: CEO

AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT

AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT, dated as of July 19, 2012 (this "**Agreement**"), made by **VRINGO, INC.**, a Delaware corporation (the "**Company**"), and each of its existing "Subsidiaries" (as defined in the Note defined below) as named on the signature pages hereto (collectively, the "**Existing Subsidiaries**") and each other Subsidiary of the Company hereafter becoming party hereto (each individually referred to herein as a "**New Subsidiary**" and collectively as the "**New Subsidiaries**," together with the Company and the Existing Subsidiaries, each a "**Grantor**" and, collectively, the "**Grantors**"), in favor of Hudson Bay Master Fund Ltd. (the "**Buyer**").

WITNESSETH:

WHEREAS, Innovate/Protect, Inc., a Delaware corporation formerly known as Labrador Search Corporation ("**I/P**"), and the Buyer are parties to the Subscription Agreement, dated as of June 22, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the "**Subscription Agreement**"), pursuant to which I/P sold, and the Buyer purchased the Senior Secured Note in the original principal amount of \$3,200,000 (as such note may be amended, restated, replaced or otherwise modified from time to time in accordance with the terms thereof, the "**Note**");

WHEREAS, pursuant to a Pledge and Security Agreement dated as of June 22, 2011 (as amended or supplemented prior to the date hereof, the "**Existing Security Agreement**"), I/P, I/P Engine, Inc., a Virginia corporation formerly known as Smart Search Labs, Inc. ("**I/P Engine**"), I/P Labs, Inc., a Delaware corporation formerly known as Scottish Terrier Capital, Inc. ("**I/P Labs**" and together with I/P, I/P Engine, each individually referred to herein as an "**Existing Grantor**" and collectively as the "**Existing Grantors**"), granted liens and security interests in the collateral described therein to the Buyer as security for the Existing Grantors' obligations under, among other things, the Subscription Agreement, the Note issued pursuant thereto and the other "Transaction Documents" (as defined in the Subscription Agreement), and has agreed to continue to secure certain of the Existing Grantor's obligations thereunder pursuant to this amended and restated Agreement;

WHEREAS, the Company, I/P and VIP Merger Sub, Inc. ("**Merger Sub**"), a wholly-owned subsidiary of the Company, have entered into that certain Agreement and Plan of Merger, dated as of March 12, 2012 (the "**Merger Agreement**") pursuant to which, among other things, I/P shall be merged with and into Merger Sub (the "**Merger Transaction**");

WHEREAS, the Company, as part of the Merger Transaction, has agreed to grant liens on and security interest in the collateral described hereunder, and the Company has agreed to cause Vringo, Ltd., an Israeli corporation ("**Vringo Israel**"), and Vringo Israel has agreed, to grant liens on and security interest in the collateral described hereunder;

WHEREAS, it is a condition precedent to the Buyer entering into certain transactions more fully described in the Merger Agreement that (i) the Existing Grantors confirm, ratify and reaffirm the liens on and security interests granted pursuant to the Existing Security Agreement in all personal property of each of the Existing Grantors to secure the obligations under the Note, and the other Note Transaction Documents, and (ii) the Company and each of the New Subsidiaries (each individually referred to herein as a "New Grantor" and collectively as the "New Grantors"), grant to the Buyer a security interest in all personal property of each of the New Subsidiaries to secure I/P's obligations under the Note and the other Note Transaction Documents, and that each future Subsidiary of the Company becomes a party to this Agreement;

WHEREAS, each of the Existing Subsidiaries, the Company and each other Grantor are or will be mutually dependent on each other in the conduct of their respective businesses as an integrated operation, with the credit needed from time to time by one often being provided through financing obtained by the other and the ability to obtain such financing being dependent on the successful operations of each of the Existing Subsidiaries, the Company and each other Grantor and the Note; and

WHEREAS, the Company and each other Grantor has determined that the execution, delivery and performance of this Agreement directly benefits, and are in the best interest of the Company and each other Grantor; and

NOW, THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Buyer to perform under the Debt Assumption Agreement, each Grantor agrees with the Buyer as follows:

SECTION 1. Definitions.

(a) Reference is hereby made to the Note for a statement of the terms thereof. All terms used in this Agreement and the recitals hereto which are defined in the Note or in Articles 8 or 9 of the Uniform Commercial Code (the "Code") as in effect from time to time in the State of New York, and which are not otherwise defined herein shall have the same meanings herein as set forth therein; provided that terms used herein which are defined in the Code as in effect in the State of New York on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as the Buyer may otherwise determine.

(b) The following terms shall have the respective meanings provided for in the Code: "Accounts", "Cash Proceeds", "Chattel Paper", "Commercial Tort Claim", "Commodity Account", "Commodity Contracts", "Deposit Account", "Documents", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter-of-Credit Rights", "Noncash Proceeds", "Payment Intangibles", "Proceeds", "Promissory Notes", "Security", "Record", "Security Account", "Software", and "Supporting Obligations".

(c) As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

"**Collateral**" shall have the meaning set forth in Section 2 hereof.

"**Copyright Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming any Grantor as licensee or licensor and providing for the grant of any right to use or sell any works covered by any copyright (including, without limitation, all Copyright Licenses set forth in Schedule II hereto).

"**Copyrights**" means all domestic and foreign copyrights, whether registered or not, including, without limitation, all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression, acquired or used by any Grantor (including, without limitation, all copyrights described in Schedule II hereto), all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States or any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof.

"**Event of Default**" means (i) any defined event of default under any one or more of the Note Transaction Documents, in each instance, after giving effect to any notice, grace, or cure periods provided for in the applicable Note Transaction Document, (ii) the failure by the Company to pay any amounts when due under the Note or any other Note Transaction Document, or (iii) the breach of any representation, warranty or covenant by any Grantor under this Agreement.

"**Existing Issuer**" has the meaning specified therefor in the definition of the term "Pledged Shares".

"**Guaranty**" means the Amended and Restated Guaranty, dated as of the date hereof, by the Existing Subsidiaries in favor of the Buyer.

"**Insolvency Proceeding**" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code (Chapter 11 of Title 11 of the United States Code) or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, or extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"**Intellectual Property**" means the Copyrights, Trademarks and Patents.

"**Licenses**" means the Copyright Licenses, the Trademark Licenses and the Patent Licenses.

"**Lien**" means any mortgage, deed of trust, pledge, lien (statutory or otherwise), security interest, charge or other encumbrance or security or preferential arrangement of any nature, including, without limitation, any conditional sale or title retention arrangement, any capitalized lease and any assignment, deposit arrangement or financing lease intended as, or having the effect of, security.

"**Obligations**" shall have the meaning set forth in Section 3 hereof.

"Patent Licenses" means all licenses, contracts or other agreements, whether written or oral, naming any Grantor as licensee or licensor and providing for the grant of any right to manufacture, use or sell any invention covered by any Patent (including, without limitation, all Patent Licenses set forth in Schedule II hereto).

"Patents" means all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, rights of publicity and other general intangibles of like nature, of any Grantor, now existing or hereafter acquired (including, without limitation, all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how and formulae described in Schedule II hereto), all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof.

"Permitted Liens" shall have the meaning as ascribed to such term in the Note.

"Pledged Debt" means the indebtedness described in Schedule VII hereto and all indebtedness from time to time owned or acquired by a Grantor, the promissory notes and other Instruments evidencing any or all of such indebtedness, and all interest, cash, Instruments, Investment Property, financial assets, securities, capital stock, other equity interests, stock options and commodity contracts, notes, debentures, bonds, promissory notes or other evidences of indebtedness and all other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness.

"Pledged Interests" means, collectively, (a) the Pledged Debt, (b) the Pledged Shares and (c) all security entitlements in any and all of the foregoing.

"Pledged Issuer" has the meaning specified therefor in the definition of the term "Pledged Shares".

"Pledged Shares" means (a) the shares of capital stock or other equity interests described in Schedule VIII hereto, whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, issued by the Persons described in such Schedule VIII (the "Existing Issuers"), (b) the shares of capital stock or other equity interests at any time and from time to time acquired by a Grantor of any and all Persons now or hereafter existing (such Persons, together with the Existing Issuers, being hereinafter referred to collectively as the "Pledged Issuers" and each individually as a "Pledged Issuer"), whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, and (c) the certificates representing such shares of capital stock, all options and other rights, contractual or otherwise, in respect thereof and all dividends, distributions, cash, Instruments, Investment Property, financial assets, securities, capital stock, other equity interests, stock options and commodity contracts, notes, debentures, bonds, promissory notes or other evidences of indebtedness and all other property (including, without limitation, any stock dividend and any distribution in connection with a stock split) from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such capital stock.

"**Trademark Licenses**" means all licenses, contracts or other agreements, whether written or oral, naming any Grantor as licensor or licensee and providing for the grant of any right concerning any Trademark, together with any goodwill connected with and symbolized by any such trademark licenses, contracts or agreements and the right to prepare for sale or lease and sell or lease any and all Inventory now or hereafter owned by any Grantor and now or hereafter covered by such licenses (including, without limitation, all Trademark Licenses described in Schedule II hereto).

"**Trademarks**" means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a's, Internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, now or hereafter owned, adopted, acquired or used by any Grantor (including, without limitation, all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a's, Internet domain names, trade styles, designs, logos and other source or business identifiers described in Schedule II hereto), all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other country or any political subdivision thereof), and all reissues, extensions or renewals thereof, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other Records of any Grantor relating to the distribution of products and services in connection with which any of such marks are used.

SECTION 2. Grant of Security Interest. As collateral security for all of the Obligations, each New Grantor hereby pledges and assigns to the Buyer and grants to the Buyer a continuing security interest in, all personal property of such Grantor, wherever located and whether now or hereafter existing and whether now owned or hereafter acquired, of every kind and description, tangible or intangible (collectively, the "**Collateral**"), including, without limitation, the following:

- (a) all Accounts;
- (b) all Chattel Paper (whether tangible or electronic);
- (c) the Commercial Tort Claims specified on Schedule VI hereto;
- (d) all Deposit Accounts (including, without limitation, all cash, and all other property from time to time deposited therein and the monies and property in the possession or under the control of the Buyer or any affiliate, representative, agent or correspondent of the Buyer;
- (e) all Documents;
- (f) all Equipment;

- (g) all Fixtures;
- (h) all General Intangibles (including, without limitation, all Payment Intangibles);
- (i) all Goods;
- (j) all Instruments (including, without limitation, Promissory Notes and each certificated Security);
- (k) all Inventory;
- (l) all Investment Property;
- (m) all Copyrights, Patents and Trademarks, and all Licenses;
- (n) all Letter-of-Credit Rights;
- (o) all Supporting Obligations;
- (p) all Pledged Interests;

(q) all other tangible and intangible personal property of such Grantor (whether or not subject to the Code), including, without limitation, all bank and other accounts and all cash and all investments therein, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of such Grantor described in the preceding clauses of this Section 2 (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by such Grantor in respect of any of the items listed above), and all books, correspondence, files and other Records, including, without limitation, all tapes, desks, cards, Software, data and computer programs in the possession or under the control of such Grantor or any other Person from time to time acting for such Grantor that at any time evidence or contain information relating to any of the property described in the preceding clauses of this Section 2 or are otherwise necessary or helpful in the collection or realization thereof; and

(r) all Proceeds, including all Cash Proceeds and Noncash Proceeds, and products of any and all of the foregoing Collateral; in each case howsoever such Grantor's interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

Each Existing Grantor hereby confirms, ratifies and reaffirms that the liens on and security interests granted pursuant to the Existing Security Agreement are continuing and are and shall remain unimpaired and continue to constitute fully perfected, first priority Liens in favor of the Buyer, with the same force, effect and priority in effect both immediately prior to and after entering into this Security Agreement and the other Transaction Documents entered into on or as of the date hereof. Each Existing Grantor hereby confirms and agrees that such Liens granted pursuant to the Existing Security Agreement will continue to secure all of the Obligations.

SECTION 3. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (collectively, the "**Obligations**"):

(a) the prompt payment by each Grantor, as and when due and payable (by scheduled maturity, required prepayment, acceleration, demand or otherwise), of all amounts from time to time owing by it in respect of the Note, the Guaranty and the other Note Transaction Documents, including, without limitation, (A) all principal of and interest on the Note (including, without limitation, all interest that accrues after the commencement of any Insolvency Proceeding of any Grantor, whether or not the payment of such interest is unenforceable or is not allowable due to the existence of such Insolvency Proceeding), and (B) all amounts from time to time owing by such Grantor under the Guaranty; and

(b) the due performance and observance by each Grantor of all of its other obligations from time to time existing in respect of any of the Note Transaction Documents for so long as the Note are outstanding.

SECTION 4. Representations and Warranties. Each Grantor (that is not an Existing Grantor) represents and warrants as to itself as follows:

(a) Schedule I hereto sets forth (i) the exact legal name of such Grantor, and (ii) the organizational identification number of such Grantor or states that no such organizational identification number exists.

(b) There is no pending or written notice threatening any action, suit, proceeding or claim affecting such Grantor before any governmental authority or any arbitrator, or any order, judgment or award by any governmental authority or arbitrator, that may adversely affect the grant by such Grantor, or the perfection, of the security interest purported to be created hereby in the Collateral, or the exercise by the Buyer of any of its rights or remedies hereunder.

(c) All Federal, state and local tax returns and other reports required by applicable law to be filed by such Grantor have been filed, or extensions have been obtained, and all taxes, assessments and other governmental charges imposed upon such Grantor or any property of such Grantor (including, without limitation, all federal income and social security taxes on employees' wages) and which have become due and payable on or prior to the date hereof have been paid, except to the extent contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves have been set aside for the payment thereof in accordance with generally accepted accounting principles consistently applied ("**GAAP**").

(d) All Equipment, Fixtures, Goods and Inventory of such Grantor now existing are, and all Equipment, Fixtures, Goods and Inventory of such Grantor hereafter existing will be, located and/or based at the addresses specified therefor in Schedule III hereto, except that such Grantor will give the Buyer not less than 30 days' prior written notice of any change of the location of any such Collateral, other than to locations set forth on Schedule III and with respect to which the Buyer has filed financing statements and otherwise fully perfected its Liens thereon, subject to Section 5(n) hereof. Such Grantor's chief place of business and chief executive office, the place where such Grantor keeps its Records concerning Accounts and all originals of all Chattel Paper are located at the addresses specified therefor in Schedule III hereto. None of the Accounts is evidenced by Promissory Notes or other Instruments. Set forth in Schedule IV hereto is a complete and accurate list, as of the date of this Agreement, of (i) each Promissory Note, Security and other Instrument owned by each Grantor and (ii) each Deposit Account, Securities Account and Commodities Account of each Grantor, together with the name and address of each institution at which each such Account is maintained, the account number for each such Account and a description of the purpose of each such Account. Set forth in Schedule II hereto is a complete and correct list of each trade name used by each Grantor and the name of, and each trade name used by, each person from which such Grantor has acquired any substantial part of the Collateral.

(e) Such Grantor has delivered or made available to the Buyer complete and correct copies of each License described in Schedule II hereto, including all schedules and exhibits thereto, which represents all of the Licenses existing on the date of this Agreement. Each such License sets forth the entire agreement and understanding of the parties thereto relating to the subject matter thereof, and there are no other agreements, arrangements or understandings, written or oral, relating to the matters covered thereby or the rights of such Grantor or any of its affiliates in respect thereof. Each material License now existing is, and any material License entered into in the future will be, the legal, valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, suretyship or other similar laws and equitable principles (regardless of whether enforcement is sought in equity or in law). No default under any material License by any such party has occurred, nor does any defense, offset, deduction or counterclaim exist thereunder in favor of any such party.

(f) Such Grantor owns and controls, or otherwise possesses adequate rights to use, all Trademarks, Patents and Copyrights, which are the only trademarks, patents, copyrights, inventions, trade secrets, proprietary information and technology, know-how, formulae, rights of publicity necessary to conduct its business in substantially the same manner as conducted as of the date hereof. Schedule II hereto sets forth a true and complete list of all registered copyrights, issued patents, Trademarks (including, without limitation, any Internet domain names and the registrar of each such Internet domain name), and Licenses annually owned or used by such Grantor as of the date hereof. To the best knowledge of each Grantor, all such Intellectual Property of such Grantor is subsisting and in full force and effect, has not been adjudged invalid or unenforceable, is valid and enforceable and has not been abandoned in whole or in part. Except as set forth in Schedule II, no such Intellectual Property is the subject of any licensing or franchising agreement. Such Grantor has no knowledge of any conflict with the rights of others to any Intellectual Property and, to the best knowledge of such Grantor, such Grantor is not now infringing or in conflict with any such rights of others in any material respect, and to the best knowledge of such Grantor, no other Person is now infringing or in conflict in any material respect with any such properties, assets and rights owned or used by such Grantor. Such Grantor has not received any notice that it is violating or has violated the trademarks, patents, copyrights, inventions, trade secrets, proprietary information and technology, know-how, formulae, rights of publicity or other intellectual property rights of any third party.

(g) Such Grantor is and will be at all times the sole and exclusive owner of, or otherwise has and will have adequate rights in, the Collateral free and clear of any Liens, except for Permitted Liens on any Collateral. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office except (A) such as may have been filed in favor of the Buyer relating to this Agreement, subject to Section 5(n) hereof, and (B) such as may have been filed to perfect any Permitted Liens.

(h) The exercise by the Buyer of any of its rights and remedies hereunder will not contravene any law or any contractual restriction binding on or otherwise affecting such Grantor or any of its properties and will not result in or require the creation of any Lien, upon or with respect to any of its properties.

(i) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or other regulatory body, or any other Person, is required for (i) the grant by such Grantor or any perfection of the security interest which may be created hereby in the Collateral pursuant to Section 5(n), or (ii) the exercise by the Buyer of any of its rights and remedies hereunder, except (A) for the filing under the Uniform Commercial Code as in effect in the applicable jurisdiction of any financing statements which may be filed pursuant to Section 5(n) hereof.

(j) This Agreement creates in favor of the Buyer a legal, valid and enforceable (except to the extent such enforceability may be affected by the fact that it is not perfected) security interest in the Collateral, as security for the Obligations.

(k) As of the date hereof, such Grantor does not hold any Commercial Tort Claims nor is aware of any such pending claims, except for such claims described in Schedule VI.

SECTION 5. Covenants as to the Collateral. Subject in all respects to Section 5(n), so long as any of the Obligations shall remain outstanding, unless the Buyer shall otherwise consent in writing:

(a) Further Assurances. Each Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that the Buyer may reasonably request in order to: (i) perfect and protect the security interest purported to be created hereby; (ii) enable the Buyer to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (iii) otherwise effect the purposes of this Agreement, including, without limitation: (A) marking conspicuously all Chattel Paper and each License and, at the request of the Buyer, each of its Records pertaining to the Collateral with a legend, in form and substance satisfactory to the Buyer, indicating that such Chattel Paper, License or Collateral is subject to the security interest created hereby, (B) delivering and pledging to the Buyer hereunder each Promissory Note, Security, Chattel Paper or other Instrument, now or hereafter owned by such Grantor, duly endorsed and accompanied by executed instruments of transfer or assignment, all in form and substance satisfactory to the Buyer, (C) executing and filing (to the extent, if any, that such Grantor's signature is required thereon) or authenticating the filing of, such financing or continuation statements, or amendments thereto, as may be necessary or desirable or that the Buyer may request in order to perfect and preserve the security interest purported to be created hereby, (D) furnishing to the Buyer from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral in each case as the Buyer may reasonably request, all in reasonable detail, (E) if any Collateral shall be in the possession of a third party, notifying such Person of the Buyer's security interest created hereby and obtaining a written acknowledgment from such Person that such Person holds possession of the Collateral for the benefit of the Buyer, which such written acknowledgment shall be in form and substance satisfactory to the Buyer, (F) if at any time after the date hereof, such Grantor acquires or holds any Commercial Tort Claim, promptly notifying the Buyer in a writing signed by such Grantor setting forth a brief description of such Commercial Tort Claim and granting to the Buyer a security interest therein and in the proceeds thereof, which writing shall incorporate the provisions hereof and shall be in form and substance satisfactory to the Buyer, (G) upon the acquisition after the date hereof by such Grantor of any motor vehicle or other Equipment subject to a certificate of title or ownership (other than a Motor Vehicle or Equipment that is subject to a purchase money security interest), causing the Buyer to be listed as the lienholder on such certificate of title or ownership and delivering evidence of the same to the Buyer; and (H) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable, in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

(b) Location of Equipment and Inventory. Each Grantor will keep the Equipment and Inventory at the locations specified therefor in Section 4(g) hereof or, upon not less than thirty (30) days' prior written notice to the Buyer accompanied by a new Schedule V hereto indicating each new location of the Equipment and Inventory, at such other locations in the United States.

(c) Condition of Equipment. Each Grantor will maintain or cause the Equipment (necessary or useful to its business) to be maintained and preserved in good condition, repair and working order, ordinary wear and tear excepted, and will forthwith, or in the case of any loss or damage to any Equipment of such Grantor within a commercially reasonable time after the occurrence thereof, make or cause to be made all repairs, replacements and other improvements in connection therewith which are necessary or desirable, consistent with past practice, or which the Buyer may reasonably request to such end. Such Grantor will promptly furnish to the Buyer a statement describing in reasonable detail any such loss or damage in excess of \$25,000 to any Equipment.

(d) Taxes, Etc. Each Grantor agrees to pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment and Inventory, except to the extent the validity thereof is being contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves in accordance with GAAP have been set aside for the payment thereof.

(e) Insurance.

(i) Each Grantor will, at its own expense, maintain insurance (including, without limitation, commercial general liability and property insurance) with respect to the Equipment and Inventory in such amounts, against such risks, in such form and with responsible and reputable insurance companies or associations as is required by any governmental authority having jurisdiction with respect thereto or as is carried by such Grantor as of the date hereof and in any event, in amount, adequacy and scope reasonably satisfactory to the Buyer. Each such policy for liability insurance shall provide for all losses to be paid on behalf of the Buyer and such Grantor as their respective interests may appear, and each policy for property damage insurance shall provide for all losses to be adjusted with, and paid directly to, the Buyer. Each such policy shall in addition (A) name the Buyer as an additional insured party thereunder (without any representation or warranty by or obligation upon the Buyer) as their interests may appear, (B) contain an agreement by the insurer that any loss thereunder shall be payable to the Buyer on its own account notwithstanding any action, inaction or breach of representation or warranty by such Grantor, (C) provide that there shall be no recourse against the Buyer for payment of premiums or other amounts with respect thereto, and (D) provide that at least 30 days' prior written notice of cancellation, lapse, expiration or other adverse change shall be given to the Buyer by the insurer. Such Grantor will, if so requested by the Buyer, deliver to the Buyer original or duplicate policies of such insurance and, as often as the Buyer may reasonably request, a report of a reputable insurance broker with respect to such insurance. Such Grantor will also, at the request of the Buyer, execute and deliver instruments of assignment of such insurance policies and cause the respective insurers to acknowledge notice of such assignment.

(ii) Reimbursement under any liability insurance maintained by a Grantor pursuant to this Section 5(e) may be paid directly to the Person who shall have incurred liability covered by such insurance. In the case of any loss involving damage to Equipment or Inventory, any proceeds of insurance maintained by a Grantor pursuant to this Section 5(e) shall be paid to the Buyer (except as to which paragraph (iii) of this Section 5(e) is not applicable), such Grantor will make or cause to be made the necessary repairs to or replacements of such Equipment or Inventory, and any proceeds of insurance maintained by such Grantor pursuant to this Section 5(e) shall be paid by the Buyer to such Grantor as reimbursement for the costs of such repairs or replacements.

(iii) All insurance payments in respect of such Equipment or Inventory shall be paid to the Buyer and applied as specified in Section 7(b) hereof.

(f) Provisions Concerning the Accounts and the Licenses.

(i) Each Grantor will (A) give the Buyer at least 30 days' prior written notice of any change in such Grantor's name, identity or organizational structure, (B) maintain its jurisdiction of incorporation as set forth in Section 4(b) hereto, (C) immediately notify the Buyer upon obtaining an organizational identification number, if on the date hereof such Grantor did not have such identification number, and (D) keep adequate records concerning the Accounts and Chattel Paper and permit representatives of the Buyer during normal business hours on reasonable notice to such Grantor, to inspect and make abstracts from such Records and Chattel Paper.

(ii) Each Grantor will, except as otherwise provided in this subsection (f), continue to collect, at its own expense, all amounts due or to become due under the Accounts. In connection with such collections, such Grantor may (and, at the Buyer's direction, will) take such action as such Grantor or the Buyer may deem necessary or advisable to enforce collection or performance of the Accounts; provided, however, that the Buyer shall have the right at any time, upon the occurrence and during the continuance of an Event of Default, to notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Buyer and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to the Buyer or its designated agent and, upon such notification and at the expense of such Grantor and to the extent permitted by law, to enforce collection of any such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by a Grantor of a notice from the Buyer that the Buyer has notified, intends to notify, or has enforced or intends to enforce a Grantor's rights against the account debtors or obligors under any Accounts as referred to in the proviso to the immediately preceding sentence, (A) all amounts and proceeds (including Instruments) received by such Grantor in respect of the Accounts shall be received in trust for the benefit of the Buyer hereunder, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Buyer in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as specified in Section 7(b) hereof, and (B) such Grantor will not adjust, settle or compromise the amount or payment of any Account or release wholly or partly any account debtor or obligor thereof or allow any credit or discount thereon. In addition, upon the occurrence and during the continuance of an Event of Default, the Buyer may (in its sole and absolute discretion) direct any or all of the banks and financial institutions with which such Grantor either maintains a Deposit Account or a lockbox or deposits the proceeds of any Accounts to send immediately to the Buyer by wire transfer (to such account as the Buyer shall specify, or in such other manner as the Buyer shall direct) all or a portion of such securities, cash, investments and other items held by such institution. Any such securities, cash, investments and other items so received by the Buyer shall (in the sole and absolute discretion of the Buyer) be held as additional Collateral for the Obligations or distributed in accordance with Section 7 hereof.

(iii) Upon the occurrence and during the continuance of any breach or default under any material License referred to in Schedule II hereto by any party thereto other than a Grantor, the Grantor party thereto will, promptly after obtaining knowledge thereof, give the Buyer written notice of the nature and duration thereof, specifying what action, if any, it has taken and proposes to take with respect thereto and thereafter will take reasonable steps to protect and preserve its rights and remedies in respect of such breach or default, or will obtain or acquire an appropriate substitute License.

(iv) Each Grantor will, at its expense, promptly deliver to the Buyer a copy of each notice or other communication received by it by which any other party to any material License referred to in Schedule II hereto purports to exercise any of its rights or affect any of its obligations thereunder, together with a copy of any reply by such Grantor thereto.

(v) Each Grantor will exercise promptly and diligently each and every right which it may have under each material License (other than any right of termination) and will duly perform and observe in all respects all of its obligations under each material License and will take all action reasonably necessary to maintain such Licenses in full force and effect. No Grantor will, without the prior written consent of the Buyer, cancel, terminate, amend or otherwise modify in any respect, or waive any provision of, any material License referred to in Schedule II hereto.

(g) Transfers and Other Liens.

(i) No Grantor will sell, assign (by operation of law or otherwise), lease, license, exchange or otherwise transfer or dispose of any of the Collateral, except (A) Inventory in the ordinary course of business, (B) worn-out or obsolete assets not necessary to the business, and (C) Accounts solely in accordance with the terms and conditions of the Factoring Agreement.

(ii) No Grantor will create, suffer to exist or grant any Lien upon or with respect to any Collateral other than a Permitted Lien.

(h) Intellectual Property.

(i) Except as otherwise set forth herein, if applicable, each Grantor shall, upon the Buyer's written request, duly execute and delivered the applicable Assignment for Security in the form attached hereto as Exhibit A. Each Grantor (either itself or through licensees) will, and will cause each licensee thereof to, take all action necessary to maintain all of the Intellectual Property in full force and effect, including, without limitation, using the proper statutory notices and markings and using the Trademarks on each applicable trademark class of goods in order to so maintain the Trademarks in full force and free from any claim of abandonment for non-use, and such Grantor will not (nor permit any licensee thereof to) do any act or knowingly omit to do any act whereby any Intellectual Property may become invalidated; provided, however, that so long as no Event of Default has occurred and is continuing, such Grantor shall not have an obligation to use or to maintain any Intellectual Property (A) that relates solely to any product or work, that has been, or is in the process of being, discontinued, abandoned or terminated, (B) that is being replaced with Intellectual Property substantially similar to the Intellectual Property that may be abandoned or otherwise become invalid, so long as the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such replacement Intellectual Property is subject to the Lien created by this Agreement or (C) that is substantially the same as another Intellectual Property that is in full force, so long the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such other Intellectual Property is subject to the Lien and security interest created by this Agreement. Each Grantor will cause to be taken all necessary steps in any proceeding before the United States Patent and Trademark Office and the United States Copyright Office or any similar office or agency in any other country or political subdivision thereof to maintain each registration of the Intellectual Property (other than the Intellectual Property described in the proviso to the immediately preceding sentence), including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and payment of maintenance fees, filing fees, taxes or other governmental fees in the ordinary course of business. If any Intellectual Property (other than Intellectual Property described in the proviso to the first sentence of subsection (i) of this clause (h)) is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, such Grantor shall (x) upon learning of such infringement, misappropriation, dilution or other violation, promptly notify the Buyer and (y) to the extent such Grantor shall deem appropriate under the circumstances, promptly sue for infringement, misappropriation, dilution or other violation, seek injunctive relief where appropriate and recover any and all damages for such infringement, misappropriation, dilution or other violation, or take such other actions as such Grantor shall deem appropriate under the circumstances to protect such Intellectual Property. Each Grantor shall furnish to the Buyer from time to time upon its request statements and schedules further identifying and describing the Intellectual Property and Licenses and such other reports in connection with the Intellectual Property and Licenses as the Buyer may reasonably request, all in reasonable detail and promptly upon request of the Buyer, following receipt by the Buyer of any such statements, schedules or reports, such Grantor shall modify this Agreement by amending Schedule II hereto, as the case may be, to include any Intellectual Property and License, as the case may be, which becomes part of the Collateral under this Agreement and shall execute and authenticate such documents and do such acts as shall be necessary or, in the judgment of the Buyer, desirable to subject such Intellectual Property and Licenses to the Lien and security interest created by this Agreement. Notwithstanding anything herein to the contrary, upon the occurrence and during the continuance of an Event of Default, such Grantor may not abandon or otherwise permit any Intellectual Property to become invalid without the prior written consent of the Buyer, and if any Intellectual Property is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, such Grantor will take such action as the Buyer shall deem appropriate under the circumstances to protect such Intellectual Property.

(ii) In no event shall a Grantor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Trademark or Copyright or the issuance of any Patent with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, or in any similar office or agency of the United States or any country or any political subdivision thereof unless it gives the Buyer prior written notice thereof. Upon request of the Buyer, but except as otherwise set forth herein, each Grantor shall execute, authenticate and deliver any and all assignments, agreements, instruments, documents and papers as the Buyer may reasonably request to evidence the Buyer's security interest hereunder in such Intellectual Property and the General Intangibles of such Grantor relating thereto or represented thereby, and such Grantor hereby appoints the Buyer its attorney-in-fact to execute and/or authenticate and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed, and such power (being coupled with an interest) shall be irrevocable until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations).

(iii) Upon the Buyer's request, each Grantor shall cause each domain registrar where any of such Grantor's Internet domain names are registered, whether as of the date of this Agreement or at any time hereafter, to execute and deliver to the Buyer a domain name control agreement, in form and substance reasonably satisfactory to the Buyer, duly executed by such Grantor and such domain registrar, or enter into other arrangements in form and substance satisfactory to the Buyer, pursuant to which such domain registrar shall irrevocably agree, inter alia, that (i) it will comply at any time with the instructions originated by the Buyer to such domain registrar directing substitution of the Buyer or its designee as the registered owner of such Internet domain names, without further consent of such Grantor, which instructions the Buyer will not give to such domain registrar in the absence of a continuing Event of Default.

(i) Deposit, Commodities and Securities Accounts. Upon the Buyer's request, each Grantor shall cause each bank and other financial institution with an account referred to in Schedule IV hereto to execute and deliver to the Buyer a control agreement, in form and substance reasonably satisfactory to the Buyer, duly executed by such Grantor and such bank or financial institution, or enter into other arrangements in form and substance satisfactory to the Buyer, pursuant to which such institution shall irrevocably agree, inter alia, that (i) it will comply at any time with the instructions originated by the Buyer to such bank or financial institution directing the disposition of cash, Commodity Contracts, securities, Investment Property and other items from time to time credited to such account, without further consent of such Grantor, which instructions the Buyer will not give to such bank or other financial institution in the absence of a continuing Event of Default, (ii) all cash, Commodity Contracts, securities, Investment Property and other items of such Grantor deposited with such institution shall be subject to a perfected, first priority security interest in favor of the Buyer, (iii) any right of set off, banker's Lien or other similar Lien, security interest or encumbrance shall be fully waived as against the Buyer, and (iv) upon receipt of written notice from the Buyer during the continuance of an Event of Default, such bank or financial institution shall immediately send to the Buyer by wire transfer (to such account as the Buyer shall specify, or in such other manner as the Buyer shall direct) all such cash, the value of any Commodity Contracts, securities, Investment Property and other items held by it. Without the prior written consent of the Buyer, such Grantor shall not make or maintain any Deposit Account, Commodity Account or Securities Account except for the accounts set forth in Schedule IV hereto. The provisions of this paragraph 5(i) shall not apply to (i) Deposit Accounts for which the Buyer is the depository and (ii) Deposit Accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of a Grantor's salaried employees.

(j) Motor Vehicles.

(i) Upon the Buyer's written request, each Grantor shall deliver to the Buyer originals of the certificates of title or ownership for all motor vehicles owned by it with the Buyer listed as lienholder.

(ii) Each Grantor hereby appoints the Buyer as its attorney-in-fact, effective the date hereof and terminating upon the termination of this Agreement, for the purpose of (A) executing on behalf of such Grantor title or ownership applications for filing with appropriate state agencies to enable motor vehicles now owned or hereafter acquired by such Grantor to be retitled and the Buyer listed as lienholder thereof, (B) filing such applications with such state agencies, and (C) executing such other documents and instruments on behalf of, and taking such other action in the name of, such Grantor as the Buyer may deem necessary or advisable to accomplish the purposes hereof (including, without limitation, for the purpose of creating in favor of the Buyer a perfected Lien on the motor vehicles and exercising the rights and remedies of the Buyer hereunder). This appointment as attorney-in-fact is coupled with an interest and is irrevocable until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations).

(iii) Any certificates of title or ownership delivered pursuant to the terms hereof shall be accompanied by odometer statements for each motor vehicle covered thereby.

(iv) So long as no Event of Default shall have occurred and be continuing, upon the request of such Grantor, the Buyer shall execute and deliver to such Grantor such instruments as such Grantor shall reasonably request to remove the notation of the Buyer as lienholder on any certificate of title for any motor vehicle; provided, however, that any such instruments shall be delivered, and the release effective, only upon receipt by the Buyer of a certificate from such Grantor stating that such motor vehicle is to be sold or has suffered a casualty loss (with title thereto passing to the casualty insurance company therefor in settlement of the claim for such loss) and the amount that such Grantor will receive as sale proceeds or insurance proceeds. Any proceeds of such sale or casualty loss shall be paid to the Buyer hereunder immediately upon receipt, to be applied to the Obligations then outstanding.

(k) Control. Each Grantor hereby agrees to take any or all action that may be necessary or desirable or that the Buyer may request in order for the Buyer to obtain control in accordance with Sections 9-105 – 9-107 of the Code with respect to the following Collateral: (i) Electronic Chattel Paper, (ii) Investment Property, (iii) Pledged Interests and (iv) Letter-of-Credit Rights.

(l) Inspection and Reporting. Each Grantor shall permit the Buyer, or any agent or representatives thereof or such professionals or other Persons as the Buyer may designate, not more than once a year in the absence of an Event of Default, (i) to examine and make copies of and abstracts from such Grantor's records and books of account, (ii) to visit and inspect its properties, (iii) to verify materials, leases, Instruments, Accounts, Inventory and other assets of such Grantor from time to time, (iii) to conduct audits, physical counts, appraisals and/or valuations, examinations at the locations of such Grantor. Each Grantor shall also permit the Buyer, or any agent or representatives thereof or such professionals or other Persons as the Buyer may designate to discuss such Grantor's affairs, finances and accounts with any of its officers subject to the execution by the Buyer or its designee(s) of a mutually agreeable confidentiality agreement.

(m) Future Subsidiaries. If any Grantor shall hereafter create or acquire any Subsidiary, simultaneously with the creation of acquisition of such Subsidiary, such Grantor shall cause such Subsidiary to become a party to this Agreement as an additional "Grantor" hereunder, and to duly execute and/or deliver such opinions of counsel and other documents, in form and substance acceptable to the Buyer, as the Buyer shall reasonably request with respect thereto.

(n) The Company and Vringo Israel. Notwithstanding anything contained in this Agreement, the Company and Vringo Israel shall not be required to take any action, including, without limitation, to perfect any lien on or security interest in, or otherwise protect or enforce the rights of the Buyer in, the Collateral, provided that, on and after the Default Date and so long as an Event of Default is continuing, the Buyer, in its sole discretion, may require the Company or Vringo Israel to take any and all actions necessary or desirable in order to perfect its liens on and security interests in the Collateral and otherwise, to comply with the other covenants related to actions to be taken in respect of further insuring the attachment, perfection and priority of, or the ability of the Buyer to enforce the security interests in, the Collateral.

SECTION 6. Additional Provisions Concerning the Collateral. Subject to Section 5(n)

(a) Each Grantor hereby (i) authorizes the Buyer to file one or more Uniform Commercial Code financing or continuation statements, and amendments thereto, relating to the Collateral, and (ii) ratifies such authorization to the extent that the Buyer has filed any such financing or continuation statements, or amendments thereto, prior to the date hereof. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(b) Each Grantor hereby irrevocably appoints the Buyer as its attorney-in-fact and proxy, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in the Buyer's discretion, so long as an Event of Default shall have occurred and is continuing, to take any action and to execute any instrument which the Buyer may deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of such Grantor under Section 5 hereof), including, without limitation, (i) to obtain and adjust insurance required to be paid to the Buyer pursuant to Section 5(e) hereof, (ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral, (iii) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above, (iv) to file any claims or take any action or institute any proceedings which the Buyer may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of the Buyer with respect to any Collateral, and (v) to execute assignments, licenses and other documents to enforce the rights of the Buyer with respect to any Collateral. This power is coupled with an interest and is irrevocable until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations).

(c) For the purpose of enabling the Buyer to exercise rights and remedies hereunder, at such time as the Buyer shall be lawfully entitled to exercise such rights and remedies upon and during an Event of Default, and for no other purpose, each Grantor hereby grants to the Buyer, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, assign, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof. Notwithstanding anything contained herein to the contrary, so long as no Event of Default shall have occurred and be continuing, such Grantor may exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of its business. In furtherance of the foregoing, unless an Event of Default shall have occurred and be continuing, the Buyer shall from time to time, upon the request of a Grantor, execute and deliver any instruments, certificates or other documents, in the form so requested, which such Grantor shall have certified are appropriate (in such Grantor's judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to this clause (c) as to any Intellectual Property). Further, upon the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations), the Buyer (subject to Section 10(e) hereof) shall release and reassign to such Grantor all of the Buyer's right, title and interest in and to the Intellectual Property, and the Licenses, all without recourse, representation or warranty whatsoever. The exercise of rights and remedies hereunder by the Buyer shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by such Grantor in accordance with the second sentence of this clause (c). Each Grantor hereby releases the Buyer from any claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Buyer under the powers of attorney granted herein other than actions taken or omitted to be taken through the Buyer's gross negligence or willful misconduct, as determined by a final determination of a court of competent jurisdiction.

(d) If a Grantor fails to perform any agreement contained herein, the Buyer may itself perform, or cause performance of, such agreement or obligation, in the name of such Grantor or the Buyer, and the expenses of the Buyer incurred in connection therewith shall be payable by such Grantor pursuant to Section 8 hereof and shall be secured by the Collateral.

(e) The powers conferred on the Buyer hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Buyer shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

(f) Anything herein to the contrary notwithstanding (i) each Grantor shall remain liable under the Licenses and otherwise with respect to any of the Collateral to the extent set forth therein to perform all of its obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Buyer of any of its rights hereunder shall not release such Grantor from any of its obligations under the Licenses or otherwise in respect of the Collateral, and (iii) the Buyer shall not have any obligation or liability by reason of this Agreement under the Licenses or with respect to any of the other Collateral, nor shall the Buyer be obligated to perform any of the obligations or duties of such Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 7. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing:

(a) The Buyer may exercise in respect of the Collateral, in addition to any other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party upon default under the Code (whether or not the Code applies to the affected Collateral), and also may (i) take absolute control of the Collateral, including, without limitation, transfer into the Buyer's name or into the name of its nominee or nominees (to the extent the Buyer has not theretofore done so) and thereafter receive, for the benefit of the Buyer, all payments made thereon, give all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the outright owner thereof, (ii) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of the Buyer forthwith, assemble all or part of its respective Collateral as directed by the Buyer and make it available to the Buyer at a place or places to be designated by the Buyer that is reasonably convenient to both parties, and the Buyer may enter into and occupy any premises owned or leased by such Grantor where the Collateral or any part thereof is located or assembled for a reasonable period in order to effectuate the Buyer's rights and remedies hereunder or under law, without obligation to such Grantor in respect of such occupation, and (iii) without notice except as specified below and without any obligation to prepare or process the Collateral for sale, (A) sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Buyer's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Buyer may deem commercially reasonable and/or (B) lease, license or dispose of the Collateral or any part thereof upon such terms as the Buyer may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale or any other disposition of its respective Collateral shall be required by law, at least ten (10) days' notice to such Grantor of the time and place of any public sale or the time after which any private sale or other disposition of its respective Collateral is to be made shall constitute reasonable notification. The Buyer shall not be obligated to make any sale or other disposition of any Collateral regardless of notice of sale having been given. The Buyer may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor hereby waives any claims against the Buyer arising by reason of the fact that the price at which its respective Collateral may have been sold at a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Obligations, even if the Buyer accepts the first offer received and does not offer such Collateral to more than one offeree, and waives all rights that such Grantor may have to require that all or any part of such Collateral be marshalled upon any sale (public or private) thereof. Each Grantor hereby acknowledges that (i) any such sale of its respective Collateral by the Buyer shall be made without warranty, (ii) the Buyer may specifically disclaim any warranties of title, possession, quiet enjoyment or the like, and (iii) such actions set forth in clauses (i) and (ii) above shall not adversely effect the commercial reasonableness of any such sale of Collateral. In addition to the foregoing, (1) upon written notice to any Grantor from the Buyer, such Grantor shall cease any use of the Intellectual Property or any trademark, patent or copyright similar thereto for any purpose described in such notice; (2) the Buyer may, at any time and from time to time, upon 10 days' prior notice to such Grantor, license, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any of the Intellectual Property, throughout the universe for such term or terms, on such conditions, and in such manner, as the Buyer shall in its sole discretion determine to the extent consistent with any restrictions or conditions imposed upon such Grantor with respect to such Intellectual Property by license or other contractual arrangement; and (2) the Buyer may, at any time, pursuant to the authority granted in Section 6 hereof (such authority being effective upon the occurrence and during the continuance of an Event of Default), execute and deliver on behalf of such Grantor, one or more instruments of assignment of the Intellectual Property (or any application or registration thereof), in form suitable for filing, recording or registration in any country.

(b) Any cash held by the Buyer as Collateral and all Cash Proceeds received by the Buyer in respect of any sale of or collection from, or other realization upon, all or any part of the Collateral may, in the discretion of the Buyer, be held by the Buyer as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Buyer pursuant to Section 8 hereof) in whole or in part by the Buyer against, all or any part of the Obligations in such order as the Buyer shall elect. Any surplus of such cash or Cash Proceeds held by the Buyer and remaining after the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations) shall be paid over to whomsoever shall be lawfully entitled to receive the same or as a court of competent jurisdiction shall direct.

(c) In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which the Buyer is legally entitled, each Grantor shall be liable for the deficiency, together with interest thereon at the highest rate specified in any of the applicable Note Transaction Documents for interest on overdue principal thereof or such other rate as shall be fixed by applicable law, together with the costs of collection and the reasonable fees, costs, expenses and other client charges of any attorneys employed by the Buyer to collect such deficiency.

(d) Each Grantor hereby acknowledges that if the Buyer complies with any applicable state, provincial, or federal law requirements in connection with a disposition of the Collateral, such compliance will not adversely affect the commercial reasonableness of any sale or other disposition of the Collateral.

(e) The Buyer shall not be required to marshal any present or future collateral security (including, but not limited to, this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of the Buyer's rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that each Grantor lawfully may, such Grantor hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Buyer's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, such Grantor hereby irrevocably waives the benefits of all such laws.

SECTION 8. Indemnity and Expenses.

(a) Each Grantor agrees, jointly and severally, to defend, protect, indemnify and hold the Buyer harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, fees, costs and expenses (including, without limitation, reasonable legal fees, costs, expenses, and disbursements of such Person's counsel) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from such Person's gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction.

(b) Each Grantor agrees, jointly and severally, to upon demand pay to the Buyer the amount of any and all costs and expenses, including the reasonable fees, costs, expenses and disbursements of counsel for the Buyer and of any experts and agents (including, without limitation, any collateral trustee which may act as agent of the Buyer), which the Buyer may incur in connection with (i) the preparation, negotiation, execution, delivery, recordation, administration, amendment, waiver or other modification or termination of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral, (iii) the exercise or enforcement of any of the rights of the Buyer hereunder, or (iv) the failure by any Grantor to perform or observe any of the provisions hereof.

SECTION 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by certified mail, postage prepaid and return receipt requested), telecopied or delivered, if to a Grantor at its address specified below and if to the Buyer to it, at its address specified below; or as to any such Person, at such other address as shall be designated by such Person in a written notice to such other Person complying as to delivery with the terms of this Section 9. All such notices and other communications shall be effective (a) if sent by certified mail, return receipt requested, when received or five days after deposited in the mails, whichever occurs first, (b) if telecopied, when transmitted (during normal business hours) and confirmation is received, otherwise, the day after the notice was transmitted if confirmation is received, or (c) if delivered, upon delivery.

SECTION 10. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by each Grantor and the Buyer, and no waiver of any provision of this Agreement, and no consent to any departure by a Grantor therefrom, shall be effective unless it is in writing and signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Buyer to exercise, and no delay in exercising, any right hereunder or under any of the other Note Transaction Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Buyer provided herein and in the other Note Transaction Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Buyer under any of the other Note Transaction Documents against any party thereto are not conditional or contingent on any attempt by such Person to exercise any of its rights under any of the other Note Transaction Documents against such party or against any other Person, including but not limited to, any Grantor.

(c) To the extent permitted by applicable law, each Grantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Agreement and any requirement that the Buyer exhaust any right or take any action against any other Person or any Collateral. Each Grantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waiver set forth in this Section 10(c) is knowingly made in contemplation of such benefits. The Grantors hereby waive any right to revoke this Agreement, and acknowledge that this Agreement is continuing in nature and applies to all Obligations, whether existing now or in the future.

(d) No Grantor may exercise any rights that it may now or hereafter acquire against any other Grantor that arise from the existence, payment, performance or enforcement of any Grantor's obligations under this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Buyer against any Grantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Grantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security solely on account of such claim, remedy or right, unless and until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations). If any amount shall be paid to a Grantor in violation of the immediately preceding sentence at any time prior to the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations), such amount shall be held in trust for the benefit of the Buyer and shall forthwith be paid to the Buyer to be credited and applied to the Obligations and all other amounts payable under the Note Transaction Documents, whether matured or unmatured, in accordance with the terms of the Note Transaction Documents, or to be held as Collateral for any Obligations or other amounts payable under the Note Transaction Documents thereafter arising.

(e) Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations), and (ii) be binding on each Grantor and all other Persons who become bound as debtor to this Agreement in accordance with Section 9-203(d) of the Code and shall inure, together with all rights and remedies of the Buyer hereunder, to the benefit of the Buyer and its respective permitted successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, without notice to any Grantor, the Buyer may assign or otherwise transfer its rights and obligations under this Agreement and any of the other Note Transaction Documents, to any other Person and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to the Buyer herein or otherwise. Upon any such assignment or transfer, all references in this Agreement to the Buyer shall mean the assignee of the Buyer. None of the rights or obligations of any Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Buyer, and any such assignment or transfer without the consent of the Buyer shall be null and void.

(g) Upon the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations), (i) this Agreement and the security interests created hereby shall terminate and all rights to the Collateral shall revert to the respective Grantor that granted such security interests hereunder, and (ii) the Buyer will, upon such Grantor's request and at such Grantor's expense, (A) return to such Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination, all without any representation, warranty or recourse whatsoever.

(h) THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT THE VALIDITY AND PERFECTION OR THE PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST CREATED HEREBY, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(i) ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS THEREOF, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH GRANTOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION, SUIT OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT.

(j) EACH GRANTOR AND (BY ITS ACCEPTANCE OF THE BENEFITS OF THIS AGREEMENT) THE HOLDER WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER NOTE TRANSACTION DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, VERBAL OR WRITTEN STATEMENT OR OTHER ACTION OF THE PARTIES HERETO.

(k) Nothing contained herein shall affect the right of the Buyer to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against any Grantor or any property of such Grantor in any other jurisdiction.

(l) Each Grantor irrevocably and unconditionally waives any right it may have to claim or recover in any legal action, suit or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

(m) Section headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(n) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together constitute one in the same Agreement.

(o) The parties hereto hereby acknowledge and agree that this Agreement shall amend, restate, modify, extend, renew and continue the terms and provisions contained in the Existing Security Agreement and shall not extinguish or release any Grantor from any liability under the Existing Security Agreement or otherwise constitute a novation of its obligations thereunder.

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IN WITNESS WHEREOF, each Grantor has caused this Agreement to be executed and delivered by its officer thereunto duly authorized, as of the date first above written.

VRINGO, INC., a Delaware corporation

By: /s/ Andrew Perlman
Name: Andrew Perlman
Title: CEO

Address for Notices:
44 West 28th Street
Suite 1414
New York, NY 10001
Facsimile: (646) 214-7946

INNOVATE/PROTECT, INC., a Delaware corporation formerly known as
VIP Merger Sub, Inc.

By: /s/ Andrew Perlman
Name: Andrew Perlman
Title: CEO

Address for Notices:
380 Madison Avenue
22nd Floor
New York, NY 10023
Facsimile: (646) 532-6775

Vringo Pledge and Security Agreement

I/P LABS, INC., a Delaware corporation formerly known as Scottish Terrier Capital, Inc.

By: /s/ Alexander R. Berger

Name: Alexander R. Berger

Title: Secretary and Chief Operating Officer

Address for Notices:

c/o Innovate/Protect, Inc.

380 Madison Avenue

22nd Floor

New York, NY 10023

Facsimile: (646) 532-6775

I/P ENGINE, INC., a Virginia corporation formerly known as Smart Search Labs, Inc.

By: /s/ Andrew Perlman

Name: Andrew Perlman

Title: Secretary and Chief Operating Officer

Address for Notices:

c/o Innovate/Protect, Inc.

380 Madison Avenue

22nd Floor

New York, NY 10023

Facsimile: (646) 532-6775

Vringo Pledge and Security Agreement

VRINGO, LTD., an Israeli corporation

By: /s/ Ellen Cohl
Name: Ellen Cohl
Title: CFO

Address for Notices:
44 West 28th Street
Suite 1414
New York, NY 10001
Facsimile: (646) 214-7946

Vringo Pledge and Security Agreement

ACCEPTED BY:

HUDSON BAY MASTER FUND LTD.,

By: Hudson Bay Capital Management LP, as its Investment Manager

By: /s/ Yoav Roth

Name: Yoav Roth
Title: Authorized Signatory
Address: 777 Third Avenue, 30th Floor
New York, NY 10017

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY, dated as of July 19, 2012 (this "**Guaranty**"), made by **VRINGO, INC.**, a Delaware corporation (the "**Company**"), and each of its existing "Subsidiaries" (as defined in the Note defined below) as named on the signature pages hereto (collectively, the "**Existing Subsidiaries**") and each other Subsidiary of the Company hereafter becoming party hereto (each individually referred to herein as a "**New Subsidiary**" and collectively as the "**New Subsidiaries**," together with the Company and the Existing Subsidiaries, each a "**Guarantor**" and, collectively, the "**Guarantor**"), in favor of the "Buyer" (as defined below) party to the Note referenced below.

WITNESSETH :

WHEREAS, Innovate/Protect, Inc., a Delaware corporation formerly known as Labrador Search Corporation ("**I/P**"), and Hudson Bay Master Fund Ltd. (the "**Buyer**") are parties to that certain Subscription Agreement, dated as of June 22, 2011 (as amended, restated or otherwise modified from time to time, the "**Subscription Agreement**") pursuant to which, among other things, I/P issued the Senior Secured Note in the original principal amount of \$3,200,000 (as amended, restated or otherwise modified from time to time, the "**Note**") to the Buyer;

WHEREAS, pursuant to the Guaranty dated as of June 22, 2011 (as amended prior to the date hereof, the "**Existing Guaranty**"), I/P Engine, Inc., a Virginia corporation formerly known as Smart Search Labs, Inc. ("**I/P Engine**"), I/P Labs, Inc., a Delaware corporation formerly known as Scottish Terrier Capital, Inc. ("**I/P Labs**" and together with I/P Engine, each individually referred to herein as an "**Existing Guarantor**" and collectively as the "**Existing Guarantors**"), guaranteed all of the obligations of I/P under, among other things, the Subscription Agreement, the Note and the other "Transaction Documents" (as defined in the Note), and have agreed to ratify and confirm certain of their guaranty obligations thereunder pursuant to this amended and restated Guaranty;

WHEREAS, the Company, I/P and VIP Merger Sub, Inc. ("**Merger Sub**"), a wholly-owned subsidiary of the Company, have entered into that certain Agreement and Plan of Merger, dated as of March 12, 2012 (the "**Merger Agreement**") pursuant to which, among other things, I/P shall be merged with and into Merger Sub (the "**Merger Transaction**");

WHEREAS, the Company, as part of the Merger Transaction, has agreed to guarantee the obligations of I/P under the Note and the Note Transaction Documents, and the Company has agreed to cause Vringo, Ltd., an Israeli corporation ("**Vringo Israel**"), and Vringo Israel has agreed, to guarantee the obligations of I/P under the Note and the Note Transaction Documents;

WHEREAS, pursuant to an Amended and Restated Pledge and Security Agreement, dated as of the date hereof (as amended, restated or otherwise modified from time to time, the "**Security Agreement**"), the Guarantors have granted to the Buyer a security interest in and lien on their assets to secure their respective obligations under this Guaranty, the Note and the other Note Transaction Documents (as defined in the Note);

WHEREAS, each of the Existing Guarantors, the Company and each other Guarantor are or will be mutually dependent on each other in the conduct of their respective businesses as an integrated operation, with the credit needed from time to time by one often being provided through financing obtained by the other and the ability to obtain such financing being dependent on the successful operations of each of the Existing Guarantors, the Company and each other Guarantor.

NOW, THEREFORE, in consideration of the premises and the agreements herein and for other consideration, the sufficiency of which is hereby acknowledged, each Guarantor hereby agrees with the Buyer as follows:

SECTION 1. Definitions. Reference is hereby made to the Note for a statement of the terms thereof. All terms used in this Guaranty, which are defined in the Note and not otherwise defined herein, shall have the same meanings herein as set forth therein.

SECTION 2. Guaranty. The Guarantors, jointly and severally, hereby unconditionally and irrevocably, guaranty (a) the punctual payment, as and when due and payable, by stated maturity or otherwise, of all obligations and any other amounts now or hereafter owing by the Company in respect of it in respect of the Note and the other Note Transaction Documents, including, without limitation, all interest that accrues after the commencement of any proceeding commenced by or against any the Company or any Guarantor under any provision of the Bankruptcy Code (Chapter 11 of Title 11 of the United States Code) or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, or extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief (an "**Insolvency Proceeding**"), whether or not the payment of such interest is unenforceable or is not allowable due to the existence of such Insolvency Proceeding, and any and all expenses (including reasonable counsel fees and expenses) reasonably incurred by the Buyer in enforcing any rights under this Guaranty (such obligations, to the extent not paid by the Company, being the "**Guaranteed Obligations**") and (b) the punctual and faithful performance, keeping, observance and fulfillment by the Company of all of the agreements, conditions, covenants and obligations of the Company contained in the Note and the other Note Transaction Documents. Without limiting the generality of the foregoing, each Guarantor's liability hereunder shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Company to the Buyer under the Note but for the fact that they are unenforceable or not allowable due to the existence of an Insolvency Proceeding involving any Guarantor or the Company (each, a "**Transaction Party**").

SECTION 3. Guaranty Absolute; Continuing Guaranty; Assignments.

(a) The Guarantors, jointly and severally, guaranty that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Note Transaction Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Buyer with respect thereto. The obligations of each Guarantor under this Guaranty are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against any Guarantor to enforce such obligations, irrespective of whether any action is brought against any Transaction Party or whether any Transaction Party is joined in any such action or actions. The liability of any Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives, to the extent permitted by law, any defenses it may now or hereafter have in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any Note Transaction Document or any agreement or instrument relating thereto;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from any Note Transaction Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Transaction Party or otherwise;
- (iii) any taking, exchange, release or non-perfection of any collateral with respect to the Guaranteed Obligations, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations; or
- (iv) any change, restructuring or termination of the corporate, limited liability company or partnership structure or existence of any Transaction Party.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Buyer or any other Person upon the insolvency, bankruptcy or reorganization of any Transaction Party or otherwise, all as though such payment had not been made.

(b) This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations) and payment of all other amounts payable under this Guaranty (excluding any inchoate or unmatured contingent indemnification obligations) and (ii) be binding upon each Guarantor and its respective successors and assigns. This Guaranty shall inure to the benefit of and be enforceable by the Buyer and its respective successors, and permitted pledgees, transferees and assigns. Without limiting the generality of the foregoing sentence, the Buyer may pledge, assign or otherwise transfer all or any portion of its rights and obligations under and subject to the terms of any Note Transaction Document to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Buyer herein or otherwise, in each case as provided in the other Note Transaction Document.

SECTION 4. Waivers. To the extent permitted by applicable law, each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Buyer exhausts any right or takes any action against any Transaction Party or any other Person or any Collateral (as defined in the Security Agreement). Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waiver set forth in this Section 4 is knowingly made in contemplation of such benefits. The Guarantors hereby waive any right to revoke this Guaranty, and acknowledge that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

SECTION 5. Subrogation. No Guarantor may exercise any rights that it may now or hereafter acquire against any Transaction Party or any other guarantor that arise from the existence, payment, performance or enforcement of any Guarantor's obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Buyer against any Transaction Party or any other guarantor or any Collateral (as defined in the Security Agreement), whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Transaction Party or any other guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security solely on account of such claim, remedy or right, unless and until the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations) and payment of all other amounts payable under this Guaranty (excluding any inchoate or unmatured contingent indemnification obligations). If any amount shall be paid to a Guarantor in violation of the immediately preceding sentence at any time prior to the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, such amount shall be held in trust for the benefit of the Buyer and shall forthwith be paid to the Buyer to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Note Transaction Document, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (a) any Guarantor shall make payment to the Buyer of all or any part of the Guaranteed Obligations, and (b) the Buyer receives the indefeasible payment in full in cash of all obligations under the Note (together with any matured indemnification obligations as of the date of such payment, but excluding any inchoate or unmatured contingent indemnification obligations) and payment of all other amounts payable under this Guaranty (excluding any inchoate or unmatured contingent indemnification obligations), the Buyer will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment by such Guarantor.

SECTION 6. Representations, Warranties and Covenants.

(a) Each Guarantor hereby represents and warrants as of the date first written above as follows:

(i) Each Guarantor (A) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization as set forth on the signature pages hereto, (B) has all requisite corporate, limited liability company or limited partnership power and authority to conduct its business as now conducted and as presently contemplated and to execute and deliver this Guaranty and each other Note Transaction Document to which the Guarantor is a party, and to consummate the transactions contemplated hereby and thereby and (C) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary except where the failure to be so qualified would not result in a Material Adverse Effect.

(ii) The execution, delivery and performance by each Guarantor of this Guaranty and each other Note Transaction Document to which such Guarantor is a party (A) have been duly authorized by all necessary corporate, limited liability company or limited partnership action, (B) do not and will not contravene its charter or by-laws, its limited liability company or operating agreement or its certificate of partnership or partnership agreement, as applicable, or any applicable law or any contractual restriction binding on the Guarantor or its properties do not and will not result in or require the creation of any lien (other than pursuant to any Note Transaction Document) upon or with respect to any of its properties, and (C) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to it or its operations or any of its properties.

(iii) No authorization or approval or other action by, and no notice to or filing with, any governmental authority is required in connection with the due execution, delivery and performance by the Guarantor of this Guaranty or any of the other Note Transaction Documents to which the Guarantor is a party (other than expressly provided for in any of the Note Transaction Documents).

(iv) Each of this Guaranty and the other Note Transaction Documents to which the Guarantor is or will be a party, when delivered, will be, a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, suretyship or other similar laws and equitable principles, including those relating to upstream guaranties (regardless of whether enforcement is sought in equity or at law).

(v) There is no pending or, to the best knowledge of the Guarantor, threatened action, suit or proceeding against the Guarantor or to which any of the properties of the Guarantor is subject, before any court or other governmental authority or any arbitrator that (A) if adversely determined, could reasonably be expected to have a Material Adverse Effect or (B) relates to this Guaranty or any of the other Note Transaction Documents to which the Guarantor is a party or any transaction contemplated hereby or thereby.

(vi) The Guarantor (A) has read and understands the terms and conditions of the Note and the other Note Transaction Documents, and (B) now has and will continue to have independent means of obtaining information concerning the affairs, financial condition and business of the Company and the other Transaction Parties, and has no need of, or right to obtain from the Buyer, any credit or other information concerning the affairs, financial condition or business of the Company or the other Transaction Parties that may come under the control of the Buyer.

SECTION 7. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, the Buyer may, and is hereby authorized to, at any time and from time to time, without notice to the Guarantors (any such notice being expressly waived by each Guarantor) and to the fullest extent permitted by law, set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Buyer to or for the credit or the account of any Guarantor against any and all obligations of the Guarantors now or hereafter existing under this Guaranty or any other Note Transaction Document, irrespective of whether or not the Buyer shall have made any demand under this Guaranty or any other Note Transaction Document and although such obligations may be contingent or unmatured. The Buyer agrees to notify the relevant Guarantor promptly after any such set-off and application made by the Buyer, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Buyer under this Section 7 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Buyer may have under this Guaranty or any other Note Transaction Document in law or otherwise.

SECTION 8. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by overnight mail or by certified mail, postage prepaid and return receipt requested), telecopied or delivered, if to any Guarantor, to the address for such Guarantor set forth on the signature page hereto, or if to the Buyer, to it at its respective address set forth in the Note; or as to any Person at such other address as shall be designated by such Person in a written notice to such other Person complying as to delivery with the terms of this Section 8. All such notices and other communications shall be effective (i) if mailed (by certified mail, postage prepaid and return receipt requested), when received or three Business Days after deposited in the mails, whichever occurs first; (ii) if telecopied, when transmitted and confirmation is received, provided same is on a Business Day and, if not, on the next Business Day; or (iii) if delivered by hand, upon delivery, provided same is on a Business Day and, if not, on the next Business Day.

SECTION 9. CONSENT TO JURISDICTION; SERVICE OF PROCESS AND VENUE. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY OR ANY OTHER NOTE TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH GUARANTOR HEREBY IRREVOCABLY ACCEPTS IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE BUYER TO SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST EACH GUARANTOR IN ANY OTHER JURISDICTION. EACH GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE JURISDICTION OR LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH GUARANTOR HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY AND THE OTHER NOTE TRANSACTION DOCUMENTS.

SECTION 10. WAIVER OF JURY TRIAL, ETC. EACH GUARANTOR HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS GUARANTY OR THE OTHER NOTE TRANSACTION DOCUMENTS, OR UNDER ANY AMENDMENT, WAIVER, CONSENT, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION HERewith OR THEREWITH, OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY OR THE OTHER NOTE TRANSACTION DOCUMENTS, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH GUARANTOR CERTIFIES THAT NO OFFICER, REPRESENTATIVE, AGENT OR ATTORNEY OF THE BUYER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BUYER WOULD NOT, IN THE EVENT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM, SEEK TO ENFORCE THE FOREGOING WAIVERS. EACH GUARANTOR HEREBY ACKNOWLEDGES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BUYER ENTERING INTO THE OTHER NOTE TRANSACTION DOCUMENTS.

SECTION 11. Taxes.

(a) All payments made by any Guarantor hereunder or under any other Note Transaction Document shall be made in accordance with the terms of the respective Note Transaction Document and shall be made without set-off, counterclaim, deduction or other defense. All such payments shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the net income of the Buyer by the jurisdiction in which the Buyer is organized or where it has its principal lending office (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, "**Taxes**"). If any Guarantor shall be required to deduct or to withhold any Taxes from or in respect of any amount payable hereunder or under any other Note Transaction Document:

(i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including Taxes on amounts payable to the Buyer pursuant to this sentence) the Buyer receives an amount equal to the sum it would have received had no such deduction or withholding been made,

(ii) such Guarantor shall make such deduction or withholding,

(iii) such Guarantor shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law, and

(iv) as promptly as possible thereafter, such Guarantor shall send the Buyer an official receipt (or, if an official receipt is not available, such other documentation as shall be satisfactory to the Buyer) showing payment. In addition, each Guarantor agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Note Transaction Document (collectively, "**Other Taxes**").

(b) Each Guarantor hereby indemnifies and agrees to hold the Buyer harmless from and against Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 11) paid by the Buyer as a result of any payment made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Note Transaction Document, and any liability (including penalties, interest and expenses for nonpayment, late payment or otherwise) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be paid within 30 days from the date on which the Holder makes written demand therefor, which demand shall identify the nature and amount of such Taxes or Other Taxes.

(c) If any Guarantor fails to perform any of its obligations under this Section 11, such Guarantor shall indemnify the Buyer for any taxes, interest or penalties that may become payable as a result of any such failure. The obligations of the Guarantors under this Section 11 shall survive the termination of this Guaranty and the payment of the Obligations and all other amounts payable hereunder.

SECTION 12. Miscellaneous.

(a) Each Guarantor will make each payment hereunder in lawful money of the United States of America and in immediately available funds to Buyer, at such address specified by Buyer from time to time by notice to the Guarantors.

(b) No amendment or waiver of any provision of this Guaranty and no consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by each Guarantor and the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) No failure on the part of the Buyer to exercise, and no delay in exercising, any right hereunder or under any other Note Transaction Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder or under any Note Transaction Document preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Buyer provided herein and in the other Note Transaction Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Buyer under any Note Transaction Document against any party thereto are not conditional or contingent on any attempt by the Buyer to exercise any of its rights under any other Note Transaction Document against such party or against any other Person.

(d) Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(e) This Guaranty shall (i) be binding on each Guarantor and its respective successors and assigns, and (ii) inure, together with all rights and remedies of the Buyer hereunder, to the benefit of the Buyer and its successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, the Buyer may assign or otherwise transfer its rights and obligations under the Note or any other Note Transaction Document to any other Person in accordance with the terms thereof, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to the Buyer herein or otherwise. None of the rights or obligations of any Guarantor hereunder may be assigned or otherwise transferred without the prior written consent of the Buyer.

(f) This Guaranty reflects the entire understanding of the transaction contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, entered into before the date hereof.

(g) Section headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(h) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

(i) Each Guarantor hereby acknowledges and agrees that this Guaranty shall amend, restate, modify, extend, renew and continue the terms and provisions contained in the Existing Guaranty and shall not extinguish or release such Guarantor from any liability under such Existing Guaranty or otherwise constitute a novation of the obligations (including, without limitation, the Guaranteed Obligations (as defined in the Existing Guaranty)) thereunder.

(j) By its execution and delivery of this Guaranty, the Company and its Subsidiaries hereby agree and covenant (i) to do each of the things set forth in the Note that I/P agrees and covenants to use its commercially reasonable efforts to cause the Company and its Subsidiaries to do, (ii) to not do each of the things set forth in the Note that I/P agrees and covenants to use its commercially reasonable efforts to cause the Company and its Subsidiaries not to do, in each case, fully as though the Company and its Subsidiaries were a party thereto, and such agreements and covenants are incorporated herein by this reference, mutatis mutandis, and (iii) all payments due under this Guaranty shall be senior to all other Indebtedness of the Company and its Subsidiaries other than Permitted Senior Indebtedness.

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IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be executed by its respective duly authorized officer, as of the date first above written.

VRINGO, INC., a Delaware corporation

By: /s/ Andrew Perlman

Name: Andrew Perlman

Title: CEO

Address for Notices:

44 West 28th Street

Suite 1414

New York, NY 10001

Facsimile: (646) 214-7946

I/P LABS, INC., a Delaware corporation

formerly known as Scottish Terrier Capital, Inc.

By: /s/ Alexander R. Berger

Name: Alexander R. Berger

Title: Secretary and Chief Operating Officer

Address for Notices:

c/o Innovate/Protect, Inc.

380 Madison Avenue

22nd Floor

New York, NY 10023

Facsimile: (646) 532-6775

Vringo Guaranty

I/P ENGINE, INC., a Virginia corporation
formerly known as Smart Search Labs, Inc.

By: /s/ Alexander R. Berger
Name: Alexander R. Berger
Title: Secretary and Chief Operating Officer

Address for Notices:
c/o Innovate/Protect, Inc.
380 Madison Avenue
22nd Floor
New York, NY 10023
Facsimile: (646) 532-6775

VRINGO, LTD., an Israeli corporation

By: /s/ Ellen Cohl
Name: Ellen Cohl
Title: CFO

Address for Notices:
44 West 28th Street
Suite 1414
New York, NY 10001
Facsimile: (646) 214-7946

Vringo Guaranty

HUDSON BAY MASTER FUND LTD.

June 1, 2012

Innovate/Protect, Inc.
380 Madison Avenue, 22nd Floor
New York, New York 10017

Ladies and Gentlemen:

This letter agreement (this "Agreement") sets forth the commitment, subject to the terms and conditions set forth herein, effective upon the closing of the merger (the "Merger") of Innovate/Protect Inc. ("Innovate/Protect") with and into VIP Merger Sub, Inc., a wholly owned subsidiary of Vringo, Inc. ("Vringo") contemplated pursuant to the terms of that certain Merger Agreement (the "Merger Agreement"), dated as of March 12, 2012, by and among Innovate/Protect, VIP Merger Sub, Inc. and Vringo, of Hudson Bay Master Fund Ltd. or, at its election, one or more of its affiliated funds or entities (the "Fund"), at the request of Innovate/Protect and subject to the terms and conditions contained herein, to provide debt financing to Innovate/Protect in the aggregate principal amount of up to \$6,000,000.

1. Commitment. The Fund hereby commits, subject to the terms and conditions set forth herein, that, at any time within eighteen (18) months following the closing of the Merger and upon the request of Innovate/Protect, it shall provide debt financing to Innovate/Protect in the aggregate principal amount of up to \$6,000,000 (the "Facility") upon the terms contemplated by the term sheet (the "Term Sheet") attached hereto as Exhibit A (the "Commitment"). The Fund's Commitment hereunder shall be reduced, on a dollar for dollar basis, by (i) any cash or capital raised by Vringo, Innovate/Protect and/or any of their subsidiaries (which for purposes of this Agreement means any entity in which the Vringo and/or Innovate/Protect, directly or indirectly, owns any of the capital stock or holds an equity or similar interest) (each a "Vringo Entity" and, together the "Vringo Entities"), including, without limitation, through the issuance of any debt, equity and/or securities convertible, exercisable or exchangeable into equity of any of the Vringo Entities or the incurrence of indebtedness by any of the Vringo Entities and (ii) any cash received by any Vringo Entity in connection with the exercise of any of its outstanding warrants.

2. Conditions; Termination. The Commitment shall be subject to (a) the consummation of the Merger on the terms and conditions contemplated thereby without any amendment or modification (unless consented to in writing by the Fund), (b) at the time of any request to provide the Facility in accordance with Section 1 above, the satisfaction of each of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement, which shall be deemed incorporated into this Agreement *mutatis mutandis*, as if the Fund was the beneficiary of such conditions, (c) at all times after the consummation of the Merger and prior to the termination of this Agreement, Vringo using its best efforts to raise capital by issuing equity securities of Vringo and/or securities convertible, exercisable or exchangeable for equity securities of Vringo, (d) the execution by Innovate/Protect and the Fund of all documents necessary for the consummation of the transaction contemplated by the Commitment on terms and conditions in all respects acceptable and satisfactory to Innovate/Protect and the Fund, (e) no Vringo Entity shall have, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, "Bankruptcy Law"), (A) commenced a voluntary case, (B) consented to the entry of an order for relief against it in an involuntary case, (C) consented to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "Custodian"), (D) made a general assignment for the benefit of its creditors or (E) admitted in writing that it is generally unable to pay its debts as they become due, (f) a court of competent jurisdiction not having entered an order or decree under any Bankruptcy Law that (A) is for relief against any Vringo Entity in an involuntary case, (B) appoints a Custodian of any Vringo Entity or (C) orders the liquidation of any Vringo Entity, (g) from and after the date hereof, there shall not have occurred a material adverse change or material adverse development in the business, assets, properties, operations, condition (financial or otherwise), results of operations or prospects of any of the Vringo Entities, and (h) no Vringo Entity shall be, prior to the consummation of the transactions contemplated by the Facility, or after giving effect to the consummation of the transactions contemplated by the Facility, Insolvent. As used herein, "Insolvent" means, with respect to any person or entity ("Person"), (i) the present fair saleable value of such Person's assets is less than the amount required to pay such Person's total indebtedness, (ii) such Person is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (iii) such Person intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature or (iv) such Person has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted. The obligations of the Fund under or in connection with this Agreement will terminate automatically and immediately upon the earlier to occur of (a) the termination of the Merger Agreement pursuant to its terms, (b) any default under or acceleration prior to maturity of any indebtedness of any Vringo Entity, (c) the failure of any Vringo Entity to satisfy any of the conditions set forth above, (d) any event, which, if occurring prior to the closing of the Merger, would have resulted in the failure of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement to be satisfied, (e) upon written notice to terminate this Agreement delivered by Innovate/Protect to the Fund or (f) eighteen months after the consummation of the Merger.

3. Representations and Warranties. The Fund hereby represents and warrants to Innovate/Protect that (a) it has all limited partnership, corporate or other organizational power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it has been duly and validly authorized and approved by all necessary limited partnership action by it, and no other proceedings or actions on the part of the Fund are necessary therefor, and (c) this Agreement has been duly and validly executed and delivered by it and constitutes a valid and legally binding obligation of it, enforceable against it in accordance with the terms of this Agreement, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

4. Indemnification. In consideration of the Fund's execution and delivery of this Agreement, each of the Vringo Entities hereby agree to jointly and severally defend, protect, indemnify and hold harmless the Fund and each of their stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements, incurred by any Indemnitee as a result of, or arising out of, or relating to any cause of action, suit or claim brought or made against such Indemnitee by a third party (including for these purposes a derivative action brought on behalf of any of the Vringo Entities) arising out of or resulting from the execution, delivery, performance or enforcement of this Agreement.

5. Governing Law; Jurisdiction; Venue; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed and enforced in accordance with the domestic substantive laws of the State of New York, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

(b) All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in the United States District Court located in the Southern District of New York or if such action or proceeding may not be brought in federal court, the state courts of the State of New York located in the Borough of Manhattan and the parties hereto hereby irrevocably submit to the exclusive jurisdiction of such courts in any such action or proceeding and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding.

(c) EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

6. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or by .pdf delivered via email), each such counterpart when executed being deemed to be an original instrument, and all such counterparts shall together constitute one and the same agreement.

7. No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except that each Indemnitee shall have the right to enforce the obligations of the Vringo Entities with respect to Section 3.

8. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between the parties hereto, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein and therein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein. No provision of this Agreement may be amended other than by an instrument in writing signed by the parties hereto.

9. Successors and Assigns. Except in connection with the Merger, Innovate/Protect shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Fund, including by way of any change of control. The Fund may assign some or all of its rights hereunder to one or more affiliates of the Fund without the consent of Innovate/Protect.

10. Expenses. Notwithstanding the non-binding nature of the Term Sheet, the Company hereby covenants and agrees to comply with the terms of the section entitled "Expenses" in the Term Sheet and to promptly satisfy all obligations contemplated therein, provided that the reimbursement of expenses relating to this Agreement shall not exceed \$10,000.

[remainder of the page intentionally left blank – signature page follows]

Sincerely,

HUDSON BAY MASTER FUND LTD.

By: HUDSON BAY CAPITAL MANAGEMENT, L.P., its investment manager

By: /s/ Yoav Roth
Name: Yoav Roth
Title: Authorized Signatory

Agreed to and accepted:

INNOVATE/PROTECT, INC.

By: /s/ Alexander R. Berger
Name: Alexander R. Berger
Title: Chief Operating Officer

SIGNATURE PAGE TO DEBT COMMITMENT LETTER

July 19, 2012

Vringo, Inc.
44 W. 28th Street, Suite 1414
New York, New York 10001

Re: Lock-up Agreement

Ladies and Gentlemen:

The undersigned, a holder of common stock, par value \$0.01 per share ("Common Stock"), or rights to acquire Common Stock, of Vringo, Inc. (the "Company"), for other good and valuable consideration, receipt of which is hereby acknowledged, hereby agrees for the benefit of the Company that, without the prior written consent of the Company, the undersigned will not, from the date hereof through the period ending six (6) months after the date hereof (the "Lock-Up Period"), directly or indirectly: (1) offer, pledge, assign, encumber, announce the intention to sell, sell, contract to sell (including any short sale), sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock owned either of record or beneficially or may be deemed to be beneficially owned (as defined in the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder (the "Exchange Act")) by the undersigned on the date hereof or hereafter acquired or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock, or (4) publicly announce an intention to do any of the foregoing (the "Lock-Up").

The Lock-Up shall not apply to:

(a) transfers of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock (i) as a bona fide gift, or gifts, (ii) to an immediate family member (as such term is defined in Item 404 of Regulation S-K) or a trust for the direct or indirect benefit of the undersigned or such immediate family member of the undersigned, or (iii) by will or intestacy;

(b) the exercise of options granted under the Company's 2012 Employee, Director and Consultant Equity Incentive Plan (the "2012 Plan") and 2006 Stock Option Plan (the "2006 Plan") [AND WITH RESPECT TO DONALD STOUT – or assumed in connection with the consummation of the transactions consummated by the Agreement and Plan of Merger, dated March 12, 2012, by and between the Company, VIP Merger Sub, Inc. and Innovate/Protect, Inc. (the "Merger")] *provided* that the shares of Common Stock delivered upon such exercise are subject to the Lock-Up;

(c) transfers of shares of Common Stock to the Company (i) as forfeitures to satisfy tax withholding and remittance obligations of the undersigned in connection with the vesting or exercise of equity awards granted pursuant to the Company's 2012 Plan and/or 2006 Plan [AND WITH RESPECT TO DONALD STOUT – or assumed in connection with the Merger];

[(d) the exercise of any of the Company's Series 1 Warrants and Series 2 Warrants issued to the undersigned in connection with the Merger (collectively, the "Warrants") and the sale or disposition of the shares of Common Stock issuable thereunder, in the event the Company calls such Warrants for redemption pursuant to and in accordance with the provisions of the Warrants; and][ONLY APPLICABLE TO I/P'S FORMER OFFICERS AND DIRECTORS]

(e) the conversion of the Company's Series A Preferred Stock that are outstanding as of the date hereof, *provided* that the shares of Common Stock delivered upon such conversion are subject to the restrictions set forth in the Lock-Up; and

(f) the establishment of a trading plan that complies with Rule 10b5-1 under the Exchange Act; *provided, however*, that (i) the restrictions shall apply in full force to sales or other dispositions pursuant to such Rule 10b5-1 plan during the Lock-Up Period and (ii) no public announcement or disclosure of entry into such Rule 10b5-1 plan is made or required to be made during the Lock-Up Period, including any filing with the SEC under Section 13 or Section 16 of the Exchange Act;

provided that in case of any transfer pursuant to clause (a) above, each transferee, trustee, donee or distributee shall sign and deliver a lock-up letter substantially in the form of this Lock-Up Agreement, and *provided further* that such transfer shall not involve a disposition for value and such transfer is not required to be reported in any public report or filing with the SEC during the Lock-Up Period.

In furtherance of the foregoing, the Company, and any duly appointed transfer agent for the registration or transfer of the securities described herein, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

The undersigned also acknowledges that it may have to enter into a lock-up agreement or agreements with underwriters and/or placement agents engaged by the Company in connection with future financing(s) of the Company and the undersigned hereby agrees to execute such lock-up agreements in the form acceptable to the underwriters and/or placement agents.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

This Lock-Up Agreement sets forth the entire agreement of the parties with respect to its subject matter and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party to this Lock-Up Agreement with respect to such subject matter. Should a dispute arise between the parties under or relating to this Lock-Up Agreement, each party agrees that prior to initiating any formal proceeding against the other (except when injunctive relief is appropriate), the parties will each designate a representative for purposes of resolving the dispute. If the parties' representatives are unable to resolve the dispute within 14 business days, the dispute shall be settled by mediation and then, if necessary, by arbitration under the then-current commercial arbitration rules of the American Arbitration Association. The location of the proceeding shall be in New York, NY. The award in any such arbitration shall be final, binding, conclusive and not appealable. Judgment upon any award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

This Lock-Up Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof. Execution and delivery of this Agreement by facsimile or other electronic signature is legal, valid and binding for all purposes.

This Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

Signature: _____

Print Name: _____

Acknowledged:

VRINGO, INC.

By: _____

Name: _____

Title: _____

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 2, 2012, with respect to the consolidated financial statements of Innovate/Protect Inc. included in the Current Report on Form 8-K, dated July 20, 2012, of Vringo Inc. We hereby consent to the incorporation by reference of said report in the Registration Statements of Vringo, Inc. on Form S-8 (File No. 333-181477, effective May 17, 2012) and Forms S-3 (File No. 333-164575, effective October 19, 2011; File No. 333-1787000, effective January 13, 2012; and File No. 333-180493, effective June 20, 2012).

/s/ GRANT THORNTON LLP
New York City, New York
July 20, 2012



VRINGO COMPLETES MERGER WITH INNOVATE/PROTECT

VRINGO ALSO ANNOUNCES RESULTS OF ANNUAL MEETING OF STOCKHOLDERS

NEW YORK — July 19, 2012 — Vringo, Inc. (NYSE MKT: VRNG), a provider of software platforms for mobile social and video applications, today announced the completion of its merger with Innovate/Protect, Inc., a company that seeks to maximize the value of intellectual property and technology assets.

During the Company's Annual Meeting of Stockholders held earlier today, the proposal of the merger between Vringo and Innovate/Protect and the related issuance of securities received the support of 99.61% of the shares voted at the meeting. The boards of directors of both Vringo and Innovate/Protect had unanimously approved the merger. Vringo's Board of Directors also announced that Vringo will not be effecting a reverse stock split.

The combined entity, which trades on the NYSE MKT under the symbol "VRNG," is managed by an executive team led by Chief Executive Officer Andrew Perlman and supported by the board of directors, which consists of directors from the previous Vringo and Innovate/Protect boards.

"We are pleased that our shareholders have shown their overwhelming support for the merger with Innovate/Protect," said Andrew Perlman, Chief Executive Officer of Vringo. "We look forward to establishing a world class technology company, focused on innovating, licensing, and protecting our current and future intellectual property and technologies."

Andrew Kennedy Lang, Chief Technology Officer and President of Vringo, said, "The closing of this merger enables the newly combined Vringo management team to focus on building shareholder value through the creation of new and exciting technologies and the monetization of its existing assets."

About Vringo, Inc.

Vringo, Inc. is engaged in the innovation, development and monetization of mobile technologies and intellectual property. Vringo's patent portfolio consists of 31 patents, 11 of which have been granted. Through a recently completed merger with Innovate/Protect, Vringo owns a portfolio of eight patents acquired from Lycos, Inc. Vringo operates a global platform for the distribution of mobile social applications and services including Facetones® and Video Ringtones which transforms the basic act of making and receiving mobile phone calls into a highly visual, social experience.

For more information, visit: www.vringoIP.com.

Forward-Looking Statements

This press release includes forward-looking statements, which may be identified by words such as "believes," "expects," "anticipates," "estimates," "projects," "intends," "should," "seeks," "future," "continue," or the negative of such terms, or other comparable terminology. Forward-looking statements are statements that are not historical facts. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ materially include, but are not limited to: the inability to realize the potential value created by the merger with Innovate/Protect for our stockholders; our inability to raise capital to fund our combined operations and business plan; our inability to maintain the listing of our securities on the NYSE MKT; the potential lack of market acceptance of our products; our inability to protect our intellectual property rights; potential competition from other providers and products; our inability to license and monetize the patents owned by Innovate/Protect, including the outcome of the litigation against online search firms and other companies; and other risks and uncertainties and other factors discussed from time to time in our filings with the Securities and Exchange Commission. Investors and stockholders are also urged to read the risk factors set forth in the definitive proxy statement/prospectus filed with the SEC on June 21, 2012. Vringo expressly disclaims any obligation to publicly update any forward-looking statements contained herein, whether as a result of new information, future events or otherwise, except as required by law.

Contacts:

Investors:

Cliff Weinstein
Executive Vice President
Vringo, Inc.
646-532-6777 (o)
cliff@vringo.com

Media:

Caroline L. Platt
The Hodges Partnership
804-788-1414 (o)
804-317-9061 (m)
cplatt@hodgespart.com

Information about Innovate/Protect, Inc.

Overview

Innovate/Protect was formed in June 2011 to maximize the economic benefits of intellectual property assets through acquiring or internally developing patents or other intellectual property assets (or interests therein) and then monetize such assets through a variety of value enhancing initiatives, including, but not limited to:

- licensing,
- customized technology solutions,
- strategic partnerships; and
- litigation.

Innovate/Protect's management team and board of directors are comprised of accomplished inventors, experienced investors and persons it believes are leaders in the intellectual property enforcement industry. Innovate/Protect's management team has access to leading patent attorneys, patent brokers, company liquidators and others who will assist Innovate/Protect in exploring, acquiring, developing and monetizing intellectual property assets. Innovate/Protect believes that the depth and experience of its management provides Innovate/Protect with important competitive strengths as it seeks to execute and expand its business model.

While Innovate/Protect's present operations are limited to prosecuting its initial claims relating to the Lycos's patents, its plan of operation over the next 12 months, in addition to continuing the prosecution of such claims, will be to expand its business through acquisitions of additional patent and other intellectual property assets that it will seek to monetize.

Innovate/Protect was incorporated under the laws of the State of Delaware on June 8, 2011. On September 6, 2011, it changed its name from Labrador Search Corporation to Innovate/Protect, Inc. Innovate/Protect has two wholly-owned subsidiaries, I/P Engine and I/P Labs. I/P Engine was incorporated in Virginia on June 14, 2011 under the name Smart Search Labs, Inc. and its name was changed from Smart Search Labs, Inc. to I/P Engine, Inc. in September 2011. I/P Labs was incorporated in Delaware on June 8, 2011 under the name Scottish Terrier Capital, Inc. and its name was changed from Scottish Terrier Capital, Inc. to I/P Labs, Inc. in September 2011.

Background of the Lycos Patents

Upon formation in June 2011, Innovate/Protect acquired its initial patent assets from Lycos through its wholly-owned subsidiary, I/P Engine. Such assets were comprised of eight patents (the "**Lycos Patents**") relating to information filtering and search technologies. Andrew Kennedy Lang, Innovate/Protect's Chief Executive Officer, Chief Technology Officer, President and director, and Donald Kosak, a consultant to I/P Engine, are the inventors of the Lycos Patents. As described further below, Innovate/Protect is initially seeking to monetize the Lycos Patents through litigation.

In the mid-to-late 1990s, the amount of content (e.g., web pages) available on the Internet was relatively small compared to today. Users frequently accessed Internet web pages by visiting portal sites, which presented content categorized into directories through which the users could select links to available web pages. Lycos was one of the leading portal sites of this time, which initially launched its website in 1994. Lycos' website included a directory-based portal and a query-based search engine, pursuant to which both systems provided access to its content catalog. By 1996, Lycos' content catalog had grown substantially and it was one of the largest websites of its kind. Other large portal search sites at the time also maintained large content catalogs. As the volume of available Internet content continued to grow, manual categorization processes presented efficiency and resource challenges in terms of the amount of material to be categorized and the accuracy of such categorization.

Lycos engaged WiseWire Corporation, which was formed by Mr. Lang in 1995 and also employed Mr. Kosak, to develop filtering techniques to more efficiently, and automatically, categorize content for Lycos' directories. Messrs. Lang and Kosak adapted their filtering techniques to apply to search systems and invented filtering systems and methods that filter items such as web pages and advertisements for content relevancy to a search query (known as a wire). Messrs. Lang and Kosak's inventions incorporate feedback information from prior users, and in filtering the items, combine the provided feedback information with the content relevancy information to determine whether (or where) an item should be included, or ranked, in a search results response to the query or the wire. After working together on several projects for Lycos' website, Lycos acquired WiseWire for \$39.75 million. Messrs. Lang and Kosak then joined Lycos, with Mr. Lang as Chief Technology Officer and Mr. Kosak as Senior Director of Engineering. Mr. Kosak later became Lycos' Chief Technology Officer.

The Lycos Patents are comprised of eight patents relating to information filtering and search technologies. Below is a summary of the Lycos Patents:

| Application Number | Country | Filing Date | Patent Number | Grant Date | Expiration Date | Title |
|---------------------------|----------------|--------------------|----------------------|-------------------|------------------------|---|
| 09204149 | United States | 12/03/1998 | 6314420 | 11/06/2001 | 12/03/2018 | Collaborative/Adaptive Search Engine |
| 10045198 | United States | 10/22/2001 | 6775664 | 08/10/2004 | 10/22/2021 | Information Filter System and Method for Integrated Content-Based and Collaborative/Adaptive Feedback Queries |
| 08627436 | United States | 04/04/1996 | 5867799 | 02/02/1999 | 04/04/2016 | An Information System and Method for Filtering a Massive Flow of Information Entities to Meet User Information Classification Needs |
| 09186407 | United States | 11/05/1998 | 5983214 | 11/09/1999 | 11/05/2018 | System and Method Employing Individual User Content-Based Data and User Collaborative Feedback Data to Evaluate the Content of an Information Entity in a Large Information Communication Network |
| 09195709 | United States | 11/19/1998 | 6029161 | 02/22/2000 | 11/19/2018 | Multi-level Mindpool System Especially Adapted to Provide Collaborative Filter Data for a Large Scale Information Filtering System |
| 09195708 | United States | 11/19/1998 | 6308175 | 10/23/2001 | 11/19/2018 | Integrated Collaborative/Content-Based Filter Structure Employing Selectively Shared, Content-Based Profile Data to Evaluate Information Entities in a Massive Information Network |
| 09587144 | United States | 06/02/2000 | 6640218 | 10/28/2003 | 06/02/2020 | Estimating the Usefulness of an Item in a Collection of Information |
| 09803540 | United States | 03/09/2001 | 7228493 | 06/05/2007 | 03/09/2021 | Serving Content to a Client |

The Senior Secured Notes issued to Hudson Bay and discussed further below are secured by a first priority perfected security interest in all of Innovate/Protect's and Innovate/Protect's subsidiaries' assets, including but not limited to the patents described above, as evidenced by a pledge and security agreement and guaranties of the subsidiaries of Innovate/Protect.

Background on Intellectual Property Asset Enforcement Market

The United States patent system grants the holder of a patent the exclusive right to exclude others from practicing the patented technology for the term of the patent, and leaves the holder to his, her or its own devices to enforce these rights when such patented technology is infringed upon by others. The term of a patent is the maximum period during which it can be maintained into force. Under current United States law, the term of a patent is 20 years from the earliest claimed filing date (which can be extended via Patent Term Adjustment and Patent Term Extension). For applications filed before June 8, 1995, the term is 17 years from the issue date or 20 years from the earliest claimed domestic priority date, the longer term applying.

Aggrieved patent holders may seek to bring enforcement actions against the infringing parties. They may engage attorneys on a full-fee basis, or enter into a contingency agreement. In a contingency arrangement, attorneys seek a portion of the revenue derived from licensing the patented technology.

Innovate/Protect's Initial Litigation

As one of the means of realizing the value of the Lycos Patents, on September 15, 2011, Innovate/Protect initiated (through I/P Engine) litigation in the United States District Court, Eastern District of Virginia, against AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc., and Target Corporation for patent infringement regarding two of the Lycos Patents (U.S. Patent Nos. 6,314,420 and 6,775,664). The case number is 2:11 CV 512-RAJ/FBS, and is pending in the Norfolk Division.

The court docket for the case, including the parties' briefs, is publicly available on the Public Access to Court Electronic Records website ("PACER"), www.pacer.gov, which is operated by the Administrative Office of the U.S. Courts.

As described above, the asserted patents relate to relevance filtering technology used in the search engine industry to place high quality advertisements in the best positions on websites and thereby maximizing the potential for generating substantial advertising revenue to the website owner. In this lawsuit, Innovate/Protect alleges that the defendants have used, and continue to use, search and search advertising systems that infringe upon Innovate/Protect's relevant filtering patents. Innovate/Protect is seeking unspecified compensatory damages, past and future, amounting to no less than reasonable royalties, and attorneys' fees.

The complaint states that the accused systems use the patented technology by filtering and presenting search and search advertising results based on a combination of (i) an item's content relevance to a search query; and (ii) click-through rates from prior users relative to that item. For example, the complaint alleges that Google has adopted the patented technology with its use of Quality Score. Google's search advertising systems filter advertisements by using Quality Score, which is a combination of an advertisement's content relevance to a search query (e.g., the relevance of the keyword and the matched advertisement to the search query), and click-through rates from prior users relative to that advertisement (e.g., the historical click-through rate of the keyword and matched advertisement).

The complaint alleges that, after adopting the patented technology, Google's market share significantly grew and its profits from search advertising considerably outpaced those of other pay per click advertising providers. Google also allows third party publishers, for example AOL, IAC, Target and Gannett Media, to display advertising search results in response to search queries made on the third party websites.

On November 4, 2011, I/P Engine entered into a stipulation with all of the defendants, which provided, among other things, that: (i) I/P Engine would provide the defendants with a preliminary identification of the asserted claims, and representative claim charts, (ii) the defendants would provide an initial production of technical documents; and (iii) the defendants would not move or otherwise seek to transfer or sever any party from the action, or otherwise assert that the Eastern District of Virginia is inconvenient for any reason.

The defendants filed their answers to the complaint on November 14, 2011, and also asserted declaratory judgment counterclaims of non-infringement and invalidity. On November 28, 2011, all defendants (except AOL, which asserted no such allegation) amended their counterclaims to remove an allegation of unenforceability. On December 5, 2011, I/P Engine filed answers to AOL's counterclaims. On December 9, 2011, I/P Engine filed answers to the counterclaims of the remaining defendants.

On February 15, 2012, the Court entered a scheduling order in the case setting the claim construction hearing for June 4, 2012 and trial for October 16, 2012. The claim construction hearing is commonly referred to as a *Markman* hearing after the Supreme Court case that explained the process by which courts must determine the meaning of particular terms or phrases with the claims asserted in the patent-in-suit. The claims in a patent are what determine the scope of the patent's right to exclude infringing technology. Each claim comprises a set of limitations: specific terms or phrases that define the technology covered by the claim. The parties will apply that claim construction when presenting the case to the jury.

On March 15, 2012, Google submitted a request to the USPTO for *ex parte* reexamination of U.S. Patent No. 6,314,420, one of the two patents-in-suit. The request was deposited on March 16, 2012 and was assigned Control No. 90/009,991. Innovate/Protect expected Google to seek reexamination and believes this request is a standard and typical tactic used by defendants in patent litigation cases. The filing of a request for reexamination is the first step in a process that ordinarily takes several years. On April 26, 2012, the USPTO vacated Google's request for *ex parte* reexamination for failing to follow to the requirements set forth in the USPTO's regulations. On May 24, 2012, Google submitted their request to the USPTO. This resubmission purports to address the issues identified by the USPTO. On July 18, 2012 the USPTO issued a determination ordering a reexamination. Google's request has not resulted in any delay of the dates set out in the Court's scheduling order dated February 15, 2012.

Discovery has commenced; the parties have served and responded to written discovery requests and have produced documents. Further discovery, including depositions, is expected to occur in the next few months. Near the end of discovery, the parties will exchange expert reports. Innovate/Protect expects that defendants will make several attempts to avoid trial.

Within the *Markman* , or claim construction process, the court reviewed the parties competing definitions for specific terms within the asserted claims. Both parties submitted two rounds of briefing to the court that provided arguments for their proposed definitions. The opening claim construction briefs were filed on April 12, 2012, and the responsive claim construction briefs were filed on May 3, 2012. At the *Markman* hearing on June 4, 2012, the court heard arguments from both sides in support of their positions. On June 15, 2012, the court issued a Memorandum Opinion & Order providing binding definitions for the contested terms. The court's definitions to the patent claims established the boundary markings of the claimed technology and inform both parties' expert reports and testimony as well as the parties' arguments to the jury. The court's Memorandum Opinion & Order construing the contested terms is publicly available on the Public Access to Court Electronic Records (PACER) electronic public access service at <http://www.pacer.uscourts.gov/> , and was also filed by Vringo with the Securities and Exchange Commission.

Although Innovate/Protect's intention is to expand its business through the acquisition of additional patent and intellectual property assets, the viability of Innovate/Protect currently depends on the outcome of this lawsuit.

Growth Strategy

Through Innovate/Protect's wholly owned subsidiary, I/P Engine, Innovate/Protect intends to continue to seek to generate license revenue and related cash flows from parties who infringe on or use the Lycos Patents.

In addition to prosecuting and seeking to monetize Innovate/Protect's rights in the Lycos Patents, Innovate/Protect intends to acquire additional intellectual property assets and monetize the value therefrom, although it is not a party to any agreement or understanding to acquire any such assets as of the date of this prospectus.

A key element of Innovate/Protect's business plan will be its ability to provide liquidity to inventors and other intellectual property holders by allowing them to sell all of, or interests in, such intellectual property to Innovate/Protect in exchange for cash or other interests. Such other interests could include interests in existing intellectual property litigation claims. Leveraging the extensive experience of Innovate/Protect's management, through engaging in a robust due diligence and risk underwriting process aimed at evaluating the merits and potential value of these assets, Innovate/Protect seeks to structure its investments in these assets in a manner that will create the potential for Innovate/Protect to achieve superior risk-adjusted returns. Innovate/Protect believes that its capital resources and potential access to capital, together with the strength of its management team in the intellectual property arena, will allow Innovate/Protect to assemble a portfolio of quality assets with short- and long-term revenue opportunities.

Innovate/Protect also intends to seek the continued involvement of the inventors of the respective intellectual property assets, and intend to partner with such inventors in its efforts to maximize the revenue that can be realized from the intellectual property assets. Innovate/Protect believes that involving the respective inventors in the monetization of their inventions will make it an attractive partner for the inventor community, and Innovate/Protect believes that securing access to the inventors' knowledge will help it in its efforts to monetize these assets.

Beyond potential licensing or other revenue Innovate/Protect may receive from companies that make use of its intellectual property, Innovate/Protect believes there are further opportunities to generate revenue from companies that could improve their products and revenue through the addition of Innovate/Protect's technology to their products. In addition to being a potential revenue source for Innovate/Protect, this aspect of Innovate/Protect's business may lead to further innovations and new intellectual property being developed, which it will seek to retain and monetize.

Competition

Innovate/Protect expects to encounter significant competition from others seeking to acquire interests in intellectual property assets and monetize such assets. Most of Innovate/Protect's competitors have much longer operating histories, and significantly greater financial and human resources, than it has. Entities such as VirnetX (NYSE:VHC), Acacia Research Corporation (NASDAQ:ACTG), Allied Security Trust, Altitude Capital Partners, Augme Technologies Inc. (OTCBB:AUGT) Intellectual Ventures, Collier IP, Ocean Tomo, RPX Corporation (NASDAQ:RPXC),

Rembrandt IP Management and others presently market themselves as being in the business of creating, acquiring, licensing or leveraging the value of intellectual property assets. Innovate/Protect expects others to enter the market as the true value of intellectual property is increasingly recognized and validated. In addition, competitors may seek to acquire the same or similar patents and technologies that it may seek to acquire, making it more difficult for Innovate/Protect to realize the value of its assets.

Employees

As of June 20, 2012, Innovate/Protect had three full-time employees and one part-time employee. None of Innovate/Protect's employees are subject to a collective bargaining agreement, and Innovate/Protect believes its employee relations to be good.

Property and Facilities

Innovate/Protect leases its principal executive offices at 380 Madison Avenue, 22nd Floor, New York, New York. Innovate/Protect's lease term ends in January 25, 2014. Innovate/Protect pays \$3,602 per month for its headquarters space.

Legal Proceedings

Other than Innovate/Protect's subsidiary I/P Engine's litigation against AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc. and Target Corporation as described herein, Innovate/Protect is not currently a party to any legal proceedings.

Risks Factors Related to Innovate/Protect, Inc. (“Innovate/Protect”)

Innovate/Protect’s limited operating history makes it difficult to evaluate its current business and future prospects.

Innovate/Protect is a development stage company and has generated no revenue to date and has only incurred expenses. Innovate/Protect was incorporated in June 2011, at which time it acquired its first and only patent assets. To date, Innovate/Protect’s business has consisted entirely of prosecution of the Litigation. Innovate/Protect’s efforts to license existing patents and develop new patents are still in development. Therefore, Innovate/Protect not only has a very limited operating history, but also a very limited track record in executing its business model which includes, among other things, creating, prosecuting, licensing, litigating or otherwise monetizing its patent assets. Innovate/Protect limited operating history makes it difficult to evaluate its current business model and future prospects.

In light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development with no operating history, there is a significant risk that Innovate/Protect will not be able to:

- implement or execute its current business plan, or demonstrate that its business plan is sound; and/or
- raise sufficient funds in the capital markets to effectuate its business plan.

If Innovate/Protect cannot execute any one of the foregoing or similar matters relating to its operations, its business may fail.

Innovate/Protect is presently reliant exclusively on the patent assets it acquired at its formation. If Innovate/Protect is unable to license or otherwise monetize such assets and generate revenue and profit through those assets or by other means, there is a significant risk that Innovate/Protect’s business would fail.

At Innovate/Protect’s formation in June 2011, Innovate/Protect acquired a portfolio of patent assets from Lycos that Innovate/Protect plans to license or otherwise monetize. If Innovate/Protect’s efforts to generate revenue from such assets fail, Innovate/Protect will have incurred significant losses and may be unable to acquire additional assets. If this occurs, Innovate/Protect’s business would likely fail.

Innovate/Protect has commenced legal proceedings against the owners of certain online search engines and other companies, and Innovate/Protect expects such litigation to be time-consuming and costly, which may adversely affect Innovate/Protect’s financial condition and its ability to operate its business.

To license or otherwise monetize the patent assets Innovate/Protect acquired from Lycos, Innovate/Protect has commenced legal proceedings against the owners of online search engines and other companies (including AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc., and Target Corporation) pursuant to which Innovate/Protect alleges that such companies infringe on one or more of Innovate/Protect’s patents. Innovate/Protect’s viability is highly dependent on the outcome of this litigation, and there is a risk that Innovate/Protect may be unable to achieve the results it desires from such litigation, which failure would harm Innovate/Protect’s business to a great degree. In addition, the defendants in this litigation are much larger than Innovate/Protect and have substantially more resources than Innovate/Protect does, which could make Innovate/Protect’s litigation efforts more difficult.

Innovate/Protect anticipates that these legal proceedings may continue for several years and may require significant expenditures for legal fees and other expenses. Disputes regarding the assertion of patents and other intellectual property rights are highly complex and technical. Once initiated, Innovate/Protect may be forced to litigate against others to enforce or defend Innovate/Protect’s intellectual property rights or to determine the validity and scope of other parties’ proprietary rights. The defendants or other third parties involved in the lawsuits in which Innovate/Protect is involved may allege defenses and/or file counterclaims in an effort to avoid or limit liability and damages for patent infringement. If such defenses or counterclaims are successful, they may preclude Innovate/Protect’s ability to derive licensing revenue from the patents. A negative outcome of any such litigation, or one or more claims contained within any such litigation, could materially and adversely impact Innovate/Protect’s business. Additionally, Innovate/Protect anticipates that its legal fees and other expenses will be material and will negatively impact Innovate/Protect’s financial condition and results of operations and may result in its inability to continue its business. Innovate/Protect estimates that its legal fees over the next twelve months will be approximately \$2.9 million. Expenses thereafter are dependent on the outcome of the Litigation; in the event the case is appealed, legal fees over the course of the subsequent twelve months would be approximately \$1.2 million. Innovate/Protect’s failure to monetize its patent assets would significantly harm its business.

While Innovate/Protect believes that the patents acquired from Lycos are infringed by the defendants in the Litigation, there is a risk that a court will find the patents invalid, not infringed or unenforceable and/or that the US Patent Office will either invalidate the patents or materially narrow the scope of their claims during the course of a re-examination. In addition, even with a positive trial court verdict, the patent may be invalidated, found not infringed or rendered unenforceable on appeal. This risk may occur either presently in Innovate/Protect’s initial litigation or from time to time in connection with future litigations Innovate/Protect may bring. If this were to occur, it would have a material adverse effect on the viability of its company and its operations.

Innovate/Protect believes that certain online search engines infringe on at least two of its patents, but recognizes that obtaining and collecting a judgment against such infringers may be difficult or impossible. Patent litigation is inherently risky and the outcome is uncertain. Some of the parties Innovate/Protect believes infringe on Innovate/Protect’s patents are large and well-financed companies with substantially greater resources than Innovate/Protect. Innovate/Protect believes that these parties would devote a substantial amount of resources in an attempt to avoid or limit a finding that they are liable for infringing Innovate/Protect’s patents or, in the event liability is found, to avoid or limit the amount of associated damages. In addition there is a risk that these parties may file re-examinations or other proceedings with the USPTO or other government agencies in an attempt to invalidate, narrow the scope or render unenforceable the patents Innovate/Protect acquired from Lycos.

At this time, Innovate/Protect cannot predict the outcome of such potential litigation or administrative action, and if Innovate/Protect is unsuccessful in its litigation efforts for any reason, Innovate/Protect's business would be significantly harmed.

Moreover, in connection with any of Innovate/Protect's present or future patent enforcement actions, it is possible that a defendant may request and/or a court may rule that Innovate/Protect has violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against Innovate/Protect or its operating subsidiaries or award attorneys' fees and/or expenses to one or more defendants, which could be material, and if Innovate/Protect or its subsidiaries are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm Innovate/Protect's operating results and its financial position.

In addition, it is difficult in general to predict the outcome of patent enforcement litigation at the trial level. There is a higher rate of appeals in patent enforcement litigation than more standard business litigation. Such appeals are expensive and time-consuming, and the outcomes of such appeals are sometimes unpredictable, resulting in increased costs and reduced or delayed revenue.

Finally, Innovate/Protect believes that the more prevalent patent enforcement actions become, the more difficult it will be for Innovate/Protect to license its patents without engaging in litigation. As a result, Innovate/Protect may need to increase the number of its patent enforcement actions to cause infringing companies to license the patent or pay damages for lost royalties. This will adversely affect Innovate/Protect's operating results due to the high costs of litigation and the uncertainty of the results.

Innovate/Protect may seek to internally develop additional new inventions and intellectual property, which would take time and would be costly. Moreover, the failure to obtain or maintain intellectual property rights for such inventions would lead to the loss of Innovate/Protect's investments in such activities.

Members of Innovate/Protect's management team have significant experience as inventors. As such, part of Innovate/Protect's business may include the internal development of new inventions or intellectual property that Innovate/Protect will seek to monetize. However, this aspect of Innovate/Protect's business would likely require significant capital and would take time to achieve. Such activities could also distract Innovate/Protect's management team from its present business initiatives, which could have a material and adverse effect on Innovate/Protect's business. There is also the risk that Innovate/Protect's initiatives in this regard would not yield any viable new inventions or technology, which would lead to a loss of Innovate/Protect's investments in time and resources in such activities.

In addition, even if Innovate/Protect is able to internally develop new inventions, in order for those inventions to be viable and to compete effectively, Innovate/Protect would need to develop and maintain, and it would heavily rely on, a proprietary position with respect to such inventions and intellectual property. However, there are significant risks associated with any such intellectual property Innovate/Protect may develop principally including the following:

- patent applications Innovate/Protect may file may not result in issued patents or may take longer than Innovate/Protect expects to result in issued patents;
- Innovate/Protect may be subject to interference proceedings;
- Innovate/Protect may be subject to opposition proceedings in the U.S. or foreign countries;
- any patents that are issued to Innovate/Protect may not provide meaningful protection;
- Innovate/Protect may not be able to develop additional proprietary technologies that are patentable;
- other companies may challenge patents issued to Innovate/Protect;
- other companies may have independently developed and/or patented (or may in the future independently develop and patent) similar or alternative technologies, or duplicate Innovate/Protect's technologies;
- other companies may design around technologies Innovate/Protect has developed; and
- enforcement of Innovate/Protect's patents would be complex, uncertain and very expensive.

Innovate/Protect cannot be certain that patents will be issued as a result of any future applications, or that any of Innovate/Protect's patents, once issued, will provide Innovate/Protect with adequate protection from competing products. For example, issued patents may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. In addition, since publication of discoveries in scientific or patent literature often lags behind actual discoveries, Innovate/Protect cannot be certain that it will be the first to make its additional new inventions or to file patent applications covering those inventions. It is also possible that others may have or may obtain issued patents that could prevent Innovate/Protect from commercializing Innovate/Protect's products or require Innovate/Protect to obtain licenses requiring the payment of significant fees or royalties in order to enable Innovate/Protect to conduct its business. As to those patents that Innovate/Protect may license or otherwise monetize, Innovate/Protect's rights will depend on maintaining its obligations to the licensor under the applicable license agreement, and Innovate/Protect may be unable to do so. Innovate/Protect's failure to obtain or maintain intellectual property rights for Innovate/Protect's inventions would lead to the loss of Innovate/Protect's investments in such activities, which would have a material and adverse effect on Innovate/Protect's company.

Moreover, patent application delays could cause delays in recognizing revenue from Innovate/Protect's internally generated patents and could cause Innovate/Protect to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

New legislation, regulations or court rulings related to enforcing patents could harm Innovate/Protect's business and operating results.

If Congress, the United States Patent and Trademark Office or courts implement new legislation, regulations or rulings that impact the patent enforcement process or the rights of patent holders, these changes could negatively affect Innovate/Protect's business model. For example, limitations on the ability to bring patent enforcement claims, limitations on potential liability for patent infringement, lower evidentiary standards for invalidating patents, increases in the cost to resolve patent disputes and other similar developments could negatively affect Innovate/Protect's ability to assert its patent or other intellectual property rights.

In addition, on September 16, 2011, the Leahy-Smith America Invents Act (or the Leahy-Smith Act), was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These changes include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The U.S. Patent Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act will not become effective until one year or 18 months after its enactment. Accordingly, it is too early to tell what, if any, impact the Leahy-Smith Act will have on the operation of Innovate/Protect's business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of Innovate/Protect's issued patents, all of which could have a material adverse effect on Innovate/Protect's business and financial condition.

Further, and in general, it is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become enacted as laws. Compliance with any new or existing laws or regulations could be difficult and expensive, affect the manner in which Innovate/Protect conducts its business and negatively impact Innovate/Protect's business, prospects, financial condition and results of operations.

Innovate/Protect's acquisitions of patent assets may be time consuming, complex and costly, which could adversely affect Innovate/Protect's operating results.

Acquisitions of patent or other intellectual property assets, which are and will be critical to Innovate/Protect's business plan, are often time consuming, complex and costly to consummate. Innovate/Protect may utilize many different transaction structures in its acquisitions and the terms of such acquisition agreements tend to be heavily negotiated. As a result, Innovate/Protect expects to incur significant operating expenses and will likely be required to raise capital during the negotiations even if the acquisition is ultimately not consummated. Even if Innovate/Protect is able to acquire particular patent assets, there is no guarantee that Innovate/Protect will generate sufficient revenue related to those patent assets to offset the acquisition costs. While Innovate/Protect will seek to conduct confirmatory due diligence on the patent assets Innovate/Protect is considering for acquisition, Innovate/Protect may acquire patent assets from a seller who does not have proper title to those assets. In those cases, Innovate/Protect may be required to spend significant resources to defend Innovate/Protect's interest in the patent assets and, if Innovate/Protect is not successful, its acquisition may be invalid, in which case Innovate/Protect could lose part or all of its investment in the assets.

Innovate/Protect may also identify patent or other intellectual property assets that cost more than Innovate/Protect is prepared to spend with its own capital resources. Innovate/Protect may incur significant costs to organize and negotiate a structured acquisition that does not ultimately result in an acquisition of any patent assets or, if consummated, proves to be unprofitable for Innovate/Protect. These higher costs could adversely affect Innovate/Protect's operating results, and if Innovate/Protect incurs losses, the value of its securities will decline.

In addition, Innovate/Protect may acquire patents and technologies that are in the early stages of adoption in the commercial, industrial and consumer markets. Demand for some of these technologies will likely be untested and may be subject to fluctuation based upon the rate at which Innovate/Protect's licensees will adopt its patents and technologies in their products and services. As a result, there can be no assurance as to whether technologies Innovate/Protect acquires or develops will have value that it can monetize.

In certain acquisitions of patent assets, Innovate/Protect may seek to defer payment or finance a portion of the acquisition price. This approach may put Innovate/Protect at a competitive disadvantage and could result in harm to Innovate/Protect's business.

Innovate/Protect has limited capital and may seek to negotiate acquisitions of patent or other intellectual property assets where Innovate/Protect can defer payments or finance a portion of the acquisition price. These types of debt financing or deferred payment arrangements may not be as attractive to sellers of patent assets as receiving the full purchase price for those assets in cash at the closing of the acquisition. As a result, Innovate/Protect might not compete effectively against other companies in the market for acquiring patent assets, many of whom have greater cash resources than Innovate/Protect has. In addition, any failure to satisfy Innovate/Protect's debt repayment obligations may result in adverse consequences to its operating results.

Any failure to maintain or protect Innovate/Protect's patent assets or other intellectual property rights could significantly impair its return on investment from such assets and harm Innovate/Protect's brand, its business and its operating results.

Innovate/Protect's ability to operate its business and compete in the intellectual property market largely depends on the superiority, uniqueness and value of Innovate/Protect's acquired patent assets and other intellectual property. To protect Innovate/Protect's proprietary rights, Innovate/Protect relies on and will rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. No assurances can be given that any of the measures Innovate/Protect undertakes to protect and maintain its assets will have any measure of success.

Following the acquisition of patent assets, Innovate/Protect will likely be required to spend significant time and resources to maintain the effectiveness of those assets by paying maintenance fees and making filings with the United States Patent and Trademark Office. Innovate/Protect may acquire patent assets, including patent applications, which require Innovate/Protect to spend resources to prosecute the applications with the United States Patent and Trademark Office. Further, there is a material risk that patent related claims (such as, for example, infringement claims (and/or claims for indemnification resulting therefrom), unenforceability claims, or invalidity claims) will be asserted or prosecuted against Innovate/Protect, and such assertions or prosecutions could materially and adversely affect Innovate/Protect's business. Regardless of whether any such claims are valid or can be successfully asserted, defending such claims could cause Innovate/Protect to incur significant costs and could divert resources away from Innovate/Protect's other activities.

Despite Innovate/Protect's efforts to protect its intellectual property rights, any of the following or similar occurrences may reduce the value of Innovate/Protect's intellectual property:

- Innovate/Protect's applications for patents, trademarks and copyrights may not be granted and, if granted, may be challenged or invalidated;
- issued trademarks, copyrights, or patents may not provide Innovate/Protect with any competitive advantages versus potentially infringing parties;
- Innovate/Protect's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of Innovate/Protect's technology; or
- Innovate/Protect's efforts may not prevent the development and design by others of products or technologies similar to or competitive with, or superior to those Innovate/Protect acquires and/or prosecutes.

Moreover, Innovate/Protect may not be able to effectively protect its intellectual property rights in certain foreign countries where Innovate/Protect may do business in the future or from which competitors may operate. If Innovate/Protect fails to maintain, defend or prosecute its patent assets properly, the value of those assets would be reduced or eliminated, and Innovate/Protect's business would be harmed.

Weak global economic conditions may cause infringing parties to delay entering into licensing agreements, which could prolong Innovate/Protect's litigation and adversely affect its financial condition and operating results.

Innovate/Protect's business plan depends significantly on worldwide economic conditions, and the United States and world economies have recently experienced weak economic conditions. Uncertainty about global economic conditions poses a risk as businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This response could have a material negative effect on the willingness of parties infringing on Innovate/Protect's assets to enter into licensing or other revenue generating agreements voluntarily. Entering into such agreements is critical to Innovate/Protect's business plan, and Innovate/Protect's failure to do so could cause material harm to its business.

**INNOVATE/PROTECT'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included in Exhibits 99.5 and 99.6 of this Current Report. The following discussion includes certain forward-looking statements. For a discussion of important factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see Exhibit 99.3, "Risk Factors", of this Current Report.

Overview and Plan of Operations

Innovate/Protect is a recently formed development stage company and has generated no revenues to date. Innovate/Protect's strategic objective is to maximize, for inventors and investors, the economic benefits of intellectual property assets. Innovate/Protect's business model is to leverage the extensive background and expertise of its management and advisors to acquire or internally develop patents and other intellectual property assets (or interests therein), and to then monetize these assets through a variety of value-enhancing initiatives, including, but not limited to, licensing, customized technology solutions, strategic partnerships and litigation.

Since its inception in June 2011, Innovate/Protect has been engaged in the following activities:

- securing initial debt and equity capital from Hudson Bay;
- performing due diligence on, negotiating and completing the purchase of the Lycos Patents;
- recruiting management team, board of directors and advisors;
- establishing a physical location from which to operate;
- establishing systems of internal control over financial reporting and implementation of financial operation systems;
- securing subsequent equity capital from private investors;
- initiating and prosecuting lawsuit against those Innovate/Protect believes infringe on the Lycos Patents;
- developing Innovate/Protect's business plan as described herein and planning for future business activities; and
- selecting registered independent auditing firm and undertaking an audit of financial statements from inception through December 31, 2011; and
- Identifying and pursuing general and specific strategic opportunities and engaging in discussions intended to further develop the opportunities.

On March 12, 2012, Innovate/Protect entered into an Agreement and Plan of Merger with Vringo, Inc. (" **Vringo** ") and VIP Merger Sub, Inc. (the "**Merger Agreement** ").

Innovate/Protect's financial operating results for the period from inception through March 31, 2012 reflect these activities, which activities are discussed in further detail in the section of this prospectus captioned "Innovate/Protect's Business."

Innovate/Protect's plan of operation for the foreseeable future will be to:

- continue prosecution of the litigation against AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc., and Target Corporation for infringement of the Lycos Patents, with a goal of achieving a positive verdict or settlement (including, potentially, a licensing arrangement on terms beneficial to Innovate/Protect); and
- to the extent that time and resources allow, seek strategic opportunities and seek to acquire or internally develop additional intellectual property assets that Innovate/Protect will then seek to monetize.

Formation and Issuance and Valuation of Securities at Inception

Innovate/Protect was incorporated under the laws of the state of Delaware on June 8, 2011 under the name Labrador Search Corporation. On September 6, 2011, Innovate/Protect changed its name to Innovate/Protect, Inc. Innovate/Protect is a holding company, which, at December 31, 2011, owned 100% of the issued and outstanding common stock of I/P Engine and I/P Labs.

I/P Engine was incorporated in Virginia on June 14, 2011 as Smart Search Labs, Inc. and changed its name to I/P Engine, Inc. on September 9, 2011. I/P Engine is the current holder of the Lycos Patents (which Innovate/Protect contributed to I/P Engine at its formation), through which Innovate/Protect is prosecuting its initial litigation relating to the Lycos Patents and through which Innovate/Protect will also seek to acquire and monetize other intellectual property assets in the future.

I/P Labs was incorporated in Delaware on June 8, 2011 as Scottish Terrier Capital, Inc. and changed its name to I/P Labs, Inc. on September 9, 2011. Through I/P Labs, Innovate/Protect will seek to internally develop its own intellectual property assets and provide consulting services to other intellectual property owners.

At inception, Innovate/Protect was funded with a loan of \$3,200,000 and a \$1,800,000 investment of Series A Preferred from a single investor, Hudson Bay. Hudson Bay funded \$3,200,000 as a loan in the form of a Senior Secured Note, which bears interest at a rate of 0.46% per annum. Given the development stage and speculative nature of Innovate/Protect, it is not likely that Innovate/Protect could have acquired external debt funding at any reasonable interest rate, thus the interest rate being paid to Hudson Bay is significantly more favorable than rates Innovate/Protect could have negotiated externally. The \$3,200,000 amount of the Senior Secured Note was intended to approximate the purchase price of the Lycos Patents. The loan evidenced by the Senior Secured Note is for a term of 36 months. Upon the occurrence of an event of default or a change in control of Innovate/Protect, Hudson Bay may request redemption of the Senior Secured Note in cash at a price equal to 125% of the then outstanding principal and accrued interest under the Senior Secured Note. Further, beginning on March 22, 2012, Hudson Bay may request to redeem up to \$2,000,000 of the aggregate principal amount of the Senior Secured Note. In connection with Innovate/Protect entering into the Merger Agreement, on March 12, 2012, Hudson Bay (for itself and any assignee or other holder of the Note) agreed not to exercise its right of optional redemption until the earlier of (i) any termination of the Merger Agreement pursuant to Section 7.1 thereunder or (ii) the Effective Time; provided, that, if the Merger is consummated, the Note will be amended and restated and Holder may exercise any and all rights and remedies pursuant to such amended and restated note delivered at the Closing of the Merger, including with respect to any optional redemption provisions contained therein. If the Merger is consummated, the amended and restated note will mature on June 22, 2013 and the right of redemption described above will be amended to provide that, from and after the date upon which (i) Vringo and its subsidiaries has more than \$15,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 50% of the outstanding principal amount of the note, (ii) Vringo and its subsidiaries has more than \$20,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 100% of the outstanding principal of the Note, (iii) Vringo and its subsidiaries receives proceeds in excess of \$500,000 in the aggregate from the issuance of any equity or indebtedness, Hudson Bay may require Vringo to redeem the outstanding principal under the note in an amount equal to up to 20% of the proceeds of the issuance of any such equity or indebtedness. In addition, the amended and restated note shall provide that in the event of a change of control, Hudson Bay may require Vringo to redeem all or any portion of the note at a price in cash equal to 125% of the amount redeemed.

The Senior Secured Note ranks senior to all outstanding and future indebtedness of Innovate/Protect and is secured by a first priority perfected security interest in all of Innovate/Protect's and its subsidiaries' assets (including the Lycos Patents).

Hudson Bay's \$1,800,000 investment in the shares of Series A Preferred was initially convertible on demand into 6,968,000 shares of Innovate/Protect common stock. The initial valuation of the Series A Preferred was developed by dividing the \$1,800,000 investment by 6,968,000 common shares, presuming Hudson Bay's ultimate conversion of their Series A Preferred into common stock. This calculation resulted in an initial valuation of \$0.25832 per share of common stock, which was used to calculate certain subsequent common stock grants or sales. Because Hudson Bay's investment in the Series A Preferred occurred at the earliest stage of Innovate/Protect's formation, prior to the conduct of any business activity, it does not lend itself to a comparison of any known comparable market transactions.

The \$1,800,000 funding level was determined by reference to Innovate/Protect's near term funding requirements at the time, reflecting expected cash needs in excess of the Lycos Patents purchase price, to fund operating expenses which include significant legal expenses required to seek monetization of the Lycos Patents, and to retain a modest contingency for unforeseen expenses until additional private equity funding could be achieved. Such additional equity funding occurred during the period from July to December 2011 in the form of multiple separate private placement transactions priced at \$1.00, \$3.00 and \$3.30 per share. The increasing price at which shares were sold to private investors, including members of Innovate/Protect's board of directors, reflected Innovate/Protect's achievement of certain milestones such as the filing of the initial lawsuit relating to the Lycos Patents and the recruitment of additional board members.

Innovate/Protect estimates its legal fees to be approximately \$275,000 in April, \$775,000 in May, \$275,000 for each of June, July, August and September, and \$750,000 in October 2012. The elevated amount in May relates to fees associated with the preparation of the case, and the elevated amount in October relates to fees estimated with the trial, which is scheduled for October. Therefore, the total amount budgeted for legal fees for the April to October period is \$2.9 million. Expenses thereafter are dependent on the outcome of the litigation, and are therefore difficult to estimate. In the event that the case is appealed, legal fees over the course of the next 18 months are estimated to be \$100,000 per month. In addition, third-party expenses associated with the litigation are estimated to be approximately \$140,000 per month from April to October, or \$980,000 for the April to October period. Therefore, the total amount budgeted for legal fees and third-party expenses associated with the litigation are estimated to be \$3.88 million.

Innovate/Protect estimates that its short term operating expenses will be approximately \$210,000 per month from April to December 2012, or \$1.89 million for the period. Short term operating expenses include Note interest expense, payroll and employee benefit expenses, occupancy (rent) expenses, telecom expenses, transportation and lodging expenses, public relations expenses, and a reserve contingency. Notably, the reserve contingency is \$100,000 per month for unforeseen costs and delays. Innovate/Protect budgeted a large contingency amount, relative to the total budget, given the uncertainty inherent with litigation and its limited operating history.

Results of Operations

The following table reflects Innovate/Protect's consolidated operating results for the three months ended March 31, 2012, from June 8, 2011 (Inception) through March 31, 2012, and from June 8, 2011 (Inception) through December 31, 2011:

| | For the Three Months Ended March 31, 2012 | Period from June 8, 2011 (Inception) to March 31, 2012 | Period from June 8, 2011 (Inception) to December 31, 2011 |
|--|---|--|---|
| Revenue | \$ 0 | \$ 0 | \$ 0 |
| Operating Expenses | | | |
| Legal | \$ 1,171,920 | \$ 2,274,020 | \$ 1,102,100 |
| Compensation | 378,408 | 1,375,321 | 996,913 |
| Amortization and depreciation | 156,137 | 484,415 | 105,971 |
| General and administrative | 161,605 | 374,797 | 328,278 |
| Startup and organizational costs | — | 105,971 | 105,971 |
| Total Operating Expenses | 1,868,070 | 4,614,524 | 2,746,454 |
| Loss from operations | (1,868,070) | (4,614,524) | (2,746,454) |
| Interest expense | 3,680 | 11,408 | 7,728 |
| Net loss applicable to common shareholders | (1,871,750) | (4,625,932) | (2,754,182) |

Operating Expenses

Operating and administrative expenses for the period from inception through December 31, 2011 reflect expenses incurred in connection with Innovate/Protect's formation and commencement of operations. The net loss for the period of \$2,754,182 is not comparable to a previous period. The loss for the period includes legal expenses totaling \$1,208,071, of which \$105,971 were to organize Innovate/Protect, and \$1,102,100 to prepare and file a lawsuit against those Innovate/Protect believes have infringed on the Lycos Patents. Compensation expense includes \$141,996 of salary and expenses directly related to the salaries of two executive officers, and \$474,108 of stock-based compensation to the two executive officers, two members of the board and a consultant. Amortization and depreciation includes \$327,596 of patent amortization expenses and \$682 of depreciation on computing equipment. Both the Lycos Patents and the computing equipment were purchased during the period. Management does not believe the patents have suffered impairment during the period and no valuation allowance for impairment has been recognized. Additional legal, due diligence and other expenses related to the purchase of the Lycos Patents, \$195,188, have been capitalized in the cost of the patents and are being amortized along with the purchase price.

Operating and administrative expenses for the period from inception through March 31, 2012 reflect expenses incurred in connection with Innovate/Protect's formation and commencement of operations. The net loss for the period of \$4,625,931 is not comparable to a previous period. The loss for the period includes legal expenses totaling \$2,274,020, of which \$105,971 were to organize Innovate/Protect, and the balance to prepare, file and commence a lawsuit against those parties that Innovate/Protect believes have infringed on the Lycos Patents. Compensation expense includes \$246,251 of salary and expenses directly related to the salaries of two executive officers, and \$558,373 of stock-based compensation to the two executive officers, two members of the board and a consultant. Amortization and depreciation includes \$482,862 of patent amortization expenses and \$1,553 of depreciation on computing equipment. Both the Lycos Patents and the computing equipment were purchased during the period. Management does not believe the patents have suffered impairment during the period and no valuation allowance for impairment has been recognized. Additional legal, due diligence and other expenses related to the purchase of the Lycos Patents in the amount of \$195,188 have been capitalized in the cost of the patents and are being amortized along with the purchase price.

Operating and administrative expenses for the quarter ended March 31, 2012 reflect expenses incurred in connection with Innovate/Protect's litigation and overhead. The net loss for the period of \$1,871,750 is not comparable to a previous period. The loss for the period includes legal expenses totaling \$1,171,920. Compensation expense was \$378,408, including \$84,255 of stock based compensation. Amortization and depreciation expense of \$156,137 are mainly related to period amortization of Innovate/Protect's patents.

Interest Expense

Interest expense reflects an interest rate of 0.46% on the principal amount of \$3,200,000 under the Senior Secured Note held by Hudson Bay for ten days in June and for the remainder of the year ended December 31, 2011. Interest was all paid in cash and none was accrued at March 31, 2012.

Critical Accounting Estimates

Related party debt: Innovate/Protect is obligated under a note payable to Hudson Bay with an outstanding balance of \$3,200,000 at December 31, 2011 and March 31, 2012 (the "**Hudson Bay Note**"). At March 31, 2011, Hudson Bay owned a sufficient amount of the outstanding preferred stock of Innovate/Protect, convertible upon demand to common stock sufficient to control Innovate/Protect. The Hudson Bay Note accrues interest at 0.46% per annum and matures on June 22, 2014. Innovate/Protect has granted Hudson Bay a security interest in all tangible and intangible personal property of Innovate/Protect and its subsidiaries to secure its obligations under the Hudson Bay Note.

Hudson Bay has the option of requiring Innovate/Protect to redeem up to \$2,000,000 aggregate principal of the Hudson Bay Note beginning March 22, 2012. In connection with Innovate/Protect entering into the Merger Agreement, on March 12, 2012, Hudson Bay (for itself and any assignee or other holder of the Note) agreed not to exercise its right of optional redemption until the earlier of (i) any termination of the Merger Agreement pursuant to Section 7.1 thereunder or (ii) the Effective Time; provided, that, if the Merger is consummated, the Note will be amended and restated and Holder may exercise any and all rights and remedies pursuant to such amended and restated note delivered at the Closing of the Merger, including with respect to any optional redemption provisions contained therein. If the Merger is consummated, the amended and restated note will mature on June 22, 2013 and the right of redemption described above will be amended to provide that, from and after the date upon which (i) Vringo and its subsidiaries has more than \$15,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 50% of the outstanding principal amount of the note, (ii) Vringo and its subsidiaries has more than \$20,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 100% of the outstanding principal of the Note, (iii) Vringo and its subsidiaries receives proceeds in excess of \$500,000 in the aggregate from the issuance of any equity or indebtedness, Hudson Bay may require Vringo to redeem the outstanding principal under the note in an amount equal to up to 20% of the proceeds of the issuance of any such equity or indebtedness. In addition, the amended and restated note shall provide that in the event of a change of control, Hudson Bay may require Vringo to redeem all or any portion of the note at a price in cash equal to 125% of the amount redeemed. The Hudson Bay Note does not contain any financial statement covenants, however there are standard events of default. In the event of a default, which is not subsequently cured or waived, the interest rate would increase to a rate of 18% per annum. At the option of Hudson Bay and upon notice, the entire unpaid principal balance together with all accrued interest thereon would be immediately due and payable. Hudson Bay has the right to require Innovate/Protect to redeem the Hudson Bay Note in the event of a change of control or in event of default at a redemption price, pursuant to a formula, of up to 125% of the sum of the portion of the principal amount and any accrued and unpaid interest. On May 8, 2012, Hudson Bay and Innovate/Protect entered into a letter agreement to clarify the mutual understanding between the parties that the transactions contemplated by the Merger Agreement do not constitute a change in control.

As of March 31, 2012, there were no known conditions of default.

Innovate/Protect determined there was an embedded derivative since certain redemption options were determined not to be clearly and closely related to the debt host. Innovate/Protect also determined that the fair value of the embedded derivative was zero at December 31, 2011 and March 31, 2012 since the probability of change in control or event of default in the near future is remote. The gross amount Innovate/Protect would have to pay if this redemption option is exercised would be \$800,000. Hudson Bay agreed not to exercise its right of redemption until the earlier of (i) any termination of the Merger Agreement pursuant to the terms of the Merger Agreement or (ii) the effective time of the Merger; provided that if the Merger is consummated, the Note will be amended and restated and the holder may exercise any and all rights and remedies pursuant to such amended and restated note delivered at the closing of the Merger, including with respect to any optional redemption provisions contained therein.

Innovate/Protect will evaluate the fair value of the derivative each reporting period and report changes in the fair value as other income (expense), net.

Stock-based compensation: Innovate/Protect has made the following types of stock-based awards, valued and reflected in the financial statements as follows:

Common Stock Grants: Common stock grants are valued at their fair market value at the date of the grant, multiplied by the number of shares granted. These grants are reflected as compensation expense in the period during which the respective awards vest, ranging from immediate to 36 months from the grant dates.

Sales of Common Stock at Less than Fair Market Value: Common stock sales at less than fair market value to executive officers are valued at their fair market value on the date of the sale, multiplied by the number of shares sold at less than fair market value. Common stock sales at less than fair market value to consultants are valued at their fair market value on the date the purchased shares vest (the "measurement date"), revalued as to the number of shares vesting at each subsequent measurement date, multiplied by the number of shares vesting at the measurement date. The difference between the purchase price and the fair market value of the shares vesting at each measurement date is reflected as compensation expense in the period during which the respective awards vest, over periods ranging from immediate to 36 months.

Common Stock Options: Common stock options are valued at their fair market value at the time the options are granted, using the Black-Scholes option pricing model for valuing stock-based compensation awards. Common stock options are reflected as compensation expense in the period during which they vest.

Fair value of common stock: At inception, Innovate/Protect determined the fair value of each common share to be \$.25832. Management determined the amount of capital it estimated would be required (\$1,800,000) to carry Innovate/Protect through its earliest stages of development. This amount was financed through the issuance of Series A convertible preferred stock (the "Series A Preferred Stock"). To arrive at the estimated fair value of a share of common stock, the \$1,800,000 was divided by the number of common shares, 6,968,000, into which Innovate/Protect's Series A Preferred Stock sold would convert upon demand, in accordance with the terms of the Series A Preferred Stock.

Subsequent to inception, Innovate/Protect determined fair value per share based on multiple private sales of common stock to third parties including individuals and institutional investors. Three rounds of common stock sales occurred after inception, one round at \$1 per share during late August and early September 2011, one round at \$3 per share during mid-September and October 2011, and one round at \$3.30 per share during November and December 2011.

Income taxes: Deferred income tax assets and liabilities are determined using the asset and liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of permanent and temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Innovate/Protect recognizes tax positions taken or expected to be taken when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is more likely than not to be

realized upon ultimate settlement. It is Innovate/Protect's policy to classify interest and penalties related to uncertain income tax matters as income tax expense.

Intangible assets: Intangible assets consist of patents that were purchased and the costs to acquire them. They are amortized over their legal lives, for periods that vary from five to ten years depending on the patents' expiration. The useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Costs to investigate potential purchases of intangible assets are treated expense when incurred, until or unless purchase of the respective assets are deemed viable, after which time the costs to further investigate and acquire the assets are capitalized. Subsequent to acquisition, legal and associated costs incurred in prosecuting alleged infringements of the patents are recognized as expense when incurred.

Liquidity and Capital Resources

As a development stage company, Innovate/Protect requires, and expects for the foreseeable future that Innovate/Protect will continue to require, significant amounts of capital to support its operations prior to the commencement of a revenue stream or other liquidity events. Because of the nature of Innovate/Protect's business, capital is required to support Innovate/Protect's substantial legal costs, as well as, its normal operating costs. Innovate/Protect has developed a budget outlining its expected legal and operating costs, including contingencies for unforeseen costs and delays over the next twelve (12) months. Innovate/Protect does not have adequate funds to operate for the next twelve (12) months. Based on current operating plans, additional resources that may be required for the continuation of Innovate/Protect's operations approximates \$3.4 million and \$7.5 million, for the twelve month periods ending March 31, 2013 and March 31, 2014, respectively. Through the merger with Vringo, Innovate/Protect will have access to the joint companies' cash resources. Alternatively, Innovate/Protect would need to raise capital from investors in a private placement of its securities.

The Hudson Bay Senior Secured Note

Innovate/Protect is obligated under a Senior Secured Note payable to Hudson Bay with an outstanding balance of \$3,200,000 at December 31, 2011 and March 31, 2012. The Senior Secured Note accrues interest at 0.46% per annum and matures on June 22, 2014.

Hudson Bay has the option of requiring Innovate/Protect to redeem up to \$2,000,000 aggregate principal of the Senior Secured Note beginning March 22, 2012. In connection with Innovate/Protect entering into the Merger Agreement, on March 12, 2012, Hudson Bay (for itself and any assignee or other holder of the Note) agreed not to exercise its right of optional redemption until the earlier of (i) any termination of the Merger Agreement pursuant to Section 7.1 thereunder or (ii) the Effective Time; provided, that, if the Merger is consummated, the Note will be amended and restated and Holder may exercise any and all rights and remedies pursuant to such amended and restated note delivered at the Closing of the Merger, including with respect to any optional redemption provisions contained therein. If the Merger is consummated, the amended and restated note will mature on June 22, 2013 and the right of redemption described above will be amended to provide that, from and after the date upon which (i) Vringo and its subsidiaries has more than \$15,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 50% of the outstanding principal amount of the note, (ii) Vringo and its subsidiaries has more than \$20,000,000 in the aggregate of cash and cash equivalents, Hudson Bay may require Vringo to redeem up to 100% of the outstanding principal of the Note, (iii) Vringo and its subsidiaries receives proceeds in excess of \$500,000 in the aggregate from the issuance of any equity or indebtedness, Hudson Bay may require Vringo to redeem the outstanding principal under the note in an amount equal to up to 20% of the proceeds of the issuance of any such equity or indebtedness. In addition, the amended and restated note shall provide that in the event of a change of control, Hudson Bay may require Vringo to redeem all or any portion of the note at a price in cash equal to 125% of the amount redeemed. Innovate/Protect has granted Hudson Bay a security interest in all of its tangible and intangible personal property (including the Lycos Patents) to secure its obligations under the Senior Secured Note.

The Hudson Bay Debt Facility

On June 1, 2012, Hudson Bay committed, subject to the terms and conditions of a commitment letter agreement, that, at any time within 18 months following the closing of the Merger and upon the request of Innovate/Protect, it or, at its election, one or more of its affiliated funds or entities shall provide debt financing to Innovate/Protect in the aggregate principal amount of up to \$6,000,000. Hudson Bay's commitment shall be reduced, on a dollar for dollar basis, by (i) any cash or capital raised by any of the Vringo entities, including, without limitation, through the issuance of any debt, equity and/or securities convertible, exercisable or exchangeable into equity of any of the Vringo entities or the incurrence of indebtedness by any of the Vringo entities and (ii) any cash received by any Vringo entity in connection with the exercise of any of its outstanding warrants. Any such financing provided under such facility will be in the form of senior secured notes at an interest rate of the greater of (i) LIBOR plus 300 basis points and (ii) 8% per annum with a maturity of seven years after issuance. Such obligations will be guaranteed by each of the Vringo entities and secured by a first priority lien on all assets of the Vringo entities. In addition, both Innovate/Protect and the holder of the notes will be able to require redemption of all or any portion of the Notes at any time after 18 months following the consummation of the Merger, subject to an interest make-whole through maturity. In addition to other covenants to be mutually agreed between Innovate/Protect and Hudson Bay, the Vringo entities will not spend cash during any calendar quarter while any notes are outstanding at a rate greater than the amount specified in the capital budget of Vringo and its subsidiaries, prepared on a combined basis, agreed to by Hudson Bay, without the prior written consent of Hudson Bay. Hudson Bay's commitment to provide such facility is subject to (a) the consummation of the Merger without any amendment or modification (unless consented to in writing by Hudson Bay), (b) at the time of any request to provide the facility, the satisfaction of each of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement, (c) at all times after the consummation of the Merger and prior to the termination of the commitment letter agreement, Vringo using its best efforts to raise capital by issuing equity securities of Vringo and/or securities convertible, exercisable or exchangeable for equity securities of Vringo, (d) the execution by Innovate/Protect and Hudson Bay of all documents necessary for the consummation of the transaction contemplated by the commitment on terms and conditions in all respects acceptable and satisfactory to Innovate/Protect and Hudson Bay, (e) no Vringo entity shall have, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, "Bankruptcy Law"), (A) commenced a voluntary case, (B) consented to the entry of an order for relief against it in an involuntary case, (C) consented to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "Custodian"), (D) made a general assignment for the benefit of its creditors or (E) admitted in writing that it is generally unable to pay its debts as they become due, (f) a court of competent jurisdiction not having entered an order or decree under any Bankruptcy Law that (A) is for relief against any Vringo entity in an involuntary case, (B) appoints a Custodian of any Vringo entity or (C) orders the liquidation of any Vringo entity, (g) since the date of execution of the commitment letter agreement, there shall not have occurred a material adverse change or material adverse development in the business, assets, properties, operations, condition (financial or otherwise), results of operations or prospects of any of the Vringo entities, and (h) no Vringo entity shall be, prior to the consummation of the transactions contemplated by the facility, or after giving effect to the consummation of the transactions contemplated by the facility, insolvent. The obligations of Hudson Bay or any of its affiliated funds under the commitment letter agreement will terminate automatically and immediately upon the earlier to occur of (a) the termination of the Merger Agreement pursuant to its terms, (b) any default under or acceleration prior to maturity of any indebtedness of any Vringo entity, (c) the failure of any Vringo entity to satisfy any of the conditions set forth above, (d) any event, which, if occurring prior to the closing of the Merger, would have resulted in the failure of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement to be satisfied, (e) upon written notice to terminate the commitment letter agreement delivered by Innovate/Protect to Hudson Bay or (f) 18 months after the consummation of the Merger.

Working Capital and Capital Expenditure Needs

As of March 31, 2012, Innovate/Protect had cash of \$3,979,671 and working capital of \$1,153,529. However, changes in operating plans (including, without limitation, changes made necessary by developments in Innovate/Protect's pending litigation), increased expenses, additional intellectual property acquisitions, other events or other strategic alternatives Innovate/Protect may pursue make it very likely that Innovate/Protect will require additional equity or debt financing in the future. There is no assurance that additional financing will be available upon future terms acceptable to Innovate/Protect, or at all.

For the period from inception through March 31, 2012, Innovate/Protect used \$6,165,554 of net cash to fund operating activities and to invest in tangible personal and intangible intellectual property. Despite Innovate/Protect's capital raising activities to date, given the factors noted above, there is no assurance that Innovate/Protect will continue to be able to raise the capital or generate revenue necessary to fund ongoing operations at the current level. As such, absent future capital raises or revenue generation, there remains substantial doubt about Innovate/Protect's ability to continue as a going concern.

Although Innovate/Protect is currently not a party to any agreement or letter of intent with respect to potential investments in, or acquisitions of, intellectual property assets, it is Innovate/Protect's stated plan to pursue these types of arrangements in the future, which could also require Innovate/Protect to seek additional equity or debt financing. Innovate/Protect currently has no plans, proposals or arrangements with respect to any specific acquisition.

Innovate/Protect may raise additional capital in the form of equity or debt. The issuance of additional shares of Innovate/Protect's capital stock:

- may significantly reduce the equity interest of Innovate/Protect stockholders;
- may cause economic dilution to Innovate/Protect stockholders;
- may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to the holders of Innovate/Protect common stock; and
- may adversely affect prevailing market prices for Innovate/Protect common stock.

Similarly, if Innovate/Protect incurs substantial debt, it could result in:

- default and foreclosure on Innovate/Protect's assets if its operating cash flow is insufficient to pay Innovate/Protect's debt obligations;
- acceleration of Innovate/Protect's obligations to repay the indebtedness (including the Senior Secured Note held by Hudson Bay) even if Innovate/Protect has made all principal and interest payments when due if the debt security contains covenants that require the maintenance of certain financial ratios or reserves and any such covenant is breached without a waiver or renegotiation of that covenant;
- Innovate/Protect's immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;
- covenants that limit the ability to acquire capital assets or make additional acquisitions;
- Innovate/Protect's inability to obtain additional financing, if necessary, if the debt security contains covenants restricting its ability to obtain additional financing while such security is outstanding;
- Innovate/Protect's inability to pay dividends on its common stock;
- using a substantial portion of Innovate/Protect's cash flow to pay principal and interest on its debt, which will reduce the funds available for dividends on Innovate/Protect's common stock, working capital, capital expenditures, acquisitions and other general corporate purposes;
- limitations on Innovate/Protect's flexibility in planning for and reacting to changes in its business and industry;
- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and
- limitations on Innovate/Protect's ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of its strategy and other purposes; and other disadvantages compared to Innovate/Protect's competitors who have less debt.

Contractual Obligations

On June 22, 2011, I/P Engine entered into an engagement letter with legal counsel for services concerning the Lycos Patents. I/P Engine has agreed to pay counsel a combination of fixed fees at a discount to prevailing market rates, plus up to twenty percent (20%) of all recoveries, license fees or other value received from certain parties.

In July 2011, Innovate/Protect entered into a license agreement with a non-affiliated third party to lease office space in New York City. The license is for a term of two years and five months and requires monthly payments in the amount of \$2,152. In April 2012, Innovate/Protect entered into a second license agreement with the same non-affiliated third party to lease additional office space in the same location in New York City. The license is for a term of approximately one year and nine months and requires monthly payments in the amount of \$1,450.

A summary of Innovate/Protect's contractual commitments and obligations as of March 31, 2012 is as follows:

| | Payments Due by Period | | | |
|--------------------------------------|-------------------------------|-----------------------------|------------------------|----------------------------------|
| | Total | Less than 1 year | 1 – 3 years | More than 3 years |
| Long-term debt obligations | \$ 3,200,000 | \$ 2,000,000 | \$ 1,200,000 | \$ 0 |
| Operating lease obligations | 79,244 | 43,224 | 36,020 | \$ 0 |
| Total contractual obligations | \$ 3,279,244 | \$ 2,043,224 | \$ 1,236,020 | \$ 0 |

Off Balance Sheet Transactions

Innovate/Protect is not party to any off balance sheet transactions. Innovate/Protect has no guarantees or obligations other than those which arise out of normal business operations.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued new guidance amending the existing pronouncement related to fair value measurement. This new guidance primarily expands the existing disclosure requirements for fair value. Specifically, the new guidance mandates the following additional disclosures: (1) the amount of any transfers between Level 1 and Level 2 of the fair value hierarchy, (2) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement of Level 3 instruments, (3) a qualitative discussion of the sensitivity of the fair value to changes in unobservable inputs and any inter-relationships between those inputs that magnify or mitigate the effect on the measurement of Level 3 instruments and (4) the level within the fair value hierarchy, of items that are not measured at fair value in the statement of financial condition but whose fair value must be disclosed. This new guidance became effective for Innovate/Protect during the interim period beginning January 1, 2012. The adoption does not have any impact on Innovate/Protect's financial position or results of operations.

In June 2011, the FASB issued new guidance amending the existing pronouncement regarding the presentation of comprehensive income. This new guidance reduces the alternatives for the presentation of the components of other comprehensive income. Specifically, it eliminates the alternative of presenting them as part of the Statement of Changes in Shareholders' Equity. This new guidance became effective for Innovate/Protect during the interim period beginning January 1, 2012. Innovate/Protect currently does not have any components of other comprehensive income within its consolidated financial statements thus adoption of this new guidance does not impact Innovate/Protect.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

AS OF MARCH 31, 2012 AND FOR THE QUARTER ENDED MARCH 31, 2012 AND FOR
THE PERIOD FROM JUNE 8, 2011 (Inception) TO MARCH 31, 2012

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|--|----------------------------|
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INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

| | As of March 31, 2012 (Unaudited) | As of December 31, 2011 |
|--|--|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,979,671 | \$ 5,212,142 |
| Prepaid assets | 35,844 | 25,886 |
| Other current assets | 4,269 | — |
| Total current assets | 4,019,784 | 5,238,028 |
| Property and Equipment, net | 11,813 | 8,006 |
| Other Assets | | |
| Intangible assets, net | 2,912,325 | 3,067,592 |
| Total assets | \$ 6,943,922 | \$ 8,313,626 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 524,999 | \$ 201 |
| Accrued liabilities | 341,256 | 448,264 |
| Current portion, note payable-related party | 2,000,000 | 2,000,000 |
| Total current liabilities | 2,866,255 | 2,448,465 |
| Note Payable-related party | 1,200,000 | 1,200,000 |
| Total liabilities | 4,066,255 | 3,648,465 |
| Commitments and Contingencies (See note 8) | | |
| Preferred stock, Series A Convertible, \$.0001 par value; liquidation value \$1,250 per share; 6,968 shares authorized; and 6,818 and 6,968 issued and outstanding, respectively | 1,761,252 | 1,800,000 |
| Stockholders' Equity | | |
| Common stock, \$.0001 par value; 100,000,000 shares authorized; 5,774,661 and 5,624,661 shares issued and outstanding, respectively | 578 | 563 |
| Additional paid-in capital | 5,741,769 | 5,618,780 |
| Deficit accumulated during the development stage | (4,625,932) | (2,754,182) |
| Total stockholders' equity | 1,116,415 | 2,865,161 |
| Total liabilities and stockholders' equity | \$ 6,943,922 | \$ 8,313,626 |

See Notes to Consolidated Financial Statements.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| | For the Three Months Ended March 31, 2012 | Period from June 8, 2011 (Inception) to March 31, 2012 |
|--|--|---|
| Revenue | \$ — | \$ — |
| Operating Expenses | | |
| Legal | 1,171,920 | 2,274,020 |
| Compensation | 378,408 | 1,375,321 |
| Amortization and depreciation | 156,137 | 484,415 |
| General and administrative | 161,605 | 374,797 |
| Startup and capital acquisition costs | — | 105,971 |
| Total operating expenses | <u>1,868,070</u> | <u>4,614,524</u> |
| Loss from operations | (1,868,070) | (4,614,524) |
| Other Expense | | |
| Interest expense | 3,680 | 11,408 |
| Net loss | <u>\$ (1,871,750)</u> | <u>\$ (4,625,932)</u> |
| Basic and diluted: | | |
| Weighted Average Common Shares Outstanding | 4,635,117 | 3,245,551 |
| Loss per share | \$ (0.43) | \$ (1.43) |

See Notes to Consolidated Financial Statements.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | Additional Paid-in Capital | Deficit Accumulated During the Development Stage | Total |
|---|-----------------|----------------------------------|--|---------------------|
| Balance, June 8, 2011 (Inception) | \$ — | \$ — | \$ — | \$ — |
| Issuance of common stock | 563 | 5,144,662 | — | 5,145,225 |
| Stock-based compensation | — | 474,118 | — | 474,118 |
| Net loss | — | — | (2,754,182) | (2,754,182) |
| Balance, December 31, 2011 | \$ 563 | \$ 5,618,780 | \$(2,754,182) | \$ 2,865,161 |
| Conversion of Series A preferred stock to common stock | 15 | 38,734 | — | 38,749 |
| Stock-based compensation | — | 84,255 | — | 84,255 |
| Net loss | — | — | (1,871,750) | (1,871,750) |
| Balance, March 31, 2012 (Unaudited) | \$ 578 | \$ 5,741,769 | \$(4,625,932) | \$ 1,116,415 |

See Notes to Consolidated Financial Statements.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| | For the Three Months Ended March 31, 2012 | Period from June 8, 2011 (Inception) to March 31, 2011 |
|---|--|---|
| Cash Flows From Operating Activities | | |
| Net loss | \$ (1,871,750) | \$ (4,625,932) |
| Adjustments to reconcile net loss to net cash used in operating activities – noncash expenses: | | |
| Amortization and depreciation | 156,137 | 484,415 |
| Stock-based compensation expense | 84,255 | 558,373 |
| Increase in prepaid assets | (9,958) | (35,844) |
| Increase in other current assets | (4,269) | (4,269) |
| Increase in accounts payable and accrued liabilities | 417,790 | 866,255 |
| Net cash used in operating activities | (1,227,795) | (2,757,002) |
| Cash Flows From Investing Activities | | |
| Purchase of intangible assets | — | (3,395,187) |
| Purchase of fixed assets | (4,676) | (13,365) |
| Net cash used in investing activities | (4,676) | (3,408,552) |
| Cash Flows From Financing Activities | | |
| Proceeds from note payable | — | 3,200,000 |
| Proceeds from issuance of preferred stock | — | 1,800,000 |
| Proceeds from issuance of common stock | — | 5,145,225 |
| Net cash provided by financing activities | — | 10,145,225 |
| Increase (decrease) in cash and cash equivalents | (1,232,471) | 3,979,671 |
| Cash and Cash Equivalents Balance, beginning of period | 5,212,142 | — |
| Cash and Cash Equivalents Balance, end of period | \$ 3,979,671 | \$ 3,979,671 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | \$ 3,680 | \$ 11,408 |
| Noncash investing and financing activities | | |
| Coverison of Series A preferred stock to common stock | \$ 38,749 | \$ 38,749 |

See Notes to Consolidated Financial Statements.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Basis of Presentation

Nature of business: Innovate/Protect, Inc. (“I/P”) was incorporated under the laws of the state of Delaware on June 8, 2011 (“Inception”), as Labrador Search Corporation. On September 6, 2011, Labrador Search Corporation changed its name to Innovate/Protect, Inc. I/P is a holding company, which, at March 31, 2012, owned 100% of the issued and outstanding common stock of I/P Engine, Inc. (“I/P Engine”) and I/P Labs, Inc. (“I/P Labs” and together with I/P Engine, the “Subsidiaries”). I/P Engine was incorporated in Virginia on June 14, 2011, as Smart Search Labs, Inc. Smart Search Labs Inc. changed its name to I/P Engine, Inc. on September 9, 2011. I/P Engine operates for the purpose of realizing economic benefits from a collection of patents related to search engine technology. I/P Labs was incorporated in Delaware on June 8, 2011 as Scottish Terrier Capital, Inc. and changed its name to I/P Labs, Inc. on September 9, 2011. I/P Labs, Inc. operates to acquire or develop other patented technologies or intellectual property. I/P’s principal offices are located in New York City.

On March 12, 2012, the Company, Vringo, Inc. (“Vringo”), and VIP Merger Sub, Inc., a wholly-owned subsidiary of Vringo (“Merger Sub”), entered into a Merger Agreement (as may be amended or modified, the “Merger Agreement”), pursuant to which the Company will merge with and into Merger Sub, with Merger Sub surviving the merger as a wholly-owned subsidiary of Vringo (the “Merger”). The board of directors of the Company unanimously approved the Merger Agreement and the Merger. In addition, the board of directors of Vringo unanimously approved the Merger Agreement and the Merger.

Pursuant to the terms of the Merger Agreement, upon completion of the Merger, (i) each share of then-outstanding common stock of the Company (other than shares held by Vringo, the Company or any of their respective subsidiaries, which will be cancelled at the completion of the Merger) will be automatically converted into the right to receive the number of shares of Vringo common stock multiplied by the Common Stock Exchange Ratio (as defined below) and (ii) each share of then-outstanding Series A Convertible Preferred Stock of the Company, or Company preferred stock (total 6,818 shares outstanding), (other than shares held by Vringo, the Company or any of their respective subsidiaries, which will be cancelled at the completion of the Merger) will be automatically converted into the right to receive the same number of shares of Vringo Series A Convertible Preferred Stock, or Vringo preferred stock, which 6,818 shares, as of April 5, 2012, shall be initially convertible into an aggregate of 20,573,998 shares of Vringo common stock (or at a current conversion rate of 3,017.6). The Common Stock Exchange Ratio initially is 3.0176, which is subject to adjustment in the event of a reverse stock split to provide the holders of shares of the Company’s capital stock with the same economic benefit as contemplated by the Merger Agreement prior to any such reverse stock split. In addition, at the effective time of the Merger, Vringo will issue to the holders of the Company capital stock and the holder of the Company’s issued and outstanding warrant to purchase 250,000 shares of the Company’s common stock (on a pro rata as-converted basis) an aggregate of 15,959,838 warrants to purchase an aggregate of 15,959,838 shares of Vringo common stock with an exercise price of \$1.76 per share, each subject to equitable adjustment in the event of a reverse stock split. The issued and outstanding warrant to purchase 250,000 shares of the Company’s common stock will be exchanged for 250,000 shares of Vringo common stock and 850,000 warrants to purchase 850,000 shares of Vringo common stock with an exercise price of \$1.76 per share, each subject to an equitable adjustment in the event of a reverse stock split. In addition, the aggregate number of shares of Vringo common stock and the aggregate number of warrants (and the aggregate number of shares of Vringo common stock that may be purchased upon exercise thereof) to be issued in exchange for the issued and outstanding warrant of the Company shall each be ratably adjusted to give effect to any partial exercise of such warrant prior to the effective time of the Merger. Finally, at the effective time of the Merger, all outstanding and unexercised options to purchase the Company’s common stock, whether vested or unvested, will be converted into options to purchase Vringo common stock with the number of shares subject to and the exercise price applicable to such options being appropriately adjusted based on the Common Stock Exchange Ratio.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Basis of Presentation – (continued)

The accompanying consolidated financial statements and related notes should be read in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2011 (“2011”) contained in this registration statement on Form S-4. The consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC related to interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are necessary to present fairly the results for the interim periods. All such adjustments are of a normal and recurring nature. The results of operations for the three month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the full fiscal year.

Principles of consolidation: The consolidated financial statements include the accounts of I/P and the Subsidiaries. Unless the context otherwise indicates, the terms “I/P” or the “Company” mean Innovate/Protect, Inc. and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Development stage: The Company is in the development stage and had not generated revenue for the period from inception to March 31, 2012.

Earnings Per Share: Basic loss per share is based on the weighted number of common shares issued and outstanding, and is calculated by dividing net loss attributable to common shareholders by the weighted average shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding. Diluted loss per share is equal to the basic loss per share as all potentially dilutive securities are anti-dilutive in the period presented. For the period ended March 31, 2012, the Company incurred net losses and therefore no common stock equivalents were utilized in the calculation of earnings per share.

At March 31, 2012, the Company excluded the following potentially dilutive securities:

- Preferred Stock, Series A Convertible, \$.0001 par value; liquidation value \$1,250 per share; 6,968 shares authorized; 6,818 issued and outstanding.
- Warrants to purchase 250,000 shares of common stock.
- Options to purchase 13,646 shares of common stock.
- 1,054,977 shares of common stock granted, but not vested.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Liquidity and Capital Resources, Going Concern

As a development stage company, the Company requires significant amounts of capital to support its operations during the period prior to the commencement of a revenue stream or other liquidity events.

As of March 31, 2012 the Company had cash of \$3,979,671 and working capital of \$1,153,529. During the period from inception through March 31, 2012, the Company funded operations from the proceeds of private sales of equity and the private issuance of debt. Because of the nature of the Company's business, capital is required to support the Company's substantial legal costs as well as its normal operating costs. The Company has developed a budget outlining its expected legal and operating costs, including contingencies for unforeseen costs and delays over the next 12 months.

The Company plans to conduct future financings through the sale of debt or equity securities, which management believes will provide sufficient working capital to fund operations for at least the next twelve (12) months. Changes in operating plans, increased expenses, additional property acquisitions, other events or other strategic alternatives the Company may pursue, may cause additional equity or debt financing to be required in the future. There is no assurance that additional financing will be available upon future prevailing terms or at all.

For the period from inception through March 31, 2012, the Company used \$6,165,554 of net cash to fund operating activities and to invest in tangible personal and intangible intellectual property. During the period, the Company borrowed \$3,200,000 through the issuance of a promissory note.

Despite the Company's capital raising activities to date, given the factors noted above, there is no assurance that the Company will continue to be able to raise the capital or generate revenue necessary to fund ongoing operations at the current level. As such, absent future capital raises or revenue generation by the Company, there remains substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis and as such do not include any adjustments that might result from the outcome of this uncertainty.

Note 3. Note Payable — Related Party

The Company is obligated under a note payable to Hudson Bay Master Fund, LP ("Hudson Bay") with an outstanding balance of \$3,200,000 at March 31, 2012 (the "Hudson Bay Note"). At March 31, 2012, Hudson Bay owned 95% of the outstanding preferred stock of the Company, convertible upon demand to common stock sufficient to control the Company. The Hudson Bay Note accrues interest at 0.46% per annum and matures on June 22, 2014. The Company has granted Hudson Bay a security interest in all tangible and intangible personal property of the Company and its subsidiaries to secure its obligations under the Hudson Bay Note.

Hudson Bay has the option of requiring the Company to redeem up to \$2,000,000 aggregate principal of the Hudson Bay Note beginning March 22, 2012. Pursuant to a letter agreement dated March 12, 2012, by and between Innovate/Protect and Hudson Bay, Hudson Bay agreed not to exercise its right of redemption until the earlier of (i) any termination of the Merger Agreement pursuant to the terms of the Merger Agreement or (ii) the effective time of the Merger; provided that if the Merger is consummated, the Note will be amended and restated and the holder may exercise any and all rights and remedies pursuant to such amended and restated note delivered at the closing of the Merger, including with respect to any optional redemption provisions contained therein. The Hudson Bay Note does not contain any financial statement covenants, however there are standard events of default. In the event of a default, which is not subsequently cured or waived, the interest rate would increase to a rate of 18% per annum. At the option of Hudson Bay and upon notice, the entire unpaid principal balance together with all accrued interest thereon would be immediately due and payable. Hudson Bay has the right to require the Company to redeem the Hudson Bay

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Note Payable — Related Party – (continued)

Note in the event of a change of control or in event of default at a redemption price, pursuant to a formula, of up to 125% of the sum of the portion of the principal amount and any accrued and unpaid interest.

As of March 31, 2012, there were no known conditions of default.

The Company determined there was an embedded derivative since certain redemption options were determined not to be clearly and closely related to the debt host. The Company also determined that the fair value of the embedded derivative was zero at March 31, 2012 since the probability of change in control or event of default in the near future is remote. Hudson Bay has agreed that the Company's execution and delivery of the Agreement and Plan of Merger, dated as of March 12, 2012, with Vringo, Inc., and VIP Merger Sub, Inc. does not constitute a Change of Control (as defined in the Note). The gross amount the Company would have to pay if this redemption option is exercised would be \$800,000.

The Company will evaluate the fair value each reporting period and report changes in the fair value as other income (expense), net.

Note 4. Series A Convertible Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock, par value \$0.0001, of which 6,968 shares of preferred stock have been designated as Series A Preferred Stock with such rights and preferences designated in the Company's Certificate of Designations (the "Series A Preferred Stock"). In June 2011, the Company issued 6,968 shares of Series A Preferred Stock to Hudson Bay for \$1,800,000 (\$258.32 per share). The Series A Preferred Stock has a liquidation preference of \$1,250 per share and is otherwise convertible, at the option of the holder, into 6,968,000 shares of common stock at a conversion price of \$1 per common share received, subject to adjustment for anti-dilution and other corporate events. The holder of Series A Preferred Stock is entitled to receive such dividends paid and distributions made to holders of common stock and to participate in voting matters on an as converted basis. Shares of Series A Preferred Stock are redeemable by the holder upon the occurrence of certain events as defined in the Series A Preferred Stock Certificate of Designations. The holder has the right to require the Company to redeem the Series A Preferred Stock in the event of a Change of Control or a Triggering Event (as such terms are defined in the Certificate of Designations) at a redemption price, pursuant to a formula, of up to 125% of the Stated Value (i.e., \$1,000 per share, subject to adjustment).

The Series A Preferred Stock is classified as mezzanine because certain Triggering Events may occur outside the control of the Company.

During the period ending March 31, 2012, Hudson Bay sold 494 shares of its Series A Preferred Stock to third party investors. Subsequently, 150 shares of the Series A Preferred Stock were converted to 150,000 shares of common stock.

Note 5. Stock-Based Compensation

In August 2011, the Company adopted its 2011 Equity and Performance Incentive Plan (the "Plan"). The Plan provides for the issuance of stock options and restricted stock to the Company's employees, consultants, directors and advisors. Terminated, expired or forfeited grants may be reissued under the Plan. The number of shares available under the Plan is subject to adjustment for certain changes in the Company's capital structure. As of March 31, 2012, 946,354 shares are available for future grant.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Stock-Based Compensation – (continued)

The table below illustrates the grants of common stock and the sales of common stock at less than fair value made during the periods ended March 31, 2012.

Grants Of Common Stock and Sales of Common Stock at Less Than Fair Market Value:

| Title | Grant, Purchase or Vest Date | # Shares | Fair Value at Grant, Purchase or Vest Date | Total Value | Amount Paid for Shares | Total Stock Based Compensation | Compensation Recognized 01/01/12 through 03/31/12 | Compensation Recognized Inception through 03/31/12 | Compensation Not Vested at 03/31/12 |
|---------------------------|------------------------------|-----------|--|-------------|------------------------|--------------------------------|---|--|-------------------------------------|
| Consultant ⁽¹⁾ | 6/22/2011 | 125,000 | \$ 0.25832 | N/A | \$ 12 | N/A | \$ 17,188 | \$ 66,257 | \$ 153,160 |
| Exec. Officer | 6/22/2011 | 2,115,625 | \$ 0.25832 | 546,508 | 212 | 546,254 | 20,172 | 366,501 | 179,753 |
| Exec. Officer | 8/10/2011 | 625,000 | \$ 0.25832 | 161,450 | — | 161,450 | 26,896 | 68,796 | 92,654 |
| Director | 11/07/2011 | 40,000 | \$ 3.00 | 120,000 | — | 120,000 | 19,999 | 31,781 | 88,219 |
| | | | | | | | <u>\$ 84,255</u> | <u>\$ 533,335</u> | <u>\$ 513,786</u> |

(1) Based on the fair value of common stock of \$3.30 per share at March 31, 2012, non-vested consultant compensation of \$153,160 will vest over approximately two years.

The table below illustrates the common stock options granted during the periods ended March 31, 2012.

Grants of Common Stock Options

| Title | Grant Date | # Shares | Exercise Price | FMV at Grant Date | Total Option Value | Compensation Recognized Inception through 03/31/12 | Compensation Not Vested at 03/31/12 |
|----------|------------|----------|----------------|-------------------|--------------------|--|-------------------------------------|
| Director | 11/6/2011 | 13,646 | \$ 3 | \$ 1.8341 | \$ 25,028 | \$ 25,028 | -0- |

Note 6. Income Tax

The Company has determined that, based on objective evidence currently available, it is not likely that the deferred tax assets will be realized. Accordingly, the Company has provided a valuation allowance for the full amount of the deferred tax assets at March 31, 2012. There are no amounts of interest or penalties related to tax matters contained within the balance sheet at March 31, 2012. Under current tax law, net operating losses can be carried forward through the year to end December 31, 2031.

Management does not believe it is exposed to any uncertain tax positions as they are defined within accounting principles. Management does not believe there are tax positions for which it is reasonably possible that there will be a significant increase or decrease in the amounts of unrecognized tax benefits within the next 12 months.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Lease Obligations

In July 2011, the Company entered into a license agreement with a non-affiliated third party to lease office space in New York City. The license is for a term of two years and five months and requires monthly payments in the amount of \$2,152.

In March 2012, the Company entered into a second license agreement with a non-affiliated third party to lease an additional office adjacent to the space leased in the first license agreement. The second license agreement is for approximately two years with the first license agreement. Monthly payments are required in the amount of \$1,450.

Estimated occupancy expense for the remaining lease term based upon lease obligations at March 31, 2012 is as follows:

| Year | Amount |
|------|------------------|
| 2012 | 32,418 |
| 2013 | 43,224 |
| 2014 | 3,602 |
| | <u>\$ 79,244</u> |

Note 8. Contingencies

The Company retains the services of law firms that specialize in intellectual property licensing and enforcement and patent law in connection with their licensing and enforcement activities. These law firms may be retained on an hourly fee, contingent fee, or blended fee basis. In a contingency fee arrangement, law firms are paid a scaled percentage of any negotiated fees, settlements or judgments awarded, based on how and when the fees, settlements or judgments are obtained.

On September 15, 2011, I/P Engine filed a patent infringement action in the Eastern District of Virginia. The matter involves two patents related to search systems having content and collaborative filters, and alleges that defendants AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc. and Target Corporation each infringe both patents at issue. The defendants filed their answers to the complaint on November 14, 2011, and also asserted declaratory judgment counterclaims of non-infringement and invalidity. On November 28, 2011, all defendants (except AOL, Inc., which asserted no such allegation) amended their counterclaims to remove an allegation of unenforceability. On December 5, 2011, I/P Engine filed answers to AOL's counterclaims. On December 9, 2011, I/P Engine filed answers to the counterclaims of the remaining defendants. On February 15, 2012, the Court entered a scheduling order in the case setting the *Markman* hearing for June 4, 2012 and trial for October 16, 2012. On March 15, 2012, Google submitted a request to the USPTO for *ex parte* reexamination of U.S. Patent No. 6,314,420, one of the two patents-in-suit. The request was deposited on March 16, 2012 and was assigned Control No 90/009,991. Innovate/Protect expected Google to seek reexamination and believes this request is a standard and typical tactic used by defendants in patent litigation cases. The filing of a request for reexamination is the first step in a process that ordinarily takes several years. On April 26, 2012, the USPTO vacated Google's request for *ex parte* reexamination for failing to follow to the requirements set forth in the USPTO's regulations. On May 24, 2012, Google submitted their request to the USPTO. This resubmission purports to address the issues identified by the USPTO. Google's request has not resulted in any delay of the dates set out in the Court's scheduling order dated February 15, 2012. Discovery has commenced; the parties have served and responded to written discovery requests and have produced documents. Further discovery, including depositions, is expected to occur in the next few months. Near the end of discovery, the parties will exchange expert reports. Innovate/Protect expects that defendants will make several attempts to avoid trial. At this stage of the litigation, the Company cannot assess the duration, cost or outcome of the infringement action.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Subsequent Events

Subsequent events have been evaluated through May 16, 2012, the date the financial statements were available to be issued.

In April 2012, Hudson Bay sold 148 shares of its Series A Preferred Stock to third party investors. As of May 16, 2012, those investors have not converted the Series A Preferred Stock to common stock.

In April 2012, Hudson Bay converted 145 shares of its Series A Preferred Stock to 145,000 shares of common stock. On the same day, Hudson Bay sold all 145,000 shares of converted common stock to a third party investor.

Note 10. Subsequent Events (post May 16, 2012)

On May 24, 2012, Google submitted their request to the USPTO. This resubmission purports to address the issues identified by USPTO.

On June 1, 2012, Hudson Bay committed, subject to the terms and conditions of a commitment letter agreement, that, at any time within 18 months following the closing of the Merger and upon the request of the Company, it or, at its election, one or more of its affiliated funds or entities shall provide debt financing to the Company in the aggregate principal amount of up to \$6,000,000. Hudson Bay's commitment shall be reduced, on a dollar for dollar basis, by (i) any cash or capital raised by Vringo, Innovate/Protect and/or any of their subsidiaries (each a "Vringo entity" and, together the "Vringo entities"), including, without limitation, through the issuance of any debt, equity and/or securities convertible, exercisable or exchangeable into equity of any of the Vringo entities or the incurrence of indebtedness by any of the Vringo entities and (ii) any cash received by any Vringo entity in connection with the exercise of any of its outstanding warrants. Any such financing provided under such facility will be in the form of senior secured notes at an interest rate of the greater of (i) LIBOR plus 300 basis points and (ii) 8% per annum with a maturity of seven years after issuance. Such obligations will be guaranteed by each of the Vringo entities and secured by a first priority lien on all assets of the Vringo entities. In addition, both the Company and the holder of the notes will be able to require redemption of all or any portion of the Notes at any time after 18 months following the consummation of the Merger, subject to an interest make-whole through maturity. In addition to other covenants to be mutually agreed between the Company and Hudson Bay, the Vringo entities will not spend cash during any calendar quarter while any notes are outstanding at a rate greater than the amount specified in the capital budget of Vringo and its subsidiaries, prepared on a combined basis, agreed to by Hudson Bay, without the prior written consent of Hudson Bay. Hudson Bay's commitment to provide such facility is subject to (a) the consummation of the Merger without any amendment or modification (unless consented to in writing by Hudson Bay), (b) at the time of any request to provide the facility, the satisfaction of each of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement, (c) at all times after the consummation of the Merger and prior to the termination of the commitment letter agreement, Vringo using its best efforts to raise capital by issuing equity securities of Vringo and/or securities convertible, exercisable or exchangeable for equity securities of Vringo, (d) the execution by the Company and Hudson Bay of all documents necessary for the consummation of the transaction contemplated by the commitment on terms and conditions in all respects acceptable and satisfactory to the company and Hudson Bay, (e) no Vringo entity shall have, pursuant to or within the meaning of Title 11, U.S. Code, or any similar Federal, foreign or state law for the relief of debtors (collectively, "Bankruptcy Law"), (A) commenced a voluntary case, (B) consented to the entry of an order for relief against it in an involuntary case, (C) consented to the appointment of a receiver, trustee, assignee, liquidator or similar official (a "Custodian"), (D) made a general assignment for the benefit of its creditors or (E) admitted in writing that it is generally unable to pay its debts as they become due, (f) a court of competent jurisdiction not having entered an order or decree under any Bankruptcy Law that (A) is for relief against any Vringo entity in an involuntary case, (B) appoints a Custodian of any Vringo entity or (C) orders the liquidation of any Vringo entity, (g) since the date of

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)
March 31, 2012 (unaudited)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Subsequent Events (post May 16, 2012) – (continued)

execution of the commitment letter agreement, there shall not have occurred a material adverse change or material adverse development in the business, assets, properties, operations, condition (financial or otherwise), results of operations or prospects of any of the Vringo entities, and (h) no Vringo entity shall be, prior to the consummation of the transactions contemplated by the facility, or after giving effect to the consummation of the transactions contemplated by the facility, insolvent. The obligations of Hudson Bay or any of its affiliated funds under the commitment letter agreement will terminate automatically and immediately upon the earlier to occur of (a) the termination of the Merger Agreement pursuant to its terms, (b) any default under or acceleration prior to maturity of any indebtedness of any Vringo entity, (c) the failure of any Vringo entity to satisfy any of the conditions set forth above, (d) any event, which, if occurring prior to the closing of the Merger, would have resulted in the failure of the conditions set forth in Section 6.2(f) (Litigation) and 6.2(j) (Patents) of the Merger Agreement to be satisfied, (e) upon written notice to terminate the commitment letter agreement delivered by the Company to Hudson Bay or (f) 18 months after the consummation of the Merger.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

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TO DECEMBER 31, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Management and the Board of Directors
Innovate/Protect, Inc (f/k/a Labrador Search Company)

We have audited the accompanying consolidated balance sheets of Innovate/Protect Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from June 8, 2011 (inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Innovate/Protect Inc. and subsidiaries as of December 31, 2011 and the results of their operations and their cash flows from June 8, 2011 (inception) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company incurred substantial losses from operations and used significant amount of cash to fund its operating activities. Additional capital is required to support the Company operations. These conditions raise substantial doubt about the Company ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GRANT THORNTON LLP
New York, New York
March 2, 2012

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INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET
As of December 31, 2011

ASSETS

| | |
|-----------------------------|---------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 5,212,142 |
| Prepaid assets | 25,886 |
| Total current assets | 5,238,028 |
| Property and Equipment, net | 8,006 |
| Other Assets | |
| Intangible assets, net | 3,067,592 |
| Total assets | \$ 8,313,626 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|---------------------|
| Current Liabilities | |
| Accounts payable | \$ 201 |
| Accrued liabilities | 448,264 |
| Current portion, note payable-related party | 2,000,000 |
| Total current liabilities | 2,448,465 |
| Note Payable-related party | 1,200,000 |
| Total liabilities | 3,648,465 |
| Commitments and Contingencies (See note 11) | |
| Preferred stock, Series A Convertible, \$.0001 par value; liquidation value \$1,250 per share; 6,968 shares authorized, issued and outstanding | 1,800,000 |
| Stockholders' Equity | |
| Common stock, \$.0001 par value; 100,000,000 shares authorized; 5,624,661 shares issued and outstanding | 563 |
| Additional paid-in capital | 5,618,780 |
| Deficit accumulated during the development stage | (2,754,182) |
| | <u>2,865,161</u> |
| Total liabilities and stockholders' equity | \$ 8,313,626 |

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INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS
Period from June 8, 2011 (Inception) to December 31, 2011

| | | |
|--|----|---------------------------|
| Revenue | \$ | — |
| Operating Expenses | | |
| Legal | | 1,102,100 |
| Compensation | | 996,913 |
| Amortization and depreciation | | 328,278 |
| General and administrative | | 213,192 |
| Startup and capital acquisition costs | | 105,971 |
| | | <u>2,746,454</u> |
| Loss from operations | | (2,746,454) |
| Other Expense | | |
| Interest expense | | 7,728 |
| Net loss | \$ | <u>(2,754,182)</u> |
| Basic and diluted loss per share | | |
| Net Loss | \$ | (2,754,182) |
| Weighted Average Common Shares Outstanding | | 2,802,100 |
| Basic and diluted loss per share | \$ | (0.98) |

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Period from June 8, 2011 (Inception) to December 31, 2011

| | Common Stock | Additional Paid-in Capital | Deficit Accumulated During the Development Stage | Total |
|-----------------------------------|-----------------|----------------------------------|--|---------------------|
| Balance, June 8, 2011 (inception) | \$ — | \$ — | \$ — | \$ — |
| Issuance of common stock | 563 | 5,144,662 | — | 5,145,225 |
| Stock-based compensation | — | 474,118 | — | 474,118 |
| Net loss | — | — | (2,754,182) | (2,754,182) |
| Balance, December 31, 2011 | <u>\$ 563</u> | <u>\$5,618,780</u> | <u>\$ (2,754,182)</u> | <u>\$ 2,865,161</u> |

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INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
Period from June 8, 2011 (Inception) to December 31, 2011

| | |
|---|----------------------------|
| Cash Flows From Operating Activities | |
| Net loss | \$(2,754,182) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Amortization and depreciation | 328,277 |
| Stock-based compensation expense | 474,118 |
| Increase in prepaid assets | (25,886) |
| Increase in accounts payable and accrued liabilities | 448,465 |
| Net cash used in operating activities | <u>(1,529,208)</u> |
| Cash Flows From Investing Activities | |
| Purchase of intangible assets | (3,395,187) |
| Purchase of fixed assets | (8,688) |
| Net cash used in investing activities | <u>(3,403,875)</u> |
| Cash Flows From Financing Activities | |
| Proceeds from note payable | 3,200,000 |
| Proceeds from issuance of preferred stock | 1,800,000 |
| Proceeds from issuance of common stock | 5,145,225 |
| Net cash provided by financing activities | <u>10,145,225</u> |
| Increase in cash | <u>5,212,142</u> |
| Cash Balance, beginning of period | — |
| Cash Balance, ending of period | <u>\$ 5,212,142</u> |
| Supplemental Disclosures of Cash Flow Information | |
| Cash paid for interest | <u>\$ 7,728</u> |

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Innovate/Protect, Inc. (“I/P”) was incorporated under the laws of the state of Delaware on June 8, 2011 (“Inception”), as Labrador Search Corporation. On September 6, 2011, Labrador Search Corporation changed its name to Innovate/Protect, Inc. I/P is a holding company, which, at December 31, 2011, owned 100% of the issued and outstanding common stock of I/P Engine, Inc. (“I/P Engine”) and I/P Labs, Inc. (“I/P Labs” and together with I/P Engine, the “Subsidiaries”). I/P Engine was incorporated in Virginia on June 14, 2011, as Smart Search Labs, Inc. Smart Search Labs Inc. changed its name to I/P Engine, Inc. on September 9, 2011. I/P Engine operates for the purpose of realizing economic benefits from a collection of patents related to search engine technology. I/P Labs was incorporated in Delaware on June 8, 2011 as Scottish Terrier Capital, Inc. and changed its name to I/P Labs, Inc. on September 9, 2011. I/P Labs, Inc. operates to acquire or develop other patented technologies or intellectual property. I/P’s principal offices are located in New York City.

Principles of consolidation: The consolidated financial statements include the accounts of I/P and the Subsidiaries. Unless the context otherwise indicates, the terms “I/P” or the “Company” mean Innovate/Protect, Inc. and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Development stage: The Company is in the development stage and had not yet generated revenue for the period from inception to December 31, 2011.

Cash and cash equivalents: Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company maintains its cash in a non-interest bearing account at a commercial bank, which account balances at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Intangible assets: Intangible assets consist of patents that were purchased and the costs to acquire them. They are amortized over their legal lives, for periods that vary from five to ten years depending on the patents’ expiration. The useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Costs to investigate potential purchases of intangible assets are treated expense when incurred, until or unless purchase of the respective assets are deemed viable, after which time the costs to further investigate and acquire the assets are capitalized. Subsequent to acquisition, legal and associated costs incurred in prosecuting alleged infringements of the patents are recognized as expense when incurred.

Property and equipment: Property and equipment purchases are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives of 5 years.

Stock-based compensation: The Company has made the following types of stock-based awards, valued and reflected in the financial statements as follows:

Common Stock Grants: Common stock grants are valued at their fair market value at the date of the grant, multiplied by the number of shares granted. These grants are reflected as compensation expense in the period during which the respective awards vest, ranging from immediate to 36 months from the grant dates.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies – (continued)

Sales of Common Stock at Less than Fair Market Value: Common stock sales at less than fair market value to executive officers are valued at their fair market value on the date of the sale, multiplied by the number of shares sold at less than fair market value. Common stock sales at less than fair market value to consultants are valued at their fair market value on the date the purchased shares vest (the “measurement date”), revalued as to the number of shares vesting at each subsequent measurement date, multiplied by the number of shares vesting at the measurement date. The difference between the purchase price and the fair market value of the shares vesting at each measurement date is reflected as compensation expense in the period during which the respective awards vest, over periods ranging from immediate to 36 months.

Common Stock Options: Common stock options are valued at their fair market value at the time the options are granted, using the Black-Scholes option pricing model for valuing stock-based compensation awards. Common stock options are reflected as compensation expense in the period during which they vest.

Fair value of common stock: At inception, the Company determined the fair value of each common share to be \$.25832. Management determined the amount of capital it estimated would be required (\$1,800,000) to carry the Company through its earliest stages of development. This amount was financed through the issuance of Series A convertible preferred stock (the “Series A Preferred Stock”). To arrive at the estimated fair value of a share of common stock, the \$1,800,000 was divided by the number of common shares, 6,968,000, into which the Company’s Series A Preferred Stock sold would convert upon demand, in accordance with the terms of the Series A Preferred Stock.

Subsequent to inception, the Company determined fair value per share based on multiple private sales of common stock to third parties including individuals and institutional investors. Three rounds of common stock sales occurred after inception, one round at \$1 per share during late August and early September 2011, one round at \$3 per share during mid-September and October 2011, and one round at \$3.30 per share during November and December 2011.

Fair value of financial instruments: Fair value of financial assets and liabilities is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

Level 1 inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The Company determined the fair value of the embedded derivative liability to be level 3 inputs. These inputs require material subjectivity because value is derived through the use of probability weighted discounted cash flows. As further discussed in Note 5, the Company has determined that the probability of the holder exercising its options is remote and that any value allocated the embedded derivative at December 31, 2011 would be trivial.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies – (continued)

Due to the Company being in its development stage, it is not practical to value our notes payable at December 31, 2011. The carrying amounts of cash and cash equivalents, accounts payable and accrued liabilities approximate fair value due to the short term maturity of the instruments.

Income taxes: Deferred income tax assets and liabilities are determined using the asset and liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of permanent and temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes tax positions taken or expected to be taken when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. It is the Company's policy to classify interest and penalties related to uncertain income tax matters as income tax expense.

Earnings Per Share: Basic loss per share is based on the weighted number of common shares issued and outstanding, and is calculated by dividing net loss attributable to common shareholders by the weighted average shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding. Diluted loss per share is equal to the basic loss per share as all potentially dilutive securities are anti-dilutive in the period presented. For the year ended December 31, 2011 the Company incurred net losses and therefore no common stock equivalents were utilized in the calculation of earnings per share.

At December 31, 2011, the Company excluded the following potentially dilutive securities:

- Series A Preferred Stock convertible into 6,968,000 shares of common stock.
- Warrants to purchase 250,000 shares of common stock.
- Options to purchase 13,646 shares of common stock.
- 1,237,270 shares of common stock granted but not vested.

Recent Accounting Pronouncements:

In May 2011, the FASB issued new guidance amending the existing pronouncement related to fair value measurement. This new guidance primarily expands the existing disclosure requirements for fair value. Specifically, the new guidance mandates the following additional disclosures: (1) the amount of any transfers between Level 1 and Level 2 of the fair value hierarchy, (2) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement of Level 3 instruments, (3) a qualitative discussion of the sensitivity of the fair value to changes in unobservable inputs and any inter-relationships between those inputs that magnify or mitigate the effect on the measurement of Level 3 instruments and (4) the level within the fair value hierarchy, of items that are not measured at fair value in the statement of financial condition but whose fair value must be disclosed. This new guidance is effective for us prospectively beginning January 1, 2012. We expect the adoption of this new guidance will result in an increase of certain of our financial statement disclosures, but the adoption will not have any impact on our financial position or results of operations.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies – (continued)

In June 2011, the FASB issued new guidance amending the existing pronouncement regarding the presentation of comprehensive income. This new guidance reduces the alternatives for the presentation of the components of other comprehensive income. Specifically, it eliminates the alternative of presenting them as part of the Statement of Changes in Shareholders' Equity. This new guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2011; however, early adoption is permitted. We currently do not have any components of other comprehensive income within our consolidated financial statements thus adoption of this new guidance does not impact us.

Note 2. Liquidity and Capital Resources, Going Concern

As a development stage company, the Company requires significant amounts of capital to support its operations during the period prior to the commencement of a revenue stream or other liquidity events.

As of December 31, 2011 the Company had cash of \$5,212,142 and working capital of \$2,789,563. During the period from inception through December 31, 2011, the Company funded operations from the proceeds of private sales of equity and the private issuance of debt. Because of the nature of the Company's business, capital is required to support the Company's substantial legal costs as well as its normal operating costs. The Company has developed a budget outlining its expected legal and operating costs, including contingencies for unforeseen costs and delays over the next twelve (12) months.

The Company plans to conduct future financings through the sale of debt or equity securities, which management believes will provide sufficient working capital to fund operations for at least the next twelve (12) months. Changes in operating plans, increased expenses, additional property acquisitions, other events or other strategic alternatives the Company may pursue, may cause additional equity or debt financing to be required in the future. There is no assurance that additional financing will be available upon future prevailing terms or at all.

For the period from inception through December 31, 2011, the Company used \$4,933,083 of net cash to fund operating activities and to invest in tangible personal and intangible intellectual property. During the period, the Company borrowed \$3,200,000 through the issuance of a promissory note and raised \$5,145,225 and \$1,800,000 through common and preferred stock issuances, respectively.

Despite the Company's capital raising activities to date, given the factors noted above, there is no assurance that the Company will continue to be able to raise the capital or generate revenue necessary to fund ongoing operations at the current level. As such, absent future capital raises or revenue generation by the Company, there remains substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis and as such do not include any adjustments that might result from the outcome of this uncertainty.

Note 3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2011:

Computer equipment \$8,688 Less accumulated depreciation (682) \$8,006

Property and equipment are being depreciated over their expected useful lives.

INNOVATE/PROTECT, INC. AND SUBSIDIARIES
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Intangible Assets

Intangible assets consisted of the following as of December 31, 2011:

| | |
|-------------------------------|--------------------|
| Patents | \$3,395,188 |
| Less accumulated amortization | (327,596) |
| | <u>\$3,067,592</u> |

The gross carrying amount of patents is comprised of the original purchase price of \$3,200,000 and \$195,188 of associated patent acquisition costs. Patents are being amortized over their individual legal lives which expire between 2016 and 2021. The weighted average amortization period for these patents is five years and eleven months.

Estimated amortization expense for each of the five succeeding years based upon intangible assets owned at December 31, 2011 is as follows:

| Year | Amount |
|----------------------------------|------------|
| December 31, 2012 | \$ 622,775 |
| December 31, 2013 | 622,775 |
| December 31, 2014 | 622,775 |
| December 31, 2015 | 622,775 |
| December 31, 2016 and thereafter | 576,492 |

Note 5. Note Payable — Related Party

The Company is obligated under a note payable to Hudson Bay Master Fund Ltd. (“Hudson Bay”) with an outstanding balance of \$3,200,000 at December 31, 2011 (the “Hudson Bay Note”). At December 31, 2011, Hudson Bay owned all of the outstanding preferred stock of the Company, convertible upon demand to common stock sufficient to control the Company. The Hudson Bay Note accrues interest at 0.46% per annum and matures on June 22, 2014. The Company has granted Hudson Bay a security interest in all tangible and intangible personal property of the Company and its subsidiaries to secure its obligations under the Hudson Bay Note.

Hudson Bay has the option of requiring the Company to redeem up to \$2,000,000 aggregate principal of the Hudson Bay Note beginning March 22, 2012. The Hudson Bay Note does not contain any financial statement covenants, however there are standard events of default. In the event of a default, which is not subsequently cured or waived, the interest rate would increase to a rate of 18% per annum. At the option of Hudson Bay and upon notice, the entire unpaid principal balance together with all accrued interest thereon would be immediately due and payable. Hudson Bay has the right to require the Company to redeem the Hudson Bay Note in the event of a change of control or in event of default at a redemption price, pursuant to a formula, of up to 125% of the sum of the portion of the principal amount and any accrued and unpaid interest.

As of December 31, 2011, there were no known conditions of default.

The Company determined there was an embedded derivative since certain redemption options were determined not to be clearly and closely related to the debt host. The Company also determined that the fair value of the embedded derivative was zero at December 31, 2011 since the probability of change in control or event of default in the near future is remote. The gross amount the Company would have to pay if this redemption option is exercised would be \$800,000.

The Company will evaluate the fair value of the derivative each reporting period and report changes in the fair value as other income (expense), net.

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Note 6. Series A Convertible Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock, par value \$0.0001, of which 6,968 shares of preferred stock have been designated as Series A Preferred Stock with such rights and preferences designated in the Company's Certificate of Designations (the "Series A Preferred Stock"). In June 2011, the Company issued 6,968 shares of Series A Preferred Stock to Hudson Bay for \$1,800,000 (\$258.32 per share). The Series A Preferred Stock has a liquidation preference of \$1,250 per share and is otherwise convertible, at the option of the holder, into 6,968,000 shares of common stock at a conversion price of \$1 per common share received, subject to adjustment for anti-dilution and other corporate events. The holder of Series A Preferred Stock is entitled to receive such dividends paid and distributions made to holders of common stock and to participate in voting matters on an as converted basis. Shares of Series A Preferred Stock are redeemable by the holder upon the occurrence of certain events as defined in the Series A Preferred Stock Certificate of Designations. The holder has the right to require the Company to redeem the Series A Preferred Stock in the event of a change of control or a triggering event (including, without limitation, an event of default or change of control) at a redemption price, pursuant to a formula, of up to 125% of the stated value of \$1,000 per share, subject to adjustment.

The Series A Preferred Stock is classified as mezzanine because certain Triggering Events may occur outside the control of the Company.

Note 7. Warrants

On August 30, 2011, the Company issued 250,000 warrants to Hudson Bay. Each warrant entitles Hudson Bay to purchase one (1) share of common stock in the Company at a price of \$1. The warrants expire sixty (60) months after the issue date, and are subject to adjustment for certain corporate events under the terms and conditions contained in the Warrant Agreement between the Company and Hudson Bay dated August 30, 2011.

Note 8. Stock-Based Compensation

In June 2011, the Company sold 2,115,625 shares of common stock to an executive officer at par value. The excess of the fair value of the shares sold over the purchase price of the shares at the time of purchase is treated as compensation and is recognized at such times as the shares vest to the benefit of the executive officer. 1,178,125 shares vested immediately upon grant and 937,500 shares vest over a three (3) year period.

In June 2011, the Company sold 125,000 shares of common stock to a consultant at par value. The excess of the fair value of the shares sold over the purchase price of the shares is treated as compensation and is recognized at such times as the shares vest to the benefit of the consultant. 62,500 shares vested immediately upon purchase and 62,500 shares vest over a three (3) year period. Compensation related to unvested shares will be recognized in the period the shares vest and will be calculated using the fair value of the common stock at that time.

In August 2011, the Company granted 625,000 shares of common stock to an executive officer of the Company at no cost. The fair value of these shares at the time of grant is treated as compensation and is recognized at such times as the shares vest over an eighteen (18) month period.

In August 2011, the Company adopted its 2011 Equity and Performance Incentive Plan (the "Plan"). The Plan provides for the issuance of stock options and restricted stock to the Company's employees, consultants, directors and advisors. Terminated, expired or forfeited grants may be reissued under the Plan. The number of shares available under the Plan is subject to adjustment for certain changes in the Company's capital structure. As of December 31, 2011, 946,354 shares are available for future grant.

In November 2011, pursuant to the Plan, the Company granted 40,000 shares of common stock to an independent director of the Company at no cost. The fair value of these shares at the time of grant is treated as compensation and is recognized at such times as the shares vest over an eighteen (18) month period.

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Note 8. Stock-Based Compensation – (continued)

In November 2011, pursuant to the Plan, the Company issued stock options to an independent director of the Company at no cost. The options became fully vested and exercisable at the date of grant. The options allows the director to purchase up to 13,646 shares of common stock at an exercise price of \$3.00 per share at any time prior to expiration of the options on November 6, 2016.

The table below illustrates the grants of common stock and the sales of common stock at less than fair value made during the period from inception through December 31 2011.

Grants Of Common Stock and Sales of Common Stock at Less Than Fair Market Value

| Title | Grant, Purchase or Vest Date | # Shares | Fair Value at Grant, Purchase or Vest Date | Total Value | Amount Paid for Shares | Total Stock Based Compensation | Compensation Recognized Inception through 12/31/11 | Compensation Not Vested at 12/31/11 |
|---------------|------------------------------|-----------|--|-------------|------------------------|--------------------------------|--|-------------------------------------|
| Consultant | 6/22/2011 | 125,000 | \$ 0.25832 | N/A | \$ 12 | N/A | \$ 49,070 | 170,346* |
| Exec. Officer | 6/22/2011 | 2,115,625 | \$ 0.25832 | 546,508 | 212 | 546,296 | 346,329 | 199,955 |
| Exec. Officer | 8/10/2011 | 625,000 | \$ 0.25832 | 161,450 | — | 161,450 | 41,900 | 119,550 |
| Director | 11/07/2011 | 40,000 | \$ 3.00 | 120,000 | — | 120,000 | 11,781 | 108,219 |
| | | | | | | | <u>\$ 449,080</u> | <u>\$ 598,070</u> |

* Based on the fair value of common stock of \$3.30 per share, at December 31, 2011

Nonvested compensation of \$598,070 will vest over approximately 2.5 years.

The table below illustrates the common stock options granted during the period from inception through December 31 2011.

Grants of Common Stock Options

| Title | Grant Date | # Shares | Exercise Price | FMV at Grant Date | Total Option Value | Compensation Recognized Inception through 12/31/11 | Compensation Not Vested at 12/31/11 |
|----------|------------|----------|----------------|-------------------|--------------------|--|-------------------------------------|
| Director | 11/6/2011 | 13,646 | \$ 3 | \$ 1.8341 | \$ 25,028 | \$ 25,028 | -0- |

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions in the table below for the years ended December 31, 2011:

| | |
|--------------------------|-------|
| Expected life (in years) | 5 |
| Risk-free interest rate | 0.88% |
| Volatility | 75% |
| Dividend yield | — |

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Note 9. Income Taxes

The differences between income tax computed using the statutory federal (35%) and state (10% net of federal deduction) income tax rates and the income tax provision for the period from inception through December 31, 2011, are as follows:

| | |
|--|--------------|
| Federal income tax benefit at statutory rate | \$ (957,000) |
| State tax benefit, net of federal income tax benefit | (274,000) |
| Increase in valuation allowance | 1,231,000 |
| Income tax expense | <u>\$ —</u> |

At December 31, 2011, the temporary differences resulted in net deferred tax assets consisting of the following:

Deferred tax assets resulting from:

| | |
|--|------------------|
| Startup costs | \$ 46,000 |
| Estimated net operating loss carryforwards | 1,185,000 |
| | <u>1,231,000</u> |
| Less: valuation allowance | (1,231,000) |
| Net deferred tax | <u>\$ —</u> |

The Company has determined that, based on objective evidence currently available, it is not likely that the deferred tax assets will be realized. Accordingly, the Company has provided a valuation allowance for the full amount of the deferred tax assets at December 31, 2011. There are no amounts of interest or penalties related to tax matters contained within the balance sheet at December 31, 2011. Under current tax law, net operating losses can be carried forward through the year to end December 31, 2031.

Management does not believe it is exposed to any uncertain tax positions as they are defined within accounting principles. Management does not believe there are tax positions for which it is reasonably possible that there will be a significant increase or decrease in the amounts of unrecognized tax benefits within 12 months of December 31, 2011. The Company will be required to file income tax returns with the United States federal jurisdiction and the State and City of New York beginning with the year ending December 31, 2011. Only tax returns for the tax year 2011 are open and, once filed, will be subject to examination by relevant tax jurisdictions.

Note 10. Lease Obligations

In July 2011, the Company entered into a license agreement with a non-affiliated third party to lease office space in New York City. The license is for a term of two years and five months and requires monthly payments in the amount of \$2,152.

Estimated occupancy expense for the remaining lease term based upon lease obligations at December 31, 2011 is as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2012 | 25,824 |
| 2013 | 25,824 |
| | <u>\$ 51,648</u> |

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Note 11. Contingencies

The Company retains the services of law firms that specialize in intellectual property licensing and enforcement and patent law in connection with their licensing and enforcement activities. These law firms may be retained on an hourly fee, contingent fee, or blended fee basis. In a contingency fee arrangement, law firms are paid a scaled percentage of any negotiated fees, settlements or judgments awarded, based on how and when the fees, settlements or judgments are obtained.

On September 15, 2011, I/P Engine filed a patent infringement action in the Eastern District of Virginia. The matter involves two patents related to search systems having content and collaborative filters, and alleges that defendants AOL, Inc., Google, Inc., IAC Search & Media, Inc., Gannett Company, Inc. and Target Corporation each infringe both patents at issue. The defendants filed their answers to the complaint on November 14, 2011, and also asserted declaratory judgment counterclaims of non-infringement and invalidity. On November 28, 2011, all defendants (except AOL, Inc., which asserted no such allegation) amended their counterclaims to remove an allegation of unenforceability. On December 5, 2011, I/P Engine filed answers to AOL's counterclaims. On December 9, 2011, I/P Engine filed answers to the counterclaims of the remaining defendants. At this stage of the litigation, the Company cannot assess the duration, cost or outcome of the infringement action.

Note 12. Subsequent Events

Subsequent events have been evaluated through March 2, 2012, the date the financial statements were available to be issued.