

Internet Patents Corp

Form S-4/A

January 27, 2015

As filed with the Securities and Exchange Commission on January 27, 2015

Registration No. 333-201323

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

AMENDMENT NO. 1

TO

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FORM S-4

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

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INTERNET PATENTS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

6794  
(Primary Standard Industrial  
Classification Code Number)

94-3220749  
(I.R.S. Employer  
Identification Number)

101 Parkshore Drive, Suite 100  
Folsom, California 95630  
(916) 932-2860

(Address including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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**Hussein A. Enan**  
**Chairman of the Board and Chief Executive Officer**  
**Internet Patents Corporation**  
**101 Parkshore Drive, Suite 100**  
**Folsom, California 95630**

**(916) 932-2860**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

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*Copies to:*

**Karen K. Dreyfus, Esq.**

**John Fisher, Esq.**

**Ivy A. Tseng, Esq.**

**Sidley Austin LLP**

**1001 Page Mill Road**

**Palo Alto, California 94304**

**Telephone: (650) 565-7000**

**Fax: (650) 565-7100**

**Gregory J. Duman**

**Prism Technologies, LLC**

**2323 S. 171<sup>st</sup> Street, Suite 106**

**Omaha, NE 68130**

**Telephone: (402) 934-2020**

**Fax: (402) 934-2021**

**Virgil K. Johnson, Esq.**

**Paul D. Heimann, Esq.**

**Erickson & Sederstrom, P.C. LLO**

**Regency Westpointe**

**10330 Regency Parkway Drive**

**Omaha, NE 68114**

**Telephone: (402) 390-7134**

**Fax: (402) 390-7130**

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**Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the Merger Agreement described herein.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   Accelerated filer   Non-accelerated filer   (Do not check if a smaller reporting company)   Smaller reporting company

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**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. IPC may not sell its securities pursuant to the proposed transactions until the Registration Statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to completion, dated January 27, 2015**

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**prism technologies**

**PROPOSED MERGER  
YOUR VOTE IS VERY IMPORTANT**

To the security holders of Internet Patents Corporation and Prism Technologies, LLC:

Internet Patents Corporation (“IPC”) and Prism Technologies, LLC (“Prism”) have entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which a wholly owned subsidiary of IPC will merge with and into Prism, with Prism surviving as a wholly owned subsidiary of IPC (the “Merger”). Prism and IPC believe that the Merger will create a patent monetization company that increases shareholder value by leveraging the relative strengths of each party, creating more value for the IPC stockholders and Prism members in the long-term than IPC or Prism could create as a stand-alone business.

Prior to the effective time of the Merger, (i) each option to purchase Prism membership units that is outstanding and unexercised shall be exercised by the holder thereof and cancelled by Prism, and (ii) all outstanding indebtedness convertible into Prism membership units or other equity interests of Prism shall be fully repaid or fully converted, in each case such that such membership unit subject to such option or convertible indebtedness shall participate in the Merger pursuant to the Merger Agreement. At the effective time of the Merger, in exchange for all of the equity of Prism outstanding immediately prior to the effective time of the Merger, IPC will pay \$16.5 million in cash (less certain Prism indebtedness and expenses, which are currently expected to be immaterial), and issue 3.5 million shares of IPC common stock to Prism security holders. Subject to certain conditions, IPC has also agreed to share future revenue related to Prism’s patents with Prism’s former security holders up to a maximum amount of approximately \$49.5 million. Based upon (i) 14,766,420 Prism membership units expected to be outstanding at the closing of the Merger and (ii) the aggregate cash payment of \$16.5 million without any potential reductions for indebtedness or unpaid expenses, the value of the cash consideration per unit to Prism members is expected to be \$1.12 at the closing. Based upon the average closing price of IPC common stock from January 15, 2015 to January 22, 2015, the value of the stock consideration per unit to Prism members is expected to be \$0.65 at the closing, for an aggregate cash and stock consideration per unit equal to \$1.77 at the closing. In addition, assuming achievement of the maximum earnout

amount of \$49.5 million following the closing, Prism members would be entitled to an additional \$3.35 of consideration per unit, for a potential aggregate per unit Merger consideration of \$5.12.

IPC stockholders will continue to own and hold their existing shares of IPC common stock. Immediately after the Merger, Prism members will own approximately 39.3% of the fully-diluted common stock of IPC, with IPC stockholders and optionholders holding approximately 60.7% of the fully-diluted common stock of IPC.

Shares of IPC common stock are currently listed on The NASDAQ Capital Market under the symbol "PTNT". On [ ], the last trading day before the date of this joint proxy statement/prospectus, the closing sale price of IPC common stock was \$[ ] per share.

IPC is holding a special meeting of stockholders in order to obtain the stockholder approvals necessary to complete the Merger and related matters. At the IPC special meeting, which will be held at [ ], local time, on [ ], 2015 at the corporate headquarters of IPC located at 101 Parkshore Dr., Suite #100, Folsom, CA 95630, unless postponed or adjourned to a later date, IPC will ask its stockholders to, among other things, approve the Merger and the issuance of IPC common stock, as described in the accompanying joint proxy statement/prospectus.

As described in the accompanying joint proxy statement/prospectus, certain Prism members who in the aggregate own approximately 51% of the outstanding membership units of Prism as of January 22, 2015 are parties to support agreements with IPC, whereby such members agreed, among other things, to vote in favor of the Merger and the adoption and approval of the Merger Agreement and the terms thereof, subject to the terms of the support agreements. After the registration statement on Form S-4, of which this joint proxy statement/prospectus is a part, is declared effective by the U.S. Securities and Exchange Commission, Prism will hold a special meeting of its members to approve the Merger and the Merger Agreement, and the Prism members who are party to the support agreements will each vote in favor of the Merger and the adoption and approval of the Merger Agreement and the terms thereof.

After careful consideration, the IPC board of directors and Prism board of managers have approved the Merger Agreement and the respective proposals referred to above, and each of the IPC board of directors and Prism board of managers has determined that it is advisable to enter into the Merger. The board of directors of IPC recommends that its stockholders vote "FOR" the proposals described in the accompanying joint proxy statement/prospectus, and the board of managers of Prism recommends that its members vote to approve the Merger and the Merger Agreement.

More information about IPC, Prism and the proposed transaction is contained in this joint proxy statement/prospectus. IPC and Prism urge you to read the accompanying joint proxy statement/prospectus carefully and in its entirety. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER “**RISK FACTORS**” BEGINNING ON PAGE 18.

IPC and Prism are excited about the opportunities the Merger brings to both IPC and Prism security holders and thank you for your consideration and continued support.

Hussein A. Enan	Gregory J. Duman
Chairman and Chief Executive Officer	President
Internet Patents Corporation	Prism Technologies, LLC

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

The accompanying joint proxy statement/prospectus is dated [                      ], and is first being mailed to IPC and Prism security holders on or about [                      ].



**INTERNET PATENTS CORPORATION**  
**101 Parkshore Drive, Suite 100**  
**Folsom, California 95630**  
**(916) 932-2860**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON [\_\_\_\_], 2015**

Dear Stockholders of IPC:

On behalf of the board of directors of Internet Patents Corporation, a Delaware corporation (“IPC”), we are pleased to deliver this joint proxy statement/prospectus for the proposed merger between IPC and Prism Technologies, LLC, a Nebraska limited liability company (“Prism”), pursuant to which Strategic Concepts Acquisition Corp., a wholly owned subsidiary of IPC, will merge with and into Prism, with Prism surviving as a wholly owned subsidiary of IPC. The special meeting of stockholders of IPC will be held on [\_\_\_\_], 2015 at [\_\_\_\_], local time, at the corporate headquarters of IPC located at 101 Parkshore Dr., Suite #100, Folsom, CA 95630, for the following purposes:

1. To consider and vote upon a proposal to approve the Merger and the issuance of IPC common stock pursuant to the Agreement and Plan of Merger, dated as of November 11, 2014, by and among IPC, Strategic Concepts Acquisition Corp., Prism and Gregory J. Duman, as the Securityholders’ Agent, a copy of which is attached as *Annex A* to the accompanying joint proxy statement/prospectus.
2. To consider and vote upon an adjournment of the IPC special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1.
3. To transact such other business as may properly come before the IPC special meeting or any adjournment or postponement thereof.

The board of directors of IPC has fixed [ ] as the record date for the determination of stockholders entitled to notice of, and to vote at, the IPC special meeting and any adjournment or postponement thereof. Only holders of record of shares of IPC common stock at the close of business on the record date are entitled to notice of, and to vote at, the IPC special meeting. At the close of business on the record date, IPC had [ ] shares of common stock outstanding and entitled to vote.

**Your vote is important. The affirmative vote of the holders of a majority of the shares of IPC common stock having voting power present in person or represented by proxy at the IPC special meeting is required for approval of the proposals. The Merger cannot be consummated without the approval of IPC Proposal No. 1.**

**Even if you plan to attend the IPC special meeting in person, IPC requests that you sign and return the enclosed proxy to ensure that your shares will be represented at the IPC special meeting if you are unable to attend.**

By Order of the IPC Board of Directors,

Hussein A. Enan  
Chairman and Chief Executive Officer  
Folsom, California  
[ ], 2015

**THE IPC BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT EACH OF THE PROPOSALS OUTLINED ABOVE IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, IPC AND ITS STOCKHOLDERS AND HAS APPROVED EACH SUCH PROPOSAL. THE IPC BOARD OF DIRECTORS RECOMMENDS THAT IPC STOCKHOLDERS VOTE "FOR" EACH SUCH PROPOSAL.**

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We urge you to read the accompanying joint proxy statement/prospectus, including all documents incorporated by reference into the accompanying joint proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the Merger Agreement, the Merger, the IPC special meeting or the accompanying joint proxy statement/prospectus, would like additional copies of the accompanying joint proxy statement/prospectus or need help voting your shares of IPC common stock, please contact:

D.F. King & Co., Inc.  
48 Wall Street

New York, NY 10005

Toll-free: 866-387-7715

Banks and Brokers should call 212-493-3910

E-mail: [ptomaszewski@dfking.com](mailto:ptomaszewski@dfking.com)

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**prism technologies**

**PRISM TECHNOLOGIES, LLC**  
**2323 S. 171st Street, Suite 106**  
**Omaha, NE 68130**

**NOTICE OF SPECIAL MEETING OF THE PRISM TECHNOLOGIES, LLC MEMBERS TO BE HELD ON [ ], 2015**

To Members of Prism Technologies, LLC:

Prism Technologies, LLC, a Nebraska limited liability company (“Prism”), has entered into an Agreement and Plan of Merger, dated as of November 11, 2014 (the “Merger Agreement”), by and among Prism, Internet Patents Corporation, a Delaware corporation (“IPC”), Strategic Concepts Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of IPC (“Merger Sub”), and Gregory J. Duman, as the Securityholders’ Agent (the “Securityholders’ Agent”), pursuant to which Merger Sub will be merged with and into Prism, and Prism will continue as the surviving entity and as a wholly owned subsidiary of IPC.

A special meeting of the members of Prism (the “Prism Members” and, individually, a “Prism Member”) will be held at [ ], on [ ], [ ], 2015, at [ ] a.m., local time, for the following purposes:

1. To approve the Merger and the Merger Agreement, a copy of which is attached as *Annex A* to the accompanying joint proxy statement/prospectus.
2. To consider and vote upon an adjournment of the Prism special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Prism Proposal No. 1.

3. To transact any other business that may properly come before the special meeting or any adjournment or postponement thereof.

These proposals are more fully described in the accompanying joint proxy statement/prospectus, which we encourage you to read carefully, including the “Risk Factors” beginning on page 18. We have included a copy of the Merger Agreement as *Annex A* to this joint proxy statement/prospectus.

Approval of the Merger and the Merger Agreement requires the approval of Prism Members holding at least sixty-seven percent (67%) of then outstanding units (“Units”) held by Prism Members.

**After careful consideration of the Merger and the terms of the Merger Agreement, the board of managers of Prism (the “Prism Board”) has determined that the Merger is fair, advisable and in the best interests of Prism and the Prism Members. Accordingly, the Prism Board unanimously recommends that the Prism Members vote to approve the Merger and the Merger Agreement.**

**Your approval of the Merger is important. The Merger cannot be consummated without approval of Prism Proposal No. 1 by Prism Members holding at least sixty-seven percent (67%) of then outstanding Units held by Prism Members. Even if you plan to attend the Prism special meeting in person, Prism requests that you sign and return the enclosed proxy to ensure that your Units will be represented at the Prism special meeting if you are unable to attend.**

By Order of the Board of Managers,

Gregory J. Duman  
President  
Omaha, Nebraska  
[    ], 2015

## REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about IPC that is not included in or delivered with this document. You may obtain this information without charge through the Securities and Exchange Commission (“SEC”) website ([www.sec.gov](http://www.sec.gov)) or upon your written or oral request by contacting the General Counsel of Internet Patents Corporation, 101 Parkshore Drive, Suite #100, Folsom, California 95630 or by calling (916) 932-2860.

In addition, if you have questions about the merger or the joint proxy statement/prospectus, would like additional copies of the joint proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, please contact D.F. King & Co. Inc., the proxy solicitor for IPC, toll-free at (866) 387-7715 (banks and brokers should call (212) 493-3910) or Gregory J. Duman, Prism Technologies, LLC at (402) 934-2020. You will not be charged for any of these documents that you request.

**To ensure timely delivery of these documents, any request should be made no later than [     ], 2015 to receive them before the special meeting.**

For additional details about where you can find information about IPC, please see the section entitled “Where You Can Find More Information” in this joint proxy statement/prospectus.

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## QUESTIONS AND ANSWERS ABOUT THE MERGER

The following section provides answers to frequently asked questions about the Merger. This section, however, provides only summary information. For a more complete response to these questions and for additional information, please refer to the cross-referenced sections.

### **Q: What is the Merger?**

Internet Patents Corporation (“IPC”), Strategic Concepts Acquisition Corp. (the “Merger Sub”), Prism Technologies, LLC (“Prism”) and Gregory J. Duman, as Securityholders’ Agent, have entered into an Agreement and Plan of Merger, dated as of November 11, 2014 (the “Merger Agreement”). The Merger Agreement contains the terms and conditions of the proposed business combination of IPC and Prism. Under the Merger Agreement, Merger Sub will merge with and into Prism, with Prism surviving as a wholly owned subsidiary of IPC. This transaction is referred to as the “Merger”.

At the effective time of the Merger, in exchange for all of the outstanding equity of Prism outstanding immediately prior to the effective time of the Merger, IPC will pay \$16.5 million in cash (less certain Prism indebtedness and expenses, which are currently expected to be immaterial), and issue 3.5 million shares of IPC common stock to Prism security holders. Subject to certain conditions, IPC has also agreed to share future revenue related to Prism’s patents with Prism’s former security holders up to a maximum amount of approximately \$49.5 million. For a more complete description of what Prism security holders will receive in the Merger, please see the section entitled “The Merger—Merger Consideration” in this joint proxy statement/prospectus.

As a result of the Merger, Prism’s former security holders are expected to own in the aggregate approximately 34.7% of IPC (or approximately 39.3% on a fully-diluted basis), and the IPC stockholders and optionholders are expected to own in the aggregate approximately 65.3% of IPC (or approximately 60.7% on a fully-diluted basis).

### **Q: What will happen to IPC if, for any reason, the Merger does not close?**

If, for any reason, the Merger does not close, the IPC board of directors will continue to operate its current business and may evaluate other strategic transactions from time to time, including another merger, a special distribution of cash, or an acquisition of intellectual property assets.

### **Q: What will happen to Prism if, for any reason, the Merger does not close?**

If, for any reason, the Merger does not close, the Prism board of managers will continue to operate its current business and may evaluate other strategic transactions from time to time, including another merger or sale, an initial public offering, or other sources of financing.

**Q: Why are the two companies proposing to merge?**

Prism and IPC believe that the Merger will create a patent monetization company that increases shareholder value by leveraging the relative strengths of each party, creating more value for IPC stockholders and Prism members in the long-term than IPC or Prism could create as a stand-alone business. For a discussion of IPC and Prism reasons for the Merger, please see the section entitled “The Merger—Reasons for the Merger—IPC Reasons for the Merger” and “The Merger—Reasons for the Merger—Prism Reasons for the Merger” in this joint proxy statement/prospectus.

**Q: Why am I receiving this joint proxy statement/prospectus?**

You are receiving this joint proxy statement/prospectus because you have been identified as a security holder of IPC or Prism as of the applicable record date, and you are entitled, as applicable, to vote at the IPC stockholder meeting to approve the Merger and the issuance of shares of IPC common stock pursuant to the Merger Agreement or to vote at the Prism member meeting to approve the Merger and the Merger Agreement. This document serves as:

a proxy statement of IPC used to solicit proxies for its stockholder meeting;

a prospectus of IPC used to offer shares of IPC common stock as part of the Merger consideration payable to Prism security holders in the Merger; and

a proxy statement of Prism used to solicit proxies for a meeting of its members to approve the Merger and the Merger Agreement.

**Q: What is required to consummate the Merger?**

A: To consummate the Merger, IPC stockholders must approve the Merger and the issuance of IPC common stock pursuant to the Merger Agreement, and Prism members must approve the Merger and the Merger Agreement.

The approval of the Merger and the issuance of IPC common stock pursuant to the Merger Agreement by the stockholders of IPC requires the affirmative vote of the holders of at least a majority of the shares of IPC common stock having voting power present in person or represented by proxy at the IPC special meeting.

The approval of the Merger and the Merger Agreement by the members of Prism requires the approval of Prism members holding at least sixty-seven percent (67%) of then outstanding units held by Prism members.

In addition to the required IPC stockholder and Prism member approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived.

Certain Prism members who in the aggregate own approximately 51% of the outstanding membership units of Prism as of January 22, 2015 are parties to support agreements with IPC, whereby such members agreed, among other things, to vote in favor of the Merger and the adoption and approval of the Merger Agreement and the terms thereof, subject to the terms of the support agreements.

For a more complete description of the closing conditions under the Merger Agreement, we urge you to read the section entitled “The Merger Agreement—Conditions to the Completion of the Merger” in this joint proxy statement/prospectus.

**Q: What will Prism members receive in the Merger?**

As a result of the Merger, Prism members will receive an aggregate of \$16.5 million in cash (less certain Prism indebtedness and expenses, which are currently expected to be immaterial), and 3.5 million shares of IPC common stock. Subject to certain conditions, IPC has also agreed to share future revenue related to Prism’s patents with Prism’s former security holders up to a maximum amount of approximately \$49.5 million.

Based upon (i) 14,766,420 Prism membership units expected to be outstanding at the closing of the Merger and (ii) **A:** the aggregate cash payment of \$16.5 million without any potential reductions for indebtedness or unpaid expenses, the value of the cash consideration per unit to Prism members is expected to be \$1.12 at the closing. Based upon the average closing price of IPC common stock from January 15, 2015 to January 22, 2015, the value of the stock consideration per unit to Prism members is expected to be \$0.65 at the closing, for an aggregate cash and stock consideration per unit equal to \$1.77 at the closing. In addition, assuming achievement of the maximum earnout amount of \$49.5 million following the closing, Prism members would be entitled to an additional \$3.35 of consideration per unit, for a potential aggregate per unit Merger consideration of \$5.12.

For a more complete description of what Prism members will receive in the Merger, please see the section entitled “The Merger—Merger Consideration” in this joint proxy statement/prospectus.

**Q: Who will be the directors of IPC following the Merger?**

**A:** Following the Merger, Gregory J. Duman, Prism’s President, is expected to be appointed to the board of directors of IPC, which will otherwise remain unchanged.

**Q: Who will be the executive officers of IPC and Prism immediately following the Merger?**

**A:** Immediately following the Merger, the executive management teams of IPC and of Prism are expected to remain unchanged.

**Q: What are the material U.S. federal income tax consequences of the Merger to Prism members?**

The Merger will be a taxable transaction to the Prism members for U.S. federal income tax purposes. Prism is taxed as a partnership for federal income tax purposes immediately prior to the sale and will be a single member LLC immediately after the sale. Prism security holders should reference Internal Revenue Service (“IRS”) Revenue Ruling 99-6, 1999-1 C.B. 432 (“Revenue Ruling 99-6”) for general guidance on the taxation of this transaction. In general, a Prism member, who exchanges its Prism membership units for cash and IPC common stock pursuant to the Merger, will recognize a gain or loss in an amount equal to the difference between: (i) such Prism member’s amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any IPC common stock received, and (C) such Prism member’s share, for U.S. federal income tax purposes, of Prism’s liabilities immediately prior to the Merger and (ii) such Prism member’s adjusted tax basis in the Prism membership units exchanged therefor. A Prism member’s amount realized will include any earnout payments received. If a Prism member recognizes gain as a result of the Merger, such Prism member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability.

Tax matters are very complicated, and the tax consequences of the Merger to a particular Prism member will depend on such member’s particular circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the Merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, please see the section entitled “The Merger—Material U.S. Federal Income Tax Consequences of the Merger for Prism Security holders” beginning on page 53.

**Q: As an IPC stockholder, how does the IPC board of directors recommend that I vote?**

**A:** After careful consideration, the IPC board of directors recommends that IPC stockholders vote:

- “FOR” IPC Proposal No. 1 to approve the Merger and the issuance of shares of common stock of IPC pursuant to the Merger Agreement; and

• “FOR” IPC Proposal No. 2 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1.

**Q: As a Prism member, how does the Prism board of managers recommend that I vote?**

**A:** After careful consideration, the Prism board of managers recommends that Prism members vote:

• “FOR” Prism Proposal No. 1 to approve the Merger and the Merger Agreement; and

“FOR” Prism Proposal No. 2 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Prism Proposal No. 1.

**Q: What risks should I consider in deciding whether to vote in favor of the Merger?**

You should carefully review the section of this joint proxy statement/prospectus entitled “Risk Factors,” which sets forth certain risks and uncertainties related to the Merger, risks and uncertainties to which the combined company’s business will be subject, and risks and uncertainties to which IPC and Prism are subject.

**Q: When do you expect the Merger to be consummated?**

We anticipate that the Merger will occur sometime soon after the IPC special meeting to be held on [ ], but we cannot predict the exact timing. For more information, please see the section entitled “The Merger Agreement—Conditions to the Completion of the Merger” in this joint proxy statement/prospectus.

**Q: What do I need to do now?**

**A:** IPC and Prism urge you to read this joint proxy statement/prospectus carefully, including its annexes, and to consider how the Merger affects you.

If you are a stockholder of IPC, you may provide your proxy instructions in one of two different ways. First, you can mail your signed proxy card in the enclosed return envelope. You may also provide your proxy instructions via the Internet by following the instructions on your proxy card or voting instruction form. Please provide your proxy instructions only once, unless you are revoking a previously delivered proxy instruction, and as soon as possible so that your shares can be voted at the special meeting of IPC stockholders. Even if you plan to attend the IPC special meeting in person, IPC requests that you sign and return the enclosed proxy to ensure that your shares will be represented at the IPC special meeting if you are unable to attend.

If you are a member of Prism, you can mail your signed proxy card in the enclosed return envelope. Please provide your proxy instructions only once, unless you are revoking a previously delivered proxy instruction and as soon as possible so that your units can be voted at the special meeting of Prism members. Even if you plan to attend the Prism special meeting in person, Prism requests that you sign and return the enclosed proxy to ensure that your units will be represented at the Prism special meeting if you are unable to attend.

**Q: May I vote in person at the special meeting of stockholders of IPC?**

If your shares of IPC common stock are registered directly in your name with the IPC transfer agent, you are considered to be the stockholder of record with respect to those shares, and the proxy materials and proxy card are being sent directly to you by IPC. If you are an IPC stockholder of record, you may attend the special meeting of IPC stockholders and vote your shares in person. Even if you plan to attend the IPC special meeting in person, IPC requests that you sign and return the enclosed proxy to ensure that your shares will be represented at the IPC special meeting if you are unable to attend. If your shares of IPC common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in “street name,” and the proxy materials are being forwarded to you by your broker or other nominee together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting of IPC stockholders. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the IPC special meeting unless you obtain a proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

**Q: What happens if I do not return a proxy card or otherwise provide proxy instructions, as applicable?**

If you are an IPC stockholder and you fail to deliver a proxy, the resulting non-attendance will have the same effect **A:** as a vote “AGAINST” the approval of IPC Proposal No. 1, but will have no effect on the outcome of the vote for IPC Proposal No. 2.

If your bank, broker or nominee holds your IPC shares in its name and you do not instruct it how to vote, it will not have discretion to vote on any of the proposals at the special meeting. Brokers, banks or other nominees who hold shares in street name for their customers have the authority to vote on “routine” proposals when they have not received instructions from the beneficial owners of such shares. However, brokers, banks or other nominees do not have the authority to vote shares they hold for their customers on non-routine proposals when they have not received instructions from the beneficial owners of such shares. Each of Proposals No. 1 and 2 are non-routine proposals. As a result, absent instructions from the beneficial owner of such shares, brokers, banks and other nominees will not vote those shares. This is referred to as a “broker non-vote.” Broker non-votes are counted for purposes of determining whether there is a quorum. Broker non-votes will have the same effect as a vote “AGAINST” the approval of IPC Proposal No. 1. Broker non-votes will not have any effect on the outcome of the vote on the IPC Proposal No. 2 if it is submitted for approval when no quorum is present at the special meeting.

If you are a Prism member and you fail to deliver a proxy, the resulting non-attendance will have the same effect as a vote “AGAINST” the approval of Prism Proposal No. 1, but will have no effect on the outcome of the vote of Prism Proposal No. 2.

**Q: When and where is the special meeting of IPC stockholders?**

A: The special meeting of IPC stockholders will be held at the corporate headquarters of IPC located at 101 Parkshore Dr., Suite #100, Folsom, CA 95630, at [ ], local time, on [ ]. Subject to space availability, all IPC stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.



**Q: When and where is the special meeting of Prism members?**

A: The special meeting of Prism members will be held at [ ], at [ ], local time, on [ ]. Subject to space availability, all Prism members or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.

**Q: If my IPC shares are held in “street name” by my broker, will my broker vote my shares for me?**

A: If you hold your shares in street name, you must provide your broker, bank or other nominee with instructions in order to vote those shares. To do so, you should follow the voting instructions provided to you by your bank, broker or other nominee. If your bank, broker or nominee holds your shares in its name and you do not instruct it how to vote, it will not have discretion to vote on Proposals No. 1 and 2 at the special meeting.

**Q: May I change my vote after I have submitted a proxy or provided proxy instructions?**

A: IPC stockholders of record may change their vote at any time before their proxy is voted at the IPC special meeting in one of three ways. First, a stockholder of record of IPC can send a written notice to IPC’s Secretary stating that it would like to revoke its proxy. Second, a stockholder of record of IPC can submit new proxy instructions either on a new proxy card or via the Internet. Third, a stockholder of record of IPC can attend the IPC special meeting and vote in person. Attendance alone will not revoke a proxy. If an IPC stockholder of record or a stockholder who owns IPC shares in “street name” has instructed a broker to vote its shares of IPC common stock, the stockholder must follow directions received from its broker to change those instructions.

Prism members of record may change their vote at any time before their proxy is voted at the Prism special meeting in one of three ways. First, a member of record of Prism can send a written notice to Prism’s President, stating that it would like to revoke its proxy. Second, a member of record of Prism can submit new proxy instructions on a new proxy card. Third, a member of record of Prism can attend the Prism special meeting and vote in person. Attendance alone will not revoke a proxy.

**Q: Who is paying for this proxy solicitation?**

A: IPC will pay for the costs of printing and filing of this joint proxy statement/prospectus and the proxy cards. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries who are record holders of IPC common stock for the forwarding of solicitation materials to the beneficial owners of IPC common stock. IPC will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of solicitation materials.

**Q: Who can help answer my questions?**

If you are an IPC stockholder and would like additional copies, without charge, of this joint proxy  
**A:** statement/prospectus or if you have questions about the Merger, including the procedures for voting your shares,  
you should contact:

D.F. King & Co., Inc.  
48 Wall Street

New York, NY 10005

Toll-free: 866-387-7715

Banks and brokers: 212-493-3910  
E-mail: [ptomaszewski@dfking.com](mailto:ptomaszewski@dfking.com)

OR

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Internet Patents Corporation  
101 Parkshore Drive, Suite #100  
Folsom, California 95630  
Tel: (916) 932-2860  
Attn: General Counsel  
eric@ipcwebmail.com

If you are a Prism member, and would like additional copies, without charge, of this joint proxy statement/prospectus or if you have questions about the Merger, you should contact:

Prism Technologies, LLC  
2323 S. 171<sup>st</sup> Street, Suite 106  
Omaha, NE 68130  
Telephone: (402) 934-2020  
Attn: Gregory J. Duman  
greg.duman@prsmip.com

## Prospectus Summary

*This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To better understand the Merger, the proposals being considered at the IPC special meeting and the Prism member meeting, you should read this entire joint proxy statement/prospectus carefully, including the Merger Agreement attached as Annex A and the opinion of Sanli Pastore & Hill, Inc. attached as Annex B to which you are referred herein. For more information, please see the section entitled “Where You Can Find More Information” in this joint proxy statement/prospectus.*

## The Companies

### Internet Patents Corporation

101 Parkshore Drive, Suite #100  
Folsom, California 95630  
(916) 932-2860

Internet Patents Corporation (“IPC”) was originally incorporated in California in February 1995, was re-incorporated in Delaware in October 1996, and is headquartered outside of Sacramento, California.

From its inception through December 21, 2011, IPC operated an online insurance marketplace that electronically matched consumers and providers of automobile, property, health, term life, and small business insurance. IPC discontinued this business in connection with the sale of substantially all of its assets in a transaction that closed in December 2011 (the “Disposition”). In connection with the Disposition, IPC changed its name from InsWeb Corporation to Internet Patents Corporation. IPC’s business consists solely of plans to license and otherwise enforce its portfolio of seven e-commerce patents (the “Patent Licensing Business”).

At its incorporation in 1995, IPC was among the earliest companies operating exclusively online, and IPC employed a significant staff of software and systems engineers to develop technology leveraging the power of the Internet. Although IPC’s principal business focus at that time was online insurance lead generation, the problems that IPC’s technology experts faced were common to many e-commerce companies. IPC’s innovative solutions to these problems are now covered by patents that it believes apply to many e-commerce activities, including:

personalized product recommendations to web site visitors;

retargeting or remarketing to web site visitors;

online registration and application processes and forms;

maintaining consistent look and feel of web pages in multiple languages; and

generating quick or even real time product rate requests.

IPC's patent portfolio consists of seven issued patents, all of which are considered utility patents. All of the issued patents are wholly-owned by IPC, except for U.S. Patent No. 7,389,246 in which IPC transferred a one-half ownership interest to an unrelated company on a royalty-free basis. All of the patents issued to IPC describe technologies that were invented by employees of IPC and assigned to IPC. In addition, IPC continues to pursue continuation patent applications related to some of the issued patents. IPC does not engage in research and development activities, and therefore does not expect to develop further patentable inventions; however, IPC may acquire additional patents from third parties for strategic purposes.

**Prism Technologies, LLC**  
**2323 S. 171<sup>st</sup> Street, Suite 106**  
**Omaha, NE 68130**  
**Telephone: (402) 934-2020**

Prism Technologies, LLC ("Prism") is a Nebraska limited liability company headquartered in Omaha, Nebraska. Prism was formed in 2003 as a successor to Prism Resources, Inc. Prism is the majority owner of two primary operating subsidiaries: Secure Axxess, LLC, a Texas limited liability company, and Millenium Biologix, LLC, a Nebraska limited liability company.

Prism's business model is focused on intellectual property licensing and technology research and development. As of January 26, 2015, Prism and its subsidiaries owned a patent portfolio consisting of nine patent families incorporating 51 issued patents and five pending patent applications in the computer and network security, semiconductors and medical technology space. Of the 51 patents, substantially all were acquired from third parties, many of whom have a continuing right to receive a portion of the proceeds from licensing activities. Prism's executives and advisors have substantial experience licensing patents.

### **Strategic Concepts Acquisition Corp.**

Strategic Concepts Acquisition Corp. (the "Merger Sub") is a wholly-owned subsidiary of IPC and was formed solely for the purposes of carrying out the Merger.

### **The Merger** (see page 34)

If the Merger is completed, Merger Sub will merge with and into Prism, with Prism surviving as a wholly owned subsidiary of IPC.

Immediately after the Merger, Prism members will own approximately 39.3% of the fully-diluted common stock of IPC, with IPC stockholders and optionholders holding approximately 60.7% of the fully-diluted common stock of IPC.

For a more complete description of the Merger Agreement, please see the section entitled "The Merger Agreement" in this joint proxy statement/prospectus.

The closing of the Merger will occur no later than the third business day after the last of the conditions to the Merger has been satisfied or waived, or at another time as IPC and Prism agree. IPC and Prism anticipate that the consummation of the Merger will occur after the IPC special meeting. However, because the Merger is subject to a number of conditions, neither IPC nor Prism can predict exactly when the closing will occur or if it will occur at all.

### **Reasons for the Merger** (see page 37)

IPC and Prism believe that the Merger will create a patent monetization company that increases shareholder value by leveraging the relative strengths of each party, creating more value for IPC stockholders and Prism members in the long-term than IPC or Prism could create as a stand-alone business.

The IPC board of directors made its determination to approve the Merger and the Merger Agreement after considering the factors described in this joint proxy statement/prospectus and after consulting with IPC's senior management and IPC's financial advisor. The positive factors considered by the IPC board of directors included, but were not limited to, the following:

the range of strategic alternatives to the Merger, including the option of continuing to operate IPC on a stand-alone basis;

the opportunity for IPC stockholders to participate in the potential future value of the combined company;

the significant experience of Prism management in the patent monetization business, and their track record of producing revenues and profits;

the relationships and connections that Prism has with inventors and other patent holders, and the experience that Prism management has in analyzing potential patent portfolios for acquisition;

the diversification and potential reduction in risk resulting from an expanded patent portfolio;

the terms and conditions of the Merger Agreement;

the fairness opinion of Sanli, Pastore and Hill (“SP&H”);

the maintenance of IPC’s public company status to provide liquidity for stockholders;

the potential for accelerating the utilization of IPC’s net operating loss carryforwards; and

the likelihood that the Merger will be completed on a timely basis.

The IPC board of directors also considered a number of potentially negative factors in its deliberations concerning the Merger, including:

the general challenges associated with successfully integrating two companies;

the risk that one or more of Prism’s patents will be declared invalid;

the risk that Prism will not achieve the results contained in projections provided to IPC during discussions of the Merger;

the potential loss of key employees critical to the ongoing success of the combined company’s business;

the interests of IPC directors and executive officers in the Merger, including the matters described under the section entitled “The Merger — Interests of the IPC Directors and Executive Officers in the Merger” beginning on page 49;

the risk that conditions to the completion of the Merger will not be satisfied and that the Merger may not be completed in a timely manner or at all;

the risk that the Merger will limit or prevent IPC from pursuing other strategic alternatives, including a cash distribution to stockholders;

the ability of Prism’s current officers and managers to significantly influence the combined company’s business following the completion of the Merger; and



the other risks described above under the section entitled “Risk Factors” beginning on page 18.

The Prism board of managers, acting with the advice and assistance of the executive officers of Prism, evaluated the proposed Merger, including the terms and conditions of the Merger Agreement. In the course of reaching its determination that the Merger is in the best interests of Prism and its members, the Prism board of managers, with the advice and assistance of Prism’s executive officers, considered the following material factors that it believed supported its determination:

the Merger will allow Prism members to monetize their investment in Prism, providing the Prism members with the ability to obtain liquidity in the form of cash and registered shares of IPC common stock, subject to the restrictions set forth in the Merger Agreement;

the inclusion of IPC common stock in the Merger consideration allows Prism members to receive both cash consideration and the opportunity to participate in the future results of IPC;

the possible strategic alternatives to the Merger, including continuing as a standalone company, an initial public offering, private equity financing, or a sale or merger with other parties, each of which was determined to be less favorable to Prism and the Prism members than the Merger given the potential risks, rewards, and uncertainties associated with those alternatives;

the expectation that Prism management will remain in place following the consummation of the Merger and will manage the pending enforcement actions and future enforcement actions with access to significantly more capital than prior to the Merger; and

the likelihood that the Merger would be completed, based on, among other things:

- o the absence of significant required regulatory approvals;
- o the Prism members' desire for liquidity; and
- o the reputation and financial capacity of IPC.

In the course of its deliberations, with the advice and assistance of the executive officers of Prism, the Prism board of managers also considered a variety of risks and other countervailing factors related to entering into the Merger Agreement, including, without limitation, the following:

the fact that Prism will no longer be an independent company and the concern that Prism's management will not have autonomy in its decision-making;

the potential negative consequences that could result from public visibility into Prism's financial statements;

the fact that the number of shares of IPC common stock offered as consideration is fixed and therefore the total Merger consideration at the time of closing may have a greater or lesser value than at the time the Merger Agreement was signed;

the risk that the Merger might not be completed in a timely manner or at all, including the risk that the shareholders of IPC or the members of Prism do not approve the Merger or the Merger Agreement;

the risks and costs to Prism if the Merger does not close, including the diversion of management and employee attention;

the risk that, while the Merger is expected to be completed, there can be no assurance that all conditions to the parties' obligations to complete the Merger will be satisfied, and as a result, it is possible that the Merger may not be completed even if it is approved by the Prism members; and

the fact that the Prism board of managers did not receive a fairness opinion regarding the fairness of the Merger consideration to Prism members from a financial point of view, or with respect to projections, estimates, and other forward-looking statements about the future earnings or other measures of the future performance of the combined company should the Merger close.

In addition, the Prism board of managers was aware of and considered the interests that certain members of the Prism board of managers and executive officers have in the Merger that are different from, or in addition to, the interests of Prism members generally, as described in "The Merger—Interests of the Prism Managers and Executive Officers in the

Merger” beginning on page 50.

**Opinion of the IPC Financial Advisor** (see page 39)

Sanli Pastore & Hill, Inc. (“SP&H”), the financial advisor of IPC, delivered to the board of directors of IPC a written opinion dated November 9, 2014, addressed to the board of directors of IPC, to the effect that, as of the date of the opinion and based on and subject to various assumptions, qualifications and limitations described in the opinion, the Merger consideration was fair, from a financial point of view, to holders of IPC common stock. The full text of this written opinion to the IPC board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as *Annex B* to this joint proxy statement/prospectus and is incorporated by reference in its entirety into this joint proxy statement/prospectus. Holders of IPC common stock are encouraged to read the opinion carefully in its entirety. **The SP&H opinion was provided to the board of directors of IPC in connection with its evaluation of the consideration to be paid in the Merger. It does not address any other aspect of the proposed merger or any alternative to the Merger and does not constitute a recommendation as to how any stockholders of IPC should vote or act in connection with the Merger or otherwise.**

## Overview of the Merger Agreement

### *Merger Consideration* (see page 59)

Each member of Prism immediately prior to the effective time of the Merger will receive its pro-rata share of (i) \$16.5 million in cash (less certain Prism indebtedness and expenses, which are currently expected to be immaterial), (ii) 3.5 million shares of IPC common stock, and (iii) the right to future earnout payments, payable following the occurrence of a future “Earnout Event”, if any. Based upon (i) 14,766,420 Prism membership units expected to be outstanding at the closing of the Merger and (ii) the aggregate cash payment of \$16.5 million without any potential reductions for indebtedness or unpaid expenses, the value of the cash consideration per unit to Prism members is expected to be \$1.12 at the closing. Based upon the average closing price of IPC common stock from January 15, 2015 to January 22, 2015, the value of the stock consideration per unit to Prism members is expected to be \$0.65 at the closing, for an aggregate cash and stock consideration per unit equal to \$1.77 at the closing. In addition, assuming achievement of the maximum earnout amount of \$49.5 million following the closing, Prism members would be entitled to an additional \$3.35 of consideration per unit, for a potential aggregate per unit Merger consideration of \$5.12.

An “Earnout Event” is defined as receipt by Prism of any amount more than \$16.5 million, minus the cash balance of Prism as of closing (the “Sharing Threshold”), in “Prism patent proceeds” from lawsuits filed by Prism on or prior to the closing date of the Merger. Prism patent proceeds include total cash recoveries from litigation or settlement, royalties, license fees and proceeds from patent sales actually received by Prism in connection with its business; minus costs, expenses and fees associated with the production of such revenue (including sales commissions, attorney contingency fees, expert fees and deferred purchase amounts paid to third parties); minus Prism cash operating expenses other than amortization and other non-cash expenses for the applicable measurement period.

Upon the occurrence of an Earnout Event, an earnout payment in cash equal to 70% of the amount of Prism patent proceeds exceeding the Sharing Threshold shall be paid to the former Prism members, provided, however, that the aggregate amount of such earnout payments, including certain permitted pre-closing distributions, shall not exceed \$55 million. As of the date of this joint proxy statement/prospectus, such permitted pre-closing distributions equal approximately \$5.5 million, resulting in a maximum potential earnout payment of approximately \$49.5 million.

The Merger Agreement does not include a price-based termination right, and there will be no adjustment to the total number of shares of IPC common stock that Prism members will be entitled to receive for changes in the market price of IPC common stock or changes in the number of outstanding shares of IPC common stock. Accordingly, the market value of the shares of IPC common stock issued pursuant to the Merger, and the percentage of outstanding IPC common stock to be held by Prism members immediately following the consummation of the Merger, will depend on the market value of the shares of IPC common stock and the number of shares of IPC common stock outstanding at

the time the Merger closes, and could vary significantly from the market value on the date of this joint proxy statement/prospectus.

***Conditions to the Completion of the Merger*** (see page 60)

As a condition to closing, IPC stockholders must approve the issuance of 3,500,000 shares of IPC common stock that will be paid to Prism members in the Merger. Additionally, Prism members holding at least sixty-seven percent (67%) of then outstanding units held by Prism members must approve the Merger and the Merger Agreement. In addition to obtaining such stockholder and member approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived prior to closing.

***No Negotiation*** (see page 63)

Prism agreed that it will not, and will not authorize or permit any representative of Prism to: (a) solicit or encourage the initiation or submission of any expression of interest, inquiry, proposal or offer from any person (other than IPC) relating to a possible “acquisition transaction,” as defined in the Merger Agreement; (b) participate in any discussions or negotiations or enter into any agreement, understanding or arrangement with, or provide any non-public information to, any person (other than IPC or its representatives) relating to or in connection with a possible acquisition transaction; or (c) entertain or accept any proposal or offer from any person (other than IPC) relating to a possible acquisition transaction.

***Termination of the Merger Agreement*** (see page 67)

Either IPC or Prism can terminate the Merger Agreement under certain circumstances, which would prevent the Merger from being consummated.

***Support Agreements*** (see page 69)

Certain Prism members are each party to a support agreement with IPC pursuant to which, among other things, each of these members agreed not to transfer its ownership interest in Prism and to vote all of its membership units of Prism in favor of the Merger and the adoption and approval of the Merger Agreement and the terms thereof. The parties to the support agreements with IPC are: Richard L. Gregg (on behalf of Prism Resources, Inc.), a Prism manager and executive officer; Gregory J. Duman, a Prism manager and executive officer; Gerald C. Korth, a Prism executive officer; Andre J. Bahou, a Prism executive officer; and William Fisher (on behalf of FFI, LLC), a Prism manager.

The members of Prism that are party to a support agreement with IPC owned an aggregate of 6,157,419 membership units of Prism, representing approximately 51% of the outstanding membership units of Prism, as of the date of this joint proxy statement/prospectus.

***Lock-up Agreements*** (see page 69)

As a condition to the closing of the Merger, certain Prism security holders have entered into lock-up agreements, pursuant to which such parties will agree not to, except in limited circumstances, sell or transfer, shares of IPC common stock, including, as applicable, shares received in the Merger from the effective date of the Merger until 180 days from the closing date of the Merger.

As of the date of this joint proxy statement/prospectus, Prism members who have executed lock-up agreements beneficially owned in the aggregate approximately 51% of the outstanding membership units of Prism.

**Management Following the Merger** (see page 92)

Effective as of the closing of the Merger, IPC's board of directors and officers and Prism's officers are expected to remain unchanged except that Gregory J. Duman, a manager, executive officer and security holder of Prism is expected to be appointed to IPC's board of directors immediately following the consummation of the Merger.

**Interests of Certain Directors, Managers, and Officers of IPC and Prism** (see pages 49 and 50)

IPC's stockholders should be aware that certain of the directors and executive officers of IPC have arrangements that provide them with interests in the Merger that are different from, or in addition to, those of the stockholders of IPC. Specifically, each of IPC's current executive officers and directors will be an executive officer and a director, respectively, of the combined company.

As of January 22, 2015, the directors and executive officers of IPC, together with their affiliates, beneficially owned approximately 38.4% of the outstanding shares of IPC common stock entitled to vote. The affirmative vote of the holders of a majority of the shares of IPC common stock having voting power present in person or represented by proxy at the IPC special meeting is required for approval of all IPC proposals.

In considering the recommendations of the Prism board of managers, you should be aware that some of Prism's managers and executive officers have interests in the Merger that are different from, or in addition to, the interests of

Prism members generally. Specifically, Gregory J. Duman, Richard L. Gregg, Andre J. Bahou, and Gerald Korth, who are currently Prism managers or executive officers, will enter into employment agreements and non-competition agreements with IPC, which provide them continued employment with Prism, salary increases, and an aggregate of up to 450,000 IPC stock options, which vest over the term of their three year employment agreement. In addition, Gregory J. Duman is expected to be appointed to IPC's board of directors immediately following consummation of the Merger. Further, Prism managers or executive officers Andre J. Bahou, Gregory Bailey, Richard Danzig and Gerald Korth will exchange their minority interests in a Prism subsidiary into units of Prism. See page 50 for more detail concerning the terms of the employment agreements and non-competition agreements and the minority interest exchange. Finally, pursuant to the Merger Agreement, for six years following the effective time of the Merger, Prism must maintain the directors' and officers' liability insurance policies held by Prism prior to the closing of the Merger.

As of January 22, 2015, all of the members of the Prism board of managers and Prism's executive officers, together with their affiliates, owned, directly or indirectly, approximately 59% of the outstanding Prism units. Approval of the Merger and the Merger Agreement requires the approval of Prism members holding at least sixty-seven percent (67%) of then outstanding units held by Prism members. Certain Prism executive officers and managers, and their affiliates who owned approximately 51% of the outstanding membership units of Prism as of January 22, 2015, have also entered into support agreements with IPC in connection with the Merger. The support agreements are discussed in greater detail in the section entitled "Agreements Related to the Merger—Support Agreements" in this joint proxy statement/prospectus.

The IPC board of directors and Prism board of managers were aware of these respective interests and considered them, among other matters, prior to making their respective determinations to recommend the approval of the Merger to IPC stockholders and Prism members, respectively. For a more complete discussion of the interests of the directors, managers and officers of IPC and Prism, see "The Merger—Interests of the IPC Directors and Executive Officers in the Merger" beginning on page 49 and "The Merger—Interests of the Prism Managers and Executive Officers in the Merger" beginning on page 50.



**Material U.S. Federal Income Tax Consequences of the Merger for Prism Security holders** (see page 53)

The Merger will be a taxable transaction to the Prism members for U.S. federal income tax purposes. Prism is taxed as a partnership for federal income tax purposes immediately prior to the sale and will be a single member LLC immediately after the sale. Prism security holders should reference Revenue Ruling 99-6 for general guidance on the taxation of this transaction. In general, a Prism member, who exchanges its Prism membership units for cash and IPC common stock pursuant to the Merger, will recognize a gain or loss in an amount equal to the difference between: (i) such Prism member's amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any IPC common stock received, and (C) such Prism member's share, for U.S. federal income tax purposes, of Prism's liabilities immediately prior to the Merger and (ii) such Prism member's adjusted tax basis in the Prism membership units exchanged therefor. A Prism member's amount realized will include any earnout payments received. If a Prism member recognizes gain as a result of the Merger, such Prism member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability. Tax matters are very complicated, and the tax consequences of the Merger to a particular Prism member will depend on such member's particular circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the Merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, please see the section entitled "The Merger—Material U.S. Federal Income Tax Consequences of the Merger for Prism Security holders" beginning on page 53.

**Risk Factors** (see page 18)

Both IPC and Prism are subject to various risks associated with their businesses and their industries. In addition, the Merger, including the possibility that the Merger may not be completed, poses a number of risks to each company and its respective security holders, including the following risks:

IPC may not realize the potential value and benefits created by the Merger;

Future results of the combined company may differ materially from the unaudited pro forma financial statements and the forecasts prepared by IPC and Prism presented in this joint proxy statement/prospectus;

Because the lack of a public market for Prism shares makes it difficult to evaluate the fairness of the Merger, the Prism security holders may receive consideration in the Merger that is less than the fair market value of the Prism membership units;

If Prism's liabilities are greater than expected, or if there are unknown Prism obligations, IPC's business could be materially and adversely affected;

Litigation may be instituted against IPC, members of the IPC board of directors, Prism, and members of the Prism board of managers challenging the Merger and adverse judgments in these lawsuits may prevent the Merger from becoming effective within the expected timeframe or at all;

The issuance of IPC's securities to Prism security holders in connection with the Merger will substantially dilute the voting power of current IPC stockholders in the combined company;

The announcement and pendency of the Merger could have an adverse effect on the business prospects for IPC and/or Prism and on IPC's stock price and/or business, financial condition or results of operations;

Failure to complete the Merger or delays in completing the Merger could negatively impact IPC's business, financial condition, or results of operations or IPC's stock price;

If IPC fails to successfully integrate Prism into its internal control over financial reporting or if the current internal control of Prism over financial reporting is found to be ineffective, the integrity of IPC's and/or Prism's financial reporting could be compromised which could result in a material adverse effect on IPC's reported financial results;

Prism members may not receive the contingent cash consideration payments provided for in the Merger Agreement;

The share consideration is not adjustable based on the market price of IPC common stock so the Merger consideration at the closing may have a greater or lesser value than at the time the Merger Agreement was signed;

Some of the directors and executive officers of IPC and the executive officers and managers of Prism have interests in the Merger that are different from, or in addition to, those of the other IPC stockholders and Prism members, respectively; and

The Merger will be a taxable transaction to the Prism members for U.S. federal income tax purposes.

These risks and other risks are discussed in greater detail under the section entitled “Risk Factors” in this joint proxy statement/prospectus. IPC and Prism both encourage you to read and consider all of these risks carefully.

#### **Regulatory Approvals** (see page 53)

In the United States, IPC must comply with applicable federal and state securities laws and the rules and regulations of the NASDAQ Capital Market in connection with the Merger, the issuance of shares of IPC common stock and the filing of this joint proxy statement/prospectus with the SEC. As of the date hereof, the registration statement of which this joint proxy statement/prospectus is a part has not become effective.

#### **Anticipated Accounting Treatment** (see page 57)

The Merger will be accounted for as a “purchase,” as that term is used under generally accepted accounting principles, for accounting and financial reporting purposes. Under purchase accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Prism as of the effective time of the Merger will be recorded at their respective fair values and added to those of IPC. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of IPC issued after the Merger would reflect these fair values and would not be restated retroactively to reflect the historical consolidated financial position or results of operations of Prism.

#### **No Appraisal Rights or Dissenters’ Rights** (see page 58)

Under the Nebraska Uniform Limited Liability Company Act (the “NULLCA”), holders of Prism membership units will not have rights to an appraisal of the fair value of their units in connection with the Merger.

**Comparison of Stockholder Rights** (see page 115)

IPC is incorporated under the General Corporation Law of the State of Delaware (the “DGCL”), and Prism is formed under the laws of the State of Nebraska. Accordingly, the rights of the security holders of each company are currently governed by the DGCL and NULLCA, respectively. If the Merger is completed, Prism members will become stockholders of IPC, and their rights will be governed by the DGCL and the restated certificate of incorporation, as amended (the “Certificate of Incorporation”), and amended and restated bylaws, as amended (the “Bylaws”), of IPC. The rights of IPC stockholders contained in the Certificate of Incorporation and Bylaws of IPC differ from the rights of Prism members under the articles of organization and operating agreement of Prism, as more fully described under the section entitled “Comparison of Rights of Holders of IPC Common Stock and Prism Units” in this joint proxy statement/prospectus.

**Comparative Historical and Unaudited Pro Forma Per Share Data**

The information below reflects the historical net income (loss) and book value per share of IPC common stock and the historical net income (loss) and book value per unit of Prism membership units in comparison with the unaudited pro forma net income (loss) and book value per share after giving effect to the proposed Merger of IPC with Prism on a purchase basis.

You should read the tables below in conjunction with the audited and unaudited consolidated financial statements of IPC included in this joint proxy statement/prospectus and the audited and unaudited financial statements of Prism included in this joint proxy statement/prospectus and the related notes and the unaudited pro forma condensed financial information and notes related to such financial statements included elsewhere in this joint proxy statement/prospectus.

**IPC**

	<b>Year Ended December 31, 2013</b>	<b>Nine Months Ended September 30, 2014</b>
<b>Historical Per Common Share Data:</b>		
Basic and diluted net loss per share	\$ (0.34 )	\$ (0.21 )
Book value per share	\$ 3.93	\$ 3.73
Cash dividends paid per share	\$ —	\$ —

**PRISM**

	<b>Year Ended December 31, 2013</b>	<b>Nine Months Ended September 30, 2014</b>
<b>Historical Per Unit Data:</b>		
Basic and diluted net income (loss) per unit	\$ 0.49	\$ (0.22 )
Book value per unit	\$ 0.07	\$ (0.13 )
Cash dividends paid per unit	\$ 0.38	\$ —

**IPC AND PRISM UNAUDITED PRO FORMA COMBINED**

	<b>Year Ended December 31, 2013</b>	<b>Nine Months Ended September 30, 2014</b>
<b>Unaudited Pro Forma Per Common Share Data:</b>		
Basic and diluted net income (loss) per share	\$ 1.49	\$ (1.39 )
Book value per share	\$ N/A	\$ 3.53
Cash dividends paid per share	\$ 0.06	\$ —

Book value per share is defined as: Net assets divided by outstanding shares as of the respective dates. For December 31, 2013, the book value per share for IPC and Prism pro forma combined was not available since the December 31, 2013 balance sheet is not required for pro forma disclosure.

Cash dividends per share is defined as: Dividends distributed divided by outstanding shares as of the respective dates.

**MARKET PRICE AND DIVIDEND INFORMATION**

IPC common stock is listed on The NASDAQ Capital Market under the symbol “PTNT”. The following table presents the range of high and low per share sales prices for IPC common stock as reported on The NASDAQ Capital Market for each of the periods set forth below. Prism is a private company and its securities are not publicly traded.

**IPC Common Stock**

	High	Low
Year Ended December 31, 2013		
First Quarter	\$ 4.00	\$ 3.66
Second Quarter	\$ 3.75	\$ 3.45
Third Quarter	\$ 3.72	\$ 3.15
Fourth Quarter	\$ 3.50	\$ 3.03
Year Ended December 31, 2014		
First Quarter	\$ 3.35	\$ 2.96
Second Quarter	\$ 3.40	\$ 3.00
Third Quarter	\$ 3.15	\$ 2.96
Fourth Quarter	\$ 3.09	\$ 2.60
Year Ended December 31, 2015		
First Quarter (through record date)	\$ [ ]	\$ [ ]

The closing price of IPC common stock on January 22, 2015, as reported on The NASDAQ Capital Market, was \$2.84 per share.

Because the market price of IPC common stock is subject to fluctuation, the market value of the shares of IPC common stock that Prism members will be entitled to receive in the Merger may increase or decrease.

As of [ ], the record date for the IPC special meeting, IPC had approximately [ ] holders of record of its common stock. As of [ ], 2014, Prism had [ ] holders of record of its membership units. For detailed information regarding the beneficial ownership of certain stockholders of IPC upon consummation of the Merger, see the section entitled “Principal Stockholders of Combined Company” in this joint proxy statement/prospectus.

The following table presents the last reported sale price of a share of IPC common stock, as reported on The NASDAQ Capital Market, and the equivalent value of a Prism unit, in each case, on November 11, 2014, the last full

trading day prior to the public announcement of the Merger, and on [ ], 2015, the last practicable day prior to the printing of this joint proxy statement/prospectus for which it was practicable to include this information.

<b>Date</b>	<b>IPC common stock</b>	<b>Prism unit equivalent per share value assuming no earnout payment<sup>(1)</sup></b>	<b>Prism unit equivalent per share value assuming maximum earnout payment<sup>(2)</sup></b>
November 11, 2014	\$ 3.07	\$ 1.76	\$ 4.98
[ ], 2015	\$ [ ]	\$ [ ]	\$ [ ]

(1) Represents the per Prism unit Merger consideration, assuming no adjustment to the cash consideration of \$16.5 million and no earnout payments, based upon the closing price of IPC common stock on the applicable date.

(2) Represents the per Prism unit Merger consideration, assuming no adjustment to the cash consideration of \$16.5 million and receipt of the maximum amount of earnout payments (\$49.5 million), based upon the closing price of IPC common stock on the applicable date.



## **Dividends**

Historically, IPC has not paid any cash dividends on its capital stock. In conjunction with the Disposition on December 21, 2011, IPC declared a special distribution of \$5 per share which was paid to stockholders on March 9, 2012. Other than such distribution, IPC has never paid or declared any cash dividends on its common stock. Any determination to pay dividends subsequent to the Merger will be at the discretion of IPC's board of directors and will depend upon a number of factors, including IPC's results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors that IPC's board of directors deems relevant.

## **Prism Dividend Policy**

Pursuant to the Prism and Secure Axxess operating agreements, all distributions to Prism and Secure Axxess members are made from net cash flow at such times and in such amounts as determined by their respective board of managers.

In the years ended December 31, 2012 and 2013, Prism made distributions to its members of \$0.06 per unit and \$0.38 per unit, respectively. Prism did not make any distributions to its members in the nine months ended September 30, 2014.

In the year ended December 31, 2013, Secure Axxess made a distribution of \$1.06 per unit to its members. Secure Axxess did not make any distributions in 2012 or in the nine months ended September 30, 2014.

## **RISK FACTORS**

*The combined company will be faced with a market environment that cannot be predicted and that involves significant risks, many of which will be beyond its control. In addition to the other information contained in this joint proxy statement/prospectus, you should carefully consider the material risks described below before deciding how to vote your shares of stock. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. Please see the section entitled “Where You Can Find More Information” in this joint proxy statement/prospectus.*

### **Risks Related to the Merger**

*IPC may not realize the potential value and benefits created by the Merger.*

IPC’s ability to realize the expected potential value and benefits created by the Merger requires successful integration of IPC’s existing business with Prism’s business. The integration process may be complex, costly, and time-consuming. The difficulties of integrating the operations of Prism’s business could include, among others:

- failure to implement IPC’s business plan for the combined business, including plans for maximizing the combined company’s intellectual property portfolio;
- unanticipated issues in integrating the business of both companies, including the operations, technology and personnel;
- loss of key employees with knowledge of IPC’s or Prism’s historical business and operations;
- issues with maintaining controls, procedures and policies during the transition and integration process;
- unanticipated changes in applicable laws and regulations; and
- other unanticipated issues, expenses, or liabilities that could impact, among other things, IPC’s ability to realize any expected benefits on a timely basis, or at all.

If IPC and Prism are not able to integrate their operations successfully and timely, the expected benefits of the Merger may not be realized.

*Future results of the combined company may differ materially from the unaudited pro forma financial statements and the forecasts prepared by IPC and Prism presented in this joint proxy statement/prospectus.*

The future results of the combined company may be materially different from those shown in the unaudited pro forma combined financial statements and forecasts presented in this joint proxy statement/prospectus. The pro forma unaudited combined financial statements show only a combination of the historical results of IPC and Prism, which may not be indicative of the results of the combined company. In addition, the forecasts contained in this joint proxy statement/prospectus were created using assumptions and estimates that may prove to be inaccurate due to the inherently unpredictable nature of the patent licensing model. If the actual results differ from the historical results of Prism and/or IPC, or if the assumptions used in preparing the forecasts prove to be inaccurate, the combined company's revenues, expenses and cash flows may be materially and adversely affected.

In addition, IPC expects to incur significant costs associated with the completion of the Merger and combining the operations of the two companies. The exact magnitude of these costs are not yet known, but are estimated to be approximately \$1 million.

*Because the lack of a public market for Prism shares makes it difficult to evaluate the fairness of the Merger, the Prism security holders may receive consideration in the Merger that is less than the fair market value of the Prism membership units.*

The outstanding membership units of Prism are privately held and not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Prism. Because the percentage of IPC common stock to be issued to Prism security holders was determined based on negotiations between the parties, it is possible that the value of the IPC common stock to be received by Prism security holders will be less than the fair market value of Prism, or IPC may pay more than the aggregate fair market value for Prism.

*If Prism's liabilities are greater than expected, or if there are unknown Prism obligations, IPC's business could be materially and adversely affected.*

As a result of the Merger, Prism will become a wholly owned subsidiary of IPC and Prism's liabilities, including contingent liabilities, will be consolidated with IPC's. There may be unforeseen or unexpected liabilities related to the Merger or issues relating to IPC's ability to comply with other applicable laws, rules and regulations. Among other things, if Prism's liabilities are greater than expected, or if there are obligations of Prism of which IPC is not aware at the time of completion of the Merger, IPC's business could be materially and adversely affected.

IPC has limited indemnification rights in connection with matters affecting Prism. Prism may also have other unknown liabilities which IPC will be responsible for after the Merger. If IPC is responsible for liabilities not covered by indemnification rights or substantially in excess of amounts covered through any indemnification rights, IPC could suffer severe consequences that would substantially reduce its revenues, earnings and cash flows.

*Litigation may be instituted against IPC, members of the IPC board of directors, Prism, and members of the Prism board of managers challenging the Merger and adverse judgments in these lawsuits may prevent the Merger from becoming effective within the expected timeframe or at all.*

IPC, members of the IPC board of directors, Prism, and members of the Prism board of managers may be named as defendants in class action lawsuits to be brought by IPC stockholders or Prism members challenging the Merger. If the plaintiffs in these potential cases are successful, they may prevent the parties from completing the Merger in the expected timeframe, if at all. Even if the plaintiffs in these potential actions are not successful, the costs of defending against such claims could adversely affect the financial condition of IPC or Prism.

*The issuance of IPC's securities to Prism security holders in connection with the Merger will substantially dilute the voting power of current IPC stockholders in the combined company.*

Pursuant to the terms of the Merger Agreement, IPC will issue 3.5 million shares of its common stock to Prism security holders. In addition, IPC will grant options to purchase 500,000 shares of its common stock to certain Prism security holders in connection with the individual's employment as an officer or service as a director of the combined company. After such issuances, the security holders of Prism are expected to own approximately 34.7% of the outstanding common stock of IPC (or 39.3% of the outstanding common stock of IPC calculated on a fully diluted basis). Accordingly, the issuance of shares of IPC common stock to Prism security holders in connection with the Merger will significantly reduce the relative voting power of each share of IPC common stock held by current IPC stockholders.

*The announcement and pendency of the Merger could have an adverse effect on the business prospects for IPC and/or Prism and on IPC's stock price and/or business, financial condition or results of operations.*

The announcement and pendency of the Merger could disrupt IPC's and/or Prism's prospective and current businesses. For example, IPC's and Prism's management have substantial responsibilities in completing the Merger and integration of the companies. As a result, their attention may be diverted from the day-to-day business operations of their respective companies, including from other opportunities that might be beneficial to IPC or Prism. Should this occur, the financial condition, results of operations, or business prospects of IPC, Prism, and/or the combined company may be harmed.

*Failure to complete the Merger or delays in completing the Merger could negatively impact IPC's business, financial condition, or results of operations or IPC's stock price.*

The completion of the Merger is subject to a number of conditions and there can be no assurance that the conditions to the completion of the Merger will be satisfied at all or satisfied in a timely manner. In addition, both IPC and Prism have the right to terminate the agreement under certain circumstances. If the Merger is delayed or not completed, IPC's financial condition, results of operations and stock price may be adversely affected by the following:

the current trading price of IPC common stock may reflect a market assumption that the Merger will occur, meaning that a failure to complete the Merger or delays in completing the Merger could result in a decline in the price of IPC common stock;

certain executive officers and/or directors of IPC or Prism may seek other employment opportunities, and the departure of any of IPC's or Prism's executive officers or directors and the possibility that IPC would be unable to recruit and hire experienced executives could negatively impact IPC's future business; and

IPC is expected to incur substantial transaction costs in connection with the Merger whether or not the Merger is completed.

*If IPC fails to successfully integrate Prism into its internal control over financial reporting or if the current internal control of Prism over financial reporting is found to be ineffective, the integrity of IPC's and/or Prism's financial reporting could be compromised which could result in a material adverse effect on IPC's reported financial results.*

As a private company, Prism has not been subject to the requirements of the Securities Exchange Act of 1934, as amended, with respect to internal control over financial reporting, and for a period of time after the consummation of the Merger, IPC management's evaluation of the effectiveness of its internal control over financial reporting will be permitted to exclude the operations of Prism. The integration of Prism into IPC's internal control over financial reporting will require significant time and resources from IPC's management and other personnel and will increase IPC's compliance costs. If IPC fails to successfully integrate these operations, its internal control over financial reporting may not be effective. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on IPC's ability to accurately report its financial results and the market's perception of IPC's business and its stock price. In addition, if Prism's internal control over financial reporting is found to be ineffective, the integrity of Prism's past financial statements could be adversely impacted.

*The share consideration is not adjustable based on the market price of IPC common stock so the Merger consideration at the closing may have a greater or lesser value than at the time the Merger Agreement was signed.*

As part of the total consideration for all outstanding Prism membership units, the Merger Agreement sets forth a maximum share consideration of 3.5 million IPC common shares. Any changes in the market price of IPC common

stock before the completion of the Merger will not affect the number of IPC common shares Prism security holders will be entitled to receive pursuant to the Merger Agreement. Therefore, if before the completion of the Merger, the market price of IPC common stock declines from the market price on the date of the Merger Agreement, then Prism security holders could receive Merger consideration with substantially lower value. Similarly, if before the completion of the Merger the market price of IPC common stock increases from the market price on the date of the Merger Agreement, then Prism security holders could receive Merger consideration with substantially more value than the parties had negotiated for in the Merger Agreement. The Merger Agreement does not include a price-based termination right. Because the share consideration does not adjust as a result of changes in the value of IPC common stock, for each one percentage point that the market value of IPC common stock rises or declines, there is a corresponding one percentage point rise or decline, respectively, in the value of the total share consideration issued to Prism security holders.

*Prism members may not receive the contingent cash consideration payments provided for in the Merger Agreement.*

In addition to the cash and stock consideration payable at the closing of the Merger, IPC has also agreed to share future revenue related to Prism's patents with Prism's former security holders up to a maximum amount of approximately \$49.5 million, or approximately \$3.35 per Prism membership unit, subject to the terms and conditions for such earnout payments set forth in the Merger Agreement. Because this portion of the Merger consideration is contingent upon the occurrence of future earnout events following the closing of the Merger, there are no assurances of the amount of cash, if any, beyond the Merger consideration payable at the closing of the Merger that Prism members will receive for their Prism units. As a result, Prism members will not know, prior to the date of the special meeting, the amount of contingent cash consideration, if any, that may be payable to Prism members. For additional information, see "The Merger—Merger Consideration" beginning on page 52.

*Some of the directors and executive officers of IPC and the executive officers and managers of Prism have interests in the Merger that are different from, or in addition to, those of the other IPC stockholders and Prism members, respectively.*

IPC's stockholders should be aware that certain of the directors and executive officers of IPC have arrangements that provide them with interests in the Merger that are different from, or in addition to, those of the stockholders of IPC. Specifically, each of IPC's current executive officers and directors will be an executive officer and a director, respectively, of the combined company. In addition, Prism members should be aware that Prism managers or executive officers, Gregory J. Duman, Richard L. Gregg, Andre J. Bahou, and Gerald Korth will enter into employment agreements and non-competition agreements with IPC, which provide them continued employment with Prism, salary increases, and an aggregate of 450,000 IPC stock options, which vest over the term of their three year employment agreement. Gregory J. Duman is also expected to be appointed to the IPC board of directors immediately following consummation of the Merger. Prism managers or executive officers Andre J. Bahou, Gregory Bailey, Richard Danzig and Gerald Korth will also exchange their minority interests in a Prism subsidiary into units of Prism.





*The Merger will be a taxable transaction to the Prism members for U.S. federal income tax purposes.*

The Merger will be a taxable transaction to the Prism members for U.S. federal income tax purposes. Prism is taxed as a partnership for federal income tax purposes immediately prior to the sale and will be a single member LLC immediately after the sale. Prism security holders should reference Revenue Ruling 99-6 for general guidance on the taxation of this transaction. In general, a Prism member, who exchanges its Prism membership units for cash and IPC common stock pursuant to the Merger, will recognize a gain or loss in an amount equal to the difference between: (i) such Prism member's amount realized, calculated as the sum of (A) the amount of any cash received, (B) the fair market value of any IPC common stock received, and (C) such Prism member's share, for U.S. federal income tax purposes, of Prism's liabilities immediately prior to the Merger and (ii) such Prism member's adjusted tax basis in the Prism membership units exchanged therefor. A Prism member's amount realized will include any earnout payments received. If a Prism member recognizes gain as a result of the Merger, such Prism member may incur a tax liability without a corresponding receipt of cash sufficient to pay such liability.

Tax matters are very complicated, and the tax consequences of the Merger to a particular Prism member will depend on such member's particular circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the Merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, please see the section entitled "The Merger—Material U.S. Federal Income Tax Consequences of the Merger for Prism Security holders" beginning on page 53.

### **Risks Related to IPC's Common Stock**

*IPC's future stock price may fluctuate widely.*

The trading price of IPC's common stock has been volatile and may be significantly affected by factors including actual or anticipated operating results, announcements regarding licensing or litigation developments, disputes concerning the validity of one or more of IPC's patents, and IPC's limited trading volume. These fluctuations may harm IPC's stock price. Any negative change in the public's perception of the prospects of the Patent Licensing Business could also depress IPC's stock price regardless of its results.

*IPC's common stock may be delisted from The NASDAQ Capital Market if it fails to satisfy the continued listing standards of that market.*

If IPC is unable to satisfy the continued listing standards of The NASDAQ Capital Market, its common stock may be delisted from that market. In order to continue to be listed on The NASDAQ Capital Market, IPC must meet all of the following requirements as set forth in NASDAQ Listing Rule 5550(a):

- minimum bid price of at least \$1.00 per share for 30 consecutive trading days;
- at least 300 total stockholders (including both beneficial holders and holders of record, but excluding any holder who is directly or indirectly an executive officer, director, or the beneficial holder of more than 10% of the total shares outstanding);
- at least 500,000 publicly held shares with a market value of at least \$1 million (excluding any shares held directly or indirectly by officers, directors or any person who is the beneficial owner of more than 10% of the total IPC shares outstanding); and
- at least two registered and active market makers, one of which may be a market maker entering a stabilizing bid.

IPC must also meet at least one of the three standards in NASDAQ Listing Rule 5550(b) as follows:

- stockholders' equity of at least \$2.5 million;
- market value of listed securities of at least \$35 million; or
- net income from continuing operations of \$500,000 in the most recently completed fiscal year or in two of the three most recently completed fiscal years.

If IPC does not satisfy those standards and is unsuccessful in taking corrective action to comply with the listing requirements, it may be delisted from The NASDAQ Capital Market. If IPC's common stock were to be delisted from The NASDAQ Capital Market, trading of IPC common stock most likely would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. Such trading could substantially reduce the market liquidity of IPC common stock. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of IPC common stock.

*IPC's adoption of a shareholder rights plan may reduce the attractiveness of its stock to investors because it limits the ability of persons or entities from acquiring a significant percentage of IPC's outstanding stock.*

On November 30, 2012, IPC stockholders approved an amendment to IPC's Certificate of Incorporation creating a stockholder rights plan designed to preserve the value of certain tax assets associated with net operating loss carryforwards under Section 382 of the Internal Revenue Code of 1986 (as amended, and together with any applicable regulations promulgated thereunder, the "Code"). Stockholders also approved a Section 382 Rights Agreement adopted by IPC's board of directors in November 2011. The stockholder rights plan and rights agreement are intended to act as deterrents to any person or group, together with its affiliates and associates, being or becoming the beneficial owner of 4.9% or more of IPC's common stock. The inability of some stockholders to acquire a significant position could substantially reduce the market liquidity of IPC's common stock, making it more difficult for a stockholder to dispose of, or obtain accurate quotations for the price of, IPC common stock.

*Delaware law and IPC's charter documents contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to IPC stockholders.*

Provisions of Delaware law and IPC's Certificate of Incorporation and Bylaws could make it more difficult for an entity to acquire IPC by means of a tender offer, a proxy contest, or otherwise, and the removal of incumbent directors and officers.

*The U.S. federal income tax treatment of owning IPC common stock received in the Merger will be different than the treatment of owning Prism membership units.*

For U.S. federal income tax purposes, Prism is classified as a partnership, which is not a taxable entity and, thus, is not subject to tax on its income. Instead, each Prism member is required to take into account such member's distributive share of items of income, gain, loss and deduction of Prism in computing its U.S. federal income tax liability. A distribution of cash by Prism to a Prism member generally is not taxable unless the amount of such distribution exceeds such member's adjusted tax basis in its Prism membership units. In contrast, for U.S. federal income tax purposes, IPC is classified as a corporation, is a taxable entity and, thus, is subject to tax on its taxable income. However, IPC's stockholders are not subject to tax on such income. A distribution of cash by IPC to a stockholder is generally taxable to such stockholder to the extent distributed out of IPC's current or accumulated earnings and profits. Cash distributions in excess of IPC's current and accumulated earnings and profits are treated as a return of capital. A return of capital will reduce an IPC stockholder's adjusted tax basis in its common stock. To the extent such cash distributions exceed such IPC stockholder's adjusted tax basis, they generally will be taxable as capital gain from the sale or exchange of such shares.

Tax matters are very complicated, and the tax consequences of owning IPC common stock to a particular Prism member will depend on such member's particular circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of owning IPC common stock to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, please see the section entitled "The Merger—Material U.S. Federal Tax Consequences to U.S. Holders of Owning and Disposing of IPC Common Stock" beginning on page 56.

### **Risks Related to the Combined Company if the Merger Is Completed**

*Revenues of the combined company will be unpredictable.*

IPC received no revenues in 2013 or 2012. Prism received \$39.5 million in revenues in 2013 and \$9.4 million in revenues in 2012. IPC expects that revenues from the patent licensing and enforcement business of the combined company, if any, will be unpredictable because of the significant uncertainty associated with patent licensing and patent enforcement litigation. Historical financial and operating information, therefore, is of limited value in evaluating the future prospects of the combined company. The combined company will continue to incur salary, legal and other expenses of operating its business and its results of operations and financial condition will be materially adversely affected if it fails to effectively manage the overhead costs associated with patent licensing and enforcing patented technologies, it becomes involved in expensive litigation or settlement proceedings which may or may not have successful outcomes, or if the patent licensing business does not perform to the combined company's expectations.

*If the validity of any of the combined company's patents is challenged, the combined company's business may be harmed.*

The success of the patent licensing business of the combined company will depend on its ability to generate royalty fees from licensing technology. It is possible, however, that one or more of the combined company's patents might be declared invalid if challenged by an entity against whom it seeks to enforce patent rights. These challenges to the validity of the combined company's patents may be made by defendants in the course of litigation or by requesting a re-examination before the U.S. Patent and Trademark Office (the "USPTO"). For example, one of IPC's patents and three of Prism's patents are currently the subject of reexamination proceedings before the USPTO. A final determination of invalidity of any patent would mean that the combined company would be unable to pursue and generate further licensing revenues for that patent. Even if the combined company's patents are upheld as valid, it may incur significant legal and expert fees and costs in the litigation and/or re-examination process, which may take several years to conclude and delay its ability to generate revenues. In addition, proceedings before the USPTO challenging the validity of previously issued patents are becoming more common and defendants may also use the pendency of any such action to delay or otherwise impair any pending litigation to enforce the combined company's patents. The combined company's existing or potential customers may await the final outcome of any proceedings before agreeing to new licenses or to paying royalties.

*Even if the combined company's patents are determined to be valid, third parties may choose to alter their business operations rather than pay the combined company an on-going royalty.*

IPC believes that the combined company's patents represent unique technologies that a wide range of third parties have or will find valuable to their operations. Nevertheless, the combined company expects that it will need to utilize patent enforcement litigation to recover damages for past infringement of its patent rights and to incentivize the defendant to accept a license and pay the combined company royalties for future use of the technology. Defendants may, however, choose to modify their operations to work around the claims covered by the combined company's patents. In that case, such defendants would not pay the combined company royalties for future use and the combined company's business, financial condition, results of operations and future prospects may be harmed.

As the markets to be served by the combined company and its licensees frequently undergo transitions in which products rapidly incorporate new features and performance standards on an industry-wide basis, the combined company's ability to prevent such work arounds by a defendant and to remain competitive in the future will depend on its ability to identify and ensure compliance with evolving industry standards.

*Recent court decisions may make it harder for patent holders to win an infringement lawsuit or to recover significant damages.*

Federal circuit and district courts have now begun to interpret and apply recent U.S. Supreme Court patent decisions in a way which may increase invalidity risk, narrow claims scope, and make enforcement litigation less financially attractive. For example, previously accepted methodologies for calculating reasonable royalty damages in infringement litigation are being re-examined and modified, or rejected altogether by courts. Collectively, the recent court decisions make it difficult to predict litigation outcomes or estimate potential damages. The combined company's business may be harmed by the additional uncertainty.

*New legislation, regulations or rules related to obtaining patents or enforcing patents could significantly increase the combined company's operating costs and limit its revenue growth.*

If new legislation, regulations or rules are implemented either by Congress, the USPTO, or the courts that impact the patent application process, the patent enforcement process or the rights of patent holders, these changes could negatively affect the combined company's expenses and revenue growth. For example, new rules regarding the burden of proof in patent enforcement actions could significantly increase the cost of patent enforcement litigation, and new standards or limitations on liability for patent infringement could negatively impact the combined company's revenue derived from such actions.

*The success of the combined company depends in part upon its ability to retain qualified legal counsel to represent it in licensing efforts and patent enforcement litigation.*

The success of the combined company's patent licensing business depends upon its ability to retain qualified legal counsel to represent the combined company in patent enforcement matters. As such patent enforcement actions increase, it may become more difficult to find qualified legal counsel to handle all of the combined company's cases because larger law firms may have a conflict of interest that prevents their representation of the combined company and smaller law firms may not have the resources to handle multiple lawsuits. In addition, contingency fee arrangements, although common in patent enforcement litigation, require the law firm to be willing to devote substantial time to the case based on an expectation of a successful outcome.

*The combined company will be dependent on certain key personnel, and the loss of these key personnel could have a material adverse effect on the combined company's business, financial condition and results of operations.*

The success of the combined company's operations largely depends on the skills, experience and efforts of key Prism personnel. IPC expects to enter into three-year employment agreements and non-competition agreements with current key Prism employees, but these agreements cannot guarantee their continued employment with the combined company. For a variety of reasons, a key employee could terminate his employment with the combined company, which would jeopardize the combined company's ability to execute its strategic plan and materially harm its business.

*The combined company may be unable to obtain additional capital to fund its operations and finance its growth on acceptable terms or at all, which could cause the combined company to delay or abandon its development and expansion plans.*

The combined company may need significant additional capital to implement or expand its business plan or to exercise its legal rights in significant patent infringement cases. There can be no assurance that such capital will be available to the combined company when needed or at all. If the combined company is unable to obtain capital when needed, it may be forced to delay or abandon its enforcement, operational or expansion plans. Any such delays or abandonment could have a material adverse effect on the combined company's business and financial condition.

*As patent enforcement litigation becomes more prevalent, it may become more difficult for the combined company to voluntarily license its patents to other entities.*

IPC believes that the more prevalent patent enforcement actions become, the more difficult it will be for the combined company to license its patents to other entities on a voluntary basis. As a result, the combined company may need to increase the number of its patent enforcement actions to cause infringing companies to license its patents or pay damages for past infringement. This may result in increased expenses, delay the recovery of damages and harm the combined company's business.

*Trial judges and juries often find it difficult to understand complex patent enforcement litigation, and as a result, the combined company may need to appeal adverse decisions by lower courts in order to successfully enforce its patents.*

It is difficult to predict the outcome of patent enforcement litigation at the trial level. It is often difficult for juries and trial judges to understand complex, patented technologies, and as a result, there is a higher rate of successful appeals in patent enforcement litigation than more standard business litigation. Such appeals are expensive and time consuming and result in increased costs and delayed revenue. Although the combined company may diligently pursue enforcement litigation, it cannot predict with significant reliability the decisions made by juries and trial courts.



*The acquisition of patent portfolios by the combined company may not be successful.*

As of the date of this joint proxy statement/prospectus, a substantial portion of Prism's patents were acquired from third parties. The combined company is expected to continue to build its patent portfolio by acquisitions from third parties. Any acquisition may require the combined company to pay cash upfront, share a portion of future licensing proceeds, or both. Such acquisitions are subject to numerous risks, including the following:

- the combined company's inability to enter into a definitive agreement with respect to any potential acquisition, or if the combined company is able to enter into such agreement, its inability to consummate the potential acquisition;
- difficulty integrating the operations, technology and personnel of the acquired entity;
- our inability to achieve the anticipated financial and other benefits of the specific acquisition;
- diversion of the combined company management's attention from other business concerns; and
- failure of the combined company's due diligence process to identify significant issues, including issues with respect to patented technologies and patent portfolios, and other legal and financial contingencies.

Analyzing the validity and enforceability of patents is a complex and uncertain process and there can be no assurance that a patent that is acquired will produce positive returns on the investment.

*Patent enforcement is time-consuming and requires significant management and financial resources.*

Prism has in the past expended a significant amount of financial and management resources to pursue patent licensing and enforcement and the combined company is also expected to spend a significant amount of financial and management resources on licensing and enforcement matters. IPC believes that any licensing and enforcement matters that the combined company may in the future determine to pursue could continue for years and continue to consume significant financial and management resources. The counterparties to the combined company's licensing and enforcement activities may be large, well-financed companies with substantially greater resources than the combined company. IPC cannot assure you that any of the combined company's licensing and enforcement efforts will result in a favorable outcome. In addition, even if the combined company obtains favorable interim rulings or verdicts in particular litigation matters, such rulings may not be predictive of the ultimate resolution of the dispute. Also, IPC cannot assure you that the combined company will not be exposed to claims or sanctions which may be costly or impossible to defend. Unfavorable or adverse outcomes may result in losses, exhaustion of financial resources or other adverse effects which could adversely impact the combined company's ability to generate revenues from its patent licensing and enforcement business.

*Federal courts are becoming more crowded, and as a result, patent enforcement litigation is taking longer.*

If the combined company is required to litigate to enforce its patented technologies, its patent enforcement actions will be almost exclusively prosecuted in federal court. Federal trial courts that hear patent enforcement actions also hear criminal cases, which will take priority over the combined company's patent enforcement actions. As a result, it is difficult to predict the length of time it will take to complete an enforcement action. Moreover, IPC believes there is a trend in increasing numbers of civil lawsuits and criminal proceedings before federal judges, and as a result, IPC believes that the risk of delays in patent enforcement actions may have an adverse effect on the combined company's business in the future unless this trend changes.

*The combined company is expected to depend upon relationships with others to provide technology-based opportunities that can develop into profitable royalty-bearing licenses, and if it is unable to maintain and generate new relationships, then they may not be able to sustain existing levels of revenue or increase revenue.*

The combined company will continue to apply for patents on technologies it develops, but it is expected to depend increasingly upon the identification and acquisition of new patents and inventions through relationships with inventors, universities, research institutions, technology companies and others. If the combined company is unable to demonstrate success in licensing acquired patents, it will be difficult to maintain those relationships and to continue to grow new relationships and it may not be able to sustain revenue and growth.

*Adverse changes in general economic conditions could adversely affect the combined company's operating results.*

The severe economic downturn in the United States in 2007- 2008 resulted in a record level of corporate insolvencies. IPC is unable to estimate the probability that companies that the combined company asserts its patents against will have sufficient resources to fully compensate it for their past infringement or future use of the combined company's patented technologies. The inability to recover full value from a significant number of entities would harm the combined company's future revenues. In addition, uncertainty about future patent licensing and litigation recoveries will make it more difficult to accurately assess the potential impairment of patent-related intangible assets.

*The combined company may, in certain circumstances, rely on representations, warranties and opinions made by third-parties that, if determined to be false or inaccurate, may expose it to certain material liabilities.*

The combined company may rely upon representations and warranties made by third-parties from whom it acquired patents or the exclusive rights to license and enforce patents. The combined company may also rely upon the opinions of purported experts. In certain instances, the combined company may not have the opportunity to independently investigate and verify the facts upon which such representations, warranties, and opinions are made. By relying on these representations, warranties and opinions, the combined company may be exposed to liabilities in connection with the licensing and enforcement of certain patents and patent rights which could have a material adverse effect on the combined company's operating results and financial condition.

*In connection with patent enforcement actions to be conducted by the combined company, a court may rule that it has violated certain statutory, regulatory, federal, local or governing rules or standards, which may expose it to certain material liabilities.*

In connection with any patent enforcement actions to be conducted by the combined company, it is possible that a defendant may request and/or a court may rule that the combined company 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 the combined company or award attorney's fees and/or expenses to a defendant, which could be material, and if the combined company is required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm its operating results and financial position.

*IPC's use of its net operating loss carryforwards may be limited as a result of an ownership change or otherwise.*

Federal and state tax laws impose substantial restrictions on the utilization of net operating loss carryforwards in the event of an “ownership change,” as defined in Section 382 of the Code, and in certain other circumstances. Although IPC’s stockholder rights plan (discussed above) is designed to protect against the occurrence of an ownership change under Code Section 382, there is no assurance that such an ownership change could not occur or that the utilization of IPC’s net operating loss carryforwards could not be otherwise restricted by legislative, judicial or regulatory developments.

### **Risks Related to the Industry**

*Changes in patent law could adversely impact the combined company’s business.*

Patent laws may continue to change, and may alter the historically consistent protections afforded to owners of patent rights. Such changes may not be favorable for the combined company and may make it more difficult for the combined company to obtain adequate patent protection to enforce its patents against infringing parties. Increased focus on the growing number of patent-related lawsuits may result in legislative changes which increase the combined company’s costs and related risks of asserting patent enforcement actions. For instance, the United States House of Representatives passed a bill that would require non-practicing entities that bring patent infringement lawsuits to pay legal costs of the defendants, if the lawsuits are unsuccessful and certain standards are not met.

*The combined company's patented technologies face uncertain market value.*

The combined company holds or may acquire patents and technologies that are in the early stages of adoption in the commercial and consumer markets. Demand for some of these technologies is untested and is subject to fluctuation based upon the rate at which the combined company's licensees will adopt such patents and technologies in their products and services.

*Competition for the acquisition of high quality patent assets is intense and, as a result, the combined company may not be able to grow its portfolio of technologies and patents.*

The combined company is expected to encounter competition in the area of patent acquisition and enforcement as the number of companies entering this market is increasing. This includes competitors seeking to acquire the same or similar patents and technologies that the combined company may seek to acquire. As new technological advances occur, many of the combined company's patented technologies may become obsolete before they are completely monetized. If the combined company is unable to replace obsolete technologies with more technologically advanced patented technologies, then this obsolescence could have a negative effect on the combined company's ability to generate future revenues.

The combined company may also compete with venture capital firms and various industry leaders for patent licensing opportunities. Many of these competitors may have more financial and human resources than the combined company. The combined company's market share in one or more technology industries may be reduced as more companies enter the market for similar technology opportunities, which could adversely impact the combined company's future revenue generation.

*Delays in getting patents issued by the USPTO could result in delays in recognizing revenues.*

The combined company will continue to pursue several patent applications currently pending before the USPTO and it intends to continue to apply for additional patents. In addition, the combined company is expected to acquire patent applications from third parties. Patent applications have been increasing each year and IPC believes it is resulting in longer delays in obtaining approval of pending patent applications. The application delays could cause delays in recognizing revenue from these patents and could cause the combined company to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

*Any reductions in the funding of the USPTO could have an adverse impact on the cost of processing pending patent applications and the value of those pending patent applications.*

The assets of the combined company will consist of patent portfolios, including pending patent applications before the USPTO. The value of the combined company's patent portfolios will be dependent upon the issuance of patents in a timely manner, and any reductions in the funding of the USPTO could negatively impact the value of these assets. Further, reductions in funding from Congress could result in higher patent application filing and maintenance fees charged by the USPTO, causing an unexpected increase in the combined company's expenses.

## CAUTIONARY INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements, including financial estimates and statements as to the expected timing, completion and effects of the proposed merger between Merger Sub and Prism, as well as oral statements made or to be made by IPC and Prism, include information constituting “forward-looking statements” within the meaning of, and subject to the safe harbor created by, the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as IPC cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “pro forma,” “estimates,” or “anticipates” or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, forward-looking statements include any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing. Forward looking statements may also include statements about the benefits of the Merger, including future financial and operating results, any statements of the plans, strategies and objectives of management with respect to the approval and closing of the Merger or the combined company, IPC’s ability to solicit a sufficient number of proxies to approve the Merger and the issuance of IPC common shares pursuant to the Merger Agreement and other matters related to the consummation of the Merger.

For a discussion of certain of the factors that may cause IPC, Prism or the combined company’s actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements, and for a discussion of certain of the risks associated with the ability of IPC and Prism to complete the Merger and the effect of the Merger on the business of IPC, Prism and the combined company, see “Risk Factors” beginning on page 18.

Additional factors that could impact IPC’s ability to achieve the results described in any forward-looking statements may be included, if appropriate in IPC’s subsequent Annual Report on Form 10-K, to be filed with the SEC.

**If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the results of IPC, Prism or the combined company could differ materially from the forward-looking statements. All forward-looking statements in this joint proxy statement/prospectus are current only as of the date on which the statements were made. IPC and Prism do not undertake any obligation, and each of them expressly disclaims any obligation, to update, alter, or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise, to reflect events or circumstances after the date on which any statement is made or to reflect the**

**occurrence of unanticipated events. Persons reading this joint proxy statement/prospectus are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.**



## **THE SPECIAL MEETING OF IPC STOCKHOLDERS**

### **Date, Time and Place**

The special meeting of IPC stockholders will be held on [ ], at the corporate headquarters of IPC located at 101 Parkshore Dr., Suite #100, Folsom, CA 95630 commencing at [ ] local time. IPC is sending this joint proxy statement/prospectus to its stockholders in connection with the solicitation of proxies by the IPC board of directors for use at the IPC special meeting and any adjournments or postponements of the special meeting. This joint proxy statement/prospectus is first being furnished to stockholders of IPC on or about [ ], 201[ ].

### **Purposes of the IPC Special Meeting**

The purposes of the IPC special meeting are:

1. To consider and vote upon a proposal to approve the Merger and the issuance of IPC common stock pursuant to the Merger Agreement dated as of November 11, 2014, by and among IPC, Merger Sub, Prism and Gregory J. Duman as the Securityholders' Agent, a copy of which is attached as *Annex A* to this joint proxy statement/prospectus.
2. To consider and vote upon an adjournment of the IPC special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1.
3. To transact such other business as may properly come before the IPC special meeting or any adjournment or postponement thereof.

### **Recommendation of the IPC Board of Directors**

The IPC board of directors has determined and believes that the Merger and the issuance of shares of IPC common stock pursuant to the Merger Agreement is in the best interests of IPC and its stockholders and has approved the Merger Agreement and such issuance. The IPC board of directors recommends that IPC stockholders vote "FOR" IPC Proposal No. 1 to approve the Merger and the issuance of shares of IPC common stock pursuant to the Merger

Agreement.

The IPC board of directors has determined and believes that adjourning the IPC special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1 is advisable to, and in the best interests of, IPC and its stockholders and has approved and adopted the proposal. The IPC board of directors recommends that IPC stockholders vote “FOR” IPC Proposal No. 2 to adjourn the IPC special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1.

### **Record Date and Voting Power**

Only holders of record of IPC common stock at the close of business on the record date, [ ], are entitled to notice of, and to vote at, the IPC special meeting. There were approximately [ ] holders of record of IPC common stock at the close of business on the record date. At the close of business on the record date, [ ] shares of IPC common stock were issued and outstanding. Each share of IPC common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See the section entitled “Principal Stockholders of IPC” in this joint proxy statement/prospectus for information regarding persons known to the management of IPC to be the beneficial owners of more than 5% of the outstanding shares of IPC common stock.

### **Voting and Revocation of Proxies**

The proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of IPC for use at the IPC special meeting.

If you are a stockholder of record of IPC as of the record date referred to above, you may vote in person at the IPC special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the IPC special meeting, IPC urges you to vote by proxy to ensure your vote is counted. You may still attend the IPC special meeting and vote in person if you have already voted by proxy. As a stockholder of record:

to vote in person, come to the IPC special meeting and IPC will give you a ballot when you arrive.

to vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to IPC before the IPC special meeting, IPC will vote your shares as you direct.

to vote on the Internet, go to the website on the proxy card or voting instruction form to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by [ ], Pacific Time to be counted.

If your IPC shares are held by your broker as your nominee, that is, in “street name,” the enclosed voting instruction card is sent by the institution that holds your shares. Please follow the instructions included on that proxy card regarding how to instruct your broker to vote your IPC shares. If you do not give instructions to your broker, your broker can vote your IPC shares with respect to “routine” items but not with respect to “non-routine” items. Routine items are proposals considered routine under the rules of The NASDAQ Capital Market on which your broker may vote shares held in “street name” in the absence of your voting instructions. On non-routine items for which you do not give your broker instructions, the IPC shares will be treated as broker non-votes. It is anticipated that IPC Proposal No. 1 and 2 will be non-routine items.

All properly executed proxies that are not revoked will be voted at the IPC special meeting and at any adjournments or postponements of the IPC special meeting in accordance with the instructions contained in the proxy. If a holder of IPC common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted “FOR” IPC Proposal No. 1 to approve the Merger and the issuance of shares of IPC common stock pursuant to the Merger Agreement; “FOR” IPC Proposal No. 2 to adjourn the IPC special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of IPC Proposal No. 1 in accordance with the recommendation of the IPC board of directors.

IPC stockholders of record may change their vote at any time before their proxy is voted at the IPC special meeting in one of three ways. First, a stockholder of record of IPC can send a written notice to IPC’s Secretary, stating that the stockholder would like to revoke its proxy. Second, a stockholder of record of IPC can submit new proxy instructions either on a new proxy card or via the Internet. Third, a stockholder of record of IPC can attend the IPC special meeting and vote in person. Attendance alone will not revoke a proxy. If an IPC stockholder of record or a stockholder who owns IPC shares in “street name” has instructed a broker to vote its shares of IPC common stock, the stockholder must

follow directions received from its broker to change those instructions.

### **Required Vote**

The presence, in person or represented by proxy, at the IPC special meeting of the holders of a majority of the shares of IPC common stock entitled to vote at the IPC special meeting is necessary to constitute a quorum at the meeting. Votes for or against, abstentions and “broker non-votes” will be counted towards a quorum. Approval of all IPC proposals requires the affirmative vote of the holders of a majority of the shares of IPC common stock having voting power present in person or represented by proxy at the IPC special meeting.

Votes will be counted by the inspector of election appointed for the meeting, who will separately count “FOR” and “AGAINST” votes, abstentions and broker non-votes. Abstentions and broker non-votes will be counted towards the vote total for IPC Proposal No. 1 and will have the same effect as “AGAINST” votes for IPC Proposal No. 1. For IPC Proposal No. 2, if a quorum is present at the special meeting, IPC Proposal No. 2 will be approved if the number of shares voted in favor of that proposal is greater than the number of shares voted against that proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on IPC Proposal No. 2 if it is submitted for stockholder approval when a quorum is present at the meeting. If a quorum is not present at the special meeting, IPC Proposal No. 2 will be approved by the affirmative vote of the holders of a majority of the voting power of IPC common stock present in person or by proxy at the special meeting and no other business will be transacted thereat. Abstentions would have the same effect as a vote “AGAINST” this proposal and broker non-votes would have no effect on the outcome of the vote on this proposal if it is submitted for approval when no quorum is present at the special meeting.

As of January 22, 2015, the directors and executive officers of IPC, together with their affiliates, beneficially owned approximately 38.4% of the outstanding shares of IPC common stock entitled to vote at the IPC special meeting. As of January 22, 2015, IPC is not aware of any affiliate of Prism owning any shares of IPC common stock entitled to vote at the IPC special meeting.

### **Solicitation of Proxies**

IPC will pay the costs of soliciting its shareholders' proxies, as well as all other costs incurred by it in connection with the solicitation of proxies from its shareholders on behalf of its board of directors. In addition to solicitation by mail, directors, officers, employees and agents of IPC may solicit proxies from shareholders of IPC in person or by telephone, facsimile or other electronic methods without compensation other than reimbursement for their actual expenses. Internet Patents has engaged D.F. King & Co., Inc. as its proxy solicitation firm. Such firm will be paid its customary fee of \$6,500 and out-of-pocket expenses.

### **Other Matters**

As of the date of this joint proxy statement/prospectus, the IPC board of directors does not know of any business to be presented at the IPC special meeting other than as set forth in the notice accompanying this joint proxy statement/prospectus. If any other matters should properly come before the IPC special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

### **Assistance**

**If you need assistance in completing your proxy card or have questions regarding the IPC special meeting, please contact:**

D.F. King & Co., Inc.  
48 Wall Street

New York, NY 10005

Toll-free: 866-387-7715

Banks and brokers: 212-493-3910

Email: ptomaszewski@dfking.com

OR

Internet Patents Corporation  
101 Parkshore Drive, Suite #100  
Folsom, California 95630  
Tel: (916) 932-2860  
Attn: General Counsel  
eric@ipcwebmail.com

## **THE SPECIAL MEETING OF PRISM MEMBERS**

### **General**

This joint proxy statement/prospectus is being provided to Prism members as part of a solicitation of proxies by the Prism board of managers for use at the Prism special meeting and any adjournments or postponements of the special meeting. This joint proxy statement/prospectus provides Prism members with important information they need to know to determine whether to approve the Merger and the Merger Agreement.

### **Date, Time, Place and Purpose of the Special Meeting**

The special meeting is scheduled to be held at [ ], on [ ], [ ], 2015, at [ ] a.m., local time. The special meeting is being held for the following purposes:

1. To consider and vote upon a proposal to approve the Merger and the Merger Agreement.
2. To consider and vote upon an adjournment of the Prism special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Prism Proposal No. 1.
3. To transact any other business that may properly come before the Prism special meeting, or any adjournment or postponement thereof.

### **Recommendation of the Prism Board of Managers**

After careful consideration of the Merger and the terms of the Merger Agreement, the Prism board of managers has determined that the Merger is fair, advisable and in the best interests of Prism and the Prism members. Accordingly, the Prism board of managers unanimously recommends that the Prism members vote “FOR” Prism Proposal No. 1 to approve the Merger and the Merger Agreement. For a discussion of the material factors considered by the Prism board of managers in reaching its conclusions, see “The Merger—Prism Reasons for the Merger” beginning on page 38.

## Edgar Filing: Internet Patents Corp - Form S-4/A

The Prism board of managers has determined and believes that adjourning the Prism special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Prism Proposal No. 1 is advisable to, and in the best interests of, Prism and its members and has approved and adopted the proposal. The Prism board of managers recommends that Prism stockholders vote “FOR” Prism Proposal No. 2 to adjourn the Prism special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Prism Proposal No. 1.

Holders of Prism units on the date of the special meeting are entitled to vote to approve the terms of the Merger and the Merger Agreement in person or by proxy. The presence, in person or represented by proxy, at the Prism special meeting of the holders of a majority Prism units entitled to vote at the Prism special meeting is necessary to constitute a quorum at the meeting. Votes for or against, and abstentions will be counted towards a quorum.

The Operating Agreement requires that the Merger be approved by Prism members holding at least sixty-seven percent (67%) of then outstanding units held by Prism members. Approval of all other Prism proposals requires the affirmative vote of the holders of a majority of the Prism units having voting power present in person or represented by proxy at the meeting.

Votes will be counted by the inspector of elections appointed at the meeting who will separately count “FOR” and “AGAINST” votes and any abstentions. Abstentions will be counted towards the vote total for Prism Proposal No. 1 and will have the same effect as “AGAINST” votes for Prism Proposal No. 1.



For Prism Proposal No. 2, if a quorum is present at the special meeting, Prism Proposal No. 2 will be approved if the number of shares voted in favor of that proposal is greater than the number of shares voted against that proposal. Abstentions will have no effect on the outcome of the vote on Prism Proposal No. 2 if it is submitted for member approval when a quorum is present at the meeting. If a quorum is not present at the special meeting, Prism Proposal No. 2 will be approved by the affirmative vote of the holders of a majority of the voting power of Prism units present in person or by proxy at the special meeting and no other business will be transacted thereat. Abstentions would have the same effect as a vote “AGAINST” this proposal.

### **Prism Members, Managers and Executive Officers**

As more fully described under “Agreements Related to the Merger— Support Agreements” beginning on page 69, as of the date of this joint proxy statement/prospectus, members holding 51% of Prism’s outstanding units have signed a support agreement which requires them to, among other things, vote in favor of the Merger and the adoption and approval of the Merger Agreement and the terms thereof.

As of January 22, 2015, all of the members of the Prism board of managers and Prism’s executive officers, together with their affiliates, owned, directly or indirectly, 7,107,528 units, which represented approximately 59% of the outstanding Prism units. Prism currently expects that all managers and executive officers will vote to approve the Merger and the Merger Agreement.

### **Abstentions**

For the proposal to approve the Merger and the Merger Agreement, you may vote FOR or AGAINST or ABSTAIN. **If you abstain from voting, it will have the same effect as a vote “AGAINST” the approval of the Merger and the Merger Agreement.**

### **Other Business**

The Prism board of managers is not currently aware of any business to be acted upon at the special meeting other than the proposal to approve the Merger and the Merger Agreement described in this joint proxy statement/prospectus.

### **Assistance**

If you have more questions about the Merger or need additional copies of this joint proxy statement/prospectus, you should contact Prism at:

Prism Technologies, LLC  
2323 S. 171<sup>st</sup> Street, Suite 106  
Omaha, NE 68130  
Telephone: (402) 934-2020  
Attn: Gregory J. Duman  
greg.duman@prsmip.com

## **THE MERGER**

*This section and the section entitled “The Merger Agreement” in this joint proxy statement/prospectus describe the material aspects of the Merger, including the Merger Agreement. While IPC and Prism believe that this description covers the material terms of the Merger and the Merger Agreement, it may not contain all of the information that is important to you. You should read carefully this entire joint proxy statement/prospectus for a more complete understanding of the Merger and the Merger Agreement, including the Merger Agreement attached as Annex A, the opinion of Sanli Pastore & Hill, Inc. attached as Annex B, and the other documents to which you are referred herein. See the section entitled “Where You Can Find More Information” in this joint proxy statement/prospectus.*

### **Background of the Merger**

#### ***Historical Background for IPC***

Since December 2011, IPC has operated a patent licensing business focused on its portfolio of seven e-commerce patents. Each of the patents describes technology that was developed by IPC during the operation of its insurance lead generation business. In 2012, IPC filed patent infringement lawsuits against six companies, two of which are alleged to have infringed the Event Log patent (U.S. Patent No. 6,898,587) (“Event Log”) and four of which are alleged to infringe the Dynamic Tabs for a Graphical User Interface patent (U.S. Patent No. 7,707,505) (“Dynamic Tabs”). The Event Log litigation was stayed pending a reexamination of the patent by the USPTO. The Dynamic Tabs litigation was dismissed by the district court on the basis that the patent was invalid for lack of patent eligible subject matter, and IPC appealed the dismissal to the Federal Circuit.

IPC has generated no revenues from the patent licensing business but continues to incur expenses during these challenges to its patents. Although IPC’s board of directors continues to believe that its patent portfolio has value, it periodically evaluates the patent licensing business and IPC’s strategic alternatives.

In April 2014, Gregory J. Duman, President and Chief Financial Officer of Prism Technologies, LLC contacted IPC to inquire about IPC’s interest in a potential strategic transaction. IPC had no previous communications with Mr. Duman or Prism. On May 19, 2014, Mr. Hussein A. Enan, IPC’s Chief Executive Officer, Mr. L. Eric Loewe, IPC’s General Counsel and Secretary, and Mr. Steven J. Yasuda, IPC’s Chief Financial Officer and Chief Accounting Officer, met with Mr. Duman to learn more about Prism and the potential transaction. A few days after the meeting, IPC and Prism entered into a non-disclosure agreement and exchanged information over the next two weeks, including information about Prism’s patent portfolio, Prism’s financial results, and projected operating results of a combined company.

At a meeting of the IPC board of directors held telephonically on May 30, 2014, Mr. Enan and IPC's executive officers discussed the potential merger opportunity with the IPC board of directors, which unanimously authorized management to negotiate with Prism.

On June 9, 2014, Prism provided IPC's executive officers with access to an electronic data room and IPC initiated its diligence process.

On June 8, 2014, Mr. Enan, Mr. Loewe, and Mr. Dennis Chookaszian, an IPC director, met with Mr. Duman, other Prism officers and several Prism managers in Omaha, Nebraska. The parties provided additional information regarding their respective patent licensing businesses and discussed the potential benefits of a merger. The Prism representatives also outlined proposed financial terms of a merger, consisting of four million shares of IPC common stock, \$15 million in cash and IPC preferred stock that would pay Prism's current equity owners eighty percent of future net revenues of the combined company, after payment of third party expenses, up to a maximum of \$55 million.

Following the June 8, 2014 meeting, IPC's executive officers held several calls with Prism representatives concerning the structure of a proposed transaction. The parties determined that the issuance of preferred stock would adversely impact the ownership change percentage under IRS rules and regulations, thereby endangering the availability of the NOLs to offset future taxable income of the combined company. As a result, the parties concluded that a contractual earnout provision may be a preferable substitute.

On June 18, 2014, the IPC board of directors held a telephonic meeting to discuss the potential merger with Prism. Mr. Enan described the financial terms presented by Prism at the meeting in Omaha. The IPC board of directors discussed the financial terms and the assumptions underlying pro forma projections provided by Prism. It also discussed: Prism's experience in enforcing patents, potential for accelerating the utilization of IPC's net operating loss carryforwards ("NOLs"), and the extent to which a transaction with Prism would limit future strategic alternatives available to IPC. The IPC board of directors reviewed the information and concluded that a merger appeared to offer potentially significant upside for IPC. Accordingly, the IPC board of directors authorized management to engage accounting, tax and financial advisors.

At a meeting of the IPC board of directors held telephonically on June 26, 2014, Mr. Enan and IPC's other executive officers updated the IPC board of directors on the potential merger, including information from its advisors about the impact of a share issuance on IPC's NOLs and IPC management's analysis of the potential financial impact of a merger. IPC's board of directors approved a counter proposal, which IPC management communicated to Prism the following day. Under the terms of the counter proposal, Prism's equity holders would receive: three million shares of IPC common stock, \$15 million in cash, and 65% of the future net revenues, to a maximum of \$55 million, provided that IPC received the first \$15 million in net revenues after Prism's cash operating expenses and amounts due to third party expenses. IPC's counter proposal also included employment agreements with key Prism employees, at their current salaries, and stock options for an aggregate of 375,000 shares. Finally, IPC offered to expand its board of directors to include one Prism representative.

During the June 26, 2014 IPC board meeting, IPC's executive officers also described introductory discussions initiated by a third party concerning a potential strategic transaction or cooperative business relationship. The third party also operates a patent licensing business. IPC management and IPC's board of directors believed that the merger with Prism was a superior opportunity for IPC and its stockholders.

On July 1, 2014, Mr. Duman e-mailed Mr. Enan and IPC's executive officers to present a counter offer in which Prism's equity holders would receive 3.5 million shares, \$16.5 million in cash, and a 50% share on the first \$16.5 million in net revenues, and a 70% share thereafter, both calculated after payment of third party expenses and Prism's cash operating expenses. Prism agreed to a cap on earnout payments of \$55 million and requested that the earnout apply to both open and future lawsuits. Prism also proposed a small increase in salaries and the grant of options for an aggregate of one million shares under the employment agreements with key Prism employees. Prism also proposed that it be entitled to appoint two representatives to IPC's board of directors.

On July 6, 2014, IPC engaged Sanli, Pastore & Hill as its financial advisor for the transaction. Shortly thereafter, Prism granted access to the transaction data room to representatives of Sanli, Pastore & Hill.

On July 9, 2014, IPC's executive officers held a conference call with Mr. Duman and other representatives of Prism to discuss the form of the merger transaction and the consequences of Prism settling pending litigation prior to closing.

Following a telephonic meeting of the IPC board of directors on July 23, 2014, IPC presented a counter proposal by which Prism's equity holders would receive: 3.5 million shares, \$16.5 million in cash, and a 70% share of net revenues, provided that IPC receive the first \$16.5 million of net revenues and that the earnout be calculated after payments to third parties and Prism's cash operating expenses. IPC also proposed a cap of \$55 million in earnout payments to Prism, and that the earnout would only apply to open lawsuits. IPC's proposal also included an aggregate salary increase of \$150,000 and option grants for an aggregate of 500,000 shares under the employment agreements with key Prism employees. Finally, IPC reiterated its offer of a single Prism representative on the IPC board of directors.

On August 15, 2014, IPC and Prism entered into an exclusivity agreement. Pursuant to this agreement, Prism agreed not to solicit, initiate or take any action to facilitate or encourage the submission of any proposal or offer from any person or entity other than IPC relating to any possible transaction. In the event either IPC or Prism decided to abandon the negotiations, such party would be required to reimburse the transaction expenses of the other party.