VIEWPOINT CORP
Form DEF 14A
May 05, 2006

Information required in proxy statement.
Schedule 14A Information
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
Filed by a party other than the Registrant [ ]
Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

VIEWPOINT CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the
amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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[ ] Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.

(3) Filing Party:

(4) Date Filed:

Viewpoint Corporation
498 Seventh Avenue
New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 21, 2006

Dear Stockholders:

The Annual Meeting of Stockholders of VIEWPOINT CORPORATION, will be held on Wednesday, June 21, 2006, at 10:00 a.m., local time, at the W New York—The Court, 130 East 39th Street, 2nd Floor Studios, New York, NY, for the following purposes:

1. To elect five directors to serve for the ensuing year and until their successors are duly elected and qualified.

2. To ratify the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm for the Company for the 2006 fiscal year.

3. To adopt the Viewpoint Corporation 2006 Equity Incentive Plan.

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on April 25, 2006 are entitled to vote at the Annual Meeting.

A list of stockholders eligible to vote at the meeting will be available for review at Viewpoint's headquarters during regular business hours for ten days prior to the meeting for any purpose related to the meeting.

All stockholders are cordially invited to attend the meeting in person. If you cannot attend the meeting, we urge you to vote by telephone (toll-free) or by using the Internet as instructed on the enclosed proxy card or by mailing the proxy card in the enclosed postage-paid envelope. Any stockholder attending the meeting may vote in person even if he or she has returned a proxy card or voted via the Internet or telephone.

Sincerely yours,

ANDREW J. GRAF
General Counsel and Secretary

New York, New York
May 5, 2006

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, OR VOTE VIA THE INTERNET OR TELEPHONE.

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
June 21, 2006

INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed proxy is solicited on behalf of the Board of Directors of Viewpoint Corporation (the “Company”) for use at the Annual Meeting of Stockholders to be held on Wednesday, June 21, 2006 at 10:00 a.m., local time, or at any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the W New York—The Court, 130 East 39th Street, 2nd Floor Studios, New York, NY.

These proxy solicitation materials and the Company's Annual Report to Stockholders for the year ended December 31, 2005, including financial statements, are being mailed on or about May 5, 2006 to all stockholders entitled to vote at the Annual Meeting.

Record Date and Voting Securities

Stockholders of record at the close of business on April 25, 2006 are entitled to notice of and to vote at the meeting. Each stockholder is entitled to one vote for each share of common stock on all matters presented at the meeting. Stockholders do not have the right to cumulative voting in the election of directors. On April 25, 2006, 65,742,786 shares of common stock, $0.001 par value, of the Company were issued and outstanding.

If your shares are registered directly in your name with our transfer agent, Computershare Investor Services, L.L.C., formerly known as Equiserve Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to vote in person at the meeting. If your shares 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 the nominee together with a voting instruction card. As the beneficial owner, you are also invited to attend the annual meeting. However, since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, trustee, or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use, whether the proxy was given by telephone, via the Internet or by proxy card. The proxy may be revoked by delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date, or by making an authorized Internet or telephone communication on a later date in accordance with the instructions on the enclosed proxy card. It may also be revoked by attendance at the meeting and voting in person.

Voting and Solicitation

Proxies properly given and not revoked will be voted in accordance with the specifications made. Where no specifications are given, such proxies will be voted as the management of the Company may propose. If any matter not described in this proxy statement is properly presented for action at the meeting, the persons named in the enclosed form of proxy will have discretionary authority to vote according to their best judgment.

The cost of soliciting proxies will be borne by the Company. The Company may also reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers, and employees, without additional compensation, personally or by telephone or telegram.

Quorum; Required Votes; Abstentions; Broker Non-Votes

The required quorum for the transactions of business being voted on at this year's Annual Meeting is a majority of the votes eligible to be cast by holders of shares of common stock issued and outstanding on the record date. Shares that are voted "FOR," "AGAINST," "WITHHELD" or "ABSTAIN" are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Annual Meeting with respect to such matter. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. Broker non-votes are treated as being present at the meeting for purposes of establishing a quorum.

With respect to the election of directors, Delaware law requires the affirmative vote of the holders of a plurality of the common stock present and entitled to vote on the election of directors at the Annual Meeting. Therefore, for purposes of the election of directors, abstentions will have no effect on the outcome of the vote.

The affirmative vote of a majority of the votes cast is required to adopt all other proposals being voted on at this year's Annual Meeting.

Although there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining the total number of votes cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

The Delaware Supreme Court has held that, while broker non-votes should be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. The Company intends to treat broker non-votes in a manner consistent with this holding. Thus, a broker non-vote will not affect the outcome of the voting on any of the proposals at the Annual Meeting.

Ownership of Securities by Certain Beneficial Owners

The following table sets forth certain information as of April 25, 2006 regarding the only persons known by the Company to own, directly or indirectly, more than five percent of the Company's common stock. Except as otherwise indicated, each person has sole voting and investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Class(1)
The Clark Estates One Rockefeller Plaza, 31st Floor New York, NY 10020 Kevin S. Moore, Steven Duff(2)	8,118,725	12.35
James E. Crabbe 1305 SW Myrtle Court Portland, OR 97201(3)	3,111,048	4.73
	4,780,899	7.27

EagleRock Capital Management, LLC 551 Fifth Avenue, 34th Floor New York, NY 10176(4)		
Nader Tavokoli EagleRock Capital Management, LLC 551 Fifth Avenue, 34th Floor New York, NY 10176(4)	4,961,529	7.55

(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person, if any, that are currently exercisable or exercisable within 60 days of April 25, 2006 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. Percentage ownership is based on 65,742,786 shares of Common Stock outstanding on April 25, 2006.

(2) These shares of the Company's Common Stock include (i) 553,400 shares acquired by The Clark Estates, Inc, a New York corporation, and (ii) 7,565,325 shares acquired in private placements by Federal Partners, L.P., a limited partnership, the general partner of which is Ninth Floor Corporation. The Clark Estates, Inc. provides management and administrative services to Federal Partners, L.P. and has the sole power to vote or to direct the vote and to dispose of or direct the disposition of all the shares. Mr. Moore is the President and a director of The Clark Estates, Inc. Stephen Duff is a Director of the Company, the Chief Investment Officer of The Clark Estates, Inc., and the Treasurer of Ninth Floor Corporation. Mr. Duff owns a small limited partnership interest in Federal Partners, L.P. and disclaims beneficial ownership of all but 7,513 of the shares listed in this table.

(3) These shares of the Company common stock include (i) 2,730,100 shares beneficially owned by the James E. Crabbe Revocable Trust, of which Mr. Crabbe is the trustee, (ii) 200,500 shares beneficially owned by the Phileo Foundation, of which Mr. Crabbe has investment discretion, (iii) 150,000 shares beneficially owned by the James E. Crabbe IRA, of which Mr. Crabbe has investment discretion, and (iv) 30,448 shares which Mr. Crabbe has the right to acquire under the terms of options granted to Mr. Crabbe in connection with his services as a director of the Company.

(4) As reported in a statement on Schedule 13 G/A filed with the SEC on February 14, 2006, EagleRock Capital Management, LLC (“EagleRock Management”) is the investment manager of EagleRock Master Fund, LP (“ERMF”) and Eagle Rock Institutional Partners LP (“ERIP”). Mr. Nader Tavakoli is the manager of EagleRock Management and controls the investment decisions of EagleRock Management. EagleRock Management, as the investment manager of ERMF and ERIP, has the sole power to vote and dispose of the 4,780,899 shares of Company common stock held by ERMF and ERIP. As the Manager of EagleRock Management, Mr. Tavakoli may direct the voting and disposition of the combined total of 4,961,529 shares of Company common stock held by ERMF, ERIP and Nader Tavakoli. The foregoing shall not be construed as an admission that EagleRock Management or Mr. Tavakoli is for the purposes of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, the beneficial owner of any of the 4,780,899 shares of Company common stock owned by ERMF or ERIP. Pursuant to Rule 13d-4, each of EagleRock Management and Mr. Tavakoli disclaims all such beneficial ownership.

Ownership of Securities by Management

The following table sets forth information with respect to the beneficial ownership of the Company common stock, as of April 25, 2006, by the Company's directors, nominees for election, Named Executive Officers, and all directors and executive officers as a group. Except as otherwise indicated, each person has sole voting and investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable.

Name	Number of Shares	Vested Options(1)	Common Stock and Vested Options	Percentage of Class(2)
Thomas Bennett	—	45,917	45,917	.07%
James E. Crabbe	3,080,600	30,448	3,111,048	4.73%
Stephen Duff(3)	—	29,719	29,719	.05%
Andrew J. Graf	—	66,666	66,666	.10%
Samuel H. Jones, Jr.	940,055	214,667	1,154,722	1.75%
William H. Mitchell	14,500	550,000	564,500	.85%
Dennis Raney	—	40,667	40,667	.06%
Patrick Vogt	—	537,240	537,240	.81%
Harvey D. Weatherson	—	4,445	4,445	.01%
All directors and executive officers as a group (9 persons)	4,035,155	1,519,769	5,554,924	8.26%
All directors and executive officers and the Clark Estates, Inc. and Federal Partners L.P.	12,153,880	1,519,769	13,673,649	20.33%

(1) Represents shares issuable upon exercise of options to purchase Company common stock that are exercisable within 60 days of April 25, 2006.

(2) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of April 25, 2006 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. Percentage ownership is based on 65,742,786 shares of Company common stock outstanding on April 25, 2006.

(3) Mr. Duff is a director of the Company, the Chief Investment Officer of The Clark Estates, Inc., and the Treasurer of Ninth Floor Corporation. Mr. Duff owns a small limited partnership interest in Federal Partners, L.P., the general partner of which is Ninth Floor Corporation. The Clark Estates, Inc. owns 553,400 shares of Company common stock and Federal Partners, L.P., owns 7,565,325 shares of Company common stock which it acquired in private placements in 2003 and 2005. The Clark Estates, Inc. provides management and administrative services to Federal Partners, L.P. and has the sole power to vote or to direct the vote and to dispose of or direct the disposition of all the shares owned by The Clark Estates, Inc. and Federal Partners, L.P. Mr. Duff disclaims beneficial ownership of all shares owned by The Clark Estates, Inc. and Federal Partners, L.P. other than 7,513 shares over which Mr. Duff has beneficial ownership through his limited partnership interest in Federal Partners, L.P.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, certain officers, and persons who own more than ten percent of a registered class of the Company's securities, to file with the SEC reports of ownership and changes in ownership of Company common stock and other equity securities of the Company. Officers, directors and greater-than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during the year ended December 31, 2005, its officers, directors and greater-than ten percent stockholders complied with all Section 16(a) filing requirements.

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PROPOSAL ONE:
ELECTION OF DIRECTORS

Nominees

Unless otherwise specified, all proxies received will be voted in favor of the election of the persons named below as directors of the Company. If any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for the nominee designated by the present Board of Directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting or until a successor has been elected and qualified.

All of the nominees are current members of the Board of Directors.

There is no family relationship among any directors or executive officers of the Company.

Nominees for Election as Directors

Name	Principal Occupation during last five years	Age	Director Since
Stephen Duff	Mr. Duff is the Chief Investment Officer of The Clark Estates, Inc., and became a director of Viewpoint in May 2003. Prior to joining The Clark Estates in 1995, Mr. Duff was a Vice President of The Portfolio Group, a subsidiary of the Chemical Banking Corporation. Mr. Duff serves on the Boards of TRC Companies, Inc., a NYSE traded company, Opto-Generic Devices, Inc., a private company, and The Clara Welch Thanksgiving Home, a non-profit elderly care facility in Cooperstown, NY.	42	2003
Samuel H. Jones, Jr.	Mr. Jones has been a Director of the Company since April 1992. He has been President of S-J Venture Capital Company since 1991. Mr. Jones founded S-J Transportation Company, an industrial waste transportation company, in 1971 and served as its President until 2002.	72	1992
Dennis R. Raney	Mr. Raney joined Viewpoint's Board of Directors in February 2004. Mr. Raney served as Chief Financial Officer at eOne Global from 2001 to 2003. Prior to that position, he served as Executive Vice President and Chief Financial Officer at Novell Incorporated from 1998 to 2001. He began his career at Hewlett-Packard in 1970 where he rose through the ranks to become Chief Financial Officer for Intercontinental Operations and then European Operations, based in various locations including Singapore and Geneva. Following Hewlett-Packard, he was Chief Financial Officer for Bristol-Myers Squibb's Pharmaceutical Group then served as CFO for General Magic, California Microwave and QAD Incorporated before joining Novell. Mr. Raney currently serves on two other public company boards: Easylink Services Corporation, Inc. and Ultratech, Inc. and a private Singapore company, Infiniti Solutions. He is also a principle at Liberty Greenfield California, a partnership that provides real estate advisory services to corporate clients.	63	2004

Name	Principal Occupation during last five years	Age	Director Since
Patrick Vogt	Mr. Vogt has been the President and Chief Executive Officer of the Company since August 2005. From 2003 to 2005, Mr. Vogt served as Senior Vice President and Senior General Manager of Sony eSolutions Company LLC. His team was responsible for Internet Properties Management, Direct Marketing, and Sales across all customer segments. Other responsibilities included Global Contact Center Governance, the eCommerce and Contact Center platform (supporting all distribution channels), and P&L management for Sony's entire direct business. From 2001 to 2003, Mr. Vogt was Vice President of Compaq Computer's eBusiness Group & Software and Peripherals Group, where his team managed all direct marketing activities and the direct on-line business for the Americas region. From 1999 to 2001, Mr. Vogt was General Manager of the Aftermarket Sales Division and Dell Online for Dell Computer Corporation. Mr. Vogt received a Bachelor of Science degree from the State University of New York and has an MBA from Iona College, Hagen School of Business, with a concentration in Marketing.	42	2004
Harvey D. Weatherson	Mr. Weatherson served as Vice President of North America Operations & Strategy for Hewlett-Packard Company from 2000 to 2002 and was responsible for all activities related to business and sales operations, call centers and eCommerce in the United States. From 1994 to 1999, Mr. Weatherson served in a number of senior executive positions at Compaq Computer Corporation, including President of Compaq Canada following Compaq's acquisition of The Tandem Computer Company and President of Compaq Federal in Washington, D.C., following Compaq's acquisition of The Digital Equipment Corporation. Prior to joining Compaq, from 1990 to 1993, Mr. Weatherson was Chief Executive Officer of The Navy Exchange System, a full-line retail services company operated by the U.S. Navy, with $2 billion in annual sales, 130 stores and 24,000 employees. From 2003 to May 2004, Mr. Weatherson served as Chairman, President and CEO of GovConnection, Inc., a subsidiary of PC Connection, Inc. Since May 2004 and continuing through the present, Mr. Weatherson serves on the Board of Directors of PC Connection, Inc. and as Chairman of its Compensation Committee.	68	2005

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE “FOR” THE NOMINEES SET FORTH ABOVE.

Director Resignations

Messrs. Bennett and Crabbe each served on the Board of Directors of the Company during 2005 and resigned in 2006. Mr. Bennett resigned from the Board effective April 28, 2006 and Mr. Crabbe resigned from the Board effective May 2, 2006.

Independence of Directors

The Board of Directors has determined that the majority of the Board of Directors is comprised of "independent directors" within the meaning of applicable Nasdaq listing standards. The Company's independent directors include: Messrs. Duff, Jones, Raney, and Weatherson.

Board of Directors Meetings and Committees

The Board of Directors of the Company held nineteen meetings in 2005. Each director attended at least 80% of the meetings held while such director was a member of the Board of Directors during fiscal year 2005.

The Board of Directors has an audit committee (the "Audit Committee") which currently consists of Dennis Raney, serving as Chairman, and Samuel H. Jones, Jr. Mr. Crabbe served on the Audit Committee from February 24, 2004 through May 2, 2006, the date in which Mr. Crabbe resigned from the Board.

The Audit Committee held nine meetings during fiscal year 2005 and acted once by unanimous written consent. Each director who served on the Audit Committee during fiscal year 2005 attended at least 89% of the meetings of the Audit Committee held during fiscal year 2005.

The Audit Committee's role includes the oversight of our financial, accounting and reporting processes, our system of internal accounting and financial controls and our compliance with related legal and regulatory requirements, the appointment, engagement, termination and oversight of our independent registered public accounting firm, including conducting a review of their work, reviewing and pre-approving any audit and non-audit services that may be performed by them, reviewing with management and our independent registered public accounting firm the adequacy of our internal financial controls, and reviewing our critical accounting policies and the application of accounting principles.

Each member of the Audit Committee meets the independence criteria prescribed by applicable law and the rules of the Securities and Exchange Commission (the "SEC") for audit committee membership. Each member is an "independent director" within the meaning of applicable Nasdaq listing standards and each member meets Nasdaq's financial knowledge requirements. The Board of Directors has further determined that Mr. Raney is an "audit committee financial expert" as such term is defined in Item 401(h) of Regulation S-K promulgated by the SEC and that Mr. Raney meets Nasdaq's professional experience requirements. The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and the Nasdaq. A copy of the Audit Committee charter can be found under the Company tab in the Corporate Governance section of our website at www.viewpoint.com.

The Board of Directors has a compensation committee (the "Compensation Committee") which consists of Stephen Duff. Both Mr. Jones and Mr. Bennett served on the Compensation Committee for over four years until October 5, 2005, the date upon which Messrs. Duff and Crabbe were elected to the Compensation Committee. Mr. Crabbe served on the Compensation Committee from October 5, 2005 through May 2, 2006, the date in which Mr. Crabbe resigned from the Board.

The Compensation Committee's primary function is to develop and monitor compensation arrangements for the officers and directors of the Company, and monitor stock option activity for the Company. The Compensation Committee held ten meetings in 2005 and acted once by unanimous written consent. Each member of the Compensation Committee attended each meeting held during his tenure. A copy of the Compensation Committee charter can be found under the Company tab in the Corporate Governance section of our website at www.viewpoint.com.

The Board of Directors has a nominating and corporate governance committee (the “Nominating Committee”) which consists of Messrs. Duff and Weatherson. Mr. Crabbe served on the Nominating Committee from February 23, 2004 through October 5, 2005, on which date Mr. Crabbe became a member of the Compensation Committee. Mr. Bennett served on the Nominating Committee from February 23, 2004 through April 28, 2006, the date in which Mr. Bennett resigned from the Board. The Nominating Committee's primary purpose is to evaluate candidates for membership on the Board, make recommendations to the Board regarding candidates, and make recommendations with respect to the composition of the Board and the committees thereof. The members of the Nominating Committee are all independent directors within the meaning of applicable Nasdaq listing standards. The Nominating Committee operates pursuant to a written charter, a copy of which can be found under the Company tab in the Corporate Governance section of our website at www.viewpoint.com.

The Nominating Committee held one meeting during fiscal year 2005. Each director who served on the Nominating Committee during fiscal year 2005 attended all of the meetings of the Nominating Committee held during his tenure.

In carrying out its function to nominate candidates for election to the Board, the Nominating Committee considers the mix of skills, experience, character, commitment, and diversity of background, all in the context of the requirements of the Board at that point in time. The Nominating Committee believes that each candidate should be an individual who has demonstrated integrity and ethics in such candidate's personal and professional life, have an understanding of elements relevant to the success of a publicly-traded company and have established a record of professional accomplishment in such candidate's chosen field. Each candidate should be prepared to participate fully in Board activities, including attendance at, and active participation in, meetings of the Board, and not have other personal or professional commitments that would, in the Nominating Committee's judgment, interfere with or limit such candidate's ability to do so. Each candidate should also be prepared to represent the best interests of all of Viewpoint's stockholders and not just one particular constituency. Additionally, in determining whether to recommend a director for re-election, the Nominating Committee also considers the director's past attendance at Board and Committee meetings and participation in and contributions to the activities of the Board. The Nominating Committee has no stated specific, minimum qualifications that must be met by a candidate for a position on the Board. The Nominating Committee does, however, believe it appropriate for at least one member of the Board to meet the criteria for an “audit committee financial expert” as defined by SEC rules, and that a majority of the members of the Board meet the definition of “independent director” within the meaning of applicable Nasdaq listing standards.

The Nominating Committee's method for identifying candidates for election to the Board (other than those proposed by Viewpoint's stockholders, as discussed below) include the solicitation of ideas for possible candidates from a number of sources: members of the Board; our executives; individuals personally known to the members of the Board; and other research, including database and Internet searches. The Nominating Committee may also from time to time retain one or more third-party search firms to identify suitable candidates.

The Nominating Committee will consider candidates for director recommended by stockholders. Stockholders wishing to recommend candidates for the Nominating Committee's consideration should contact the Nominating Committee by postal mail addressed to Viewpoint Corporation, 498 Seventh Avenue, New York, N.Y. 10018, Attention: Nominating Committee.

Any stockholder may nominate one or more persons for election as a director of the Company at an annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in the Company's Bylaws. In addition, the notice must include any other information required pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. In order for the director nomination to be timely submitted for the annual meeting of stockholders to be held in 2007, a stockholder's notice to the Company's Secretary must be delivered to Viewpoint's principal executive offices no later than February 21, 2007.

The Nominating Committee will consider all candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria.

The 2005 annual meeting of stockholders was attended by Mr. Jay Amato, the Company's President and CEO at that time, Mr. Jones and Mr. Raney. The Company does not have a policy regarding board members' attendance at annual meetings of stockholders.

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Communication with the Board of Directors

Any stockholder who desires to contact our Board or specific members of our Board may do so electronically by sending an e-mail to the following address: directors@viewpoint.com. Alternatively, a stockholder can contact our Board or specific members of our Board by writing to: Viewpoint Corporation, 498 Seventh Avenue, New York, NY 10018, to the attention of the Board of Directors or the specific member of the Board, as the case may be.

Report of the Audit Committee

The members of the Audit Committee are all independent directors who are qualified for service under the NASD listing standards. The Audit Committee acts under a written charter, a copy of which can be found under the Company tab in the Corporate Governance section of our website at www.viewpoint.com.

The role of the Audit Committee is to assist the Board of Directors in its oversight of the Company's financial reporting process. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The independent registered public accounting firm is responsible for performing an independent integrated audit of the Company's financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing reports thereon.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements. The Audit Committee also discussed with the independent registered public accounting firm the matters required by Statement on Auditing Standards No. 61, as amended, relating to communication with audit committees. In addition, the Audit Committee received from the independent registered public accounting firm the written disclosures and letter required by Independence Standards Board Standard No. 1 relating to independence discussions with audit committees, the Audit Committee discussed with the independent registered public accounting firm that firm's independence, and considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with maintaining the registered public accounting firm's independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's 2005 Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

DENNIS RANEY, *Chairperson*
JAMES E. CRABBE
SAMUEL H. JONES, JR.

Principal Accountant Fees and Services

Audit Fees

The aggregate fees charged by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, for professional services rendered for the integrated audit of the annual financial statements and internal control over financial reporting for the fiscal years ended December 31, 2005 and 2004 and review of the financial statements included in the Forms 10-Q for those years were approximately $686,000, and $506,000, respectively.

Audit Related Fees

The aggregate fees billed by PricewaterhouseCoopers LLP, for professional services rendered for audit related fees for the year ended December 31, 2005 were approximately $37,000, which included $21,000 for the audit of the Company's 401k Plan and $16,000 for registration statement reviews. Audit related fees for the year ended December 31, 2004, which was comprised of fees for the audit of the Company's 401k Plan, amounted to $20,000.

Tax Fees

The aggregate fees billed by PricewaterhouseCoopers LLP for services rendered to the Company for tax compliance, tax advice, and tax planning, for the fiscal years ended December 31, 2005 and 2004 were approximately $0 and $30,000, respectively.

All Other Fees

The aggregate fees billed by PricewaterhouseCoopers LLP for services rendered to the Company, other than services described above under “audit fees”, “audit related fees” or “tax fees”, for the fiscal years ended December 31, 2005 and 2004 were approximately $2,000 and $2,000, respectively. The Audit Committee determined that the provision of the services described under this caption “All Other Fees” is compatible with maintaining the independence of PricewaterhouseCoopers LLP.

Pre-Approval Policies and Procedures

The Audit Committee reviews on a periodic basis all audit and non-audit services to be performed by the Company's independent registered public accounting firm. All audit and non-audit services are pre-approved by the Audit Committee, which considers, among other things, the possible effect of the performance of such services on the registered public accounting firm's independence. The Audit Committee has considered the role of PricewaterhouseCoopers LLP in providing services to the Company for the fiscal year ended December 31, 2005 and has concluded that such services are compatible with its independence as the Company's registered public accounting firm. The Audit Committee has established pre-approval policies and procedures pursuant to which all services will be rendered by the independent registered public accounting firm in the future. All of the services performed in connection with the fees detailed above were approved by the Audit Committee.

Compensation of Directors

The Company compensates each of its non-employee directors, other than Mr. Raney and Mr. Weatherson, as follows: each non-employee director is paid (i) $2,500 at the end of each fiscal quarter in which he or she is a director, (ii) $1,000 for each regular Board meeting he or she attends, and (iii) $500 for each Board committee meeting he or she attends; provided, however, that if more than one committee meeting is held on the same day or a Board meeting and one or more committee meetings are held on the same day, no more than the initial $500 or $1,000, as the case may be, is paid to any director for all such meetings attended by such director on such date. We paid no fees to members of the Board for meetings they attended by telephone in 2005.

The Company compensates Mr. Raney, the Chairman of the Audit Committee, as follows: (i) $5,000 at the end of each quarter for his services as a member of the Board and Chairman of the Audit Committee, (ii) $1,500 for each meeting of the Board he attends in person, and (iii) $750 for each meeting of the Audit Committee he attends in person. The Company pays fees to Mr. Raney for

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attending meetings of the Board and meetings of the Audit Committee regardless of whether a meeting of the Board and a meeting of the Audit Committee are held on the same day.

The Company compensates Mr. Weatherson, the Non-Executive Chairman of the Board, as follows: (i) $4,000 at the end of each fiscal quarter for his services as a member of the Board and Non-Executive Chairmen of the Board; (ii) $1,000 for each regular Board meeting he attends, and (iii) $500 for each Board committee meeting he attends; provided, however, that if more than one committee meeting is held on the same day or a Board meeting and one or more committee meetings are held on the same day, no more than the initial $500 or $1,000, as the case may be, is paid to Mr. Weatherson for all such meetings attended on such date.

Each non-employee director who joins the Board is automatically granted an option to purchase 20,000 shares of Company common stock on the date upon which such person first becomes a director. In the case of Mr. Raney, the Company agreed to increase this initial option grant to an option to acquire 50,000 shares. From 1995 through January 2005, each non-employee director has also automatically received an option to purchase 5,000 shares of Company common stock on the first trading day following January 1 of each year, provided the director has been a member of the Board for at least six months. On March 8, 2005, the Board of Directors resolved to increase the number of shares subject to this automatic annual grant to 12,000 and issued options to acquire 7,000 shares of Company common stock to the non-employee directors who would have been eligible to receive an option to acquire 12,000 shares if this increase had been in effect in January 2005. On February 14, 2006, the Board of Directors resolved to increase the number of shares subject to this annual grant to 15,000 for Mr. Weatherson, as Non-Executive Chairman of the Board.

The exercise price of each option granted to directors is equal to the fair market value of the Company common stock on the date of grant. The option granted to non-employee directors on the day they join the Board vests at a rate of one-eighth of the option shares upon the end of the first six-month period after the date of grant and one-forty-eighth of the remaining option shares per month thereafter, provided the optionee remains a director of the Company. The options granted to non-employee directors on the first business day of each year vests at the rate of one-half of the option shares upon the end of the first six-month period after the date of grant and one-twelfth of the remaining option shares per month thereafter, provided the optionee remains a director of the Company. Options have a term of ten years unless terminated sooner, whether upon termination of the optionee's status as a director or otherwise pursuant to the operative stock option plan.

In accordance with the compensation arrangements described above, the Company granted options to acquire 12,000 shares of Company common stock on January 3, 2006, to each of Messrs. Bennett, Crabbe, Duff, Jones and Raney at an exercise price of $1.02.

Executive Officers

In addition to Mr. Vogt, Mr. William H. Mitchell, 48, and Mr. Andrew J. Graf, 34, are Executive Officers of the Company.

William H. Mitchell has served as Chief Financial Officer of the Company since August 2003. From July 2002 to August 2003, Mr. Mitchell served as Chief Financial Officer of MaxWorldwide, Inc., an Internet-based provider of marketing solutions for advertisers and web publishers. From January 2001 to July 2002, Mr. Mitchell served as Chief Financial Officer for Tally Systems, Inc., a software development company. He served as Executive Vice President and Chief Financial Officer of Bigfoot Interactive, an Internet advertising company, from July 1999 to January 2001, and as Chief Operating Officer of Bigfoot International from October 1998 to July 1999. Mr. Mitchell graduated with an A.B. from Dartmouth College, MS and MS/M.B.A. degrees from Northeastern University and obtained his certified public accountant license in 1982.

Andrew J. Graf serves as Executive Vice President and General Counsel of the Company. Mr. Graf was an attorney at Milbank, Tweed, Hadley, and McCloy LLP, specializing in mergers and acquisitions and corporate matters from 1999 until joining the Company as General Counsel in June 2005. Mr. Graf graduated with a B.S. in accounting and economics from New York University's Stern School of Business in 1993 and received his Juris Doctorate from the Benjamin N. Cardozo School of Law in 1999.

Executive Compensation

The following table presents certain information with respect to annual compensation and long-term compensation awarded during fiscal years 2003, 2004, and 2005 to individuals who have served as the Company's Chief Executive Officer during 2005 and its 2 other most highly compensated executive officers as of December 31, 2005 (collectively, the “Named Executive Officers”).

Summary Compensation Table

		Annual Compensation				
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation**	**Long-term Compensation Securities Underlying Company Options**	**All Other Compensation(1)**
Patrick Vogt President and Chief Executive Officer	2005	$ 123,397	$ 50,000(2)	$ 12,000(3)	1,500,000	$ 136(4)
William H. Mitchell Chief Financial Officer	2005	250,000	100,000	12,587(3)	—	3,927
	2004	225,000	50,000	24,960(3)	—	3,677
	2003	98,029	6,250	10,400(3)	550,000	160
Andrew J. Graf Executive Vice President and General Counsel	2005	114,487	—	—	200,000	1,690
Jay S. Amato President and Chief Executive Officer	2005	279,792	100,000(2)	12,150(5)	—	44,374
	2004	395,000	—	15,000(5)	2,050,000	4,000
	2003	157,240	50,000	4,369(5)	—	250

(1) Amounts shown in “All Other Compensation” for fiscal year 2005 include (a) payments on life insurance premiums of $136, $427, $190 and $5,874 for Messrs. Vogt, Mitchell, Graf and Amato, respectively, (b) payment of employer matching 401(k) contributions of $3,500, $1,500 and $3,500 for Messrs. Mitchell, Graf and Amato, respectively and (c) payment of $35,000 pursuant to the separation agreement between the Company and Mr. Amato.

(2) Represents signing bonus.

(3) Represents housing allowance.

(4) In addition, Mr. Vogt received $9,500 for service as a non-employee director during fiscal year 2005.

(5) Represents auto allowance.

Stock Option Grants

The Company granted options to purchase 1,500,000 shares of Company common stock to Mr. Vogt as an inducement to Mr. Vogt's acceptance of employment with the Company as President and CEO. The Company granted options to purchase 200,000 shares of Company common stock to Mr. Graf as an inducement to Mr. Graf's acceptance of employment with the Company as General Counsel. The Company did not grant stock options to any other Named Executive Officer in 2005.

Option Exercises in 2005 and Fiscal Year-End Option Values

The following table presents information with respect to options to purchase Company common stock exercised during fiscal year 2005 by the Named Executive Officers, and the value of unexercised options at December 31, 2005.

			Number of Securities Underlying Unexercised Options at 31-Dec-05		Value of Unexercised In-the-money Options at December 31, 2005(1)	
Name	**Shares Acquired on Exercise**	**Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Patrick Vogt	—	—	535,105	1,014,895	—	—
William H. Mitchell	—	—	550,000	—	$ 171,500	—
Andrew J. Graf	—	—	33,333	166,667	—	—

(1) The value of unexercised, in-the-money options is the difference between the exercise price of the options and the fair market value of Company common stock at December 31, 2005 ($1.10).

Employment Agreements with Executive Officers

The Company entered into agreements with Messrs. Vogt, Mitchell, and Graf.

The Company entered into an employment agreement with Mr. Vogt in August 2005 for a term ending on December 31, 2009. The agreement provides for an annual base salary of $350,000, a signing bonus of $50,000, and an annual cash incentive bonus of $128,000 and an annual incentive stock option grant of 125,000 shares if the Company achieves certain annual revenue growth and operating income targets as set forth by the Compensation Committee of the Board of Directors. Mr. Vogt was granted an option to acquire 1,500,000 shares of common stock at an exercise price of $1.36 per share, the opening price of the Company's common stock on the day of commencement of Mr. Vogt's employment. However, if Mr. Vogt's employment is terminated by the Company without cause (as defined) or by Mr. Vogt for good reason (as defined), Mr. Vogt is entitled to receive an amount equal to his base salary. In addition, if Mr. Vogt's employment is terminated within one year following a change in control of the Company (as defined), Mr. Vogt would be entitled to receive two times his base salary and all options issued to Mr. Vogt would immediately vest and become exercisable.

The Company entered into an employment agreement with Mr. Mitchell in July 2003 under which Mr. Mitchell agreed to serve as Chief Financial Officer for a two-year term. The agreement provides for an annual base salary of $225,000, a minimum annual bonus of $25,000, and an annual discretionary bonus based on the achievement of management-based objectives of up to $50,000. In accordance with the agreement, the Company granted to Mr. Mitchell an option to acquire 350,000 shares of common stock at an exercise price of $0.77 per share, the closing price of the Company's common stock on the day immediately preceding the commencement of Mr. Mitchell's employment. The agreement further provides that the Company will grant to Mr. Mitchell an option to acquire an additional 150,000 shares of common stock on the first anniversary of his starting date at an exercise price equal to the closing price of the Company's common stock on that day. In November 2003, the Company granted Mr. Mitchell an option to acquire 200,000 shares of common stock in satisfaction of the Company's obligation to grant to Mr. Mitchell the option to acquire 150,000 shares of common stock on the first anniversary of his starting date pursuant to the employment agreement. The option to acquire 200,000 shares was immediately vested and was granted at an exercise price of $.82 per share, the closing price of the Company's common stock on the grant date. In addition, the Company agreed that twelve and one-half percent (12.5%) of the shares subject to the option to acquire 350,000 shares of common stock granted to Mr. Mitchell vested three months after the first day of Mr. Mitchell's employment and the remaining shares vest at the rate of 1/21 per month. However, if Mr. Mitchell's employment is terminated by the Company after the first anniversary of Mr. Mitchell's employment, 100% percent of the shares subject to issued options would vest in Mr. Mitchell and Mr. Mitchell would be entitled to receive a payment equal to his base salary. In addition, if the Company enters into an agreement with a third party that leads to a change in control after the first anniversary of Mr. Mitchell's employment and Mr. Mitchell's employment is terminated within one year following the change in control, Mr. Mitchell would be entitled to receive two times his base salary and the options issued to Mr. Mitchell would immediately vest and become exercisable.

The Company entered into an employment agreement with Mr. Graf in June 2005 under which Mr. Graf agreed to serve as General Counsel of the Company and the Company agreed to pay to Mr. Graf a base salary of $200,000 per year and to grant to Mr. Graf an option to acquire 200,000 shares of the Company's common stock. The agreement further provides that if Mr. Graf's employment is terminated by the Company without cause (as defined) or is terminated by Mr. Graf for good reason (as defined), Mr. Graf will receive an amount equal to his base salary and the unvested portion of all stock options held by Mr. Graf would immediately vest and become exercisable. In addition, if Mr. Graf's employment is terminated within one year following a change in control of the Company (as defined), Mr. Graf would be entitled to receive his base salary and all options issued to Mr. Graf would immediately vest and become exercisable.

Equity Compensation Plan Information

The following table summarizes the Company's equity compensation plans as of December 31, 2005:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,418,810	$ 2.03	363,000
Equity compensation plans not approved by security holders(1)	4,137,292	$ 1.29	—
Total	12,556,102	$ 1.79	363,000

(1) In July 2003, the Company agreed to issue to Mr. Mitchell an option to acquire 350,000 shares of Company common stock as an inducement to Mr. Mitchell's acceptance of employment with the Company as Chief Financial Officer. Twelve and one-half percent (12.5%) of the shares subject to the option vested three months after the first day of Mr. Mitchell's employment and the remaining shares vest at the rate of 1/21 per month. The exercise price of the option is equal to the closing price of the Company's common stock on the day immediately preceding Mr. Mitchell's first day of employment ($0.77).

In August 2003, the Company agreed to issue to Jay Amato an option to acquire 1,250,000 shares of Company common stock as an inducement to Mr. Amato's acceptance of employment with the Company as President and Chief Executive Officer. Fifty percent (50%) of the shares subject to the option vest on the first anniversary of Mr. Amato's employment and the remaining fifty percent (50%) vest on the second anniversary of Mr. Amato's employment. The exercise price of the option is equal to the closing price of the Company's common stock on the day immediately preceding Mr. Amato's first day of employment ($0.72).

On January 3, 2005, the Company granted options to purchase 785,000 shares of Company common stock to individuals who formerly worked for Unicast Communications Corp. at an exercise price of $3.15, the price of the Company's stock on the date of grant. As of April 25, 2006, options to purchase 448,333 shares of Company common stock issued to such employees have expired unexercised. None of the employees are officers or directors of the Company. Twenty-five percent (25%) of the shares subject to the option vested six months after the date of grant and the remaining shares vest at the rate of 1/18 per month.

In June 2005, the Company agreed to issue to Mr. Graf an option to acquire 200,000 shares of Company common stock as a inducement to Mr. Graf's acceptance of employment with the Company as General Counsel. Sixteen and two-thirds percent ($16\frac{2}{3}$%) of the shares subject to the option vested six months after the first day of Mr. Graf's employment and the remaining shares vest at the rate of 1/30 per month. The exercise price of the option is equal to the opening price of the Company's common stock on Mr. Graf's first day of employment ($1.57).

In August 2005, the Company agreed to issue to Mr. Vogt an option to acquire 1,500,000 shares of Company common stock as an inducement to Mr. Vogt's acceptance of employment with the Company as President and Chief Executive Officer. Thirty-three and one third percent ($33\frac{1}{3}$%) of the shares subject to the option vest on commencement of Mr. Vogt's employment and sixteen and two thirds percent ($16\frac{2}{3}$%) vest on each December 31, beginning on December 31, 2006 and ending on December 31, 2009. The exercise price of the option is equal to the opening price of the Company's common stock on Mr. Vogt's first day of employment ($1.36).

In September and October 2005, the Company agreed to issue to each of Ms. Ann Charles, Vice President, Marketing, Mr. James Dillon, Vice President, Advertising Sales and Mr. Andrew Freeman, Vice President, Acquisition Sales and Development an option to purchase 150,000 shares of Company common stock as an inducement to such employee's acceptance of employment with the Company. Sixteen and two-thirds percent ($16\frac{2}{3}$