

VONAGE HOLDINGS CORP
Form PRE 14A
July 25, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant ☒

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))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

VONAGE HOLDINGS CORP.

(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):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

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VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

August [7], 2008

Dear Stockholders,

You are cordially invited to attend a special meeting of stockholders of Vonage Holdings Corp. (Vonage) to be held on Wednesday, August 20, 2008 at 10 a.m., local time, at our headquarters at 23 Main Street, Holmdel, NJ 07733.

In order to refinance Vonage's outstanding Senior Unsecured Convertible Notes due 2010, we have entered into a commitment letter with Silver Point Finance, LLC (acting individually or through one or more of its affiliates), that establishes the terms and conditions of an up to \$125 million senior secured first lien credit facility and the \$90 million of convertible secured second lien notes to be issued by Vonage and its wholly owned subsidiary, Vonage America Inc., which notes will be immediately convertible into shares of Vonage common stock.

Please read the attached proxy statement for information about the matters to be voted on. Your vote is important. Whether or not you plan to attend the special meeting, we hope you will vote as soon as possible. You may vote over the Internet, as well as by telephone or by mailing a proxy or voting instruction card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the special meeting regardless of whether you attend in person. Please review the instructions on the proxy or voting instruction card regarding each of these voting options.

Also, please let us know if you plan to attend our special meeting in person by marking the appropriate box on the enclosed proxy card or, if you vote over the Internet or by telephone, indicating your plans when prompted.

Thank you for your ongoing support of Vonage. We look forward to seeing you at our special meeting.

Sincerely,

Jeffrey A. Citron

Chairman, Chief Strategist and

Interim Chief Executive Officer

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VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

NOTICE OF 2008 SPECIAL MEETING OF STOCKHOLDERS

Time and Date	10:00 a.m., local time, on Wednesday, August 20, 2008
Place	Vonage Holdings Corp., 23 Main Street, Holmdel, NJ 07733
Item of Business	<p>At the meeting, we will ask you and other stockholders of Vonage Holdings Corp. (referred to herein using we, us, our and Vonage) to approve the issuance of all shares of Vonage common stock that may be issued upon conversion of \$90 million of convertible secured second lien notes (the Convertible Secured Notes) that Vonage and Vonage America Inc. (Vonage America) expect to issue as co-issuers in a private placement, including shares of Vonage common stock that may be issued to our directors, officers and substantial security holders upon conversion of the Convertible Secured Notes. As used herein, and in accordance with rules of the New York Stock Exchange (NYSE), the term substantial security holder refers to a stockholder owning 5% or more of the voting power or 5% or more of the number of shares of our common stock outstanding.</p> <p>We expect that the Convertible Secured Notes, if issued, will be convertible into shares of our common stock representing 20% or more of the voting power or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes. In addition, we expect that certain of our directors, officers and/or substantial security holders, including Jeffrey A. Citron, who is our Chairman, Chief Strategist and Interim Chief Executive Officer and a substantial security holder, may purchase Convertible Secured Notes, which, upon conversion, may result in the issuance to each of them of shares of our common stock representing 1% or more of the voting power or 1% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes.</p> <p>This proposal is more fully described in the proxy statement accompanying this notice. Submission of the proposal to our stockholders is required by the New York Stock Exchange Listed Company Manual Section 312.03.</p>
Record Date	You may vote if you were a stockholder of record at the close of business on August 5, 2008.
Proxy Voting	<p>It is important that your shares of our common stock be represented and voted at the meeting. If you are a stockholder of record and do not plan to attend the meeting, please mark, sign, date and promptly mail your proxy card in the enclosed postage-paid envelope or vote over the Internet or by telephone. You may revoke your proxy at any time before its exercise at the meeting. If your shares are held in street name and you do not plan to attend the meeting, please follow the instructions provided by the holder of record to ensure that your shares are voted.</p>

By order of the Board of Directors,

Henry B. Pickens, Assistant Secretary

August [7], 2008

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VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

GENERAL INFORMATION

For Our Special Meeting of Stockholders to be held on August 20, 2008

We have sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at our special meeting of stockholders. The special meeting will be held on Wednesday, August 20, 2008, at 10:00 a.m., local time, at our headquarters located at 23 Main Street, Holmdel, NJ 07733. If the special meeting is adjourned for any reason, the proxies may be used at any adjournments of the special meeting.

This proxy statement summarizes information about the proposal to be considered at the special meeting and other information you may find useful in determining how to vote. We are mailing this proxy statement and the enclosed proxy card to stockholders on or about August [7], 2008.

Questions and Answers about these Proxy Materials and the Special Meeting:

Q: *Why am I receiving these materials?*

A: Our Board of Directors is providing these proxy materials to you in connection with a special meeting of stockholders of Vonage, to be held on August 20, 2008. As a stockholder of record of our common stock, you are invited to attend the special meeting, and are entitled to and requested to vote on the proposal described in this proxy statement.

Q: *What am I voting on?*

A: We are seeking stockholder approval of the issuance of all shares of our common stock that may be issuable upon conversion of \$90 million in aggregate principal amount of Convertible Secured Notes that we and Vonage America expect to issue as co-issuers in a private placement. We expect that the Convertible Secured Notes, if issued, will be convertible into shares of our common stock representing 20% or more of the voting power or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes. In addition, we expect that certain of our directors, officers and/or substantial security holders, including Jeffrey A. Citron, who is our Chairman, Chief Strategist and Interim Chief Executive Officer and a substantial security holder, may purchase Convertible Secured Notes, which, upon conversion, may result in the issuance to each of them of shares of our common stock representing 1% or more of the voting power or 1% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes. As a result, we are seeking stockholder approval of the issuance of all shares of our common stock that may be issuable upon conversion of the Convertible Secured Notes, including both (1) the issuance of shares of our common stock upon conversion of the Convertible Secured Notes in a total amount representing 20% or more of the voting power and/or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes, and (2) the issuance to each of our directors, officers and substantial security holders who purchases Convertible Secured Notes of shares of our common stock upon conversion of Convertible Secured Notes in an amount representing 1% or more of the voting power and/or 1% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes.

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Q: *What type of securities does the Company expect to issue in its proposed private placement?*

A: We and Vonage America expect to offer \$90 million in aggregate principal amount of Convertible Secured Notes in a private placement to Mr. Citron and a limited number of qualified institutional buyers and institutional accredited investors. The Convertible Secured Notes will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. If issued, the Convertible Secured Notes will be convertible immediately upon issuance at the option of the holder into shares of our common stock based on an initial conversion price that will be equal to the lesser of (i) 110% of the volume weighted average price of our common stock for the 30 consecutive trading days prior to the pricing date for the private placement of the Convertible Secured Notes, and (ii) \$2.00 per share (provided that if the pricing date for the private placement of the Convertible Secured Notes occurs on or before August 18, 2008, the conversion price will not be less than \$1.65 per share). The conversion price will be subject to adjustment based on anti-dilution provisions described herein under Description of the Convertible Secured Notes.

Q: *Why is the Company seeking stockholder approval for the issuance of common stock upon the conversion of the Convertible Secured Notes?*

A: Because our common stock is listed on the NYSE, we are subject to NYSE rules and regulations. NYSE Listed Company Manual Section 312.03(c) requires stockholder approval prior to the issuance or sale of securities convertible into shares of our common stock in any transaction or series of transactions if (1) the shares of common stock will have upon issuance voting power equal to 20% or more of the voting power outstanding before the issuance of the securities convertible into or exercisable for common stock, or (2) the number of shares of common stock to be issued will be upon issuance equal to 20% or more of the number of shares of common stock outstanding before the issuance of the securities convertible into or exercisable for common stock. NYSE Listed Company Manual Section 312.03(b) requires stockholder approval prior to the issuance or sale to any of our directors, officers or substantial security holders of securities convertible into shares of our common stock in any transaction or series of transactions if the number of shares of common stock into which the securities may be convertible or exercisable exceeds either 1% of the number of shares of our common stock or 1% of the voting power outstanding before the issuance of the securities convertible into or exercisable for common stock.

The number of shares of our common stock issuable upon conversion of the Convertible Secured Notes may exceed the thresholds set forth in each of these NYSE rules. First, we expect that, if the Convertible Secured Notes are issued, the total number of shares of our common stock issuable upon conversion of all the Convertible Secured Notes will exceed 20% of both the voting power and number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes. Second, we expect that the Convertible Secured Notes may be purchased by certain of our directors, officers and/or substantial security holders, including Mr. Citron, and that the total number of shares of our common stock issuable to each of those holders upon conversion of Convertible Secured Notes may exceed 1% of both the voting power and number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes.

Q: *How does our Board of Directors recommend that you vote?*

A: Our Board of Directors unanimously recommends that you vote FOR the approval of the proposal.

Q: *Why is our Board of Directors recommending approval of the proposal?*

A: Our Board of Directors determined that it would be in the best interests of the company and our stockholders to refinance our outstanding Senior Unsecured Convertible Notes due 2010 (the 2010 Notes). The holders of the 2010 Notes may require the Company to redeem at par all or any portion of the 2010 Notes on December 16, 2008. For more information on our 2010 Notes, see Proposal 1 Approval of the Issuance of Common Stock Upon Conversion of the Convertible Secured Notes.

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After exploring and considering a broad range of potential financing and other alternatives, our Board of Directors decided to refinance the 2010 Notes with a combination of a credit facility and a private placement of the Convertible Secured Notes, which our Board of Directors has determined to be effective in addressing our capital needs on a timely basis and in the best interests of our stockholders. We have an executed commitment letter with Silver Point Finance, LLC (Silver Point), establishing the terms and conditions of an up to \$125 million senior secured first lien credit facility and the \$90 million of Convertible Secured Notes issued by Vonage and Vonage America, as co-issuers.

Accordingly, because our Board of Directors has determined that refinancing our 2010 Notes in this manner is in the best interests of our stockholders, our Board of Directors recommends that stockholders vote FOR Proposal (1).

Q: *What happens if the stockholders approve the proposal?*

A: If the issuance of our common stock upon conversion of the Convertible Secured Notes is approved at the special meeting, we and Vonage America will be permitted to issue, as co-issuers, Convertible Secured Notes (1) that upon conversion may result in the issuance of a total number of shares of our common stock exceeding 20% of both the voting power and the number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes, and (2) to our directors, officers and substantial security holders, including Mr. Citron, that upon conversion may result in the issuance to each of them of shares of our common stock exceeding 1% of both the voting power and the number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes.

Conversion of the Convertible Secured Notes could result in substantial dilution of the voting power of our existing stockholders and could result in existing stockholders owning a significantly smaller percentage of our outstanding common stock. The number of shares of our common stock issuable upon conversion of any of the Convertible Secured Notes could increase as a result of the anti-dilution provisions discussed herein under Description of the Convertible Secured Notes. In addition, if Mr. Citron and our other substantial security holders purchase Convertible Secured Notes, their respective percentage ownership of our common stock would increase upon conversion of the Convertible Secured Notes, and such increase may be substantial.

Q: *What happens if the stockholders do not approve the proposal?*

A: If the stockholders do not approve of the proposal, we and Vonage America will not issue the Convertible Secured Notes, which will impact our ability to raise sufficient funds to refinance the outstanding 2010 Notes prior to their redemption date on December 16, 2008. If we are not able to refinance the 2010 Notes, we may face substantial liquidity challenges in the near future. The inability to repurchase, refinance or restructure our 2010 Notes could lead to our bankruptcy, reorganization, insolvency or liquidation. For more information, see Proposal 1 Approval of the Issuance of Common Stock Upon Conversion of the Convertible Secured Notes Consequences if Stockholders Do Not Approve of the Issuance of Common Stock Upon Conversion of the Convertible Secured Notes.

Q: *How many shares must be present or represented to conduct business at the special meeting?*

A: The quorum requirement for holding the special meeting and transacting business is that holders of a majority of the voting power of the issued and outstanding shares of our common stock must be present in person or represented by proxy. Both abstentions and broker non-votes (described below) are counted for the purpose of determining the presence of a quorum.

Q: *What shares can I vote?*

A: Each share of our common stock issued and outstanding as of the close of business on August 5, 2008, which we refer to as the Record Date, is entitled to vote at the special meeting. You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the stockholder of

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record and (2) shares held for you as the beneficial owner in street name through a broker, trustee or other nominee such as a bank. On the Record Date, we had [] shares of common stock issued and outstanding.

Q: *How many votes am I entitled to per share?*

A: Each holder of shares of common stock is entitled to one vote for each share of common stock held as of the Record Date.

Q: *What is the voting requirement to approve the proposal?*

A: The proposal requires the affirmative FOR vote of a majority of those shares present in person or represented by proxy and voting on the proposal at the special meeting.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares will constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes and abstentions are not considered votes cast on that proposal and will have no effect on the outcome of such proposal. Thus, broker non-votes and abstentions will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

We expect to enter into stockholder agreements with certain of our stockholders who own in the aggregate more than 50% of the total number of shares of our common stock outstanding on August 5, 2008. We expect each of these stockholders to agree to be contractually obligated to vote its shares in favor of the proposal set forth in this proxy statement. These votes will be sufficient to pass the proposal.

Q: *What is the difference between holding shares as a stockholder of record and as a beneficial owner?*

A: Most Vonage stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to Vonage or to vote in person at the special meeting. We have enclosed or sent a proxy card for you to use.

Beneficial Owner

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 these proxy materials are being forwarded to you together with a voting instruction card by your broker, trustee or nominee, as the case may be. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote, and you are also invited to attend the special meeting.

Since a beneficial owner is not the stockholder of record, you may not vote your shares in person at the special 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. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

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Q: *How can I attend the special meeting?*

A: You are entitled to attend the special meeting only if you were a Vonage stockholder or joint holder as of the Record Date, the close of business on August 5, 2008, or you hold a valid proxy for the special meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present government-issued photo identification (such as a driver's license or passport) for admittance. If you are a stockholder of record, you should bring the top portion of your proxy card for proof of ownership. If you are not a stockholder of record but hold shares in street name through a broker, trustee or nominee, you should provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to August 5, 2008, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.

If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the special meeting. For security reasons, you may be subject to search prior to your admittance to the meeting.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card or, if you vote over the Internet or by telephone, indicating your plans when prompted.

The meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m., local time, and you should allow ample time for the check-in procedures.

Q: *How can I vote my shares in person at the special meeting?*

A: Shares held in your name as the stockholder of record may be voted by you in person at the special meeting. Shares held beneficially in street name may be voted by you in person at the special meeting only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the special meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

Q: *How can I vote my shares without attending the special meeting?*

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the special meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, trustee or nominee.

By Internet Stockholders of record of our common stock with Internet access may submit proxies by following the INTERNET instructions on their proxy cards until 11:59 p.m., Eastern Time, on August 19, 2008. Most Vonage stockholders who hold shares beneficially in street name may vote by accessing the web site specified on the voting instruction cards provided by their brokers, trustees or nominees. Please check the voting instruction card for Internet voting availability.

Please note that you will not be able to vote at the special meeting via the live webcast, and, unless you are otherwise represented at the special meeting via proxy, you will not be deemed present or represented at the special meeting by accessing the webcast.

By Telephone Stockholders of record of our common stock who live in the United States or Canada may submit proxies by following the TELEPHONE instructions on their proxy cards until 11:59 p.m., Eastern Time, on August 19, 2008. Most Vonage stockholders who hold shares beneficially in street name and live in the United States or Canada may vote by phone by calling the number specified on the voting instruction cards provided by their brokers, trustees or nominees. Please check the voting instruction card for telephone voting availability.

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By Mail Stockholders of record of our common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Proxy cards submitted by mail must be received by the time of the meeting in order for your shares to be voted. Vonage stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided by their brokers, trustees or nominees and mailing them in the accompanying pre-addressed envelopes.

Q: *Can I change my vote?*

A: You may change your vote at any time prior to the vote at the special meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method), by providing a written notice of revocation to Vonage's Corporate Secretary at Vonage Holdings Corp., 23 Main Street, Holmdel, NJ 07733 prior to your shares being voted, or by attending the special meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee following the instruction they provided, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Q: *What happens if additional matters are presented at the special meeting?*

A: Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the special meeting. If you grant a proxy, the persons named as proxy holders will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.

Q: *Who will serve as inspector of elections?*

A: The inspector of elections will be a representative from American Stock Transfer & Trust Company.

Q: *What should I do if I receive more than one set of voting materials?*

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each Vonage proxy card and voting instruction card that you receive.

Q: *Who will bear the cost of soliciting votes for the special meeting?*

A: Vonage is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities.

Q: *What happens if the Special Meeting is postponed or adjourned?*

A: Your proxy will still be effective and may be voted at the rescheduled meeting. You will still be able to change or revoke your proxy until it is voted.

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Q: *How may I obtain a separate or additional copy of the proxy materials?*

A: Some banks, brokers and other nominee record holders may participate in the practice of householding proxy statements and annual reports. This means that unless stockholders give contrary instructions, only one copy of these materials may be sent to multiple stockholders in each household. We will promptly deliver a separate copy of these materials to any stockholder who does not receive a separate copy of these materials and who requests a separate copy by sending an e-mail through the Vonage Investor Relations website at <http://ir.vonage.com/>, calling (732) 365-1328 or writing to:

Vonage Investor Relations

23 Main Street

Holmdel, NJ 07733

Stockholders who would like to receive separate copies of our proxy statement or annual report in the future, or stockholders who share an address and would like to receive a single copy of our proxy materials per household, should contact us by following the instructions above. Stockholders can also revoke their consent and receive separate copies of these documents in the future by following the instructions above. Current and prospective investors can access or order free copies of our Form 10-K, proxy statement and other financial information by following these same instructions.

Q: *What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?*

A: You may submit proposals, including director nominations, for consideration at future stockholder meetings.

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, the Corporate Secretary of Vonage must receive the written proposal at our principal executive offices no later than December 16, 2008. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Vonage Holdings Corp.

Attn: Corporate Secretary

23 Main Street

Holmdel, New Jersey 07733

For a stockholder proposal that is not intended to be included in Vonage's proxy statement under Rule 14a-8, the stockholder must (1) provide the information required by our bylaws and (2) give timely notice to the Corporate Secretary of Vonage in accordance with our bylaws, which, in general, require that the notice be received by the Corporate Secretary of Vonage:

not earlier than January 16, 2009, and

not later than February 15, 2009.

Nomination of Director Candidates: You may propose director candidates for consideration by the Board of Directors nominating and governance committee. Any such recommendations should include the nominee's name and qualifications for Board of Directors membership and should be directed to the Corporate Secretary of Vonage at the address of our principal executive offices set forth above. For additional information regarding stockholder recommendations for director candidates, see Corporate Governance Director Nomination Process in our

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proxy statement filed on April 15, 2008.

In addition, our bylaws permit stockholders to nominate directors for election at an annual stockholder meeting. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our bylaws,

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which, in general, require that the notice be received by our Corporate Secretary within the time period described above under "Stockholder Proposals" for stockholder proposals that are not intended to be included in our proxy statement.

Copy of Bylaw Provisions: You may contact our Corporate Secretary at Vonage Holdings Corp., Attn: Corporate Secretary, 23 Main Street, Holmdel, New Jersey 07733 for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we may provide information, whether orally or in writing, including certain statements in this proxy statement, which are deemed to be forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 (the Litigation Reform Act). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words anticipate, believe, estimate, expect, intend, should, will and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended or using other similar expressions. We do not intend to update these forward-looking statements, except as required by law.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this proxy statement. Such factors include, but are not limited to: our damaging and disruptive intellectual property and other litigation; our ability to refinance our outstanding 2010 Notes, which can be put to us in December 2008; our ability to sell the Convertible Secured Notes; our rate of customer terminations; our history of net operating losses and our need for cash to finance our growth; the competition we face; our dependence on our customers existing broadband connections; differences between our service and traditional phone services, including our 911 service; uncertainties relating to regulation of VoIP services; system disruptions or flaws in our technology; the risk that VoIP does not gain broader acceptance; and other factors that are set forth in the Risk Factors section, the Legal Proceedings section, the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other sections of our Annual Report on Form 10-K for the year ended December 31, 2007, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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**PROPOSAL 1 APPROVAL OF THE ISSUANCE OF COMMON STOCK UPON CONVERSION OF
THE CONVERTIBLE SECURED NOTES**

Background

On December 16, 2008, holders of our outstanding 2010 Notes may require us to repurchase all or a portion of those notes at a price in cash equal to 100% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest. As of June 30, 2008, we had an aggregate principal amount of \$253,460,000 of the 2010 Notes outstanding.

Without additional financing, we may face substantial liquidity challenges and we may be forced to reduce or delay capital or other material expenditures, including significantly reducing our marketing expenditures or disposing of material assets, to meet the repurchase obligations under our 2010 Notes. Accordingly, our Board of Directors concluded that it would be in the best interests of Vonage and our stockholders to raise additional financing before the investors' right to put the 2010 Notes to us occurs. With additional financing, we will be in a position to consummate the tender offer that we expect to commence for the 2010 Notes.

Our Board of Directors determined that the best method of refinancing would be through a combination of a credit facility and a private placement of convertible notes. We intend to use the proceeds from the borrowings under the credit facility and the issuance of the Convertible Secured Notes, as well as cash on hand, to tender for the 2010 Notes.

On July 22, 2008, we entered into a letter of commitment with Silver Point, establishing the terms and conditions for up to \$215 million in private debt financing, including the issuance of \$90 million principal amount of the Convertible Secured Notes. We intend to offer a portion of the Convertible Secured Notes to Mr. Citron and certain other of our substantial security holders, which we believe would provide us with enhanced ability to raise the full amount of the funds we need to refinance the 2010 Notes.

For more information on the terms of the Convertible Secured Notes we and Vonage America expect to issue, see "Description of the Convertible Secured Notes" in this proxy statement.

Stockholder Approval Requirement

Our common stock is listed on the NYSE, and we are therefore subject to the rules and regulations of the NYSE. NYSE Listed Company Manual Section 312.03(c) requires stockholder approval prior to the issuance or sale of securities convertible into shares of our common stock in any transaction or series of transactions if (1) the shares of common stock will have upon issuance voting power equal to 20% or more of the voting power outstanding before the issuance of the securities convertible into or exercisable for common stock, or (2) the number of shares of common stock to be issued will be upon issuance equal to 20% or more of the number of shares of common stock outstanding before the issuance of the securities convertible into or exercisable for common stock.

NYSE Listed Company Manual Section 312.03(b) requires stockholder approval prior to the issuance or sale to any of our directors, officers or substantial security holders of securities convertible into or exercisable for shares of our common stock in any transaction or series of transactions if the number of shares of common stock into which the securities may be convertible or exercisable exceeds either 1% of the number of shares of our common stock or 1% of the voting power outstanding before the issuance of the securities convertible into or exercisable for common stock.

The number of shares of our common stock issuable upon conversion of the Convertible Secured Notes may exceed the thresholds set forth in each of the foregoing NYSE rules. First, we expect that, if the Convertible Secured Notes are issued, the total number of shares of our common stock issuable upon conversion of all the

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Convertible Secured Notes will exceed 20% of both the voting power and number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes. Second, we expect that the Convertible Secured Notes may be purchased by certain of our directors, officers and/or substantial security holders, including Mr. Citron, and that the total number of shares of our common stock issuable to each of those holders upon conversion of Convertible Secured Notes may exceed 1% of both the voting power and number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes.

As a result of the foregoing, in order to comply with NYSE Listed Company Manual Sections 312.03(b) and (c), we are seeking stockholder approval of the issuance of all shares of our common stock that may be issuable upon conversion of the Convertible Secured Notes, including both (1) the issuance of shares of our common stock upon conversion of the Convertible Secured Notes in a total amount representing 20% or more of the voting power and/or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes, and (2) the issuance to each of our directors, officers and substantial security holders who purchases Convertible Secured Notes of shares of our common stock upon conversion of Convertible Secured Notes in an amount representing 1% or more of the voting power and/or 1% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes.

Consequences if Stockholders Approve of the Issuance of Common Stock Upon Conversion of the Convertible Secured Notes

Rights of Investors; Registration Rights. Holders of the Convertible Secured Notes that are issued will, as holders of our debt securities, have certain rights that are senior to those of the holders of our common stock, and will also have a second-priority security interest in certain of our assets. If the stockholders approve of the issuance of shares of our common stock upon conversion of the Convertible Secured Notes, the rights and privileges associated with the common stock issued upon conversion of any Convertible Secured Notes will be identical to the rights and privileges associated with the common stock held by our existing common stockholders, including voting rights.

The ability of holders of the Convertible Secured Notes to convert all such Convertible Secured Notes into shares of our common stock may impact trading patterns and adversely affect the market price of our common stock. In addition, we expect that the holders of Convertible Secured Notes will have certain registration rights with respect to shares of our common stock issuable upon conversion of Convertible Secured Notes held by them and other shares of common stock held by them. Consequently, any such shares that are issued or sold pursuant to an effective registration statement will be freely transferable without restriction under the Securities Act. Such free transferability could materially and adversely impact the market price of our common stock if large quantities of our common stock are issued upon conversion of Convertible Secured Notes and sold into the market.

Dilution. If the stockholders approve the issuance of our common stock upon conversion of the Convertible Secured Notes, we and Vonage America will be permitted to issue, as co-issuers, Convertible Secured Notes that upon conversion may result in the issuance of a total number of shares of our common stock exceeding 20% of both the voting power and the number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes. As a result, conversion of the Convertible Secured Notes could result in substantial dilution of the voting power of our existing stockholders and could result in existing stockholders owning a significantly smaller percentage of our outstanding common stock. The number of shares of our common stock issuable upon conversion of any of the Convertible Secured Notes could increase as a result of the anti-dilution provisions discussed herein under *Description of the Convertible Secured Notes*.

Concentration of Ownership. If the stockholders approve the issuance of our common stock upon conversion of the Convertible Secured Notes, we and Vonage America will be permitted to issue, as co-issuers, Convertible Secured Notes to our directors, officers and substantial security holders, including Mr. Citron, that upon conversion may result in the issuance to each of them of shares of our common stock exceeding 1% of both the voting power and the number of shares of our common stock outstanding before the issuance of the Convertible Secured Notes. If Mr. Citron and our other substantial security holders purchase Convertible Secured Notes, their respective percentage ownership of our common stock would increase upon conversion of the Convertible Secured Notes, and such increase may be substantial.

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Consequences if Stockholders Do Not Approve of the Issuance of Common Stock Upon Conversion of the Convertible Secured Notes

If stockholders do not approve of the proposal, we will not issue the Convertible Secured Notes, which will adversely impact our ability to refinance or restructure the 2010 Notes. The holders of the 2010 Notes may require the Company to redeem at par all or any portion of the 2010 Notes on December 16, 2008. If we are unable to refinance or restructure the 2010 Notes or obtain additional debt or equity capital, on favorable terms, or at all, we may face substantial liquidity challenges and we may be forced to reduce or delay capital or other material expenditures, including significantly reducing our marketing expenditures or disposing of material assets to meet our potential repurchase and other obligations. The inability to repurchase, refinance or restructure our 2010 Notes could lead to our bankruptcy, reorganization, insolvency or liquidation.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote **FOR** the issuance of all shares of our common stock that may be issuable upon conversion of the Convertible Secured Notes, including both (1) the issuance of shares of our common stock upon conversion of the Convertible Secured Notes in a total amount representing 20% or more of the voting power and/or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes, and (2) the issuance to each of our directors, officers and substantial security holders who purchases Convertible Secured Notes of shares of our common stock upon conversion of Convertible Secured Notes in an amount representing 1% or more of the voting power and/or 1% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes.

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DESCRIPTION OF THE CONVERTIBLE SECURED NOTES

The Offering

We intend to conduct a private placement (the "Offering") of up to \$90 million aggregate principal amount of the Convertible Secured Notes. The following description summarizes provisions of Convertible Secured Notes relating to the potential issuance of common stock representing 20% or more of the voting power or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes. The actual terms of the Convertible Secured Notes are subject to negotiation and the terms may differ from those contained in this description. However, we believe that, if the Convertible Secured Notes are issued, in all instances the number of shares of our common stock issuable upon conversion of the Convertible Secured Notes will result in the potential issuance of common stock representing 20% or more of the voting power or 20% or more of the number of shares of our common stock outstanding immediately prior to the issuance of the Convertible Secured Notes. This proxy statement does not constitute an offering of securities. The Convertible Secured Notes will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

General. The obligors under the Convertible Secured Notes are expected to be Vonage Holdings Corp., which we refer to as "we" or "Vonage" in this description, and Vonage America Inc., which we refer to as "Vonage America" in this description. We refer to Vonage and Vonage America together as the "Co-Issuers" for purposes of this description.

Interest. The Co-Issuers shall pay interest quarterly in arrears. For each of the interest periods from the closing date of the offering of Convertible Secured Notes through the interest period ending on or about August 15, 2011, the Co-Issuers shall pay interest on the principal amount of the Convertible Secured Notes by paying a combination of Accruing Cash Interest (as defined below) and additional Convertible Secured Notes (referred to as "PIK Securities", and payments of PIK Securities as interest is referred to as "PIK Interest"). For each interest period after the interest period ending on or about August 15, 2011, interest shall be payable only in cash. PIK Interest shall accrue on the Convertible Secured Notes at a rate of 10.00% per annum. Cash interest payable for each interest period after the interest period ending August 15, 2011 shall accrue on the Convertible Secured Notes at a rate of 14.00% per annum. Accruing Cash Interest, which refers to cash interest paid in combination with PIK Interest, shall accrue on the Convertible Secured Notes and on previously accrued Accruing Cash Interest at a rate of 4.00% per annum, compounding on each quarterly interest payment date, and payable in a single payment on the earliest to occur of August 15, 2011, the date of conversion of such Convertible Secured Note, and the date such Convertible Secured Note is repaid or repurchased.

Conversion. Each investor may have the right, at its option, to convert, in whole or in part, the principal amount of its Convertible Secured Notes and any PIK Interest paid or accrued thereon into common stock at any time during the term of such Convertible Secured Notes. The Convertible Secured Notes will be convertible into shares of our common stock at a conversion rate of a certain number of shares per \$1,000 principal amount of the Convertible Secured Notes, equal to an initial conversion price of a certain price per share, which is adjustable from time to time as described below under "Conversion Rate Adjustments" (as so adjustable, the "Applicable Conversion Rate").

On the pricing date for the offering of Convertible Secured Notes, which will be after August 15, 2008 and on or prior to the closing date, the Applicable Conversion Rate will be set at an initial number of shares per \$1,000 principal amount equating to a conversion price equal to the lesser of (x) 110% of the volume weighted average price ("VWAP") of our common stock for the 30 consecutive trading days prior to the pricing date of the Offering and (y) \$2.00 per share (provided that if the pricing date occurs on or before August 18, 2008, the Applicable Conversion Rate shall not be equal to less than \$1.65 per share). The VWAP for the 30 consecutive trading days ending on July 24, 2008 was \$1.6898. Based on the foregoing formula, the Applicable Conversion Rate would have been 537.9815 shares of our common stock per \$1,000 principal amount of Convertible Secured Notes. Conversion of the entire \$90 million aggregate principal amount of Convertible Secured Notes at such conversion rate would have resulted in an increase of our outstanding common stock from 156,125,029 shares (as of June 30, 2008) to 204,543,363.41 shares, an approximate 31.01% increase. If a single investor or investor group were to purchase all of such shares, such investor or group would own in excess of 23.67% of the issued and outstanding

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shares of the common stock after the completion of the Offering. In addition, as a result of PIK Interest provisions described above under Interest, we may issue additional principal amount of Convertible Secured Notes, in which case the number of shares issuable upon conversion would increase. In addition, as a result of the make-whole provisions, as described below under Conversion Upon a Fundamental Change, we will upon conversion in connection with a fundamental change, such as a merger or acquisition of Vonage, issue additional make-whole shares of common stock to converting holders in accordance with a make-whole table to be provided to investors upon pricing. As a result of such make-whole provisions, the number of shares issuable upon conversion would increase by the number of make-whole shares.

Conversion Rate Adjustments. The Applicable Conversion Rate shall be adjusted, without duplication, from time to time by us in accordance with the provisions below, except that we will not make any adjustment if holders of Convertible Secured Notes are entitled to participate on the relevant distribution or payment date, as a result of holding the Convertible Secured Notes, in the transactions described in sections (b), (c), (d) and (e) below without having to convert their Convertible Secured Notes (based on the Applicable Conversion Rate in effect immediately before the relevant ex-dividend date):

(a) If Vonage, at any time or from time to time while any of the Convertible Secured Notes are outstanding, issues shares of common stock as a dividend or distribution on shares of common stock, or if Vonage effects a share split or share combination, then the Applicable Conversion Rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{OS}{OS_0}$$

where

CR_0 = the Applicable Conversion Rate in effect immediately prior to the ex-dividend date of such dividend or distribution, or the effective date of such share split or share combination, as applicable;

CR = the Applicable Conversion Rate in effect immediately on and after such ex-dividend date, or effective date of such share split or combination, as applicable;

OS_0 = the number of shares of common stock outstanding immediately before such ex-dividend date or effective date, as applicable; and

OS = the number of shares of common stock outstanding immediately before such ex-dividend date or effective date, but after giving effect to such dividend, distribution, share split or combination, as applicable.

Such adjustment shall become effective immediately after the ex-dividend date for such dividend or distribution, or the effective date for such share split or share combination. If any dividend or distribution of the type described in this section (a) is declared but not so paid or made, the Applicable Conversion Rate shall again be adjusted, as of the date that is the earlier of (i) the public announcement of the non-payment of the dividend or distribution and (ii) the date that the dividend or distribution was to be paid, to the Applicable Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

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(b) If Vonage, at any time or from time to time while any of the Convertible Secured Notes are outstanding, issues or sells (i) any common stock at a price per share that is less than the common stock trading price or (ii) any Common Stock Equivalents (which term refers to any securities or other obligations which by their terms are convertible or exchangeable into shares of common stock or another Common Stock Equivalent, and any option, warrant or other subscription or purchase right with respect to common stock) that entitle the holder thereof to subscribe for, purchase or exercise a conversion or exchange right for, shares of common stock at price per share of common stock that is less than the common stock trading price, then, in each case, the Applicable Conversion Rate shall be adjusted based on the following formula:

$$CR = CR_0 \frac{(OS_0 + X)}{(OS_0 + Y)}$$

where

CR_0 = the Applicable Conversion Rate in effect immediately prior to such issuance or sale;

CR = the Applicable Conversion Rate in effect immediately on and after such issuance or sale;

OS_0 = the number of shares of common stock outstanding immediately before such issuance or sale;

X = (i) the total number of shares of common stock issued (in the case of an issuance or sale of common stock) or (ii) the total number of shares of common stock issuable upon exercise, conversion or exchange of the Common Stock Equivalents issued or sold (in the case of an issuance or sale of Common Stock Equivalents); and

Y = the number of shares of common stock equal to the quotient of (A) the aggregate price payable (i) in respect of such shares of common stock issued or sold (in the case of an issuance or sale of common stock) or (ii) in respect of the shares of common stock issuable upon exercise, conversion or exchange of the Common Stock Equivalents issued or sold (in the case of an issuance or sale of Common Stock Equivalents) divided by (B) the common stock trading price.

To the extent Common Stock Equivalents are not exercised, exchanged or converted prior to the expiration of the exercisability, exchangeability or convertability thereof, the Applicable Conversion Rate shall be readjusted, as of such expiration date, to the Applicable Conversion Rate which would then be in effect had the adjustments made upon the distribution of such Common Stock Equivalents been made on the basis of the delivery of only the number of shares of common stock actually delivered. In determining whether any Common Stock Equivalents entitle the holders to subscribe for or purchase, or exercise a conversion or exchange right for, shares of common stock at less than the common stock trading price, and in determining the aggregate exercise, conversion or exchange price payable for such shares of common stock, there shall be taken into account any consideration received for such Common Stock Equivalents and the value of such consideration, if other than cash, shall be determined in good faith by our board of directors, with the advice of a nationally-recognized valuation or investment advisory firm.

Notwithstanding the foregoing, if an adjustment to the Applicable Conversion Rate in respect of any issuance or sale of common stock or Common Stock Equivalents would be required pursuant to this section (b) and also pursuant to section (c) below, only the adjustment that results in the higher as-adjusted Applicable Conversion Rate shall be made.

(c) If Vonage, at any time or from time to time while any of the Convertible Secured Notes are outstanding, issues or sells (i) any common stock at a price per share that is less than the Applicable Conversion Price then in effect or (ii) any Common Stock Equivalents that entitle the holder thereof to subscribe for, purchase or exercise a conversion or exchange right for, shares of common stock at price per share of common stock that is less than the Applicable Conversion Price then in effect, (in each case, such price per share of common stock, the New Issue Price) then, and in each such case, the Applicable

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Conversion Rate then in effect shall be adjusted to equal the Adjusted Conversion Rate. For purposes of determining the New Issue Price, there shall be taken into account any consideration received for such Common Stock Equivalents, there shall be taken into account any consideration received for any such Common Stock Equivalents, and the value of such consideration, if other than cash, shall be determined in good faith by our board of directors, with the advice of a nationally-recognized valuation or investment advisory firm.

For any issuance or sale of common stock or Common Stock Equivalents that occurs on or prior to the 180th day after the closing date of the offering of Convertible Secured Notes, the Adjusted Conversion Rate shall be \$1,000 divided by the New Issue Price for such issuance or sale of common stock or Common Stock Equivalents.

For any issuance or sale of common stock or Common Stock Equivalents that occurs subsequent to the 180th day after the closing date of the offering of Convertible Secured Notes, the Adjusted Conversion Rate shall be determined according to the following formula:

$$CR = CR_0 \times \frac{(OS_0 + X)}{(OS_0 + Y)}$$

where

CR_0 = the Applicable Conversion Rate in effect immediately prior to such issuance or sale;

CR = the Adjusted Conversion Rate;

OS_0 = the number of shares of common stock outstanding immediately before such issuance or sale;

X = (i) the total number of shares of common stock issued (in the case of an issuance or sale of common stock) or (ii) the total number of shares of common stock issuable upon exercise, conversion or exchange of the Common Stock Equivalents issued or sold (in the case of an issuance or sale of Common Stock Equivalents); and