

VIEWPOINT CORP  
Form PRE 14A  
June 10, 2004

**Viewpoint Corporation  
498 Seventh Avenue  
New York, New York 10018**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to Be Held August 5, 2004**

DEAR STOCKHOLDERS:

The Annual Meeting of Stockholders of Viewpoint Corporation, will be held on Wednesday, August 5, 2004, at 10:00 a.m., local time, at the Sheraton New York Hotel and Towers, 811 Seventh Avenue, 3rd Floor, New York, NY, for the following purposes:

1. To elect seven directors to serve for the ensuing year and until their successors are duly elected and qualified.
  2. To approve a proposal to amend the Company's certificate of incorporation to increase the number of authorized shares of common stock from 75,000,000 shares to 100,000,000 shares.
  3. To ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the Company for the 2004 fiscal year.
  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 June 10, 2004 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,

BRIAN J. O'DONOGHUE  
*General Counsel and Secretary*

New York, New York  
June [ ], 2004

**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.**

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**PROXY STATEMENT FOR  
ANNUAL MEETING OF STOCKHOLDERS  
AUGUST 5, 2004**

**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 Thursday, August 5, 2004 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 Sheraton New York Hotel and Towers, 811 Seventh Avenue, 3rd Floor, New York, NY.

These proxy solicitation materials and the Company's Annual Report to Stockholders for the year ended December 31, 2003, including financial statements, are being mailed on or about June 24, 2004 to all stockholders entitled to vote at the Annual Meeting.

**Record Date and Voting Securities**

Stockholders of record at the close of business on June 10, 2004 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 June 10, 2004, 52,466,647 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, 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

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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 outstanding common stock is required to amend the Company's certificate of incorporation.

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 June 10, 2004 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	6,828,402	13.0
Kevin S. Moore, Stephen Duff(2) Computer Associates One Computer Associates Plaza Islandia, NY 11749	4,426,141	8.5
James E. Crabbe(3) 1305 SW Myrtle Court Portland, OR 97201	3,062,423	5.85

- (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 June 10, 2004 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 52,466,647 shares of Common Stock outstanding on June 10, 2004.
- (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) 6,275,002 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 6,223 of the shares listed in this table.
- (3) These shares of the Company's Common Stock include (i) 2,730,000 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) 125,000 shares beneficially owned by the James E. Crabbe IRA, of which Mr. Crabbe has investment discretion, and (iv) 6,823 shares which Mr. Crabbe has the right to acquire under the terms of an option granted to Mr. Crabbe in connection with his services as a director of the Company.

**Ownership of Securities by Management**

The following table sets forth information with respect to the beneficial ownership of the Company's Common Stock, as of June 10, 2004, 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)
Jay S. Amato		800,000	800,000	1.50%
Thomas Bennett(3)		17,812	17,812	0.03%
James E. Crabbe	3,055,600	7,968	3,063,568	5.84%
Stephen Duff(4)		7,239	7,239	0.01%
Ales Holecek		415,205	415,205	0.79%
Samuel H. Jones, Jr	940,055	200,208	1,140,263	2.17%
William H. Mitchell		375,000	375,000	0.71%
Thomas K. Morgan		189,063	189,063	0.36%
Brian J. O' Donoghue		726,307	726,307	1.37%
Dennis R. Raney				0.00%
Robert E. Rice		2,309,442	2,309,442	4.22%
All directors and executive officers as a group (12 persons)	3,995,655	4,248,244	8,243,899	14.54%
All directors and executive officers and Computer Associates International, Inc., The Clark Estates, Inc. and Federal Partners, L.P.	15,250,198	4,248,244	19,498,442	34.38%

\* Percentage of shares beneficially owned is less than one percent of total.

- (1) Represents shares issuable upon exercise of options to purchase Company Common Stock that are exercisable within 60 days of June 10, 2004.
- (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 June 10, 2004 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 52,466,647 shares of Common Stock outstanding on June 10, 2004.
- (3) Mr. Bennett is Senior Vice President of Computer Associates International, Inc., which owns 4,426,141 shares of Company Common Stock. Mr. Bennett disclaims beneficial ownership of the shares owned by Computer Associates.
- (4) 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 6,275,002 shares of Company common stock which it acquired in private placements in 2003. 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 6,223 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 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, 2003, its officers, directors and greater-than ten percent stockholders complied with all Section 16(a) filing requirements.

**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
Jerry S. Amato	Mr. Amato, 44, has been a Director of the Company and its Chief Executive Officer since August 2003. From July 1995 through September 1998, Mr. Amato served as President and Chief Operating Officer of Vanstar Corporation, a leading provider of services and products designed to build, manage and enhance personal computer network infrastructures with 1998 revenues exceeding \$2.8 billion. From September 1998 until joining the Company in August 2003, Mr. Amato served as a principal of the Flatiron Group in New York, a business strategy and planning advisory service. In March 1998, Mr. Amato led the formation of Technology Access Action Coalition/ACT, a Washington-based organization promoting innovation and growth in the technology sector, and served as its Chairman until November 1999.	44	2003

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Name	Principal Occupation During Last Five Years	Age	Director Since
Thomas Bennett	Mr. Bennett, 48, has been a Director of the Company since November 2000. He has been with Computer Associates International, Inc. since 1988 and has been serving as its Senior Vice President of Business Development since April 1997. On February 8, 2000, he became a director of Metastream Corporation, a subsidiary of the Company, from the formation of Metastream in June 1999 until its merger with the Company in November 2000.	48	2000
James E. Crabbe	Mr. Crabbe, 57, became a Director of the Company in March 2003. Mr. Crabbe served as President of the Crabbe Huson Group, Inc., a registered investment advisor, from 1980 until the time of its sale to Liberty Financial Services, Inc. in 1998. Crabbe Huson had over \$5.5 billion in assets under management at the time of its sale to Liberty Financial. Mr. Crabbe remained an employee of Liberty until 2000. Mr. Crabbe is currently chairman of the board of directors of VendingData Corporation, a company in the business of designing and manufacturing machines used in the gambling industry.	57	2003
Stephen Duff	Mr. Duff, 40, became a Director of the Company in May 2003. Mr. Duff is the Chief Investment Officer of The Clark Estates, Inc. 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 is a 1985 graduate of Stonehill College. Currently he serves on two other public company boards, The Casual Male Retail Group, Inc. and Easylink Services Corporation, Inc. Mr. Duff also serves on the Board of the Clara Welch Thanksgiving Home, Inc., a non-profit elderly care facility in Cooperstown, New York.	40	2003
Samuel H. Jones, Jr.	Mr. Jones, 70, 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. Mr. Jones is a director of Fulton Financial Corp.	70	1992
Dennis R. Raney	Dennis R. Raney, 61, 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 was 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 current serves on three other public company boards: Easylink Services Corporation, Inc., Equinix, Inc., and Ultratech, Inc.	61	2004



Name	Principal Occupation During Last Five Years	Age	Director Since
Robert E. Rice	Mr. Rice, 49, has been a Director of the Company since April 2000 and served as President and Chief Executive Officer from April 2000 until August 2003. Mr. Rice currently serves as Executive Chairman of the Board of Directors and, in this capacity, is an executive officer of Viewpoint. Mr. Rice joined the Company in 1997 upon the Company's acquisition of Real Time Geometry, a company Mr. Rice co-founded in 1995. Mr. Rice served as Vice President of Strategic Affairs at the Company from 1997 until September 1999. He was the President and director of Metastream Corporation, a subsidiary of the Company, from its formation in June 1999 until its merger with and into the Company in November 2000. Before founding Real Time Geometry, Mr. Rice was a partner at the law firm of Milbank, Tweed, Hadley and McCloy LLP, where he advised on various corporate, tax, and intellectual property issues.	49	2000

#### Recommendation of the Board of Directors

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

#### 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. Bennett, Crabbe, Duff, Jones, and Raney.

#### Board of Directors Meetings and Committees

The Board of Directors of the Company held 13 meetings in 2003. Each director who served as a director in fiscal year 2003 and who is nominated for re-election attended at least 92% of the meetings held during fiscal year 2003.

The Board of Directors has an audit committee (the Audit Committee) which currently consists of Dennis Raney, serving as Chairman, James E. Crabbe, and Samuel H. Jones, Jr. Mr. Bennett served on the Audit Committee from his appointment to the Board of Directors in November 2000 until February 24, 2004, the date on which Mr. Bennett was appointed to the Nominating Committee of the Board of Directors (described below). Lennert Leader served on the Audit Committee from his appointment to the Board of Directors in November 2000 until the annual meeting of stockholders in 2003, at which time Mr. Leader did not stand for re-election to the Board of Directors.

The Audit Committee held five meetings during fiscal year 2003. Each director who served on the Audit Committee during fiscal year 2003 and who is nominated for re-election to the Board of Directors attended all of the meetings of the Audit Committee held in 2003.

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 auditors, 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 auditors 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 is attached as Appendix A to this Proxy Statement and also can be found in the Investor Relations section of our website at [www.viewpoint.com](http://www.viewpoint.com).

The Board of Directors has a compensation committee (the Compensation Committee) which consists of Samuel H. Jones, Jr. and Thomas Bennett. Mr. Crabbe served on the Compensation Committee from his appointment to the Board of Directors in March 2003 through February 24, 2004, on which date Mr. Crabbe became a member of the Company's newly-formed Nominating Committee. Bruce R. Chizen served on the Compensation Committee from his appointment to the Board of Directors in November 2000 until his resignation from the Board of Directors of the Company effective January 31, 2003.

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 three meetings during fiscal 2003 and acted twice by unanimous written consent. Each member of the Compensation Committee attended each meeting held during his tenure.

The Board of Directors has a nominating committee (the Nominating Committee) which consists of Messrs. Bennett, Crabbe, and Duff. The Nominating Committee's primary purpose is to evaluate candidates for membership on the Board and 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 in the Investor Relations section of our website at [www.viewpoint.com](http://www.viewpoint.com).

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 and 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 our 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 2005, a stockholder's notice to the Company's Secretary must be delivered to Viewpoint's principal executive offices no later than February 13, 2005.

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.

Messrs. Amato, Crabbe, Duff, and Jones attended the 2003 annual meeting of stockholders. The Company does not have a policy regarding board members' attendance at annual meetings of stockholders.

#### **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](mailto: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 is attached as Appendix A to this Proxy Statement and can be found in the Investor Relations section of our website at [www.viewpoint.com](http://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 auditors are responsible for performing an independent audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and the independent auditors the Company's audited financial statements. The Audit Committee also discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61 relating to communication with audit committees. In addition, the Audit Committee received from the independent auditors 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 auditors that firm's independence, and considered whether the independent auditor's provision of non-audit services to the Company is compatible with maintaining the auditor's independence.

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their audits. The Audit Committee meets with the independent auditors, 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 2003

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Annual Report on Form 10-K for the fiscal year ended December 31, 2003 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 billed by the Company's principal accounting firm PricewaterhouseCoopers LLP for professional services rendered for the audit of the annual financial statements for the fiscal year ended December 31, 2003 and 2002 and review of the financial statements included in the Forms 10-Q for those years were approximately \$233,000, and \$280,000, respectively.

#### *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, 2003 and 2002 were approximately \$71,000 and \$75,000, 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 or tax fees, for the fiscal years ended December 31, 2003 and 2002 were approximately \$206,000 and \$31,000, respectively. In 2003 the fees related primarily to assistance in responding to comments of the SEC in connection with the SEC's review of the Company's registration statement filings. In 2002 the fees related primarily to the audit of the Company's 401k Plan. 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 auditors. 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 auditor'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, 2003 and has concluded that such services are compatible with its independence as the Company's auditors. The Audit Committee has established pre-approval policies and procedures pursuant to which all services will be rendered by the independent auditors 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, 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 2003.

The Company compensates Mr. Raney, who became a member of the Board of Directors on February 24, 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 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.

Each non-employee director who joins the Board is automatically granted an option to purchase 20,000 shares of 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. Each non-employee director also automatically receives an option to purchase 5,000 shares of Common Stock on January 1 of each year, provided the director has been a member of the Board for at least six months. In the case of Mr. Raney, the Company agreed to increase this annual option grant to an option to acquire 12,000 shares.

The exercise price of each option granted to directors is equal to the fair market value of the 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 granted under the Director Plan 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 Director Plan.

In accordance with the compensation arrangements described above, the Company granted options to acquire 5,000 shares of Company common stock to each of Messrs. Bennett, Chizen, Jones, and Leader under the Director Plan at an exercise price of \$1.71, the closing price of the Company's common stock on NASDAQ on January 2, 2003.

#### **Executive Officers**

In addition to Mr. Amato and Mr. Rice, Mr. William H. Mitchell, 46, and Mr. Brian J. O'Donoghue, 41, 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.

*Brian J. O'Donoghue* serves as Senior Vice President and General Counsel of the Company. Mr. O'Donoghue was an attorney at Milbank, Tweed, Hadley, and McCloy LLP, specializing in corporate and litigation matters from 1995 until joining the Company as General Counsel in May 2000. Mr. O'Donoghue received his Juris Doctorate from Fordham University School of Law in 1995.

**Executive Compensation**

The following table presents certain information with respect to annual compensation and long-term compensation awarded during fiscal years 2001, 2002, and 2003 to individuals who have served as the Company's Chief Executive Officer during 2003 and its six other most highly compensated executive officers as of December 31, 2003 (collectively, the "Named Executive Officers").

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-term Compensation	
		Salary	Bonus	Other Annual Compensation	Securities Underlying Company Options	All Other Compensation
Jay S. Amato President and Chief Executive Officer	2003	\$ 157,240		\$ 4,369(1)	2,050,000	
Robert Rice(2) Executive Chairman	2003	\$ 330,000		\$ 11,931(1)	925,000	\$ 9,373(3)
	2002	\$ 330,000		\$ 16,564(4)		\$ 12,953(5)
	2001	\$ 330,000		\$ 18,004(1)	1,200,000	
Ales Holecek(6) Senior Vice President, Technology	2003	\$ 171,667			350,000	
	2002	\$ 160,000			200,000	
	2001	\$ 155,000			40,000	
Sreekant Kotay(7) Executive Vice President, Technology Marketing and Strategy	2003	\$ 150,000	\$ 50,000		725,000	
	2002	\$ 200,000				
	2001	\$ 200,000				
William H. Mitchell Chief Financial Officer	2003	\$ 98,029	\$ 6,250	\$ 10,400(8)	550,000	
Thomas Morgan Senior Vice President, Services	2003	\$ 200,000			200,000	
	2002	\$ 127,997			125,000	
Brian O. Donoghue Senior Vice President and General Counsel	2003	\$ 197,400			575,000	
	2002	\$ 200,000			200,000	
	2001	\$ 187,499				
Anthony L. Pane(9) Senior Vice President and Chief Financial Officer	2003	\$ 188,723				\$ 38,462(10)
	2002	\$ 197,500			67,500	
	2001	\$ 170,000	\$ 20,000			

- (1) Represents auto allowance.
- (2) Served as Chief Executive Officer until August 2003 and is currently serving as Executive Chairman of the Board of Directors.
- (3) Represents payment for life insurance premiums for period beginning in April 2003 and ending in April 2004.
- (4) Represents auto allowance of \$9,660 and reimbursement in 2002 for taxes paid for life insurance premiums for 2000 and 2001 and for period beginning in April 2002 and ending in April 2003.
- (5) Represents reimbursement in 2002 for life insurance premiums for 2000 and 2001 and for period beginning in April 2002 and ending in April 2003.
- (6) Separated from the Company as of February 2004.

- (7) Separated from the Company as of October 2003.
- (8) Represents housing allowance from August 2003 to December 2003.
- (9) Separated from the Company as of November 2003.
- (10) Represents severance.

**Stock Option Grants**

The following table presents information regarding stock options granted to the Named Executive Officers during 2003. In accordance with the rules of the SEC, also shown below is the potential realizable value over the term of the option (the period from the grant date to the expiration date) based on assumed rates of stock appreciation from the option exercise price of 5% and 10%, compounded annually. These amounts do not represent the Company's estimate of future stock price. Actual gains, if any, on stock option exercises will depend on the future performance of Company common stock.

**Option Grants in 2003**

Name	Number of Securities Underlying Options Granted	Individual Grants			Expiration Date	Potential Realizable Values at Assumed Annual Rates of Stock Price Appreciation
		Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price			