

VONAGE HOLDINGS CORP

Form DEF 14A

April 23, 2014

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

(Amendment No. )

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 Rule 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):

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(3) Filing Party:

(4) Date Filed:

Table of Contents

VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

April 23, 2014

Dear Stockholders,

We are pleased to invite you to attend the annual meeting of stockholders of Vonage Holdings Corp. to be held on Thursday, May 29, 2014 at 10:00 a.m., local time. For your convenience the annual meeting will be conducted via a live webcast at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014). You will be able to attend our annual meeting, vote your shares electronically and submit questions during the annual meeting. Details regarding access to the meeting and the business to be conducted are provided in the accompanying Notice of 2014 Annual Meeting of Stockholders and Proxy Statement. Included with the Proxy Statement is a copy of our 2013 annual report, including our Form 10-K for the year ended December 31, 2013 (without exhibits). We encourage you to read our 2013 annual report, which includes our audited financial statements and information about our operations, markets, and products. Your vote is important. Whether or not you plan to attend the annual 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 mailing a proxy card or by providing voting instructions to your broker, trustee or nominee will ensure your representation at the annual meeting regardless of whether you attend. Please review the instructions on the proxy or voting instruction card regarding each of these voting options.

Also, if you plan to attend our annual meeting please see the admission instructions set forth in the Notice of 2014 Annual Meeting of Stockholders.

Thank you for your ongoing support of Vonage. We look forward to your participation in our annual meeting.

Sincerely,

Marc P. Lefar

Chief Executive Officer

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Table of Contents

VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

Time and Date 10:00 a.m., local time, on Thursday, May 29, 2014  
Place via live webcast at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014)  
Items of Business At the meeting, we will ask you and our other stockholders to:

- (1) ) elect four Class II directors for terms to expire at the 2017 annual meeting of stockholders;
- (2) ) ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- (3) ) approve our named executive officers' compensation in an advisory vote.

Record Date The stockholders will also act on any other business as may properly come before the meeting or any postponement or adjournment of the meeting. The board of directors has no knowledge of any other business to be transacted at the annual meeting. You may vote if you were a stockholder of record at the close of business on April 7, 2014. A list of these stockholders will be open for examination by any stockholder for any purpose germane to the 2014 annual meeting for a period of 10 days prior to the meeting at our principal executive offices at 23 Main Street, Holmdel, NJ 07733, and electronically during the 2014 annual meeting at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014) when you enter your 12-Digit Control Number.

Proxy Voting It is important that your shares 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 you do not hold your shares of record and you do not plan to attend the meeting, please follow the instructions provided by your broker, trustee or other nominee to ensure that your shares are voted.

By order of the Board of Directors,  
Kurt M. Rogers, Corporate Secretary

Holmdel, NJ

April 23, 2014

Important Notice Regarding the Availability of Proxy Materials for Our Annual Meeting of Stockholders to Be Held on May 29, 2014

The accompanying proxy statement and our 2013 annual report to stockholders are available at <http://ir.vonage.com/>

Table of Contents

TABLE OF CONTENTS

	Page No
<u>GENERAL INFORMATION</u>	<u>1</u>
<u>QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING</u>	<u>1</u>
<u>Q: What information is contained in this proxy statement?</u>	<u>1</u>
<u>Q: What shares can I vote?</u>	<u>1</u>
<u>Q: How many votes am I entitled to per share?</u>	<u>2</u>
<u>Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?</u>	<u>2</u>
<u>Q: How can I attend the annual meeting?</u>	<u>2</u>
<u>Q: How can I vote my shares without attending the annual meeting?</u>	<u>3</u>
<u>Q: Can I change my vote?</u>	<u>3</u>
<u>Q: How many shares must be present or represented to conduct business at the annual meeting?</u>	<u>3</u>
<u>Q: What is the voting requirement to approve each of the proposals?</u>	<u>3</u>
<u>Q: What is the effect of not casting a vote?</u>	<u>4</u>
<u>Q: What happens if additional matters are presented at the annual meeting?</u>	<u>4</u>
<u>Q: Who will serve as inspector of elections?</u>	<u>4</u>
<u>Q: What should I do if I receive more than one set of voting materials?</u>	<u>4</u>
<u>Q: What is “householding” and how do I revoke my consent to the householding program?</u>	<u>5</u>
<u>Q: How may I obtain an additional copy of our 2013 annual report and proxy materials?</u>	<u>5</u>
<u>Q: Who will bear the cost of soliciting votes for the annual meeting?</u>	<u>5</u>
<u>Q: What is the deadline to propose actions for consideration at the 2014 annual meeting of stockholders or to nominate individuals to serve as directors?</u>	<u>6</u>
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	<u>7</u>
<u>General</u>	<u>7</u>
<u>Board Composition and Nominees</u>	<u>7</u>
<u>Nominees for Terms Expiring in 2017 (Class II Directors)</u>	<u>8</u>
<u>Directors Whose Terms Expire in 2015 (Class III Directors)</u>	<u>9</u>
<u>Directors Whose Terms Expire in 2016 (Class I Directors)</u>	<u>10</u>
<u>Transactions with Related Persons</u>	<u>11</u>
<u>Recommendation of our Board of Directors</u>	<u>12</u>
<u>PROPOSAL NO. 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>12</u>
<u>General</u>	<u>12</u>
<u>Auditors' Fees</u>	<u>13</u>
<u>Pre-Approval Policies and Procedures</u>	<u>13</u>
<u>Recommendation of our Board of Directors</u>	<u>13</u>
<u>PROPOSAL NO. 3 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	<u>14</u>
<u>Background</u>	<u>14</u>
<u>Recommendation of the Board of Directors</u>	<u>14</u>
<u>CORPORATE GOVERNANCE</u>	<u>15</u>
<u>Governance Principles</u>	<u>15</u>
<u>Board Leadership Structure</u>	<u>15</u>
<u>Risk Management</u>	<u>16</u>
<u>Board Determination of Independence</u>	<u>17</u>

<u>Board Meetings and Attendance</u>	<u>17</u>
<u>Director Attendance at Annual Meeting of Stockholders</u>	<u>17</u>
<u>Director Retirement Age</u>	<u>18</u>
<u>Directors Changing Their Present Job Responsibilities</u>	<u>18</u>
<u>Board Committees</u>	<u>18</u>
<u>Audit Committee</u>	<u>18</u>
<u>Compensation Committee</u>	<u>19</u>

Table of Contents

<u>Nominating and Governance Committee</u>	<u>20</u>
<u>Director Nomination Process</u>	<u>21</u>
<u>Communicating with the Independent Directors</u>	<u>22</u>
<u>Codes of Conduct</u>	<u>22</u>
<u>Audit Committee Report</u>	<u>22</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>23</u>
<u>Impact of Compensation Policies on Risk Management</u>	<u>23</u>
<u>Compensation Committee Report</u>	<u>24</u>
<u>EXECUTIVE OFFICERS</u>	<u>25</u>
<u>COMPENSATION</u>	<u>27</u>
<u>Compensation Discussion and Analysis</u>	<u>27</u>
<u>Executive Summary</u>	<u>27</u>
<u>Compensation Objectives</u>	<u>32</u>
<u>Engagement of Compensation Consultant</u>	<u>33</u>
<u>Determination of Competitive Compensation</u>	<u>33</u>
<u>Employment Arrangements with our Named Executive Officers</u>	<u>34</u>
<u>Salaries</u>	<u>35</u>
<u>Annual Cash Bonuses</u>	<u>36</u>
<u>Long-Term Incentives</u>	<u>38</u>
<u>Perquisites</u>	<u>40</u>
<u>Equity Grant Practices</u>	<u>41</u>
<u>Post-Employment Compensation</u>	<u>41</u>
<u>Tax Considerations</u>	<u>42</u>
<u>Stock Ownership Guidelines for Executives</u>	<u>39</u>
<u>Claw-back and Hedging Policies</u>	<u>42</u>
<u>Consideration of Say-on-Pay Voting Results</u>	<u>44</u>
<u>Summary Compensation Table</u>	<u>44</u>
<u>Grants of Plan-Based Awards—2013</u>	<u>46</u>
<u>Outstanding Equity Awards at Fiscal Year-End—2013</u>	<u>48</u>
<u>Option Exercises and Stock Vested—2013</u>	<u>50</u>
<u>Potential Post-Employment Payments</u>	<u>50</u>
<u>Employment and Related Agreements</u>	<u>50</u>
<u>Potential Payments Upon Termination of Employment or Change-in-Control</u>	<u>54</u>
<u>DIRECTOR COMPENSATION</u>	<u>56</u>
<u>Cash Compensation Paid to Board Members</u>	<u>56</u>
<u>Equity-Based Grants to Board Members and Stock Ownership Guidelines for Directors</u>	<u>57</u>
<u>2013 Director Compensation</u>	<u>58</u>
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	<u>59</u>
<u>STOCK OWNERSHIP INFORMATION</u>	<u>60</u>
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>63</u>



Table of Contents

VONAGE HOLDINGS CORP.

23 MAIN STREET

HOLMDEL, NJ 07733

PROXY STATEMENT

GENERAL INFORMATION

For Our Annual Meeting of Stockholders to be held on May 29, 2014

Vonage Holdings Corp. (referred to as “we,” “us,” “our,” “the company,” or “Vonage” in this document) has sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at our 2014 Annual Meeting of Stockholders. The annual meeting will be held on Thursday, May 29, 2014, at 10:00 a.m., local time, via live webcast at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014). If the annual meeting is adjourned or postponed for any reason, the proxies may be used at any adjournments or postponements of the annual meeting. A replay of the webcast will be available on the Investor Relations section of our website through June 30, 2014. This proxy statement summarizes information about the proposals to be considered at the annual 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 April 23, 2014. We are also enclosing a copy of our annual report, including our Form 10-K for the year ended December 31, 2013 (without exhibits). We sometimes refer to the year ended December 31, 2013 as “fiscal year 2013” in this proxy statement.

OTHER INFORMATION

Our Form 10-K for fiscal year 2013, as filed with the Securities and Exchange Commission, or SEC, which includes our audited financial statements, is available free of charge on the Investor Relations section of our website at <http://ir.vonage.com/> or through the SEC's electronic data system at [www.sec.gov](http://www.sec.gov). To request a printed copy of our Form 10-K (without exhibits), which we will provide to you free of charge, you may: write to Vonage's Investor Relations Department at Vonage Holdings Corp., 23 Main Street, Holmdel, NJ 07733 or call us at 732.365.1328 or send an email through the Vonage Investor Relations website at <http://ir.vonage.com/>.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: What information is contained in this proxy statement?

A: The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of our directors and most highly paid executive officers in 2013, and certain other required information.

Q: What shares can I vote?

A: Each share of Vonage common stock issued and outstanding as of the close of business on April 7, 2014, which we refer to as the Record Date, is entitled to vote on all items being voted on at the annual 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 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 212,500,992 shares of common stock issued and outstanding.



Table of Contents

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 difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most Vonage stockholders hold their shares through a broker, trustee 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 Vonage. As the stockholder of record, you have the right to grant your voting proxy directly to Vonage or to vote in person at the annual 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 a trustee or other 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 annual meeting.

Since a beneficial owner is not the stockholder of record, you may not vote your shares in person at the annual 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 other nominee can provide you information on how to obtain a "legal proxy." Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or other nominee how to vote your shares.

Q: How can I attend and vote at the annual meeting?

A: You are entitled to attend the annual meeting only if you were a Vonage stockholder or joint holder as of the Record Date, the close of business on April 7, 2014, or you hold a valid proxy for the annual meeting. We will be hosting the 2014 annual meeting live via webcast. A summary of the information you need to attend the annual meeting online is provided below:

• Any stockholder can attend the 2014 annual meeting live via the Internet at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014)

• Webcast starts at 10:00 a.m. local time

• Stockholders may vote and submit questions while attending the annual meeting on the Internet

• Please have your 12-Digit Control Number to enter the annual meeting

• Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014)

• Assistance with questions regarding how to attend and participate via the Internet will be provided at [www.virtualshareholdermeeting.com/VG2014](http://www.virtualshareholdermeeting.com/VG2014) on the day of the annual meeting

Table of Contents

Webcast replay of the annual meeting will be available until June 30, 2014

Even if you plan to attend the annual meeting, we encourage you to vote your shares in advance of the meeting.

Q: How can I vote my shares without attending the annual 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 annual 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 Vonage common stock with Internet access may submit proxies by following the “VOTE BY INTERNET” instructions on their proxy cards until 11:59 p.m., Eastern Time, on May 28, 2014. Most Vonage stockholders who hold shares beneficially in street name may vote by accessing the website specified on the voting instruction cards provided by their brokers, trustees or nominees. Please check the voting instruction card for Internet voting availability.

By Telephone—Stockholders of record of Vonage common stock who live in the United States or Canada may submit proxies by following the “VOTE BY TELEPHONE” instructions on their proxy cards until 11:59 p.m., Eastern Time, May 28, 2014. 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.

By Mail—Stockholders of record of Vonage 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 annual 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 annual meeting on the Internet and voting. Attendance at the meeting on the Internet 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 it has 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 while attending the annual meeting on the Internet.

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

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

Table of Contents

Q: What is the voting requirement to approve each of the proposals?

A: Directors are elected by a plurality of the votes cast. This means that the four Class II candidates for election as directors receiving the highest number of "FOR" votes will be elected. Stockholders cannot cumulate votes in the election of directors. Votes withheld and broker non-votes are not considered votes cast on this proposal and will not have any effect on the election of directors.

The proposal to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm 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 annual meeting. Abstentions are considered votes cast and, accordingly, will have the same effect as a vote against the proposal.

The advisory vote to approve executive compensation is not binding. We will consider stockholders to have approved the proposal if there are more votes cast "FOR" the proposal than "AGAINST". Abstentions and broker non-votes will not affect the outcome of the vote.

Q: What is the effect of not casting a vote?

A: If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may 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. Under New York Stock Exchange rules, brokers would have discretionary voting power with respect to ratification of BDO USA, LLP, but not for the election of directors or the advisory vote to approve executive compensation. We encourage you to provide instructions to your broker, trustee or other nominee regarding the voting of your shares.

If you are a stockholder of record and do not return a proxy card, no votes will be cast on your behalf on any of the items of business at the annual meeting. If you are a stockholder of record and return your signed proxy card but it does not indicate any voting instructions, such proxy will be voted FOR the election of all director nominees named in this proxy statement, FOR the proposal to ratify the appointment of BDO USA, LLP, and FOR the advisory vote to approve executive compensation.

Q: What happens if additional matters are presented at the annual 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 annual 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. If for any reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by our board of directors.

Q: Who will serve as inspector of elections?

A: The inspector of elections will be a representative from Broadridge Investor Communications Services.

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

Table of Contents

more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: What is “householding” and how do I revoke my consent to the householding program?

A: Vonage has adopted a method of delivery for its proxy materials and annual report called “householding.” Under this method, we deliver only one copy of the proxy materials and annual report to one or more stockholders who share the same last name and address, unless such stockholders have notified us that they wish to receive multiple copies.

Vonage adopted the householding method to reduce the amount of duplicative material that its stockholders receive and to lower printing and mailing costs. Householding is in effect for the 2014 Annual Meeting of Stockholders and will remain in effect for all future annual meetings.

If you are a registered stockholder who previously received separate copies and wish to continue to receive multiple copies of our proxy materials and annual report at the same address, separate copies will be provided to you upon request. You may request separate copies by notifying us in writing or verbally that you wish to opt out of the householding program at:

Vonage Investor Relations  
23 Main Street  
Holmdel, NJ 07733  
732.365.1328

You may opt out of householding at any time 30 days prior to the mailing of proxy materials. If you own our common stock in street name (such as through a broker), please notify your broker if you wish to continue to receive multiple copies of the proxy materials.

Stockholders who share an address and receive multiple copies of our annual report, including our Form 10-K, and proxy materials can request to receive a single copy of these materials and notices of Internet availability of proxy materials (if applicable) in the future 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.

Q: How may I obtain an additional copy of our 2013 annual report and proxy materials?

A: Any stockholder may request additional copies of our annual report, including our Form 10-K (without exhibits), and proxy materials 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

We will promptly deliver the requested copies. Current and prospective investors can access or order free copies of our annual report, including our Form 10-K (without exhibits) and proxy statement by following these same instructions.

Q: Who will bear the cost of soliciting votes for the annual 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

Table of Contents

directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. We have retained Georgeson Inc. at an estimated cost of \$7,000, plus expenses, to assist in the solicitation of proxies.

Q: What is the deadline to propose actions for consideration at the 2015 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: Any stockholder proposals (other than proposals to nominate directors) intended to be presented at an annual meeting of stockholders called for a date between April 29, 2015 and June 28, 2015 and to be considered for inclusion in our proxy materials must be received by December 19, 2014 and must comply with the procedures of Rule 14a-8 under the Securities Exchange Act of 1934. Stockholder proposals failing to comply with the procedures of Rule 14a-8 will be excluded from our proxy materials. Proposals should be addressed to:

Vonage Holdings Corp.

Attn: Corporate Secretary

23 Main Street

Holmdel, NJ 07733

For a stockholder proposal (other than proposals to nominate directors) intended to be presented at an annual meeting of stockholders 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 Section 1.11 of 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 29, 2015, and

not later than February 28, 2015.

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" below in this proxy statement.

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 Section 1.10 of our bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our bylaws, 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 under Rule 14a-8.

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

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

Our board of directors is divided into three classes. One class is elected each year and members of each class hold office for three-year terms. The Class I, Class II, and Class III directors were elected to serve until the annual meetings of stockholders to be held in 2016, 2014, and 2015, respectively, and until their respective successors are elected and qualified. Our board of directors currently consists of the following ten members:

• Michael A. Krupka, David C. Nagel, and Margaret M. Smyth are Class I directors.

• Marc P. Lefar, Carolyn Katz, John J. Roberts, and Carl Sparks are Class II directors and each is up for re-election at the 2014 annual meeting.

• Jeffrey A. Citron, Morton David, and Stephen Fisher are Class III directors.

As discussed more fully under “Corporate Governance—Board Determination of Independence,” our board has determined that each of Jeffrey Citron, Morton David, Stephen Fisher, Carolyn Katz, Michael A. Krupka, David C. Nagel, John J. Roberts, Margaret M. Smyth, and Carl Sparks is “independent” under New York Stock Exchange rules.

Mr. Lefar's employment agreement with us provided for his election to our board of directors upon commencement of his employment in July 2008. His agreement provides that our board of directors shall nominate him for re-election at the end of each then current term. The board has nominated Mr. Lefar for re-election at this annual meeting. On April 7, 2014, we announced that Mr. Lefar had shared his intention to retire from the Company upon completion of a process to select a successor. Mr. Lefar will continue to serve as our Chief Executive Officer through the leadership transition, which is expected to conclude by December 31, 2014. Upon completion of the transition, he is expected to resign from the board.

Each of our directors other than Carolyn Katz was elected or ratified at an annual meeting of stockholders. On January 30, 2014, Jeffrey J. Misner resigned as a Class III director effective February 6, 2014 and we filled the vacancy with Ms. Katz, who is up for re-election at the 2014 annual meeting as a Class II director. Ms. Katz was recommended to our nominating and governance committee by a third-party search firm. In December 2013, we announced the appointment of Mr. Redling as President of Consumer Services - U.S. and Canada, at which time Mr. Redling resigned as a Class II director. We thank Messrs. Misner and Redling for their many years of leadership on the board and their valuable contributions to the Company.

No director, director nominee, or associate of any director or director nominee, is a party adverse to us or any of our subsidiaries in any material proceeding or has any material interest adverse to us or any of our subsidiaries. No director, director nominee or executive officer is related by blood, marriage or adoption to any other director or executive officer.

Board Composition and Nominees

We believe that each member of our board of directors should possess certain qualities, including ethical character, sound judgment, and demonstrated business acumen. In addition, board members should be familiar with our business and industry, be able to work collegially, be free of conflicts of interest, be willing to devote sufficient time to satisfy obligations as a director, and be willing to act in the long-term interests of all stockholders. While we do not have a formal diversity policy, we seek to have directors representing a range of experiences, qualifications, skills, and backgrounds relevant to our activities. In particular, we have substantially deepened the technology and digital marketing experience of our board in recent years as the company continues to develop new communications products to meet the emerging needs of customers worldwide. In addition, our nominating and governance

Table of Contents

committee has made board diversity a priority in its evaluation of director candidates, expanding the diversity of our board of directors in recent years.

The persons named in the enclosed proxy card will vote to elect each of the following nominees as a director, unless the proxy is marked otherwise. Each nominee has indicated a willingness to serve as a director, if elected. If any nominee becomes unable or unwilling to serve, the proxies may be voted for substitute nominees selected by our board of directors.

Nominees for Terms Expiring in 2017 (Class II Directors)

Marc P. Lefar, age 50, has been our Chief Executive Officer and a director since July 2008, during which time he led the Company through a comprehensive financial, operational and strategic turnaround. Prior to joining Vonage, Mr. Lefar was Founder and Principal of Marketing Insights, a technology and media consulting firm that he founded in May 2007. Prior to founding that firm, Mr. Lefar served as Chief Marketing Officer of Cingular Wireless from February 2003 to April 2007. Mr. Lefar also served as Executive Vice President, Marketing and Value-Added Services of Cable and Wireless Global from 2000 to 2002. He also held senior leadership roles at Verizon Wireless and GTE Wireless. Mr. Lefar spent the first nine years of his career at Procter & Gamble.

As noted above, on April 7, 2014, we announced that Mr. Lefar had shared his intention to retire from the Company upon completion of a process to select a successor. The board has initiated a formal search for Mr. Lefar's successor, with Mr. Lefar's participation in the search process. To facilitate the transition, on April 3, 2014, the Company and Mr. Lefar entered into an amendment and restatement of Mr. Lefar's employment agreement, which extends the term of Mr. Lefar's employment through December 31, 2014, unless ended earlier by either party or extended by mutual agreement. Under the terms of his amended and restated employment agreement, the board has nominated Mr. Lefar for re-election at this annual meeting.

Mr. Lefar brings to our board of directors key senior leadership experience in large, high-growth telecommunications companies and possesses a strong mix of strategic, finance, and operating skills. He is a seasoned marketing executive who has played a critical role in growing customer bases, launching new product initiatives, and developing award-winning advertising campaigns.

Carolyn Katz, age 52, joined our board of directors in January 2014. Ms. Katz is the executive chair of Author & Company, a digital publisher, a role in which she has served since 2012. Previously, from May 2000 to October 2001, Ms. Katz served as a principal of Providence Equity Partners Inc., a private investment firm specializing in equity investments in telecommunications and media companies. From June 1984 to April 2000, Ms. Katz was employed by Goldman, Sachs & Co., most recently as a managing director and co-head of Emerging Communications. Ms. Katz has served on the board of directors of American Tower Corporation, a provider of wireless and broadcast communications infrastructure since 2004, and on the board of directors of NII Holdings, Inc., a multinational cellular telecommunications company since 2002.

Ms. Katz brings more than 20 years of experience in technology and telecommunications to the Vonage Board, including deep experience helping communications companies with international expansion and emerging technologies. These skills will be instrumental as we continue to deliver new communications products to customers worldwide. In addition, Ms. Katz has been determined to be an "Audit Committee Financial Expert" under the SEC's rules and regulations, and provides guidance and perspective on financial and strategic matters.

John J. Roberts, age 69, joined our board of directors in August 2004. Mr. Roberts served as Global Managing Partner for PricewaterhouseCoopers LLP, a provider of assurance, tax, and advisory services, from 1998 until his retirement in June 2002. From 1994 to 1998, Mr. Roberts served as Chief Operating Officer of Coopers & Lybrand, which merged with Price Waterhouse in 1998. He currently serves on the boards of directors and audit committees of Armstrong World Industries, Inc. and Safeguard Scientifics, Inc. and the board of trustees and audit committee of

Table of Contents

the Pennsylvania Real Estate Investment Trust. He is a Member of the American Institute of Certified Public Accountants.

As a result of his roles at PricewaterhouseCoopers LLP and its predecessors, Mr. Roberts, chairman of our audit committee, has experience in public company accounting, risk management, disclosure, and financial system management and has been determined to be an “Audit Committee Financial Expert” under the SEC's rules and regulations. He also has other public company board experience (including specific experience on audit committees). Carl Sparks, age 46, joined our board of directors in February 2011. Mr. Sparks served as the Chief Executive Officer of Travelocity Global from April 2011 through April 2014. Travelocity is one of the leading companies in online travel, and a division of Sabre Inc. Prior to joining Travelocity, he served as President of Gilt Groupe, an invitation-only online retailer of luxury products and experiences. Mr. Sparks joined Gilt as Chief Marketing Officer in October 2009 and was promoted to President in March 2010, serving in that role until April 2011, when he joined Travelocity. Mr. Sparks also served for five years at Expedia Inc., an online travel company, from June 2004 until October 2009, in a variety of leadership roles, including Senior Vice President, Marketing and Retail Operations at Hotels.com from June 2004 to May 2006, Chief Marketing Officer at Expedia.com from June 2006 to December 2007, and General Manager at Hotels.com USA, Latin America & Canada from January 2008 to October 2009. Earlier in his career, Mr. Sparks served as Vice President of Direct Business and Brand at Capital One Financial Corp., a financial institution, and also served in senior marketing and strategy roles at Guinness & Co., PepsiCo Inc., and The Boston Consulting Group. He currently serves on the board of directors of Dunkin' Brands Group, Inc. Mr. Sparks has senior leadership, infrastructure systems, and digital marketing experience in high-growth companies maintaining a strong online sales presence. He also has significant international business and brand marketing expertise in consumer products and services.

Directors Whose Terms Expire in 2015 (Class III Directors)

Jeffrey A. Citron, age 43, has been the Chairman of our board of directors since January 2001. Mr. Citron was also our Chief Executive Officer from January 2001 through February 2006. He served as our Chief Strategist from February 2006 to July 2008 and assumed the additional role of Interim Chief Executive Officer from April 2007, upon the resignation of Vonage's prior Chief Executive Officer, until July 2008. In 1995, Mr. Citron founded The Island ECN, a computerized trading system designed to automate the order execution process. Mr. Citron became the Chairman and CEO of Datek Online Holdings Corp., an online trading firm, in February 1998 and departed The Island ECN and Datek Online Holdings Corp. in October 1999.

As a Founder and former Chief Executive Officer and Chief Strategist of Vonage, Mr. Citron brings deep institutional knowledge and perspective regarding our strengths, challenges, opportunities, and operations to his role as Chairman of our board of directors. Having successfully founded and grown several businesses, Mr. Citron brings entrepreneurial and business-building skills and experience to Vonage. He also brings the perspective of a stockholder with significant stock ownership in us. In addition, Mr. Citron possesses an extensive understanding of telecommunications technologies, including VoIP technology.

Morton David, age 77, joined our board of directors in August 2001. Mr. David served as the Chairman and Chief Executive Officer of Franklin Computer Corporation (later Franklin Electronic Publishers, Inc.) from 1983 to 1998. Mr. David previously served on the board of directors of Datek Online Holdings Corp. from 1998 until its acquisition by Ameritrade Holdings in 2002 and on the board of directors of Sharper Image Corporation from 1998 until 2008.



Table of Contents

Mr. David brings extensive experience to our board of directors from his service as chairman and chief executive officer of large and growing technology organizations, as well as public company board experience. In addition, Mr. David contributes institutional knowledge from his longstanding service on our board.

Stephen Fisher, age 49, joined our board of directors in January 2013. Mr. Fisher serves as Executive Vice President of Technology at Salesforce.com, an enterprise cloud computing company. He joined Salesforce.com in 2004 and has held several leadership positions including Senior Vice President of Platform Product Management and Vice President, Engineering. Prior to that, Mr. Fisher served as Architect at AT&T Labs, Inc. from 2001 through 2004. Before joining AT&T Labs, he was Founder, President and Chief Executive Officer of NotifyMe Networks, Inc. In addition, he served as Department Manager, Internet Products Group at Apple Computer, Inc. and was a Lecturer at Stanford University.

Mr. Fisher brings deep technology experience to our board of directors, including expertise in cloud computing, systems architecture, and software development. He is an inventor on 14 U.S. patents and has worked with both start-ups and established technology companies.

Directors Whose Terms Expire in 2016 (Class I Directors)

Michael A. Krupka, age 49, joined our board of directors in July 2007. Mr. Krupka has served as Managing Director of Bain Capital Venture Partners, LLC, a venture capital firm, since its founding in 2000. Prior to Bain Capital Ventures, Mr. Krupka was a Managing Director and Principal with the Private Equity Group of Bain Capital Partners, LLC from 1994 to 2000, during which time he focused on technology and technology-driven companies, including software, hardware, database and telecommunication services. Earlier at Bain Capital Partners, LLC, from 1991 to 1994, Mr. Krupka was a Principal of Information Partners, a fund focused on early-stage information technology investing. He joined Bain Capital in 1991 and focused on early-stage technology-related companies. Mr. Krupka serves on the board of directors of a number of privately held companies. Mr. Krupka became our Lead Independent Director in February 2010.

As a long-time venture capitalist in the technology area, Mr. Krupka brings strategic insight and extensive experience with technology companies to our board of directors, both in our core businesses as well as in emerging products and technologies. He also has deep experience with the capital markets. Mr. Krupka brings this experience to his role as our Lead Independent Director.

David C. Nagel, age 68, joined our board of directors in August 2010. From December 2001 until his retirement in May 2005, Dr. Nagel served as the President, Chief Executive Officer, and a director of PalmSource, Inc., a provider of operating system software platforms for smart mobile devices. From September 2001 to December 2001, he was Chief Executive Officer of the Platform Solutions Group at Palm, Inc., a provider of mobile computing solutions. Prior to joining Palm, from April 1996 to September 2001, Dr. Nagel was Chief Technology Officer of AT&T Corp., a communications service provider, President of AT&T Labs, a corporate research and development unit of AT&T, and Chief Technology Officer of Concert, a partnership between AT&T and British Telecom. Earlier in his career, Dr. Nagel was senior vice president at Apple Computer where he led the worldwide research and development group responsible for Mac OS software, Macintosh hardware, imaging and other peripheral products development. Before joining Apple, Dr. Nagel was head of NASA human factors research at NASA's Ames Research Center. Dr. Nagel currently serves on the board of directors of Align Technology, Inc.

Dr. Nagel has extensive experience and insight in research and development and network communications technologies that is highly relevant to our continuing focus on the development of new products and services. Dr. Nagel also provides insight as we continue to enhance our research and development and intellectual property strategies.

Margaret M. Smyth, age 50, joined our board of directors in September 2012. Ms. Smyth is Vice President of Finance at Con Edison, an energy company, a position she has held since 2012. Previously, Ms. Smyth served as Vice

## Table of Contents

President and Chief Financial Officer of Hamilton Sundstrand, which is part of United Technologies Corp., a provider of products and services to the aerospace and building systems industries, from October 2010 to June 2011. Prior to that, she served as Vice President and Corporate Controller of United Technologies Corp. from August 2007 to September 2010 and Vice President and Chief Accounting Officer of 3M Corporation from April 2005 to August 2007. Ms. Smyth has previously held financial leadership positions at two public accounting firms, Deloitte & Touche and Arthur Andersen. Ms. Smyth serves on the board of directors of Martha Stewart Living Omnimedia, a diversified publishing, broadcasting and merchandising company.

As a result of her business experience and strong accounting background, including experience in public company accounting, risk management, and disclosure, Ms. Smyth has been determined to be an “Audit Committee Financial Expert” under the SEC's rules and regulations and brings to our board of directors a strong financial and accounting background combined with a seasoned strategic perspective. Her guidance on financial and strategic matters is a valuable addition to our pursuit of our strategic growth initiatives and capital allocation strategies.

### Transactions with Related Persons

#### Policies and Procedures for Related Person Transactions

Our board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which Vonage is or will be a participant, the amount involved exceeds \$120,000, and one of our executive officers, directors, director nominees, or 5% stockholders (or their immediate family members), each of whom we refer to as a “related person,” has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a “related person transaction,” the related person must report the proposed related person transaction to our chief legal officer.

The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved or ratified by the board's audit committee. Whenever practicable, the reporting, review, and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the audit committee will review, and, in its discretion after considering the factors set forth below, as appropriate, may ratify the related person transaction.

The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the audit committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the material terms of the transaction and the related person's interest in the transaction. As appropriate for the circumstances, the audit committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee may approve or ratify the transaction only if the audit committee determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, our best interests. The audit committee may impose any conditions on the related person transaction it deems appropriate.

Table of Contents

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, the board has determined that the following transactions do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions requiring approval or ratification for purposes of this policy:

interests arising solely from the related person's position as an executive officer of another entity (whether or not the person is also a director of such entity) that is a participant in the transaction, where (a) the related person and all other related persons own in the aggregate less than a 10% equity interest in such entity, (b) the related person and his or her immediate family members are not involved in the negotiation of the terms of the transaction and do not receive any special benefits as a result of the transaction, (c) the amount involved in the transaction equals less than the greater of \$1 million dollars or 2% of the annual gross revenues of the other entity that is a party to the transaction, and (d) the amount involved in the transaction equals less than 2% of Vonage's annual gross revenues; and a transaction that is specifically contemplated by provisions of Vonage's charter or bylaws.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee in the manner specified in its charter.

**Related Person Transaction During 2013**

As reviewed and approved by our audit committee in accordance with our policies and procedures for the review of related person transactions, on February 19, 2013, we entered into a Stock Option Cancellation Agreement with Mr. Lefar. Pursuant to the agreement, we cancelled vested, in-the-money options to purchase 4,500,000 shares of common stock, which had been previously awarded to Mr. Lefar under our 2006 Incentive Plan, in exchange for a cash payment. This agreement is described in detail below under "Long-Term Incentives" in our Compensation Discussion & Analysis.

**Recommendation of our Board of Directors**

Our board of directors recommends a vote FOR the election to our board of directors of Ms. Katz and Messrs. Lefar, Roberts and Sparks as Class II directors.

**PROPOSAL NO. 2**

**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**General**

We are asking stockholders to ratify the audit committee's appointment of BDO USA, LLP as Vonage's independent registered public accounting firm for the year ending December 31, 2014. Although stockholder approval of the audit committee's appointment of BDO USA, LLP is not required by law or our certificate of incorporation or bylaws, our board of directors and the audit committee believe that it is advisable to give stockholders an opportunity to ratify the appointment. In the event the stockholders fail to ratify the appointment, the audit committee will reconsider this appointment. Even if the appointment is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in Vonage's and its stockholders' best interests.

BDO USA, LLP has audited Vonage's consolidated financial statements annually since Vonage's 2004 fiscal year.

Representatives of BDO USA, LLP are expected to be present at the meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that those representatives will be available to respond to appropriate questions.

Table of Contents

## Auditors' Fees

The following table summarizes the fees BDO USA, LLP billed to us for each of the last two fiscal years.

Fee Category	Fiscal Year 2013	Fiscal Year 2012
Audit Fees (1)	\$1,139,707	\$1,085,846
Audit Related Fees (2)	183,060	43,450
Tax Fees (3)	147,571	158,854
All Other Fees (4)	129,174	—
Total Fees	\$1,599,512	\$1,288,150

(1) Audit fees consist of amounts billed for the audit of our annual financial statements included in our annual report on Form 10-K, the review of the interim financial statements included in our quarterly reports on Form 10-Q, the audit of internal control over financial reporting and other professional services provided in connection with statutory and regulatory filings.

(2) For 2013, audit related fees for due diligence services and other audit procedures incurred in connection with the acquisition of Vocalocity, Inc.

(3) Tax fees consist of amounts billed for advisory services regarding tax compliance issues and the completion of corporate tax returns.

(4) All other fees represent fees for services not otherwise included in the categories above. The fees for 2013 represents amounts billed for assistance provided to the Company in connection with an insurance claim filed by the Company.

## Pre-Approval Policies and Procedures

Our audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the audit committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, our audit committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

Our audit committee has also delegated to the chairman of the audit committee the authority to approve any audit or non-audit services to be provided to us by our independent registered public accounting firm. Any approval of services by the chairman of the audit committee pursuant to this delegated authority is reported on at the next meeting of the audit committee.

The Audit Committee pre-approved all of the fees billed to us by BDO USA, LLP for 2013.

## Recommendation of our Board of Directors

Our board of directors recommends that the stockholders vote FOR the ratification of the appointment of BDO USA, LLP to serve as Vonage's independent registered public accounting firm for the year ending December 31, 2014.

Table of Contents

PROPOSAL NO. 3  
ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Background

In accordance with Section 14A of the Securities Exchange Act of 1934, our stockholders are being provided the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers (NEOs) as disclosed in this proxy statement.

As described in detail under the heading “Compensation Discussion and Analysis,” we seek to closely align the interests of our NEOs with the interests of our stockholders. Our compensation programs are designed to reward our NEOs for the achievement of short-term and long-term strategic and operational goals and the achievement of increased total stockholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. Our board of directors believes that the compensation of our NEOs, developed in consultation with a leading compensation consultant, is designed to facilitate long-term stockholder value creation, and is important in attracting, motivating and retaining the high caliber of executive talent necessary to drive our business. We believe the program delivers pay which is strongly linked to company performance over time. In order to maintain this link, we review our compensation programs on an ongoing basis. For 2014, we changed our compensation programs to further align the interests of our NEOs with our stockholders, including by awarding a significant portion of our long-term incentive compensation in the form of performance-based restricted stock units, adopting our Incentive Compensation Recovery Policy, and adopting revisions to our securities trading compliance policy to prohibit hedging and pledging of Vonage securities.

This vote on Proposal 3 is not intended to address any specific element of compensation. Rather, the vote relates to the overall compensation of our NEOs and the policies and practices described in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission. The vote is advisory, which means that the vote is not binding on the Company, our board of directors or the compensation committee. To the extent there is any significant vote against our NEO compensation as disclosed in this proxy statement, the compensation committee will evaluate whether any actions are necessary to address the concerns of stockholders. We currently conduct triennial advisory votes on executive compensation, and we expect to conduct the next advisory vote at our 2017 Annual Meeting of Stockholders. Stockholders have an opportunity to cast an advisory vote on the frequency of say-on-pay votes at least every six years. The next advisory vote on the frequency of the say-on-pay vote will also occur at our 2017 Annual Meeting of Stockholders.

The affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy will be viewed as approval of this Proposal 3. Abstentions and broker non-votes have no impact on the results of the vote.

Accordingly, we ask our stockholders to vote on the following resolution at the Annual Meeting:

“RESOLVED, that the compensation paid to the company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

Recommendation of our Board of Directors

Our board of directors recommends that the stockholders vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement.

Table of Contents

CORPORATE GOVERNANCE

Our board of directors believes that good corporate governance is important to ensure that Vonage is managed for the long-term benefit of stockholders. This section describes key corporate governance principles and practices that our board has adopted. Complete copies of our governance principles, committee charters, code of conduct, and finance code of ethics are available on the Corporate Governance section of our website at

[www.vonage.com/corporate/corp\\_index.php](http://www.vonage.com/corporate/corp_index.php). Alternatively, you may request a copy of any of these documents by writing to Vonage Holdings Corp., Attn: Corporate Secretary, 23 Main Street, Holmdel, NJ 07733.

Governance Principles

Our board has adopted governance principles to assist in the exercise of its duties and responsibilities and to serve the best interests of Vonage and our stockholders. These principles, which provide a framework for the conduct of the board's business, provide that:

- the board's principal responsibility is to oversee the management of Vonage to assure that the best interests of the Company and its stockholders are being served;
- a majority of the members of our board shall be independent directors;
- the non-management directors meet regularly in executive session;
- directors have full and free access to management and, as necessary and appropriate, independent advisors;
- new directors participate in an orientation program and all directors are encouraged to participate in continuing director education on an ongoing basis; and
- annually our board and its committees will conduct a self-evaluation to assess whether they are functioning effectively and efficiently.

Board Leadership Structure

The following section describes our board leadership structure, the reasons why the structure is in place at this time, the roles of various positions, and related key governance practices.

Our board of directors is currently composed of nine independent directors, and Mr. Lefar, our Chief Executive Officer. Our board of directors has established audit, compensation and nominating and governance committees. Each of the board committees is composed solely of independent directors, each with a different independent director serving as committee chair.

As permitted by our governance principles, our board of directors has designated one of the independent directors as Lead Independent Director. Our Lead Independent Director (i) has the responsibility to schedule and prepare agendas for and to chair meetings of non-management or independent directors, (ii) facilitate communication between our Chairman of the Board and our Chief Executive Officer and the other directors (however, directors are free to, and do, communicate directly with our Chairman of the Board and our Chief Executive Officer), (iii) cause the dissemination of information to the other members of our board of directors, and (iv) raise issues on behalf of the outside directors when appropriate. Mr. Krupka was appointed as our Lead Independent Director in February 2010.

With respect to the roles of Chairman of the Board and Chief Executive Officer, our governance principles provide that our board of directors may fill these positions based upon what is in the best interests of Vonage and its

Table of Contents

stockholders at any point in time. In July 2008, our board of directors first determined that the positions of Chairman of the Board and Chief Executive Officer should be held by different persons, with Mr. Citron serving as Chairman and Mr. Lefar serving as Chief Executive Officer. While Mr. Lefar has now acquired the institutional knowledge that initially was a primary reason for separating the roles, our board of directors has continued the separation. As further discussed under “Board Determination of Independence” below, though our board of directors has determined that our Chairman of the Board is “independent” under New York Stock Exchange rules, we believe that maintaining our current leadership structure, including a separate Chairman and Lead Independent Director, is the best approach to maintaining an appropriate level of checks and balances in our governance and allows our board of directors to function effectively.

Our nominating and governance committee oversees annually a self-evaluation by our board of directors of its performance during the prior year. As part of this process our nominating and governance committee will conduct an evaluation to review the progress and effectiveness of our board of directors and its committees, and submits comments to the Lead Independent Director. Following discussion with the Lead Independent Director, our nominating and governance committee reports back to our board of directors, and the full board of directors will consider and discuss the committee's report, including assessing whether the current leadership structure continues to be appropriate for Vonage and its stockholders. Our governance principles provide the flexibility for our board of directors to modify our leadership structure in the future as appropriate. We believe that Vonage, like many U.S. companies, has been well-served by this flexibility.

**Risk Management and Role of the Board in Risk Oversight**

Our Chief Executive Officer reports directly to our board of directors and is responsible for the day-to-day management of our company, including how the Company addresses risk. Our Chief Financial Officer is responsible for day-to-day financial risk management under the direction of our Chief Executive Officer. Management has implemented an enterprise risk management process to identify, assess, and manage the most significant risks facing us and conducts risk assessments of our business periodically. The risk assessment process is global in nature and has been developed to identify and assess our risks, including the nature of the risk, as well as to identify steps to mitigate and manage each risk. Our senior leadership team, functional heads, and other managers are surveyed and/or interviewed to develop this information. The enterprise risk management process is led by our Chief Legal Officer, who reports to our Chief Executive Officer, and our Vice President, Internal Audit, who reports directly to our audit committee. In 2013, our Chief Legal Officer and Vice President, Internal Audit, along with our Senior Vice President Network Operations, provided regular status updates on our enterprise risk management process and related activities to our audit committee.

Our board of directors is involved in oversight of Vonage's risk assessment and monitoring processes, to a large extent through the work of committees of the board. Management reviews significant risks with our board of directors throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and management of the most significant risks with our board of directors on a periodic basis. Our audit committee has oversight responsibility to review management's risk assessment and risk management policies, including the policies and guidelines used by management to identify, monitor and manage our exposure to risk. Our audit committee reviews and discusses with our management, our outside auditor and our internal auditors the material risks facing Vonage and our management's plans to manage the risks identified as a result of the enterprise risk management process and reports on its review to the full board of directors. Our compensation committee reviews risks arising from our compensation policies and practices and reports on its review to the full board of directors.

## Table of Contents

### Board Determination of Independence

Under applicable New York Stock Exchange rules, a director will only qualify as “independent” if our board affirmatively determines that he or she has no material relationship with Vonage (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). Our board has established guidelines to assist it in determining whether a director has such a material relationship. The guidelines are included in our governance principles, which are available on our website as discussed above. Under these guidelines, a director is not considered to have a material relationship with Vonage if he or she is independent under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual and provided he or she:

is not an executive officer of another company which is indebted to Vonage, or to which Vonage is indebted, where the total amount of either company's indebtedness to the other is more than 1% of the total consolidated assets of the company for which he or she serves as an executive officer; and

does not serve as an officer, director or trustee of a tax exempt organization, where Vonage's discretionary contributions to such organization are more than the greater of \$1 million or 2% of that organization's consolidated gross revenues. Vonage's automatic matching of employee charitable contributions will not be included in the amount of Vonage's contributions for this purpose.

In addition, ownership of a significant amount of our stock, by itself, does not constitute a material relationship.

For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists is made by the other independent members of our board.

Our board has determined that Jeffrey Citron, Morton David, Stephen Fisher, Carolyn Katz, Michael A. Krupka, David C. Nagel, John J. Roberts, Margaret M. Smyth, and Carl Sparks meet the categorical standards described above, that none of these directors has a material relationship with Vonage and that each of these directors is “independent” as determined under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual. Our board also determined that Jeffrey J. Misner and Joseph M. Redling, during their respective tenures as a director, met the categorical standards described above, that they did not have a material relationship with Vonage and that they were “independent” as determined under Section 303A.02(b) of the New York Stock Exchange Listed Company Manual. Mr. Misner resigned from our board of directors effective on February 6, 2014. In December 2013, we announced the appointment of Mr. Redling as President of Consumer Services - U.S. and Canada, at which time Mr. Redling resigned from our board of directors. None of the directors determined to be independent engaged in any related person transactions with the Company. In making its determination that Mr. Citron is “independent”, our board considered the fact that the company provided health insurance and medical care payments to Mr. Citron in the amount of \$21,889 in 2011, \$24,349 in 2012, and \$21,988 in 2013.

### Board Meetings and Attendance

Our board met ten times during 2013. During 2013, each current director attended at least 75% of the aggregate of the number of board meetings and the number of meetings held by all committees on which he or she then served.

### Director Attendance at Annual Meeting of Stockholders

Our governance principles provide that directors are encouraged to attend the annual meeting of stockholders. All of our directors then serving on our board attended the 2013 annual meeting of stockholders.



## Table of Contents

### Director Retirement Age

Our governance principles do not establish an age limit for serving as a director. However, the governance principles provide that upon reaching the age of 72 years, a director must submit to our board of directors a letter of resignation to be effective at the next meeting of stockholders held for the election of directors. In each instance, our board of directors will accept the letter of resignation unless our nominating and governance committee determines otherwise. In making such determination, our nominating and governance committee balances the benefits of a director's contributions and continuity against the benefits of having a fresh viewpoint from a new director and such other factors as our board of directors or the nominating and governance committee may consider appropriate.

### Directors Changing Their Present Job Responsibilities

Our governance principles require directors who substantially change their present job responsibilities to tender their resignation to the Chairman of the Board, who must refer it to our nominating and governance committee for review. Our board of directors, upon the recommendation of the nominating and governance committee, determines whether to accept the resignation. In cases in which a director is uncertain as to whether he or she ought to tender his or her resignation, our board of directors expects such director to consult with the chairman of the nominating and governance committee. The nominating and governance committee shall consider a director's other job responsibilities in its deliberations concerning directors' standing for re-election.

### Board Committees

Our board has established audit, compensation, and nominating and governance committees, each of which operates under a charter that has been approved by our board. Current copies of each committee's charter are posted on the Corporate Governance section of our website at <http://ir.vonage.com/>.

Our board has determined that all of the members of each of these committees are independent as defined under the rules of the New York Stock Exchange, including, in the case of all members of the audit committee, the independence requirements contemplated by Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

### Audit Committee

The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- overseeing the work and evaluating the performance of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal controls over financial reporting and disclosure controls and procedures;
- overseeing our internal audit function;
- reviewing management's risk assessment and risk management policies;
- establishing policies regarding hiring employees from our independent registered public accounting firm;

Table of Contents

- establishing procedures for the receipt, retention, confidential treatment, and investigation of accounting or auditing related complaints and concerns;
- meeting independently with our internal auditing staff, independent registered public accounting firm and management;
- overseeing compliance by the Company with applicable laws and regulations;
- reviewing and approving or ratifying any related person transactions; and
- preparing the audit committee report required by SEC rules, which is included below in this proxy statement.

The members of our audit committee are Mr. Roberts (Chairman), Ms. Katz, and Ms. Smyth. Mr. Misner served on our audit committee through February 6, 2014. Each member of our audit committee meets, and during his service Mr. Misner met, the standards for financial literacy for companies listed on the New York Stock Exchange. In addition, our board of directors has determined that Mr. Roberts, Ms. Katz and Ms. Smyth, each of whom is independent under applicable rules governing independence of audit committee members, are each also an “audit committee financial expert” as defined by applicable SEC rules. No member of our audit committee currently serves on the audit committees of more than three public companies, except for Mr. Roberts, who serves on three audit committees in addition to ours. Our board of directors has determined that Mr. Roberts' service on those other committees does not impair his ability to effectively serve on our audit committee. Our audit committee met five times during fiscal year 2013.

Compensation Committee

The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and other executives;
- determining, along with our other independent directors, compensation for our chief executive officer;
- reviewing risks arising from our compensation policies and practices;
- reviewing and approving the compensation of our other executive officers;
- overseeing and administering our cash and equity incentive plans;
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