

VOIP INC
Form PRE 14A
November 09, 2006

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x

Filed by a party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material pursuant to § 240.14a-12

VoIP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

VoIP, Inc.
151 So. Wymore Rd., Suite 3000
Altamonte Springs, Florida 32714

Notice of Annual Meeting of Shareholders
to be held on December 18, 2006

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of VoIP, Inc., a Texas corporation (the "Company"), will be held on December 18, 2006, at 10:00 a.m., Eastern Standard Time, at the Company's offices at 151 So. Wymore Rd., Suite 3000, Altamonte Springs, Florida 32714 for the purpose of considering and voting upon the following matters:

1. To approve the election of Anthony Cataldo, Gary Post, Stuart Kosh, Stancy A. Haitzuka and Nicholas A. Iannuzzi, Jr. to the board of directors of the Company to serve for 2007 and until their successors are elected and qualified;
2. To approve the VoIP, Inc. 2006 Equity Incentive Plan;
3. To approve the Amended and Restated Articles of Incorporation of the Company to authorize 25,000,000 shares of preferred stock (which approval does not extend to the approval of any issuances of preferred stock);
4. To approve the Amended and Restated Articles of Incorporation of the Company to increase the number of authorized shares of common stock that the Company is authorized to issue to 400,000,000 shares of common stock (which approval does not extend to the approval of the issuance of any shares of common stock);
5. To consider and act on a proposal to approve the selection of Berkovits, Lago & Company, LLP as the Company's independent auditors for 2006; and
6. To transact such other business as may properly come before the annual meeting and any adjournment or adjournments of the meeting.

Our board of directors has no knowledge of any other business to be transacted at the annual meeting.

Our board of directors has fixed the close of business on October 27, 2006 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting and at any adjournment or adjournments of the meeting. Our stock transfer books will remain open.

A copy of our Annual Report on Form 10-KSB, including Amendments No. 1 and No. 2 related thereto, for the fiscal year ended December 31, 2005, which contains consolidated financial statements and other information of interest to shareholders, accompanies this notice and the enclosed Proxy Statement.

All shareholders are cordially invited to attend the annual meeting.

By Order of the Board of Directors

Robert V. Staats,
Secretary

Altamonte Springs, Florida

November __, 2006

Your vote is very important. Whether or not you plan to attend the annual meeting, in order to ensure representation of your shares, please promptly complete, date and sign the enclosed proxy card and return it in the accompanying envelope or follow the instructions provided for voting by phone or via the Internet, if applicable. No postage need be affixed if the proxy card is mailed in the United States.

VoIP, INC.
151 So. Wymore Rd., Suite 3000
Altamonte Springs, Florida 32714

PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 18, 2006

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SUMMARY

The Company

VoIP, Inc.

151 So. Wymore Rd., Suite 3000
Altamonte Springs, FL 32714
(407) 389-3232

We are an emerging global provider of advanced communications services utilizing Voice over Internet Protocol (“VoIP”) technology. Internet Protocol telephony is the real time transmission of voice communications in the form of digitized “packets” of information over the Internet or a private network, similar to the way in which e-mail and other data is transmitted. VoIP services allow consumers and businesses to communicate at reduced costs compared to legacy telephony networks. For more information on the Company, see our 2005 Annual Report on Form 10-KSB, as amended, which accompanies this Proxy Statement.

INFORMATION ABOUT SOLICITATION AND VOTING

Solicitation

This Proxy Statement is furnished in connection with the solicitation of proxies by the board of directors of VoIP, Inc. (the “Company”) for use at the Annual Meeting of Shareholders to be held on December 18, 2006 at 10:00 a.m., Eastern Time, at 151 So. Wymore Road, Suite 3000, Altamonte Springs, Florida 32714 and at any adjournment or adjournments of the annual meeting.

The notice of meeting, this Proxy Statement, the enclosed proxy card and our annual report to shareholders for the year ended December 31, 2005 which includes a copy of our Annual Report on Form 10-KSB for the same fiscal year, as amended, as filed with the Securities and Exchange Commission (the “SEC”), including financial statements and schedules, but excluding exhibits are first being sent or given to shareholders on or about November ____, 2006. **We will, upon written request of any shareholder who has not otherwise received a copy of our annual report on Form 10-KSB for the fiscal year ended December 31, 2005, furnish without charge a copy of that annual report on Form 10-KSB (including amendments thereto), including financial statements and financial statement schedules, but excluding exhibits, as filed with the SEC. Please address your request to VoIP, Inc., 151 So. Wymore Rd., Suite 3000, Altamonte Springs, FL 32714, Attention: Robert Staats, Chief Accounting Officer. Exhibits will be provided upon written request and payment of an appropriate processing fee.**

INFORMATION ABOUT THE ANNUAL MEETING

WHEN IS THE ANNUAL MEETING?

December 18, 2006, 10:00 a.m. Eastern Standard Time

WHERE WILL THE ANNUAL MEETING BE HELD?

The meeting will be held at VoIP, Inc., 151 So. Wymore Road, Suite 3000, Altamonte, Springs, Florida 32714

WHAT ITEMS WILL BE VOTED UPON AT THE ANNUAL MEETING?

At the annual meeting and any adjournment or adjournments of the annual meeting, our shareholders will be asked to consider and vote upon the following matters:

1. To approve the election of Anthony Cataldo, Gary Post, Stuart Kosh, Stacy Haitzuka and Nicholas A. Iannuzzi, Jr. to the board of directors of the Company to serve for 2007 and until their successors are elected and qualified;
2. To approve the VoIP, Inc. 2006 Equity Incentive Plan;
3. To approve the Amended and Restated Articles of Incorporation of the Company to authorize 25,000,000 shares of preferred stock (which approval does not extend to the approval of any issuances of shares of preferred stock);

4. To approve the Amended and Restated Articles of Incorporation of the Company to increase the number of authorized shares of common stock that the Company is authorized to issue to 400,000,000 shares of common stock (which approval does not extend to the approval of any issuance of any shares of common stock); and
5. To consider and act on a proposal to approve the selection of Berkovits, Lago & Company, LLP as the Company's independent auditors for 2006; and
6. To transact such other business as may properly come before the annual meeting and any adjournment or adjournments of the meeting.

WHO CAN VOTE?

Only holders of record of our common stock at the close of business on October 27, 2006 will be entitled to notice of and to vote at the annual meeting and any adjournments of the annual meeting. You are entitled to one vote for each share of common stock held on that date. On October 27, 2006, there were 95,936,752 shares of our common stock outstanding and entitled to vote.

YOUR BOARD OF DIRECTORS HAS APPROVED EACH OF THE PROPOSALS SET FORTH HEREIN.

HOW DO I VOTE BY PROXY?

You may vote your shares by mail by marking, signing and dating the enclosed proxy card as promptly as possible and returning it in the enclosed postage-paid envelope. Proxies should not be sent by the stockholder to the Company, but to Securities Transfer Corporation P.O. Box 701629, Dallas, Texas 75370-9967. A pre-addressed, postage-paid envelope is provided for this purpose.

For each item of business, you may vote "FOR" or "AGAINST" or you may "ABSTAIN" from voting.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them:

- "FOR" the election of the five directors to serve for 2007 and until their successors are elected and qualified;
- "FOR" the approval of the Company's 2006 Equity Incentive Plan;
- "FOR" the approval of the Amended and Restated Articles of Incorporation of the Company to authorize 25,000,000 shares of preferred stock (which approval does not extend to the approval of any issuances of shares of preferred stock);
- "FOR" the approval of the Amended and Restated Articles of Incorporation of the Company to increase the number of shares of common stock that the Company is authorized to issue to 400,000,000 shares of common stock (which approval does not extend to the approval of any issuances of shares of common or preferred stock); and
- "FOR" the approval of the selection of Berkovits, Lago & Company, LLP as the Company's independent auditors for 2006.

If any matters other than those set forth above are properly brought before the annual meeting, the individuals named in your proxy card may vote your shares in accordance with their best judgment.

HOW DO I CHANGE OR REVOKE MY PROXY?

You can change or revoke your proxy at any time before it is voted at the special meeting by:

1. Submitting another proxy by mail with a more recent date than that of the proxy first given;
2. Sending written notice of revocation to VoIP, Inc. 151 So. Wymore Road, Suite 3000, Alamonte Spring, Florida 32714: Attention Robert Staats; or
3. Attending the annual meeting and voting in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

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WHAT CONSTITUTES A "QUORUM" FOR THE SPECIAL MEETING?

The holders of a majority of the issued and outstanding shares of the Company's common stock entitled to vote at the annual meeting present or represented by proxy, constitutes a quorum. A quorum is necessary to conduct business at the annual meeting. You will be considered part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the annual meeting for purposes of determining a quorum. However, abstentions, withholding of a vote and broker non-votes do not count in the voting results. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the broker or nominee does not have discretionary authority for that item and has not received instructions from the owner of the shares.

HOW MANY VOTES ARE REQUIRED?

On October 27, 2006, the record date for determination of shareholders entitled to vote at the annual meeting, there were outstanding and entitled to vote 95,936,752 shares of our common stock. The holders of a majority of our common stock issued and outstanding and entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the annual meeting. Common stock represented in person or by proxy, including abstentions and broker non-votes with respect to one or more of the matters presented for shareholder approval will be counted for purposes of determining whether a quorum exists at the annual meeting. When we refer to "broker non-votes," we mean common stock held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote the common stock as to a particular matter.

- The election of Anthony Cataldo, Gary Post, Stuart Kosh, Stacy Haitzuka and Nicholas A. Iannuzzi, Jr to the board of directors for 2007 will require an affirmative vote of the majority of the votes cast in person or by proxy, provided that a quorum is present at the annual meeting. Therefore, an abstention or withholding of a vote will not be counted for purposed determining whether the requisite vote has been obtained and will have no effect on the outcome of the vote.
- The adoption of the 2006 Equity Incentive Plan will require an affirmative vote of the majority of the votes cast in person or by proxy, provided that a quorum is present at the annual meeting. Therefore, an abstention or withholding of a vote will not be counted for purposed determining whether the requisite vote has been obtained and will have no effect on the outcome of the vote.
- The proposal to approve the selection of Berkovits, Lago & Company, LLP as the Company's independent auditors for 2006 will require the majority of the votes cast in person or by proxy, provided that a quorum is present at the annual meeting. Therefore, an abstention or withholding of a vote will not be counted for purposed determining whether the requisite vote has been obtained and will have no effect on the outcome of the vote.
- The proposal to approve the Amended and Restated Articles of Incorporation to authorize 25,000,000 shares of preferred stock, (which approval does not extend to the approval of any issuances of shares of preferred stock) and the proposal to approve the Amended and Restated Articles of Incorporation to increase the number of authorized shares of the Company's common stock to 400,000,000 shares (which approval does not extend to the approval of any issuance of shares of common stock) requires the affirmative vote of at least a majority of the Company's outstanding shares of Common Stock. Therefore, any abstentions, "broker non-votes" (shares held by brokers or nominees as to which they have no discretionary authority to vote on a particular matter and have received no instructions from the beneficial owners or persons entitled to vote thereon), or other limited proxies will have the effect of a vote against the proposals to approve the Amended and Restated Articles of Incorporation.

Broker non-votes with respect to a particular matter will not be counted as votes in favor of that matter and will not be counted as votes cast on that matter. Accordingly, broker non-votes will have no effect on the matters specified in the

notice of meeting.

DISSENTER'S RIGHT OF APPRAISAL.

No action will be taken in connection with the proposal described in this Proxy Statement for which Texas law, our Articles of Incorporation or Bylaws provide a right of a shareholder to dissent and obtain appraisal of or payment for such shareholder's shares.

HOUSEHOLDING OF PROXY MATERIALS.

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" Proxy Statements and annual reports. This means that only one copy of this Proxy Statement or our annual report may have been sent to multiple shareholders in your household. We will promptly deliver a separate copy of either document to you if you call or write us at the following address or phone number: VoIP, Inc., 151 So. Wymore Rd., Suite 3000, Altamonte Springs, FL 32714, phone: (407) 389-3232, Attention: Robert Staats. If you want to receive separate copies of our annual report and Proxy Statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address and phone number.

SHAREHOLDER PROPOSALS FOR THE ANNUAL MEETING IN 2007.

Written notice of proposals of shareholders submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for consideration at our annual meeting of shareholders in 2007 must be received by us within a reasonable time before the Company begins to print and mail this Proxy Statement in order to be considered timely for purposes of Rule 14a-8 under the Exchange Act. The persons designated in our proxy card will be granted discretionary authority with respect to any shareholder proposal with respect to which we do not receive timely notice. Shareholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act for inclusion in our proxy materials for our annual meeting of shareholders in 2007 must be received by our corporate secretary at our principal offices by August 31, 2007.

OTHER MATTERS.

Our board of directors knows of no other business which will be presented for consideration at the annual meeting other than those matters described above. However, if any other business should come before the annual meeting, it is the intention of the person named in the enclosed proxy card to vote, or otherwise act, in accordance with his best judgment on such matters.

WHO PAYS FOR THE SOLICITATION OF PROXIES?

We will bear the costs of soliciting proxies. In addition to solicitations by mail, our directors, officers and employees may, without additional remuneration, solicit proxies by telephone, facsimile and personal interviews. We will reimburse these persons for their reasonable expenses in connection with any of these solicitations. In addition, we will request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to those persons for whom they hold shares and request instructions for voting the proxies, and we will reimburse brokerage houses and other persons for their reasonable expenses in connection with this distribution.

**PROPOSAL NO. ONE:
APPROVAL OF THE ELECTION OF DIRECTORS**

(ITEM ONE ON THE PROXY CARD)

Our board of directors presently consists of three directors. After the annual meeting, we expect that our board of directors will consist of five directors elected annually for a one year term. The persons named in the enclosed proxy will vote to elect as directors Mr. Anthony Cataldo, Mr. Gary Post, Mr. Stuart Kosh, Mr. Stacy Haitzuka and Mr. Nicholas A. Iannuzzi, Jr., unless the proxy is marked otherwise. The directors will be elected at the upcoming annual meeting and will serve until the annual meeting of shareholders to be held in fiscal year 2008 and until their respective successors have been elected and qualified.

Each of the nominees has indicated his willingness to serve if elected. However, if any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee. Our board of directors has no reason to believe that any nominee will be unable to serve if elected.

Current Members of the Board

The Board of Directors

Each member of our board of directors, including the nominees for election as director, have provided the following information: age; all positions or offices, including committee memberships held; length of service as a director of the Company; principal occupation and business experience for at least the past five years; and the names of other public

reporting companies of which the director serves as a director.

The members of our board of director are identified below.

Name	Age	Position with Company	Director Since
Anthony Cataldo	55	Chairman and Chief Executive Officer	September 2006
Gary Post	58	Director	May 2006
Stuart Kosh	50	Director	January 2006

There are no family relationships among any of our directors, nominees for director and executive officers.

Nominees for Election to the Board of Directors

The nominees for election to our board are listed below.

Anthony J. Cataldo, age 55 became our Chief Executive Officer and Chairman in September 2006. During the past five (5) years, Mr. Cataldo has served as non-executive chairman of the board of directors of BrandPartners Group, Inc. (OTC BB:BPTR) a provider of integrated products and services dedicated to providing financial services and traditional retail clients with turn-key environmental solutions from October 2003 through August 2006. Mr. Cataldo also served as non-executive co-chairman of the board of MultiCell Technologies, Inc. (OTC BB: MUCL) a supplier of functional, non-tumorigenic immortalized human hepatocytes from February 2005 through July 2006. Mr. Cataldo has also served as executive chairman of Calypte Biomedical Corporation (AMEX: HIV), a publicly traded biotechnology company, involved in development and sale of urine based HIV-1 screening test from May 2002 through November 2004. Prior to that, Mr. Cataldo served as the Chief Executive Officer and Chairman of the Board of Directors of Miracle Entertainment, Inc., a Canadian film production company, from May 1999 through May 2002 where he was the executive producer or producer of several motion pictures. From August 1995 to December 1998, Mr. Cataldo served as President and Chairman of the Board of Senetek, PLC (OTC BB:SNTKY), a publicly traded biotechnology company involved in age-related therapies.

Gary Post, age 58, became our President, Chief Executive Officer and Chairman in May 2006 served in this capacity until September 2006. Mr. Post continues to serve on our board of directors. Since 1999, Mr. Post has been a Managing Director and investment Principal of Ambient Advisors, LLC (“Ambient”), a venture investment and management company. In his capacity as Managing Director at Ambient, Mr. Post has acted as an interim Chief Executive Officer and/or a director for two private early- to mid-stage companies in which Ambient had invested since April 2002, and at OPMI Funding, Inc., a company that acquired in July 2002 the assets of Opticon Medical, Inc., a public medical device company. Since March 2006, he has also been a director of Oxis International, Inc. (OXIS:BB). Prior to Ambient, he served as First Vice President at Drexel Burnham Lambert; Vice President at Kidder Peabody; Managing Director at Houlihan, Lokey, Howard and Zukin; and Director of Research and Consultant at McKinsey & Company. Mr. Post holds an MBA from the UCLA Graduate School of Management and an AB in Economics from Stanford University.

Stuart Kosh, age 49, moved to Florida in 1978 to join his father and brother at Kosh Ophthalmic, Inc., a wholesale optical laboratory with annual sales of \$15 million, where he managed 100 employees. In 1998, the company was sold to Essilor of America, and Mr. Kosh maintains his position as General Manager. His leadership roles have included involvement with the Big Brothers Big Sisters Program of Broward County as a mentor to needy youth. For the past 15 years, Mr. Kosh has been involved with the National Multiple Sclerosis Society. He has served on its board and chairs its annual golf tournament fundraiser. Presently he is serving on the Temple Dor Dorim Board of Directors.

Stacy Haitsuka, age 40, is a partner in Westlake Venture Partners, where he advises companies in strategy, marketing and technology matters. From March 2005 to October 2006, Mr. Haitsuka was the Chief Information Officer for Jambo, Inc. a provider of pay-per-call, click-to-call and conference calling services. From August 2001 to July 2002, Mr. Haitsuka was a co-founder and Senior Vice President of Layer2Networks, Inc. From 1997 to July 2001, Mr. Haitsuka was a co-founder of NetZero where he served as Senior Vice President of Technology. During his tenure there, Mr. Haitsuka also served as Chief Technology Officer and as a member of the board of directors. Immediately prior to starting NetZero, he was vice president of IMPACT Software, a software consulting company that he co-founded. Mr. Haitsuka brings extensive experience creating technology strategies for Fortune 500 companies and large, enterprise-level IT departments, including Southern California Gas Company (Sempra Energy), IBM, Security Pacific Bank (Bank of America), and AirTouch (Verizon). Mr. Haitsuka is an inventor on several issued and pending patents related to the Internet and advertising. Mr. Haitsuka received his B.S. in computer science from California State University, Dominguez Hills

Nicholas A. Iannuzzi, Jr., age 40, is a partner in the law firm of Rothenberg, Estner, Orsi, Arone and Grumbach, LLP of Wellesley, Massachusetts, where he has worked since 2002. From 1997 to 2002, Mr. Iannuzzi maintained his own law practice in Boston, Massachusetts. Mr. Iannuzzi specializes in the areas of corporate and contract law, civil litigation and real estate. He serves as general counsel to numerous corporations and has advised his clients on various business matters and transactions, including major acquisitions and sales of businesses. Mr. Iannuzzi is a graduate of Boston College and received his J.D. from the Suffolk University Law School.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF THE PROPOSAL TO ELECT ALL OF THE NOMINEES TO THE BOARD OF DIRECTORS.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS' MATTERS

Board of Directors and Committee Meetings; Committees of the Board

During the fiscal year ended December 31, 2004 and through October 2005, Mr. Steven Ivester was the sole director of the Company; consequently, formal board and committee meetings were not held during that time. One formal meeting of the board of directors was held in December 2005.

Because Mr. Ivester was the only director of the Company, he performed the functions of the audit committee. Mr. Ivester was not an “audit committee financial expert,” as defined by the SEC. Upon identification of the requisite number of suitable candidates, the Company plans to establish an audit committee of independent directors. During the fiscal years ended December 31, 2004 and 2005, the Company did not have a standing compensation or nominating committee. Existing board of directors members participate in the selection of director nominees, with the general objective of achieving a balance of experience, knowledge, integrity and capability on the board. A nominating committee is not considered necessary due to the small size of the company and of our board.

Upon election of the nominees for director, the Company plans to establish a compensation committee consisting of two or more independent directors. The compensation committee will operate pursuant to a written charter. Upon the election of the nominees for director, the Company plans to establish an audit committee consisting of two or more independent directors. The audit committee will operate pursuant to a written charter.

We do not presently have a policy with respect to attendance by the directors at the annual meetings of shareholders.

Procedures for Director Nominations

Neither our Articles of Incorporation nor our Bylaws contain any procedures whereby shareholders may recommend nominees for director. We do not pay and do not anticipate paying any fees to third parties for identifying or evaluating candidates for director.

Communications with Directors

Our board of directors does not provide a formal process by which shareholders may send communications to the board of directors. The Company does not at this time anticipate instituting such a process. However, shareholders may communicate with us or request information at any time by contacting Robert Staats, Chief Accounting Officer, Corporate Planning, at (407) 389-3232.

Compensation of Directors

In connection with their service on our board of directors, each non-employee director elected by the shareholders will receive 300,000 shares of our common stock per year. Also, each non-employee director receives \$2,500 per board meeting or board committee meeting attended either by telephone or personally.

Code of Ethics

At the board of directors meeting following the annual meeting, it is anticipated that we will adopt a Code of Business Conduct and Ethics, within the meaning of Item 406(b) of Regulation S-K, that applies to the Company’s directors, officers and employees, including, our principal executive officer, principal financial officer and principal accounting officer. Upon adoption, a complete copy of the proposed Code of Ethics will be posted at our website at www.voipincorporated.com under “Investor Relations.” Any amendments to, or waivers of, the Code of Ethics will be promptly disclosed on our website.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial Ownership

The following table sets forth information as of October 19, 2006, except as otherwise noted, with respect to the beneficial ownership of our common stock and is based on 95,926,252 shares of common stock issued and outstanding as of October 19, 2006

· Each person known by the Company to own beneficially more than five percent of our outstanding common stock;

· Each director and prospective director of the Company;

· The Company's Chief Executive Officer and each person who serves as an executive officer of the Company; and

· All executive officers and directors of the Company as a group.

The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and any shares as to which the individual has the right to acquire beneficial ownership within 60 days, except as otherwise noted, through the exercise or conversion of any stock option, warrant, preferred stock or other right. The inclusion in the following table of those shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner of those shares. Unless otherwise indicated, to our knowledge based upon information produced by the persons and entities named in the table, each person or entity named in the table has sole voting power and investment power, or shares voting and/or investment power with his or her spouse, with respect to all shares of capital stock listed as owned by that person or entity.

The address for each of our officers and directors is c/o VoIP, Inc., 151 South Wymore Road, Suite 3000, Altamonte Springs, FL 32714.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Ownership of Common Stock (12)
WQN, Inc. (1) 14911 Quorum Drive, Suite 140 Dallas, Texas 75240	20,977,198	7.0%
Anthony Cataldo (2)	10,000,000	*
Nicholas Iannuzzi**	60,000	0.1%
Stuart Kosh (3)	2,009,727	2.1%
Shawn Lewis	5,446,231	5.7%
Gary Post (4)	3,300,000	3.3%
Robert Staats (5)	262,500	0.3%
Stacy Haitsuka**	*	*
All directors and director nominees executive officers as a group (57 persons) (6)	11,078,458	11.1%

* Less than one percent.

**Director nominee.

(1) Consists of 6,746,429 shares of common stock and 14,230,769 shares issuable upon conversion of a convertible promissory note.

(2) Pursuant to Mr. Cataldo's employment agreement with the Company he is entitled to 10,000,000 stock options which can only be issued upon sufficient underlying shares of common stock being authorized.

- (3) Consists of (a) 1,347,227 shares of common stock; (b) currently exercisable options to purchase 156,250 shares of common stock; and (c) warrants to purchase 506250 shares of common stock.
- (4) Consists of (a) 300,000 shares of common stock; (b) currently exercisable options to purchase 1,500,000 shares of common stock; and (c) warrants to purchase 1,500,000 shares of common stock.
- (5) Consists of warrants to purchase 125,000 shares of common stock and currently exercisable options to purchase 137,500 shares of common stock.
- (6) Represents the combined beneficial ownership of the Company's executives; outside directors and director nominees as of October 19, 2006, which consists of Messrs. Cataldo, Iannuzzi, Kosh, Lewis, Post, Haitsuka and Staats.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports their ownership and changes in ownership of our securities. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on a review of the copies of such reports and written representations that no other reports were required, we believe that all filing requirements applicable to our officers, directors and greater than 10% shareholders were satisfied during the years ended December 31, 2005, except as noted below:

· Seventeen (17) Forms 4 required under Section 16(a) were filed late by Mr. Steven Ivester, and Mr. Ivester noted in reports filed by him that he had realized certain “short swing profits,” all of which have been repaid to the Company. Two Forms 4 were filed late by Mr. Bill Burbank; one Form 4 was filed late by Mr. David Sasnett; and one Form 4 was filed late by Mr. John Todd. In addition, Forms 3 were filed late by each of Mr. Gary Post, Mr. David Ahn, Mr. Robert Staats, Mr. Bill Burbank, Mr. David Sasnett, and WQN, Inc.

MANAGEMENT

Executive Officers of the Registrant

The following table sets forth information concerning our executive officers and directors as of the periods set forth below:

Name	Age	Position with Company	Dates
Anthony Cataldo	55	Chairman and Chief Executive Officer	September 2006 to present
Shawn M. Lewis	38	Chief Operating Officer; Chief Technology Officer	May 2005 to present
Robert V. Staats	52	Chief Accounting Officer	May 2006 to present

Anthony J Cataldo. Please see Mr. Cataldo’s biography on page 5.

Shawn M. Lewis oversees all of our technological and engineering activities. Mr. Lewis founded and was the President and CEO of Caerus, Inc. and its three subsidiaries, Volo Communications, Inc., Caerus Networks, Inc., and

Caerus Billing & Mediation, Inc. from 2001 to 2005. We acquired Caerus, Inc. in May 2005 at which time Mr. Lewis became our Chief Technology Officer. Mr. Lewis also became our Chief Operating Officer in July 2006. Prior to Caerus, Mr. Lewis co-founded XCOM Technologies, a competitive local exchange carrier, where he served in an executive capacity and led the development of patents for the first softswitch and SS7 Media Gateway. XCOM Technologies was sold to Level 3 in 1998. His next venture, set-top box vendor River Delta, was sold to Motorola. His most recent venture, Caerus, Inc., empowers carriers and service providers to begin selling advanced Voice over Internet Protocol related services. In 2004, Mr. Lewis pled guilty to a felony drug possession offense and received probation. Mr. Lewis was recently engaged in a Chapter 11 bankruptcy in Orlando, Florida.

Robert V. Staats has been the Director of Finance of the Company's Caerus, Inc. unit since June 2005 and became our Chief Accounting Officer in May 2006. Mr. Staats brings 30 years of financial management experience to the Company including during the past six years, CFO or Controller responsibilities at three startup telecommunications companies, (including the Company). From 1996 to 2000, Mr. Staats was the Director, Finance with the telecommunications company Electric Lightwave, Inc. Before that at PacifiCorp (then a \$3.4 billion company) he was Director of Financial Reporting and Accounting, responsible for consolidated financial statements and SEC reporting. Mr. Staats also has five years' experience with KPMG Peat Marwick. He graduated with high honors from the University of Washington with a bachelor's degree in Accounting and is a member of the Washington Society of Certified Public Accountants and the American Society of Certified Public Accountants. Mr. Staats was recently engaged in a Chapter 13 bankruptcy in Orlando, Florida.

EXECUTIVE COMPENSATION

The following table sets forth information with respect to the compensation for the last three fiscal years of our Chief Executive Officer and each person who served as an executive officer of our Company during the last three fiscal years and whose total annual salary and bonus exceeded \$100,000 (the "Named Executive Officers"). In accordance with the rules of the SEC, the compensation set forth in the table below does not, unless otherwise noted, include medical, group life or other benefits that are available to all of our salaried employees, and perquisites and other personal benefits, securities or property that do not exceed the lesser of \$50,000 or 10% of the total annual salary and bonuses for each of the individuals shown in the table.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation Securities Underlying Options or Warrants		All Other Compensation
		Salary	Bonus			
Steven Ivester ⁽¹⁾ <i>Former Chief Executive Officer</i>	2005	\$ 231,722	\$ 250,000	—	\$	33,563
	2004	125,000	—	—	—	2,475
	2003	—	—	—	—	—
Bill Burbank ⁽²⁾ <i>Former Chief Operating Officer</i>	2005	—	1,923	—	—	—
	2004	146,156	—	—	—	—
	2003	2,116	—	—	—	—
Osvaldo Pitters ⁽³⁾ <i>Former Chief Financial Officer; Former Senior Vice President of Finance</i>	2005	100,000	1,923	—	—	—
	2004	50,000	—	—	—	—
	2003	—	—	—	—	—
Shawn Lewis <i>Chief Technology Office; Chief Operating Officer</i>	2005	115,385	37,115	—	—	—
	2004	—	—	—	—	—
	2003	—	—	—	—	—
B. Michael Adler ⁽⁴⁾	2005	48,738	2,769	—	—	—
	2004	—	—	—	—	—

Former Chairman; Chief Executive Officer

2003

— — —

(1) Mr. Ivester resigned his position as Chief Executive Officer in October 2005 and his position as director in December 2005.

(2) Mr. Burbank resigned his position in January 2006.

(3) Mr. Pitters resigned his position in March 2006.

(4) Mr. Adler resigned his position as Chairman, Chief Executive Officer and Director in May 2006.

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Option / SAR Grants in Last Fiscal Year

Number of Securities Underlying Options/SARs	% of Total Options/SARs Granted to Employees in	Exercise
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