

## Vonage Seeks Post-IPO Payment From Customers Who Reneged

*People Who Signed Up To Get Stock, Didn't Pay, Receive Demand Letters*

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Phone customers of Vonage Holdings Corp. who didn't pay for stock they agreed to buy in the company's ill-fated initial public offering are getting letters demanding that they pay part of the amount they pledged, even though they won't be getting any stock.

Under its agreement with underwriters, Vonage had to compensate the underwriters for any losses they incurred if customers defaulted. Vonage has said it planned, in turn, to pursue payment from the customers who reneged. People familiar with the situation said the lawyers sending the letters were working for the company, not the underwriters. It isn't clear how many letters might have been sent out.

Vonage declined to comment.

Vonage, Holmdel, N.J., went public in May and devised an unusual program that set aside 4.2 million IPO shares for its customers. But instead of posting the quick gains some investors expected, Vonage's stock sank 13% on the first day of trading and continued to drop, meaning IPO investors had to pay more for the stock than it was valued at on the market after its debut.

Customers who had signed up for about one million shares reneged on their pledges, the company said last month.

Now those customers are starting to get letters from lawyers saying they are on the hook for the difference between the IPO price and the amount the underwriters collected when they sold the shares at lower prices on the open market after the stock had cratered. They will not be getting stock in exchange for their payments.

John Fitch of Cary, Ill., who signed up to buy 100 shares for \$1,700, said he always intended to pay but had trouble tracking down an address to send the payment to and missed the deadline. On Monday he got a letter from the New York law firm Duane Morris LLP, saying: "We hereby make demand that you remit \$604. ... If we do not receive payment within 10 days we have been authorized to take further action against you."

Mr. Fitch, a project manager at a technology company, said he is displeased about "writing \$600 into thin air" without getting any stock in return. "Having really crummy stock would be better than having nothing," he said.

A person at Duane Morris who said he is involved in the matter declined to comment.

Spokesmen for Vonage's underwriters also declined to comment. Citigroup Inc., Deutsche Bank AG and UBS AG were Vonage's lead underwriters.

The IPO has generated numerous lawsuits by investors who participated in the customer program. Vonage has declined to comment on the disputes.

Vonage's shares rose 25 cents, or 3.3%, to \$7.80 in 4 p.m. New York Stock Exchange composite trading.