

MAGICJACK VOCALTEC LTD
Form PREC14A
December 30, 2016

PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION, DATED DECEMBER 30, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
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
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 under Rule 14a-12

MAGICJACK VOCALTEC LTD.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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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: _____

PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION, DATED DECEMBER 30, 2016
MAGICJACK VOCALTEC LTD.

12 Haomanut Street, 2nd Floor
Poleg Industrial Zone, Netanya, Israel 4250445

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON FEBRUARY 28, 2017

NOTICE IS HEREBY GIVEN that the 2016 annual general meeting of shareholders (the “Meeting”) of magicJack VocalTec Ltd. (the “Company”) will be held at the offices of Yigal Arnon & Co. at 1 Azrieli Center, Tel Aviv 6702101, Israel at 10:00 a.m. Israel time on Tuesday, February 28, 2017, or at any adjournments thereof.

The agenda for the Meeting is as follows:

1. To elect to the Board of Directors of the Company (the “Board” or the “Board of Directors”):

Proposal of the Board: To re-elect Mr. Donald A. Burns, Mr. Richard Harris, Dr. Yuen Wah Sing and Mr. Gerald Vento and to elect Mr. Don C. Bell III, Mr. Izhak Gross, and Mr. Alan B. Howe to serve as directors of the
A. Company until the next annual general meeting of shareholders and until their successors have been duly elected and qualified;

OR

Proposal of a dissident shareholder: To vote on a shareholder proposal of Kanen Wealth Management LLC and Mr. David L. Kanen (together, the “Dissident Shareholder”) to elect Mr. Alan B. Howe, Mr. Anthony Ambrose, Mr. Jonathan M. Charak, Mr. W. Austin Lewis, Mr. David Clark, Mr. Anthony Pompliano and Mr. Louis Antoniou to
B. serve as directors of the Company until the next annual general meeting of shareholders and until their successors have been duly elected and qualified.

2. To re-approve the Company’s Compensation Policy.

To approve the grant of 7,000 shares of restricted stock of the Company to Mr. Izhak Gross, subject to his election
3. to the Board under Proposal 1.A.

To approve the accelerated vesting of shares of restricted stock of the Company held by Mr. Yoseph Dauber, a
4. former director of the Company.

To approve a limited extension of the Employment Agreement with Mr. Gerald Vento, the Company’s President and Chief Executive Officer, until the earlier of June 30, 2017 or the date the Company hires a President and Chief
5. Executive Officer to replace Mr. Vento, and to approve entering into a consulting agreement with Mr. Vento effective upon his separation date.

To approve the reappointment of BDO USA, LLP and BDO Ziv Haft, Certified Public Accountants (Isr) as the Company’s independent registered public auditor for the year ending December 31, 2016 and to authorize the
6. Company’s Board of Directors, subject to the approval of the Audit Committee, to fix the compensation of the auditors in accordance with the volume and nature of their services.

7. To transact such other business as may come properly before the Meeting or any adjournments thereof.

These matters are described more fully in the attached Proxy Statement, which we urge you to read in its entirety. We are currently not aware of any other matters that will come before the Meeting other than the matters described herein. If any other matters are presented properly at the Meeting, the persons designated as proxies intend to vote upon such matters in accordance with their best judgment.

Only shareholders of record at the close of business on January 18, 2017 will be entitled to attend and vote at the Meeting. This Notice and the accompanying Proxy Statement and enclosed proxy card are being first mailed to shareholders on or about [], 2017. These items, along with our Annual Report for the fiscal year ended December 31, 2015, are available free of charge at the “Financial Information” tab of our website at www.vocaltec.com.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE

“FOR” PROPOSALS 1.A, 2, 3, 4, 5 and 6 AND “AGAINST” PROPOSAL 1.B.

YOUR VOTE IS VERY IMPORTANT. Whether or not you attend the Meeting in person, please take the time to vote your shares by completing, signing and promptly mailing the enclosed proxy card to us in the enclosed, postage-paid envelope. If your shares are held in “street name,” that is, held for your account by a broker, bank or other nominee, you will receive instructions from the shareholder of record that you must follow in order to instruct how your shares are voted at the Meeting. If you are a shareholder of record, you may attend the Meeting and you may vote in person, whether or not you have already executed and returned your proxy card. You may revoke your proxy at any time before the Meeting by (i) timely completing and returning a later-dated proxy card, (ii) voting on a later date by using the Internet or by telephone, (iii) delivering a written notice of revocation to the Company’s Secretary prior to the Meeting, or (iv) attending the Meeting and voting in person. Only a shareholder’s last proxy submitted prior to the Meeting will be counted. A shareholder’s attendance at the Meeting does not automatically revoke such shareholder’s proxy, unless such shareholder votes at the Meeting or specifically requests in writing that his or her proxy be revoked.

Please note that the Dissident Shareholder has nominated a slate of director nominees for election to the Board at the Meeting. The Board of Directors does not endorse the slate of nominees put forth by the Dissident Shareholder. You may receive solicitation materials from the Dissident Shareholder, including a proxy statement. We are not responsible for the accuracy of any information provided by or related to the Dissident Shareholder or its nominees contained in any proxy solicitation materials filed or disseminated by the Dissident Shareholder or any statements the Dissident Shareholder may otherwise make. Information related to the Dissident Shareholder and its nominees to the Board contained in this Proxy Statement are based on the information provided by the Dissident Shareholder and included in the Dissident Shareholder’s declarations to the Company.

This Proxy Statement and the enclosed proxy card are first being mailed to shareholders on or about [], 2017

If you have any questions or need any assistance voting, please call Saratoga Proxy Consulting LLC, our proxy solicitor, at (888) 368-0379.

By order of the Board of Directors,

By: /s/ Gerald Vento
Gerald Vento
Chief Executive Officer & President

[], 2017

PRELIMINARY PROXY STATEMENT – SUBJECT TO COMPLETION, DATED DECEMBER 30, 2016
MAGICJACK VOCALTEC LTD.

12 Haomanut Street, 2nd Floor
Poleg Industrial Zone, Netanya, Israel 4250445

PROXY STATEMENT
FOR
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON FEBRUARY 28, 2017

General Information

This proxy statement (the “Proxy Statement”) is being furnished by the Board of Directors (the “Board” or the “Board of Directors”) of magicJack VocalTec Ltd., a company organized under the laws of the State of Israel (referred to as “we,” “us” or the “Company”) to the holders of ordinary shares, no par value, of the Company, in connection with the solicitation by the Board of proxies for use at the Company’s 2016 annual general meeting of shareholders or any adjournment thereof (the “Meeting”). The Meeting will be held at the offices of Yigal Arnon & Co. at 1 Azrieli Center, Tel Aviv 6702101, Israel at 10:00 a.m. Israel time on Tuesday, February 28, 2017, or at any adjournments thereof. This Proxy Statement and the enclosed proxy card are first being mailed to shareholders on or about [], 2017.

Matters to be Voted Upon at the Meeting

At the Meeting, you will be requested to vote on the following Proposals:

1. To elect to the Board of Directors of the Company:

Proposal of the Board: To re-elect Mr. Donald A. Burns, Mr. Richard Harris, Dr. Yuen Wah Sing and Mr. Gerald Vento and to elect Mr. Don C. Bell III, Mr. Izhak Gross, and Mr. Alan B. Howe to serve as directors of the
A. Company until the next annual general meeting of shareholders and until their successors have been duly elected and qualified;

OR

Proposal of a dissident shareholder: To vote on a shareholder proposal of Kanen Wealth Management LLC and Mr. David L. Kanen (together, the “Dissident Shareholder”) to elect Mr. Alan B. Howe, Mr. Anthony Ambrose, Mr. B. Jonathan M. Charak, Mr. W. Austin Lewis, Mr. David Clark, Mr. Anthony Pompliano and Mr. Louis Antoniou to serve as directors of the Company until the next annual general meeting of shareholders and until their successors have been duly elected and qualified.

2. To re-approve the Company’s Compensation Policy.

3. To approve the grant of 7,000 shares of restricted stock to Mr. Izhak Gross, subject to his election to the Board under Proposal 1.A.

4. To approve the accelerated vesting of shares of restricted stock of the Company held by Mr. Yoseph Dauber, a former director of the Company.

5. To approve a limited extension of the Employment Agreement with Mr. Gerald Vento, the Company’s President and Chief Executive Officer, until the earlier of June 30, 2017 or the date the Company hires a President and Chief Executive Officer to replace Mr. Vento, and to approve entering into a consulting agreement with Mr. Vento effective upon his separation date.

To approve the reappointment of BDO USA, LLP and BDO Ziv Haft, Certified Public Accountants (Isr) as the Company's independent registered public auditor for the year ending December 31, 2016 and to authorize the
6. Company's Board of Directors, subject to the approval of the Audit Committee, to fix the compensation of the auditors in accordance with the volume and nature of their services.

7. To transact such other business as may come properly before the Meeting or any adjournments thereof.

We are currently not aware of any other matters that will come before the Meeting. If any other matters are presented properly at the Meeting, the persons designated as proxies intend to vote upon such matters in accordance with their best judgment.

Recommendation of the Board

THE BOARD UNANIMOUSLY RECOMMENDS SHAREHOLDERS VOTE
"FOR" PROPOSALS 1.A, 2, 3, 4, 5 and 6 AND "AGAINST" PROPOSAL 1.B.

Proxy Contest by David L. Kanen and Kanen Wealth Management

Your Board has nominated the following seven candidates for re-election and election to the Board of Directors at the Meeting under Proposal 1.A: Mr. Donald A. Burns, Mr. Richard Harris, Dr. Yuen Wah Sing, Mr. Gerald Vento, Mr. Don C. Bell III, Mr. Izhak Gross, and Mr. Alan B. Howe (collectively, the "Company Nominees," but with respect to Mr. Howe, only in his capacity as a nominee of the Board).

As you may be aware, the Dissident Shareholder has nominated a competing slate of the following seven candidates for election to the Board of Directors at the Meeting under Proposal 1.B: Mr. Alan B. Howe, Mr. Anthony Ambrose, Mr. Jonathan M. Charak, Mr. W. Austin Lewis, Mr. David Clark, Mr. Anthony Pompliano and Mr. Louis Antoniou (collectively, the "Dissident Nominees," but with respect to Mr. Howe, only in his capacity as a nominee of the Dissident Shareholder). The Board of Directors DOES NOT endorse the Dissident Nominees and recommends that you vote "AGAINST" the Dissident Nominees in Proposal 1.B and "FOR" the Company Nominees in Proposal 1.A.

You may receive proxy solicitation materials from the Dissident Shareholder. We are not responsible for the accuracy of any information provided by the Dissident Shareholder or the Dissident Nominees contained in any proxy solicitation materials filed or disseminated by the Dissident Shareholder or any statements the Dissident Shareholder may otherwise make. Information related to the Dissident Shareholder and its nominees to the Board contained in this Proxy Statement are based on the information provided by the Dissident Shareholder and included in the Dissident Shareholder's declarations to the Company.

Our Board of Directors recommends that you disregard any materials you may receive from the Dissident Shareholder. If you have any questions or need any assistance voting, please call Saratoga Proxy Consulting LLC, our proxy solicitor, at (888) 368-0379.

Shareholders Entitled to Vote at the Meeting

Only shareholders of record at the close of business on January 18, 2017 (the “Record Date”) will be entitled to receive notice of, to attend, and to vote at the Meeting. As of the Record Date, the Company had outstanding [] ordinary shares, each of which is entitled to one vote upon each of the matters to be presented at the Meeting.

Voting Procedures

Record Holders

If you are a record holder entitled to vote at the Meeting, meaning your shares are registered in your own name, you may vote:

- (1) By Internet: Access [] and follow the instructions provided by the website. You will be required to provide the control number printed on the enclosed proxy card to access your account and vote your shares.
- (2) By Telephone: Call [] and follow the instructions on the enclosed proxy card.
- (3) By Mail: Complete, sign and date the enclosed proxy card and return it by mail in the enclosed, postage-paid envelope. Your shares will be voted according to your instructions.

- At the Meeting: If you attend the Meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at the Meeting. You are encouraged to complete, sign and date the enclosed proxy card and return it by mail in the enclosed, postage-paid envelope whether or not you plan to attend the Meeting.
- (4)

Beneficial Owners

If your shares are held in “street name,” meaning they are held for your account by a broker, bank or other nominee, these proxy materials are being forwarded to you by that nominee. The nominee holding your shares is considered the shareholder of record for purposes of voting at the Meeting. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the nominee holding the shares. You should receive instructions from your nominee explaining how you can provide them with instructions on how to vote your shares at the Meeting. You will not be able to vote in person at the Meeting unless you have a legal proxy from your nominee issued in your name granting you the right to vote your shares in person.

If the beneficial owner does not provide voting instructions, the broker, bank or other nominee can still vote the shares with respect to matters that are considered to be “routine,” but not with respect to “non-routine” matters. In the event that a nominee indicates on a proxy that it does not have discretionary authority to vote certain shares on a non-routine proposal, then those shares will be treated as broker non-votes and will not be treated as either a vote “for” or “against” a proposal. Under Israeli law, broker non-votes will not be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business. Only Proposal 6 (ratification of the reappointment of the independent public auditor) is considered a routine matter on which brokers will be entitled to vote without instructions from the beneficial owner. Proposals with respect to the election of directors and executive compensation are considered “non-routine” and the nominee that holds your shares does not have authority to vote your shares on these matters without your instruction. Therefore, please promptly instruct your broker or other nominee on how to vote your shares on all of the Proposals in this Proxy Statement.

Quorum

Two (2) or more shareholders, present in person or by proxy and holding shares conferring in the aggregate more than thirty-three and one-third percent (33.33%) of the voting power of the Company will constitute a quorum at the Meeting. Abstentions may be specified on all Proposals. Abstentions will be counted as present for purposes of determining a quorum but will not be counted as voting on the Proposal in question. Submitted proxies which are left blank will also be counted as present for purposes of determining a quorum. If a quorum is not present within thirty (30) minutes from the time appointed for the Meeting, the Meeting will be adjourned to the same day in the following week, at the same time and place, or to such day and at such time and place as the Chairman of the Meeting may determine. At such adjourned Meeting, two (2) or more members, present in person or by proxy and holding shares conferring in the aggregate more than thirty-three and one-third percent (33.33%) of the voting power of the Company, will constitute a quorum.

Vote Required for Approval

YOUR VOTE IS VERY IMPORTANT. Each shareholder is entitled to one vote per each ordinary share held thereby. You may vote for, against, or abstain on each proposal presented at the Meeting. Subject to additional requirements with respect to Proposals 2, 3, 4 and 5 as described below, the affirmative vote of the holders of a majority of the shares represented at the Meeting in person or by proxy and voting on each proposal is necessary for the approval of each Proposal presented at the Meeting.

Proposal 1

The affirmative vote of the holders of a majority of the shares represented at the Meeting in person or by proxy and voting on each Proposal is necessary for the approval of either Proposal 1.A or Proposal 1.B. If you abstain with respect to either Proposal 1.A. or Proposal 1.B., your shares will be counted for purposes of establishing a quorum on that specific Proposal, but will not be considered to have voted for or against such Proposal, and therefore will have the effect of voting against that Proposal. Broker non-votes will not be counted for the purposes of establishing a quorum on Proposal 1, and therefore will have no effect on the outcome of the vote for either Proposal 1.A or Proposal 1.B.

Further, the approval of Proposal 1.A is subject to shareholders voting FOR nominees only under Proposal 1.A, and the approval of Proposal 1.B is subject to shareholders voting FOR nominees only under Proposal 1.B. Shareholders are asked to elect nominees by voting on either Proposal 1.A or Proposal 1.B, but not both, to serve as directors of the Company until the close of the next annual general meeting of shareholders of the Company. Please note that although Mr. Howe appears under both Proposal 1.A and Proposal 1.B, you may only vote "FOR" Mr. Howe in one place on the enclosed proxy card. If a shareholder votes FOR any nominees under both Proposal 1.A and Proposal 1.B, including Mr. Howe, the shareholder's votes under both Proposal 1.A and 1.B will not be counted in determining the outcome of either Proposal.

Proposals 2, 4 and 5

The affirmative vote of the holders of a majority of the shares represented at the Meeting in person or by proxy and voting on each of Proposals 2, 4 and 5 is necessary for the approval of each such Proposal.

The approval of each of Proposals 2, 4 and 5 is also subject to the approval of a “Special Majority” which requires that either: (i) the Proposal must be approved by a majority of the shares voted on such Proposal by shareholders who are not controlling shareholders and who do not have a Personal Interest (as defined below) in the Proposal, or (ii) the total number of shares held by such shareholders described above and voted against the Proposal does not exceed two percent of the aggregate voting rights in the Company. Abstentions shall not be taken into account.

Under the Israeli Companies Law, 5759-1999, as currently amended (the “Companies Law”), and as used in this Proxy Statement, a “Personal Interest” means an interest of a person in an act or transaction of a company, including: (i) a personal interest of that person’s relative (which includes for these purposes a person’s spouse, siblings, parents, grandparents, descendants, and a spouse’s descendants, siblings, and parents, and the spouse of any of the foregoing); (ii) a personal interest of another entity in which that person or his or her relative holds five percent (5%) or more of such entity’s issued shares or voting rights, has the right to appoint a director or the chief executive officer of such entity, or serves as director or chief executive officer of such entity; or (iii) the personal interest of a person voting pursuant to a proxy whether or not the proxy grantor has a personal interest, as well as the vote of a proxy holder if the proxy grantor has a personal interest, irrespective of whether the proxy holder has voting discretion or not. A personal interest resulting merely from holding the Company’s shares will not be deemed a Personal Interest.

For each of Proposals 2, 4 and 5, if you do not state whether you have a Personal Interest in the approval of the relevant Proposal, you will be considered as having a Personal Interest in the Proposal, and your shares will not be counted in the Special Majority vote required for that Proposal.

Broker non-votes will not be counted for the purposes of establishing a quorum on Proposals 2, 4 or 5, and therefore will have no effect on the outcome of the vote on Proposals 2, 4 and 5.

Proposal 3

The approval of Proposal 3 is subject first to the election of Mr. Gross to the Board under Proposal 1.A.

If the Company’s Compensation Policy is re-approved at the Meeting, then the affirmative vote of the holders of a simple majority of the voting power represented at the Meeting in person or by proxy and voting on Proposal 3 is necessary for the approval of Proposal 3.

If, however, Proposal 2 is not approved by the shareholders at the Meeting, then approval of Proposal 3 is also subject to the approval of a “Special Majority” which requires that either: (i) the Proposal must be approved by a majority of the shares voted on such Proposal by shareholders who are not controlling shareholders and who do not have a Personal Interest in the Proposal, or (ii) the total number of shares held by such shareholders described above and voted against the Proposal does not exceed two percent of the aggregate voting rights in the Company. Abstentions shall not be taken into account.

If Proposal 2 is not approved and a Special Majority vote is required, and if you do not state whether you have a Personal Interest in the approval of Proposal 3, you will be considered as having a Personal Interest in the Proposal, and your shares will not be counted in the Special Majority vote required for that Proposal.

Broker non-votes will not be counted for the purposes of establishing a quorum on Proposal 3, and therefore will have no effect on the outcome of the vote on Proposals 3.

Proposal 6

The affirmative vote of the holders of a majority of the shares represented at the Meeting in person or by proxy and voting on Proposal 6 is necessary for the approval of Proposal 6. If you abstain with respect to Proposal 6, your shares will be counted for purposes of establishing a quorum on that Proposal, but will not be considered to have voted for or against the Proposal, and therefore will have the effect of voting against the Proposal. Broker non-votes will not be counted for the purposes of establishing a quorum on Proposal 6, and therefore will have no effect on the outcome of the vote on Proposal 6.

Voting of Proxies

Upon the receipt of a properly executed proxy card in the form enclosed, the persons named as proxies in the proxy card will vote the ordinary shares covered by the proxy in accordance with the directions of the shareholder executing the proxy. Subject to applicable law and the rules of the Nasdaq Global Market (“Nasdaq”), if no instructions are indicated in such proxies with respect to a specific Proposal or all Proposals, the ordinary shares represented by the properly executed and received proxy cards will be voted FOR Board Proposals 1.A, 2, 3, 4, 5 and 6, and AGAINST Dissident Shareholder Proposal 1.B.

Any shareholder that holds, as of the record date set for determining the shareholders entitled to notice of and to vote at the Meeting, either (i) five percent (5%) or more of the total voting rights in the Company or (ii) five percent (5%) or more of the total voting rights in the Company held by all shareholders that are not control persons, may, directly or through a representative after the Meeting is held, review, at the Company’s registered office, all proxies received by the Company with respect to the Meeting.

Solicitation of Proxies

Proxies are being mailed to shareholders on or about [], 2017 and will be solicited by the Company mainly by mail; however, certain officers, directors, employees and agents of the Company, none of whom will receive additional compensation, may solicit proxies by telephone, fax or other personal contact. We will furnish copies of solicitation materials to brokerage firms, nominees, fiduciaries and other custodians for forwarding to their respective principals. We will bear the cost of soliciting proxies, including, among other things, preparing, assembling, mailing, printing and handling, and will reimburse the reasonable expenses of brokerage firms, banks and others for forwarding materials to beneficial owners of ordinary shares. We may also solicit proxies by email from shareholders who previously requested to receive proxy materials electronically.

The Company has retained Saratoga Proxy Consulting LLC (“Saratoga”) to solicit proxies. Under our agreement with Saratoga, Saratoga will receive a fee of up to \$[] plus the reimbursement of reasonable expenses. Saratoga expects that approximately [] of its employees will assist in the solicitation. Saratoga will solicit proxies by mail, telephone, facsimile or email. Our aggregate expenses, including those of Saratoga, relating to our solicitation of proxies, excluding salaries and wages of our regular employees, are expected to be approximately \$[], of which approximately \$[] has been incurred as of the date of this Proxy Statement.

Revocation of Proxies

A shareholder of record who has executed and delivered a proxy card may revoke such proxy at any time before the Meeting by (i) timely completing and returning a later-dated proxy card, (ii) voting on a later date by using the Internet or by telephone, (iii) delivering a written notice of revocation to the Company's Secretary prior to the Meeting, or (iv) attending the Meeting and voting in person. Only a shareholder's last proxy submitted prior to the Meeting will be counted. A shareholder's attendance at the Meeting does not automatically revoke such shareholder's proxy, unless such shareholder votes at the Meeting or specifically requests in writing that his or her proxy be revoked.

Position Statements

If you wish to express your position on an agenda item for the Meeting, you may do so by submitting a written position statement to the Company's offices, c/o Chief Financial Officer, at 12 Haomanut Street, 2nd Floor Poleg Industrial Zone, Netanya, Israel 4250445. Position statements should be submitted to the Company no later than [], 2017.

Shareholder Proposals

Shareholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual general meeting of shareholders by submitting their proposals in writing to our Secretary in a timely manner. Such request must comply with the requirements of our Amended and Restated Articles of Association, which establish an advance notice procedure for shareholders holding at least one percent (1%) of the voting rights in the issued share capital of the Company who wish to include a subject in the agenda of an annual general meeting of shareholders in the future. Any such request must be in writing, must include all information related to the subject matter and the reason that such subject is proposed to be brought before the annual general meeting and must be signed by the shareholder or shareholders making such request. Each such request shall also set forth: (a) the name and address of the shareholder making the request; (b) a representation that the shareholder is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting; (c) a description of all arrangements or understandings between the shareholder and any other person or persons (naming such person or persons) in connection with the subject which is requested to be included in the agenda; and (d) a declaration that all the information that is required under the Companies Law and any other applicable law to be provided to the Company in connection with such subject, if any, has been provided. Furthermore, the Board may, in its discretion and to the extent it deems necessary, request that the shareholders making the request provide additional information necessary so as to include a subject in the agenda of an annual general meeting.

Under Section 66(b) of the Companies Law, a shareholder who meets the conditions of Section 66(b) of the Companies Law may submit its request to include an agenda item within seven days following the Company's notice of convening a shareholders' meeting at which directors are to be elected and certain other proposals are to be considered. In addition, shareholder proposals must otherwise comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under Rule 14a-8 of the Exchange Act, to be eligible for inclusion in the Company's proxy materials for the 2017 annual meeting of shareholders, expected to be held on or around [], shareholder proposals must be received by the Secretary not later than []. Proposals should be addressed to: magicJack VocalTec Ltd., 12 Haomanut Street, 2nd Floor, Poleg Industrial Zone, Netanya, Israel 4250445.

Nomination of Director Candidates

You may also propose director candidates for consideration by our Board if you hold at least one percent (1%) of the outstanding voting power in the Company. For additional information regarding shareholder recommendations for director candidates, see “Meetings and Committees of the Board — Nominating Committee and Director Nominating Process.”

Change of Control

If the Dissident Nominees are elected, a change of control will occur under certain of the Company’s employment agreements with management as described in this Proxy Statement under the heading “Employment Agreements and Potential Payments Upon Termination or Change of Control.”

Other Matters and Additional Information

This Proxy Statement and the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, our other reports on Forms 10-K, 10-Q, 8-K and other publicly available information are available at www.vocaltec.com.

This Proxy Statement provides you with detailed information about the matters on which you are requested to vote your shares. In addition, you may obtain information about the Company from documents filed with the United States Securities and Exchange Commission (“SEC”). We encourage you to read the entire Proxy Statement carefully.

If you would like to obtain directions to be able to attend the Meeting in person, please call Jose Gordo, the Company’s Chief Financial Officer, at 561-749-2255. If you have any questions or require any assistance with voting your shares, or if you need additional copies of the proxy materials, please contact:

Saratoga Proxy Consulting LLC
520 Eighth Ave 14th floor
New York, NY 10018
(212) 257-1311
(888) 368-0379

BACKGROUND TO THE SOLICITATION

On August 19, 2016, the Dissident Shareholder jointly filed a statement of beneficial ownership on Schedule 13D (the “Schedule 13D”), disclosing that the Dissident Shareholder beneficially owned in the aggregate 834,417 ordinary shares of the Company, including call options, which represented 5.26% of the Company’s issued and outstanding ordinary shares. The beneficial ownership percentage was calculated using 15,855,362 ordinary shares issued and outstanding as of July 31, 2016. For additional information regarding the Dissident Shareholder’s ownership of the Company’s ordinary shares, please refer to the section below titled, “Security Ownership of Certain Beneficial Owners and Management” in this Proxy Statement.

The Schedule 13D included a letter dated August 19, 2016 sent by Mr. Kanen to the Board of Directors expressing his views concerning, among other things, the Board’s strategy and the management of the Company (the “August 19 Letter”). The August 19 Letter demanded that the Company execute a \$50 million share buyback over the next three years and add two new Board members who will “have telco/VoIP experience and will be engaged with and exercise active oversight of management, holding them accountable to our goals of growing and reinventing the company.”

On August 25, 2016, the Company filed a current report on Form 8-K announcing that the Board of Directors had fixed October 7, 2016 as the date for the Company’s 2016 annual general meeting of the shareholders. The Form 8-K also announced that the Board of Directors had established August 29, 2016 as the record date for the determination of shareholders entitled to notice of and to vote at the 2016 annual general meeting of shareholders of the Company and at any adjournments or postponements thereof.

On August 26, 2016, the Dissident Shareholder jointly filed an amendment to the Schedule 13D disclosing that the Dissident Shareholder beneficially owned in the aggregate 998,452 shares of the Company’s ordinary shares, including call options, which represented 6.3% of the Company’s issued and outstanding ordinary shares.

On August 29, 2016, the Dissident Shareholder’s Israeli legal counsel, Herzog, Fox & Neeman (“Herzog”), sent to the Company by facsimile two letters of notice (the “Nomination Notices”) regarding the Dissident Shareholder’s intention to nominate seven directors, pursuant to the Companies Law, to the Company’s Board of Directors at the 2016 annual general meeting of shareholders—an increase from the demand for two new directors in the August 19 Letter. The seven director candidates named in the Nomination Notices were Alan B. Howe, Anthony Ambrose, Jonathan M. Charak, William Austin Lewis, David Clark, Anthony Pompliano and Louis Antoniou.

On August 31, 2016, the Dissident Shareholder jointly filed a second amendment to the Schedule 13D disclosing that Herzog had delivered the Nomination Notices to the Company and the Dissident Shareholder had requested that the seven Dissident Nominees be included in the Company’s proxy materials for the 2016 annual general meeting of shareholders.

On August 31, 2016, the Board of Directors held a meeting to discuss the Nomination Notices and to vote on postponing the 2016 annual general meeting of shareholders. After deliberation, the Board of Directors determined that it was necessary to delay the 2016 annual general meeting of shareholders in order to fulfil the fiduciary duties of the members of the Board. The Board of Directors instructed the Company’s U.S. legal counsel, Vinson & Elkins L.L.P. (“Vinson & Elkins”), to contact the Dissident Shareholder’s U.S. legal counsel, Thompson Hine LLP (“Thompson Hine”), in order to request a phone conversation to discuss the matters raised by the Dissident Shareholder in its August 19 Letter and the Nomination Notices.

On August 31, 2016, Vinson & Elkins informed Thompson Hine that the Board of Directors was reviewing the Nomination Notices and conducting due diligence with respect to the credentials of the seven Dissident Nominees and that the Board of Directors would be open to interviewing the nominees.

On September 1, 2016, the Company issued a press release to confirm that the Dissident Shareholder had delivered the Nomination Notices to the Company and to announce the postponement of the 2016 annual general meeting of shareholders to be rescheduled by the Board of Directors as soon as practicable pending the Board of Directors' review of the Nomination Notices.

On September 2, 2016, the Board of Directors met to discuss the initial phone conversation between Vinson & Elkins and Thompson Hine. After the board meeting, Vinson & Elkins contacted Thompson Hine to reiterate the Company's normal practice of considering any person proposed by a shareholder to serve as a member of the Board of Directors, and further, to continue discussions concerning the willingness of the Board of Directors to review any shareholder proposal that could increase shareholder value and avoid the costs and burden of a protracted proxy contest. After a telephone conversation, Thompson Hine wrote to Vinson & Elkins to express appreciation for the outreach from the Company and to note that the Dissident Shareholder would consider a resolution of the proxy contest if the Company agreed to appoint three of the Dissident Shareholder's nominees to a reconstituted seven-member Board of Directors.

On September 4, 2016, Herzog sent to the Company by facsimile additional documents to supplement the Nomination Notices previously sent to the Company (the "Supplement"). The Supplement provided additional information concerning two of the proposed director candidates, Anthony Pompliano and Jonathan M. Charak.

On September 6, 2016, the Board of Directors held a meeting to discuss the Nomination Notices and the Dissident Shareholder's proposal. For the purposes of efficiency, the Board of Directors determined it was in the Company's best interests for the Board of Directors to form a special committee (the "Negotiating Committee") to attempt to negotiate a settlement with the Dissident Shareholder, with the final terms of a settlement to be approved by the full Board of Directors prior to execution. The Board of Directors discussed the potential terms of a settlement, including, among other things:

· increasing the Board of Directors from six to seven directors, composed of five incumbent directors and two new directors (one mutually agreeable director and one of the Dissident Nominees);

· commencing a \$40 million share buyback program over the following three years, subject to the limitations on share buybacks under the Companies Law, which would be terminated if certain objective criteria, determined in advance to measure the success of the share buyback program, were not met; and

· each party would be responsible for their own legal fees in connection with the proxy contest.

On September 6, 2016, Vinson & Elkins reached out to Thompson Hine and shared a graphical description of the Company's historic buyback performance comparing previous share buyback programs and the Company's resulting stock performance following such programs. The graphic description is set forth below. Further, Vinson & Elkins sent a settlement term sheet proposing the terms agreed to by the Board.

On September 8, 2016, Thompson Hine contacted Vinson & Elkins and made a settlement counterproposal in which the Dissident Shareholder proposed, among other terms, that

the Board of Directors would increase from six to seven directors, with one incumbent director stepping down and the subsequent appointment of two new directors (both of whom would be Dissident Nominees);

· David Kanen would have board observer rights;

the Company would commence a \$50 million share buyback program; which would be suspended if the value of the Company's ordinary shares exceeded a valuation of nine times EV/EBITDA, as determined in good faith by the Board of Directors; and

· each party would be responsible for their own legal fees in connection with the proxy contest.

On September 9, 2016, Vinson & Elkins reached out to Thompson Hine regarding several unclear terms in the share buyback program proposed by the Dissident Shareholder, including, among other things, the suspension of the buyback and the calculation of such suspension. Vinson & Elkins also explained the limitation on share buybacks under Israeli law, noting that any share buyback program would be limited to the Company's "profits," as defined under the Companies Law.

On September 14, 2016, the Negotiating Committee met to discuss terms for a revised settlement term sheet and suggestions for a mutually agreeable resolution. Vinson & Elkins contacted Thompson Hine to give an update regarding the progress made on a revised settlement term sheet.

On September 15, 2016, the Board of Directors met to discuss the terms of the settlement term sheet proposed by the Negotiating Committee.

On September 16, 2016, Vinson & Elkins delivered a revised settlement term sheet to Thompson Hine.

On October 5, 2016, the Board of Directors approved a draft settlement agreement, which Vinson & Elkins then sent to Thompson Hine. The terms included a \$45 million share buyback program over approximately five years and a reconstituted seven-member Board including one mutually agreeable director and one Dissident Nominee (the "Dissident Designee").

On October 12, 2016, Thompson Hine sent a revised settlement agreement that, among other things, removed the discretion of the Board of Directors to suspend the share buyback program for 120 days even if the Board of Directors found that continuing the share buyback program would be materially detrimental to the Company and its shareholders, and removed a confidentiality restriction on the Dissident Designee that would have prevented such Dissident Designee from disclosing confidential information to the Dissident Shareholder.

On October 20, 2016, Vinson & Elkins sent a revised settlement agreement proposing a \$45 million share buyback program and a reconstituted seven-member Board with one mutually agreeable director and one Dissident Designee. However, the Board of Directors again included, among other things, a confidentiality clause for any Dissident Nominee elected or appointed to the Board of Directors, and a requirement that the Dissident Shareholder maintain at least 5% ownership of the Company to maintain control of a seat on the Board.

On October 21, 2016, Thompson Hine wrote Vinson & Elkins to confirm that the Dissident Shareholder had accepted the proposal; however, the email noted that the Dissident Shareholder now requested reimbursement for any legal fees incurred in connection with the discussion and negotiation of the settlement agreement.

On October 23, 2016, Vinson & Elkins emailed Thompson Hine that the Board of Directors was reviewing the latest demand from the Dissident Shareholder regarding the request that the Company reimburse the Dissident Shareholder for its legal expenses.

On October 27, 2016, Vinson & Elkins contacted Thompson Hine to inform them that the request for reimbursement was rejected by the Board, as, after multiple revisions by both parties, each version of the term sheet and the settlement agreement required that each party would bear its own costs.

On November 9, 2016, in an effort to bring the deliberation to a close, Vinson & Elkins notified Thompson Hines that the Board of Directors would be willing to reimburse the Dissident Shareholder for up to \$25,000 of expenses.

On November 15, 2016, Thompson Hine suggested additional candidates for consideration by the Board of Directors for the mutually agreeable independent director position.

On November 15, 2016, Vinson & Elkins contacted Thompson Hine to request an in-person interview with one of the Dissident Shareholder's proposed nominees to the Board, Mr. Alan B. Howe.

On November 16, 2016, Vinson & Elkins sent a director questionnaire to Thompson Hine for completion by Mr. Howe, as required by the Company's Bylaws.

On November 21, 2016, Thompson Hine sent to Vinson & Elkins the questionnaire completed by Mr. Howe.

On December 1, 2016, Vinson & Elkins confirmed with all parties that the interview of Mr. Howe would take place at the office of Vinson & Elkins in New York City on December 7.

On December 7, 2016, the Negotiating Committee interviewed Mr. Howe in New York City.

On December 12, 2016, the Negotiating Committee met to discuss Mr. Howe's candidacy to the Board. The same day, the Negotiating Committee made its recommendation to the full Board of Directors to approve Mr. Howe's nomination to the Board.

On December 13, 2016, Vinson & Elkins notified Thompson Hine that Mr. Howe had been approved by the Negotiating Committee as the Dissident Designee.

On December 15, 2016, the Board of Directors convened to discuss the settlement negotiations.

On December 20, 2016, Vinson & Elkins notified Thompson Hine that the Board of Directors had considered several prospects for the mutually agreeable position on the Board of Directors. The Board of Directors proposed Mr. Don C. Bell III.

On December 21, 2016, Thompson Hine proposed Mr. Joseph Beatty for consideration as the mutually agreeable designee to the Board.

On December 25, 2016, Vinson & Elkins sent a director questionnaire to Mr. Bell.

On December 27, 2016, the Negotiating Committee interviewed Mr. Bell.

On December 29, 2016, Mr. Bell sent his completed director questionnaire. On the same day, the Negotiating Committee met to discuss Mr. Bell's candidacy to the Board. The same day, the Negotiating Committee made its recommendation to the full Board of Directors to approve Mr. Bell's nomination to the Board.

On December 29, 2016, the Board convened to discuss the progress of the settlement negotiations and to continue to review the advisability of the proposed terms. Management provided its views on a potential share buyback, including its opinion that prior share buybacks by the Company have not appeared to create long-term shareholder value, and the possibility that a share buyback could limit available cash for growth initiatives as well as restrict strategic alternatives that might otherwise be available to the Company. The Board also heard from the Negotiating Committee, which advised that the share buyback was not clearly the best use of the Company's capital and recommended that the Board decline to move forward with any required share buyback program. Based on these discussions, and the sustained concerns expressed by the Board and management regarding the impact of a potential share buyback over the previous months, the Board concluded that a share buyback was not in the best interests of all shareholders. As a result, the Board decided that it could not, in light of its fiduciary duties to the Company's shareholders, agree to implement such a program, and that a mutually agreeable settlement with the Dissident Shareholder without a share buyback proposal seemed unlikely. In order to bring the matter to a conclusion, the Board resolved that it would be necessary to set a date for the Meeting and submit both the Company Nominees and the Dissident Nominees to a vote of the shareholders, as requested by the Dissident Shareholder and required by Israeli law. In furtherance of what the Board believes is the best interests of the Company's shareholders and based on the feedback received from the Dissident Shareholder over the previous months, the Board resolved to increase the size of the Board to create two new directorships effective as of the Meeting and to nominate Mr. Howe, a nominee of the Dissident Shareholder, and Mr. Bell, a proposed new independent director, for election to these vacant seats at the Meeting. The Board then voted to approve and file the preliminary version of this Proxy Statement.

On December 30, 2016, the Company proceeded to file this Proxy Statement and issued a press release announcing the Board's decision. Concurrently with the filing, Vinson & Elkins called Thompson Hine, informing them that the Board determined that a settlement obligating the Company to conduct a share buyback program is not in the best interest of all shareholders and, therefore, the Board decided to proceed with the proxy contest to allow the shareholders to decide on the election of directors.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Amended and Restated Articles of Association provides that the Board will consist of not less than two (2) nor more than eleven (11) directors. The Board presently consists of six (6) members and, as of the Meeting, two (2) vacancies. The expiration dates of the terms of office of our current directors are as follows:

Donald A. Burns, Richard Harris, Dr. Yuen Wah Sing and Gerald Vento are serving one-year terms that expire at the Meeting.

Izhak Gross was appointed to the Board in 2016 to fill a vacancy left by the retirement of Mr. Yoseph Dauber and is serving a term that expires at the Meeting.

Tal Yaron-Eldar, who was re-elected as an external director in April 2014, is serving a three-year term that expires at the 2017 annual general meeting of the Company's shareholders. For a discussion regarding the adoption by the Company of an exemption from the Companies Law requirement to elect external directors, see "Corporate Governance – The Committees" in this Proxy Statement.