VIEWPOINT CORP
Form 10-K/A
April 26, 2007

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

S **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR FISCAL YEAR ENDED DECEMBER 31, 2006**
OR
£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**
COMMISSION FILE NUMBER: 0-27168

VIEWPOINT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95-4102687**
(State or other jurisdiction of incorporation of organization)	**(I.R.S. Employer Identification Number)**

498 Seventh Avenue, Suite 1810, New York, NY 10018
(Address of principal executive offices and zip code)

(212) 201-0800
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No S

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No S

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. S

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer £ Accelerated filer S Non-accelerated filer £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes £ No S

Aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2005	$	107,850,000
Number of shares of common stock outstanding as of March 12, 2007		67,670,000

DOCUMENTS INCORPORATED BY REFERENCE:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant s definitive proxy statement relating to the annual meeting of stockholders to be held in 2007, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

EXPLANATORY NOTE

Viewpoint Corporation, Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A to correct the typographical error contained in Exhibit 32.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission on March 16, 2007 (the Original 2006 Filing). Exhibit 32.1 to the Original 2006 Filing contained an incorrect date. Accordingly, the Company is re-filing the Original 2006 Filing in its entirety with an updated Item 15, Part IV of the Original 2006 Filing and Exhibit 32.1 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended.

In addition, the Company is filing this Amendment No. 1 on Form 10-K/A to correct Exhibit 31.1 and Exhibit 31.2 to the Original 2006 Filing. Exhibit 31.1 item 4(d) and Exhibit 31.2 item 4(d) both to the Original 2006 Filing were amended to conform with the requirements of Section 302 of the Sarbanes-Oxley Act of 2002.

Finally, the Company is filing this Amendment No. 1 on Form 10-K/A to correct the incorporation by reference to the inadvertent filing as Exhibit 10.28 to the Company s Annual Report on Form 10- K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 20, 2006 (the Original 2005 Filing) of an incorrect version of the employment agreement between the Company and Mr. Andrew J. Graf. The principal differences between the correct version filed with this Amendment and the incorrect version filed with the Original 2005 Filing were (1) the correct version requires the Company to pay the employee in the case of termination without cause or with good reason an amount equal to his Base Salary in payments of approximately equal semi-monthly installments concurrently with the customary payroll practices of the Company over the one year period following such termination (as opposed to the amount being paid in one lump sum under the incorrect version that had been previously filed) and (2) the correct version provides that in the case of termination with cause or without good reason the Company will have no obligation to make any payments to Mr. Graf, except for any payments under applicable plans or programs, any accrued and unpaid vacation, any earned but unpaid Base Salary or bonuses and any unreimbursed business expense in accordance with Company policy (as opposed to the incorrect version which included these amounts plus an additional lump sum cash payment in an amount equal to the Base Salary).

The Company has not made any other changes to the Original 2006 Filing.

This Amendment No. 1 on Form 10-K/A continues to speak as of the date of the Original 2006 Filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred at a later date.

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PART I

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from the results stated, implied, or suggested by the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations Factors That May Affect Future Results of Operations. You should carefully review these factors as well as the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed in 2007. When used in this report, the words will , expects, anticipates, intends, plans, believes, seeks, targets, estimates, and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Item 1. *Business*

Viewpoint Corporation (Viewpoint or the Company) is an internet marketing technology company that focuses on using its technical capabilities to help companies effectively market their products and services on the internet. Viewpoint provides a full suite of digital products, services and consulting for internet marketers. Viewpoint employs its visualization technology to drive powerful customer- facing marketing tools that enable companies to showcase complex products in a simple way, and allows for user interaction. In addition, Viewpoint builds digital assets that serve as productivity and sales tools for automotive, heavy industry, technology and other vertical markets. The basis of Viewpoint s products is its graphical platform s capabilities to provide consumers, advertisers, and website publishers an enhanced and interactive internet experience.

Since 2003, we have extended the historical imaging capabilities of our proprietary graphics technology to develop an advertising delivery system that specializes in deploying video and rich media advertising, and a search business that provides internet consumers a flexible graphical searching experience. Our revenues in these product areas are supplemented by our in-house services team which builds sophisticated content that is used by customers in each revenue stream.

All of our three product segments have their roots in our core software offering, the Viewpoint Media Player (VMP). The VMP is a free software product installed by internet consumers on their computers to view specialized digital content displayed by websites, more fully explained in the sections below. We have been distributing the VMP since 2000 and estimate that it has been installed on more than 120 million computers in the United States. We base this estimate on independent surveys commissioned by us and by other industry participants, as well as information we have received from our publishing clients who report to us the frequency with which visitors to their sites have the VMP installed before arriving at their sites.

The VMP has an automatic update feature that enables new functions and features to be easily and efficiently added. Whenever an internet consumer visits a website deploying content that is built using the Viewpoint platform, or encounters online advertising content delivered by our ad-delivery product, the VMP is activated. When the VMP is activated it communicates with our servers to check for recent improvements and automatically updates itself when necessary. This activation provides a unique opportunity for us to communicate with internet consumers and to offer them the latest version of the VMP as well as other valuable features and products, such as our internet search toolbar with its photo-management feature. See Note 13 in the financial statements for additional segment reporting information.

Unicast by Viewpoint Advertising Solutions (Advertising Systems)

We offer an online advertising campaign management and deployment product known as the Unicast Advertising Platform (UAP). UAP permits publishers, advertisers, and their agencies to manage the complex process of deploying online advertising campaigns. This process includes creating the advertising assets, selecting the sites on which the advertisements will be deployed, setting the campaign parameters (ad rotation, the frequency with which an ad may be deployed, and other metrics), deployment, and tracking of campaign results.

We designed UAP to integrate creative assembly with campaign management and detailed performance analysis. In addition, we believe it has the broadest capabilities of any deployment system to deliver ad formats and media types, including several different video formats, 3D content, and all major rich media units.

UAP is technology agnostic , meaning it delivers advertisements that utilize all major technologies and formats, not just those exploiting the special capabilities of the VMP. Importantly, however, video and other rich media ads that typically involve large file sizes and, therefore, higher bandwidth costs, can be deployed at significantly lower rates when utilizing the Viewpoint format by taking advantage of the VMP residing on the internet consumer s computer.

In January 2005, we acquired Unicast Communications Corp. (Unicast), a leader in the delivery of internet video advertisements that play interstitially when a web surfer moves between pages at a web publisher s site, adding another video ad delivery mechanism to our solution. We believe the addition of Unicast helped accelerate the growth of our advertising systems segment because of its past relationship with advertisers and web publishers, and as a result of the addition of key personnel in the marketing, technology, sales, and customer support areas.

Following the acquisition of Unicast, we integrated all of our product offerings into one suite of products called Viewpoint s Unicast Online Advertising Suite, which was rebranded as Unicast by Viewpoint in 2006. This suite of products includes Unicast Transitional (full screen and partial screen video and interactive ads that are shown to consumers as they navigate between pages), Unicast In-Page (video and interactive ads embedded within web pages including standard and expandable banners, pre-roll and post-roll ads), and Unicast Over-the-Page (video and interactive ads that float /play over the top of an internet site page). The suite of products is delivered using UAP.

We offer these advertising formats delivered through UAP to customers, charging them in the standard manner consistent with industry practices, with fees based on the number of times an advertisement is deployed (*i.e.*, on a CPM , or cost per thousand impression basis). CPM fees vary by type of advertisement, with static ads realizing relatively low fees and rich media ads particularly video ads realizing higher fees.

During 2005 and 2006 we also utilized our resources to plan and purchase media space for our clients. When we execute campaigns for advertisers we are paid both a delivery fee and for media planning and placement. We include the total cash received for these deals as revenue, and our payments to publishers for the media space is included in our cost of revenues for advertising systems, as we provide ad serving in addition to the placement of media, we negotiate the price, and take the risks associated with the client s credit and collectibility of receivables. We believe our ongoing development of expertise in media planning, as well as, market demand, will cause this type of service to expand in 2007.

Ad delivery via UAP also contributes to our overall strategy in that ads served through UAP cause older VMPs to be updated (as described above) regardless of whether the advertisement served relies on the VMP or uses other standard formats. At some later time, the user can be offered the Fotomat Toolbar. Thus, we have experienced an increase in offers of Fotomat Toolbars when we have an increase in advertising impressions delivered using UAP.

During 2006, we also launched a Search Consulting Practice called KeySearch by Viewpiont that leverages our expertise in Search Engine Marketing (SEM) to help advertisers more effectively promote their products online. While the Company believes, based on outside studies, that online marketers plan to increase spending on search marketing during 2007, there is a significant gap in service companies that offer both SEM and interactive agency services. Viewpoint provides both, and the practice will focus on five core functions; to make search easy and profitable, to develop search strategies and campaigns, keyword development, bid management, and business intelligence reporting and analytics. We will utilize Viewpoint technology to achieve efficiencies and offer our customers end to end search engine marketing solutions in addition to ad creation, serving, delivery and reporting.

Search Solutions (Search and Licensing)

On March 17, 2004, Viewpoint entered the internet search business by launching a toolbar search, product which the Company calls the Viewpoint Toolbar . The Viewpoint Toolbar attaches to the Internet Explorer browser, enabling web surfers to conduct internet searches without leaving the webpage they are viewing. When a user enters a term or phrase in the search field of the Viewpoint Toolbar, search results appear not only as text links listed on a search results page but also as thumbnail icons of the web pages themselves in a tray that descends from the Viewpoint Toolbar. Additionally, if a user visits certain internet search engine sites the Viewpoint Toolbar will simultaneously receive a user s search request and provide the user comparative thumbnail search results in the Viewpoint Toolbar search results tray.

The Company executed a search advertising agreement in 2004, and amended it in 2006, with Yahoo!. The agreement provides that Yahoo! is the exclusive provider of search results for the Viewpoint Toolbar through March 2008. Yahoo! pays a variable fee per month for the access to the Company s distribution and the exclusive right to display search results to the Viewpoint Toolbar. This variable fee is based on users clicks on sponsored advertisements included in the search results provided by Yahoo! through the Viewpoint Toolbar. The Viewpoint Toolbar s search results are provided by Yahoo!, who collects a fee from the advertiser and remits a percentage of the fee to Viewpoint. Revenue generated is a function of the number of Viewpoint Toolbars performing searches, the number of searches that are sponsored by advertisers, the number of advertisements that are clicked on by Viewpoint Toolbar searchers, the rate advertisers pay for those advertisements, and the percentage retained by Yahoo! for providing the results.

The Viewpoint Toolbar technology incorporates methods for rendering , streaming, updating, and skinning that were first developed for the VMP. Like other offerings of its type, the Viewpoint Toolbar enables consumers to search the Internet for goods, services and information. Unlike other toolbars, however, the Viewpoint Toolbar s architecture enables features such as visual representations of search results and bookmarked internet sites, automatic updating, generation of desktop animations, and a Pop-Up blocker that intercepts pop-up advertisements and holds them in a tray of the Viewpoint Toolbar. This tray can be accessed if and when a user desires. Viewpoint is in the process of applying for patent protection on several of these features and processes. In version 2.0, released in July 2004, Viewpoint added other features, including more efficient deployment of search results and Comparative Search. When the Comparative Search feature is operating and a consumer uses a search method other than the Viewpoint Toolbar to conduct an internet search, a web page listing the search results of the search engine selected will appear and the tray from the Viewpoint Toolbar will simultaneously populate with thumbnail images of the search results supplied by Yahoo!.

In July 2005, we launched version 3.0 of the Viewpoint Toolbar which includes the capability to manage digital photograph files on the user s computer and provides the ability to share the photographs at a website or get printed copies of the photographs for a fee. During October 2005, we released version 3.5 of the Viewpoint Toolbar and re-named it the Fotomat Toolbar. We had previously licensed the trademark and internet url Fotomat.com for our exclusive use in connection with the internet website for photograph and printing services and computer software for organization, editing, managing, sharing, and processing images and related data through the end of December 2006, with the ability to renew such license. In November 2006, we bought the rights to the Fotomat trademark and internet url Fotomat.com outright from Konica-Minolta Imaging USA. The new Fotomat Toolbar provides enhanced photograph editing capabilities and an efficient method of creating albums of photographs, which we believe will enhance the utility of the toolbars for users, while simultaneously allowing users to use the Toolbar to search the internet.

We have been offering the Viewpoint Toolbar to internet users who have the most recent version of the VMP installed on their computer. We present those users with notice of the availability of the Viewpoint Toolbar and an opportunity to install it without charge. Through December 31, 2006, we have offered over 63.6 million VMP users the opportunity to install the Viewpoint or Fotomat Toolbars and 26.6 million have accepted. Consumers can uninstall the Toolbars either through their operating system or through an option on the Toolbar. Over 13.1 million Toolbars remain installed as of

December 31, 2006. We also make the Fotomat Toolbar available for download from our website and at www.fotomat.com.

We generate revenue from the Viewpoint and Fotomat Toolbars when an internet consumer uses the Toolbar to conduct an internet search, or when they have the Toolbar installed and conduct a search at several internet sites. We also generate revenue, although a very small percentage, when a user conducts a search from our search homepage, www.viewpointsearch.com. Revenue is generated when the consumer clicks on sponsored results provided by Yahoo! that have been provided because an advertiser has paid to be included in Yahoo! s search results. Yahoo! receives the fee from the advertiser and pays Viewpoint a percentage of this fee 45 days after the end of the month in which the advertisement is clicked.

In the fourth quarter of 2005, Viewpoint negotiated an extension to the agreement with Yahoo! to provide search results until March 2008. Additionally, the Company received the right to create and distribute customized versions of the Toolbar for third parties, subject to certain conditions. This right will enable the Company to empower marketers with the ability to distribute a customized toolbar that utilizes Yahoo! as the exclusive search engines to their customers. These toolbars may include new and/or existing features of the Viewpoint or Fotomat Toolbar. Search revenue generated from the distribution of these customized toolbars would be shared between Yahoo! and Viewpoint on the same basis as the current contract. Custom toolbars are permission-based and provide the means to dynamically deliver marketing messaging to customers on a one-to-one basis.

Prior to launching our Search product we principally leveraged our distributed base of VMP s by licensing access to use the Viewpoint Platform for display of content on a website. Viewpoint initiated internet activities with the release of a beta version of the Viewpoint Media Player in 1999. Simultaneously, Viewpoint released a suite of free content authoring tools specifically designed to enable customers who published digital content on their websites to create material that can be read or played back by the VMP. With the VMP residing on the web consumer s computer and interpreting instructions delivered by our customers web sites, web sites can transmit relatively small files that can yield rich media on the end user s computer. In this way, website owners can deploy digital content representing three-dimensional views of their products, include pre-set animations, and provide high-resolution two-dimensional views, video, audio, text, and other media types. For example, we have licensing customers who are auto manufacturers that deploy from their websites 3D representations of their vehicles which viewers can interact with by opening doors, zooming in on features, configuring accessories, or swapping colors. Our licensees helped facilitate the growth of our distributed base of VMP s that we used to launch our Search Toolbar business.

We make available on our web site, without charge, the core software necessary to create content in the Viewpoint format, as well as extensive tutorials and related materials. During 2005 we launched Enliven, a content authoring software product that makes the process of authoring content in the Viewpoint format easier on a free trial basis. In addition, we also launched a professional version of Enliven called Enliven PRO that is bundled with Right Hemisphere s Deep Exploration and a video encoder powered by On2Technolgies. We are distributing Enliven PRO through a re-seller for a one-time fee and include with the price of the software the right to deploy an unlimited quantity of most types of Viewpoint content from an unlimited number of websites for an unlimited period of time. We believe that this will help facilitate expanded distribution of VMP s that will increase distribution of the Viewpoint or Fotomat Toolbar.

In June 2005, Viewpoint announced that for all non-special purpose licenses, it was discontinuing the practice of charging customers a license fee for the use of the Viewpoint Media Player and related technologies. The Viewpoint Media Player no longer requires a broadcast key to display content, thereby giving all developers free access to the Viewpoint Distribution Network. However, Viewpoint continues to charge for certain licenses requiring customization. By providing the standard license for free, the Company plans to extend the Viewpoint Media Player s reach into new channels of distribution beyond the estimated 120 million computers it currently resides within. Viewpoint believes that this strategy supports the search toolbar business as well as the advertising business by potentially making the player more pervasive.

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SiteSide/Website Solutions (Services)

We provide fee-based professional services for creating content and implementing visualization solutions. Our professional services group is called TheStudio by Viewpoint, which uses the Viewpoint platform as well as a spectrum of tools and other technologies to create enhanced rich media solutions for our clients particular purposes; generally for deployment at their websites but also on intranet systems or offline media and applications. We provide the support our clients need to implement the rich media content, to fully utilize the enhanced software, or to maximize the branding potential of the advertising opportunity. Clients supported during 2006 included America Online, Inc., Toyota Motor Services, General Electric, Honda and others.

TheStudio by Viewpoint group plays an integral role in our overall strategy. Aside from generating significant revenues, the group increases the number of websites that use the Viewpoint platform and distribute VMP s to their customers. Additionally the group supports the development of advanced advertising formats and advertising content making use of UAP more appealing to marketers. Finally this work keeps us on the cutting-edge of the industry, giving us hands-on experience with the design and development problems faced by our own clients. We are not totally reliant on our own content creation services, however, as we have cultivated a network of independent content developers trained to provide those services as well.

Competition

We have competitors in all of the product areas in which we compete. Competitors of our Unicast product area include full service advertising delivery companies like aQuantive, Doubleclick, and 24/7 RealMedia. Additionally, certain companies specialize in delivering rich media and video advertisements like Pointroll (a subsidiary of Gannett) and Eyeblaster (a private company). Competitors in the Services sector include advertising agencies, online agencies and independent creative talent that can build content in the Viewpoint format or in other rich media formats. Historically, our software licensing competitors (and their products) included: Macromedia, Inc. (Flash and Shockwave) and Cycore AB (Cult3D), although we have largely exited that business.

Competitors in the Search solutions business include Google Inc., Yahoo! (who offers its own search toolbar in addition to supplying search results for use with the Viewpoint Toolbar, Fotomat Toolbar, and other custom toolbars that we create,) MSN, AskJeeves, Inc. (a subsidiary of IAC), MIVA (formerly FindWhat), and InfoSpace. Although we compete with some of the Search Engine firms in the toolbar space, we are not a search engine; but rather a partner with Yahoo! in distributing their search results.

Some of our competitors have longer operating histories and significantly greater financial stability, management resources, technology, development, sales, marketing and other resources than we have. As we compete with larger competitors across a broader range of products and technologies, we may face increasing competition from such companies. If these or other competitors develop products, technologies or solutions that offer significant performance, price, or other advantages over our products, our business would be harmed.

In 2006, we saw acquisitions of pure play ad delivery companies such as Doubleclick s acquisition of Klipmart and Yahoo s acquisition of AdInterax. We anticipate acquisitions of pure play ad delivery companies to continue in 2007. These acquisitions will likely come from large publishers looking to bring rich media in house and large ad serving companies that lack rich media capabilities.

A variety of other possible actions by our competitors could also have a material adverse effect on our business, including increased promotion or the introduction of new or enhanced products and technologies. Moreover, new personal computer platforms and operating systems may provide new entrants with opportunities to obtain a substantial market share in the markets in which we compete.

Our competitors may be able to develop products or technologies comparable or superior to ours, or may be able to develop new products or technologies more quickly. We also face competition from developers of personal computer operating systems such as Microsoft and Apple Computer, Inc., as well as from open-source operating systems such as Linux. These operating systems may incorporate functions that could be superior to, or incompatible with, our products and technologies. Such competition would adversely affect our business.

See the section headed Factors That May Affect Future Results of Operations below for additional information regarding competition.

Product Development

The continual development of new products and enhancements to our existing products is critical to our success. Our principal current product development efforts are focused on the development of the Viewpoint platform and other technologies like UAP and Graphically Enhanced Search. From time to time, we may also acquire basic software technologies that we consider complementary to our offerings.

Our growth will, in part, be a function of the introduction of new products, technologies and services and future enhancements to existing products and technologies. Any such new products, technologies or enhancements may not achieve market acceptance. In addition, we have historically experienced delays in the development of new products, technologies and enhancements, and such delays may occur in the future. If we were unable, due to resource constraints or technological or other reasons, to develop and introduce such products, technologies or enhancements in a timely manner, this inability could have a material adverse effect on our business.

Our research and development expenses were approximately $3.9 million, $4.5 million, and $3.4 million for 2006, 2005, and 2004, respectively. We added additional engineers in connection with our acquisition of Unicast and expanded efforts in the advertising systems business which resulted in increased research and development expenses during 2005.

Employees

As of February 15, 2007, Viewpoint had 91 full time employees, including 21 related to cost of revenues in creative services and advertising systems; 23 in sales and marketing; 26 in research, development and quality assurance; and 21 in administration. This compares to 126 full time employees, including 38 related to cost of revenues in creative services and advertising systems; 21 in sales and marketing; 42 in research, development and quality assurance; and 25 in administration as of February 15, 2006. The employees and the Company are not parties to any collective bargaining agreements, and the Company believes that its relationships with its employees are good.

Available Information

Our website is located at http://www.viewpoint.com. Our investor relations website is located at http://www.viewpoint.com/pub/company. We make available free of charge on our investor relations website under SEC Filings our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission (SEC). Further, a copy of this annual report on Form 10-K is located at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at http://www.sec.gov.

Executive Officers of the Registrant

The following table sets forth certain information regarding the Company s executive officers as of March 5, 2007:

Name	Age	Position
Patrick Vogt	43	President and Chief Executive Officer
Christopher C. Duignan	31	Interim Chief Financial Officer
Andrew J. Graf	35	Executive Vice President and General Counsel

Patrick Vogt, President and Chief Executive Officer

Mr. Vogt has been a director of the Company since September 2004. He was appointed President and Chief Executive Officer of Viewpoint in August 2005. From 2003 to 2005, Mr. Vogt had been Senior Vice President and Senior General Manager of Sony eSolutions Company LLC. His team was responsible for Internet Properties Management, Direct Marketing, and Sales across all customer segments. Other responsibilities included Global Contact Center Governance, the eCommerce and Contact Center platform (supporting all distribution channels), and P&L management for Sony s entire direct business. From 2001 to 2003, Mr. Vogt was Vice President of HP Compaq Computer s eBusiness Group & Software and Peripherals Group, where his team managed all direct marketing activities and the direct on-line business for the Americas region. From 1999 to 2001, Mr. Vogt was General Manager of the Aftermarket Sales Division and Dell Online for Dell Computer Corporation. Mr. Vogt received a Bachelor of Science degree from the State University of New York and has an MBA from Iona College, Hagen School of Business, with a concentration in Marketing.

Christopher C. Duignan, Interim Chief Financial Officer

Mr. Duignan has worked for the Company for five years, rising from the Manager of Treasury Operations, to Controller, to Interim Chief Financial Officer. Mr. Duignan also serves as Viewpoint s Chief Accounting Officer. Prior to Viewpoint, Mr. Duignan worked at PricewaterhouseCoopers LLP for four years in their technology group within the audit practice. At PwC, Mr. Duignan s client base consisted of publicly traded technology companies as well as start-ups. Mr. Duignan received a Bachelor of Science in accounting from Fairfield University in 1997 and is a Certified Public Accountant.

Andrew J. Graf, Executive Vice President and General Counsel

Mr. Graf was an attorney at Milbank, Tweed, Hadley, and McCloy LLP, specializing in mergers and acquisitions and corporate matters from 1999 until joining the Company as General Counsel in June, 2005. Mr. Graf graduated with a Bachelor of Science in accounting and economics from New York University s Stern School of Business in 1993 and received his Juris Doctorate from the Benjamin N. Cardozo School of Law in 1999.

Item 1A. ***Risk Factors***

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

WE HAVE A HISTORY OF LOSSES AND EXPECT TO INCUR LOSSES IN THE FUTURE, WHICH MAY CAUSE OUR SHARE PRICE TO DECLINE. THESE FACTORS RAISE SUBSTANTIAL DOUBTS ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

The Company had cash, cash equivalents and marketable securities of $4.3 million at December 31, 2006. During the year ended December 31, 2006, net cash used in operations amounted to $5.8 million. As of December 31, 2006, the Company had an accumulated deficit of $285.6 million. The Company has incurred negative cash flows and net losses since inception. Based on current operating levels combined with limited capital resources, financing operations during 2007 will require that the Company improve operating results through cost cutting measures, increases in revenues or both, and/or raise sufficient additional equity or debt capital. If the Company s expected revenue targets are not achieved, or the Company fails to raise sufficient equity or debt capital, management would implement cost reduction measures including work force reduction as well as reduction in overhead costs and capital expenditures. There can be no assurance that the Company will achieve or sustain positive cash flows from operations or profitability. The Company currently has no commitment for additional financing and may experience difficulty in obtaining additional financing on favorable terms, if at all. Any financing the Company obtains may contain covenants that restrict the Company s freedom to operate the business or may have rights, preferences or privileges senior to the Company s common stock and may dilute the Company s current shareholders ownership interest in Viewpoint. All these factors raise substantial doubt about the Company s ability to continue as a going concern and may materially and adversely affect our stock price.

Based on the above factors our independent registered public accountants have included an explanatory paragraph in their report for our fiscal year ended December 31, 2006 with respect to our ability to continue as a going concern.

WE MAY HAVE TO OBTAIN FINANCING ON LESS FAVORABLE TERMS, WHICH COULD DILUTE CURRENT STOCKHOLDERS OWNERSHIP INTERESTS IN THE COMPANY.

In order to fund our operations and pursue our growth strategy we may seek additional financing through public or private equity funding or from other sources.

Our consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. If we became unable to continue as a going concern, we would have to liquidate our assets and we might receive significantly less than the values at which they are carried on our consolidated financial statements. Any shortfall in the proceeds from the liquidation of our assets would directly reduce the amounts, if any, that holders of our common stock could receive in liquidation.

To remain a going concern, we require significant funding. Our current financial position may materially and adversely affect our stock price. Our independent registered public accountants have included an explanatory paragraph in their report for our fiscal year ended December 31, 2006 with respect to our ability to continue as a going concern.

We have no commitment for additional financing and we may experience difficulty in obtaining additional financing on favorable terms, if at all. Any financing we obtain may contain covenants that restrict our freedom to operate our business or may have rights, preferences, or privileges senior to our common stock and may dilute our current stockholders ownership interest in Viewpoint.

OUR STOCK MAY BE DE-LISTED FROM NASDAQ, WHICH MAY ADVERSELY AFFECT OUR ABILITY TO RAISE CAPITAL AND STOCKHOLDERS ABILITY TO SELL THEIR SHARES.

On November 27, 2006, the Company received a NASDAQ deficiency letter indicating that for 30 consecutive business days, the bid price of the Company s common stock closed below the minimum $1.00 per share requirement and therefore, its common stock is subject to potential delisting from the NASDAQ Global Market pursuant to Rule 4450(a)(5). The Company was provided 180 calendar days, or until May 29, 2007, to regain compliance by maintaining a bid price of at least $1.00 for 10 consecutive business days.

If the Company cannot achieve compliance with the minimum per share price requirement by May 29, 2007, NASDAQ will provide written notification that the Company s securities will be de-listed. At that time, the Company may appeal Nasdaq s determination to delist its securities to the Listings Qualification Panel. Alternatively, the Company may also apply for listing on The Nasdaq Capital Market. If its application is approved, the Company will be afforded the remainder of The Nasdaq Capital Market s second 180 calendar day compliance period in order to regain compliance while on The Nasdaq Capital Market. In addition, the Company may undergo a reverse stock split in order to regain compliance; however, a reverse stock split requires stockholders approval through the proxy process.

If the Company s common stock is de-listed from NASDAQ, the market liquidity of the Company s common stock will be significantly limited, which would reduce stockholders ability to sell Company securities in the secondary market. Additionally, any such de-listing would harm the Company s ability to raise capital through alternative financing sources on acceptable terms, if at all, and may result in the loss of confidence in the Company s financial stability by suppliers, customers and employees. [The Company cannot give investors in its common stock any assurance that the Company will be able to regain and maintain compliance with the $1.00 per-share minimum price requirement for continued listing on NASDAQ or that its stock will not be de-listed by NASDAQ.]

IF OUR COMMON STOCK WERE TO BE DE-LISTED FROM NASDAQ WE WOULD BE IN DEFAULT OF CERTAIN LOAN COVENANTS WHICH COULD REQUIRE THE ACCELERATED PAYMENT OF OUR $3.1 MILLION SUBORDINATED LOAN.

If the Company s common stock is de-listed from NASDAQ it will violate a covenant within the 4.95% subordinated note agreement between the Company and Federal Partners P, L.P., an affiliate of the Clark Estates which would accelerate the maturity date of the $3.1 million of subordinated notes originally scheduled to mature on March 31, 2008.

In March 2007, the Company and a holder of the subordinated debt amended the 4.95% subordinated note in the principal amount of $3.1 million (referred to herein as the Holder) to extend the maturity date from March 31, 2008 to September 30, 2009 in exchange for the payment by Viewpoint of $0.2 million to the Holder of the subordinated note, and adding $0.3 million to the principle of the note. In addition, the amended note also extended the aforementioned de-listing covenant until December 31, 2008.

OUR EFFORTS TO DISTRIBUTE OUR GRAPHICALLY ENHANCED SEARCH TOOLBAR MAY EXPERIENCE SETBACKS LIMITING OR REDUCING OUR SEARCH REVENUE.

We distribute our Graphically Enhanced Search toolbar through a complicated process that relies on internet users visiting websites or seeing advertising for a sufficient period of time to receive the software that eventually offers them our search toolbar. We need to continue to expand our reach of internet users who visit affiliated websites or view our advertising in order to receive the software. During 2005, our rate of installation slowed to approximately 1.0 million per month, which has continued to decline to less than 0.5 million per month in 2006. There can be no assurance that this rate of installation will not continue to slow. Additionally, our reach is impacted by the rate of uninstallation of our Viewpoint Toolbars. We believe 3.3 million, 6.6 million, and 3.6 million Viewpoint Toolbars were uninstalled during 2004, 2005, and 2006, respectively, after being accepted by a consumer. The Viewpoint Toolbars could have been uninstalled for a variety of reasons including lack of use, concern over performance, acceptance of a competitor s product or user error. If we are not able to continue to offer the Viewpoint Toolbar at the current rate, the pace of uninstallations could lead to a decrease in our total net installed universe and a decline in revenues.

THE SUCCESS OF OUR GRAPHICALLY ENHANCED SEARCH OPERATIONS DEPENDS ON USERS SATISFACTION WITH SEARCH RESULTS SUPPLIED BY YAHOO!.

We have an agreement with Yahoo! which establishes Yahoo! as our exclusive supplier of search results for the Viewpoint Toolbar. This agreement expires in March 2008. The market for products that enable and supply search results is relatively new, intensely competitive, and rapidly changing. Yahoo! s principal competitors for supplying search results include Google Inc. and Microsoft. If these or other competitors develop more popular search results, end users may choose to use search toolbars or other search methods through which results from these competitors are supplied.

WE MAY BE UNABLE TO SUCCESSFULLY REPLACE OUR SEARCH RESULTS VENDOR WHEN OUR DISTRIBUTION CONTRACT WITH YAHOO! EXPIRES IN MARCH 2008.

We receive paid search results from Yahoo!. Yahoo! is successful at attracting advertisers who seek to purchase internet search advertisements, and our agreement with Yahoo! provides us a satisfactory percentage of those revenues. Our contract with Yahoo! expires in March 2008. There can be no assurance that our agreement with Yahoo! will be renewed on the same or more favorable terms, if at all. Furthermore, there can be no assurance that we would be able to successfully replace Yahoo! with another provider of search results on similar financial terms if necessary.

OUR SOFTWARE PRODUCTS MAY BE WRONGLY LABELED AS SPYWARE OR ADWARE WHICH MIGHT LEAD TO ITS UNINSTALLATION CAUSING A DECREASE IN OUR REVENUES.

Our software products do not collect personally-identifiable information about users or track their activity on the internet. Nonetheless, our software products, including the Viewpoint Toolbar and the Viewpoint Media Player, have been wrongly characterized as spyware or adware by certain security software vendors. We monitor activity in this area and undertake efforts to educate vendors about the characteristics of our software, and thus far have been successful largely at getting these vendors to change their characterization of our Viewpoint Toolbar. Should we fail to persuade such vendors about the functionality of our Viewpoint Toolbar, or not learn about a false characterization on a timely basis, a substantial number of our Viewpoint Toolbars could be uninstalled leading to a decrease in our revenues and our business will be materially and adversely affected.

OUR BUSINESS MAY NOT GROW IF THE INTERNET ADVERTISING MARKET DOES NOT CONTINUE TO DEVELOP OR IF WE ARE UNABLE TO SUCCESSFULLY IMPLEMENT OUR BUSINESS MODEL.

A significant part of our business model is to generate revenue by providing interactive marketing solutions to advertisers, ad agencies and web publishers. The profit potential for this business model is unproven. For our business to be successful, internet advertising will need to achieve increasing market acceptance by advertisers, ad agencies and web publishers. The intense competition among Internet advertising sellers has led to the creation of a number of pricing alternatives for Internet advertising. These alternatives make it difficult for us to project future levels of advertising revenue and applicable gross margin that can be sustained by us or the Internet advertising industry in general.

Intensive marketing and sales efforts may be necessary to educate prospective advertisers regarding the uses and benefits of, and to generate demand for, our products and services. Advertisers may be reluctant or slow to adopt a new approach that may replace, limit or compete with their existing systems. Acceptance of our new solutions will depend on the continued emergence of Internet commerce, communication, and advertising, and demand for its solutions. We cannot assure you that use of the Internet will continue to grow or that current uses of the Internet are sustainable.

OUR FAILURE TO SUCCESSFULLY COMPETE MAY HINDER OUR GROWTH.

The markets for Internet advertising and related products and services are intensely competitive and such competition is expected to increase. Our failure to successfully compete may hinder our growth. Many of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than ours. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products or services to address the needs of our prospective clients. We cannot be certain that we will be able to successfully compete against current or future competitors. In addition, the Internet must compete for a share of advertisers   total budgets with traditional advertising media, such as television, radio, cable and print, as well as content aggregation companies and other companies that facilitate Internet advertising. To the extent that the Internet is perceived to be a limited or ineffective advertising or direct marketing medium, advertisers and direct marketers may be reluctant to devote a significant portion of their advertising budgets to Internet marketing.

OUR REVENUES WILL BE SUBJECT TO SEASONAL FLUCTUATIONS.

We believe that our revenues will be subject to seasonal fluctuations because advertisers generally place fewer advertisements during the first and third calendar quarters of each year and direct marketers mail substantially more marketing materials in the third quarter of each year. Furthermore, Internet user traffic typically drops during the summer months, which reduces the number of advertisements to sell and deliver and searches performed. Expenditures by advertisers and direct marketers tend to vary in cycles that reflect overall economic conditions as well as budgeting and buying patterns. Our revenue could be materially reduced by a decline in the economic prospects of advertisers, direct marketers or the economy in general, which could alter current or prospective advertisers spending priorities or budget cycles or extend our sales cycle. In addition, any decreases in or delays in advertising spending due to general economic conditions could reduce our revenues or negatively impact our ability to grow our revenues. Due to such risks, you should not rely on quarter-to-quarter comparisons of our results of operations as an indicator of our future results. Our staffing and other operating expenses are based in large part on anticipated revenues. It may be difficult for us to adjust our spending to compensate for any unexpected shortfall. If we are unable to reduce our spending following any such shortfall, our results of operations would be adversely affected.

WE MAY ENTER INTO BUSINESS COMBINATIONS AND STRATEGIC ALLIANCES WHICH COULD BE DIFFICULT TO INTEGRATE AND MAY DISRUPT OUR BUSINESS.

We acquired Unicast Communications Corp. on January 3, 2005 and may continue to pursue expansion of our operations or market presence by entering into additional business combinations, investments, joint ventures or other strategic alliances with other companies. These transactions create risks such as:

- difficulty assimilating the operations, technology and personnel of the combined companies;
- disruption of our ongoing business;
- problems retaining key technical and managerial personnel;
- expenses associated with amortization of purchased intangible assets;

- additional operating losses and expenses of acquired businesses;
- responsibility for liabilities of acquired businesses; and
- impairment of relationships with existing employees, customers and business partners.

WE MAY NEED TO DEVELOP NEW PRODUCTS OR OTHER UNTESTED METHODS OF INCREASING SALES WITH OUR EXISTING PRODUCTS OR DISTRIBUTION NETWORK TO GENERATE SALES AND IF WE ARE UNSUCCESSFUL THE GROWTH OF OUR BUSINESS MAY CEASE OR DECLINE.

Our search and licensing revenues have declined significantly year-over-year. If this decrease in sales of our products continues or our new products are unsuccessful, we will be unable to generate sufficient revenues to offset current costs. Accordingly, we may be required to develop new products or other untested methods. If these new products or untested methods fail to increase sales, our business may cease or decline.

WE WILL NEED TO KEEP PACE WITH RAPID TECHNOLOGICAL CHANGE IN THE INTERNET SEARCH AND ADVERTISING INDUSTRIES.

In order to remain competitive, we will be continually required to enhance and to improve the functionality and features of our Search and Advertising systems products, which could require us to invest significant capital. If our competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing services, technology, and systems may become obsolete and we may not have the funds or technical know-how to upgrade our services, technology, and systems. We may face material delays in introducing new services, products, and enhancements. If such delays occur, our users may forego use of our services and select those of our competitors, in which event, our business, prospects, financial condition and results of operations could be materially adversely affected.

OUR AD CAMPAIGN MANAGEMENT AND DEPLOYMENT SOLUTION MAY NOT BE SUCCESSFUL AND MAY CAUSE BUSINESS DISRUPTION.

UAP is our proprietary ad deployment technology. We must, among other things, ensure that this technology will function efficiently at high volumes, interact properly with our database, offer the functionality demanded by our customers and assimilate our sales and reporting functions. Customers may become dissatisfied by any system failure that interrupts our ability to provide our services to them, including failures affecting our ability to deploy advertisements without significant delay to the viewer. Sustained or repeated system failures would reduce the attractiveness of our solutions to advertisers, ad agencies, and web publishers and could result in contract terminations, fee rebates and make-goods, thereby reducing revenue. Slower response time or system failures may also result from straining the capacity of our deployed software or hardware due to an increase in the volume of advertising deployed through our servers. To the extent that we do not effectively address any capacity constraints or system failures, our business, results of operations and financial condition could be materially and adversely affected.

WE MIGHT EXPERIENCE SIGNIFICANT DEFECTS IN OUR PRODUCTS.

Software products frequently contain errors or failures, especially when first introduced or when new versions are released. We might experience significant errors or failures in our products, or they might not work with other hardware or software as expected, which could delay the growth of our Viewpoint Toolbar or UAP products, or which could adversely affect market acceptance of our products. Any significant product errors or design flaws would slow the adoption of our products and cause damage to our reputation, which would seriously harm our business. If customers were dissatisfied with product functionality or performance, we could lose revenue or be subject to liability for service or warranty costs and claims, and our business, operating results and financial condition could be adversely affected.

OUR TECHNICAL SYSTEMS ARE VULNERABLE TO INTERRUPTION AND DAMAGE.

A disaster could interrupt our services for an indeterminate length of time and severely damage our business, prospects, financial condition and results of operations. Our systems and operations are vulnerable to damage or interruption from fire, floods, power loss, telecommunications failures, break-ins, sabotage, computer viruses, penetration of our network by unauthorized computer users and hackers, and similar events. The occurrence of a natural disaster or unanticipated problems at our technical operations facilities could cause material interruptions or delays in our business, loss of data, or render us unable to provide services to customers. Failure to provide the data communications capacity we require, as a result of human error, natural disaster, or other operational disruptions could cause interruptions in our services and web sites. The occurrence of any or all of these events could adversely affect our business, prospects, financial condition and results of operations.

In addition, interruptions in our services could result from the failure of our telecommunications providers to provide the necessary data communications capacity in the time frame we require. Our UAP technology resides on computer systems located in our data centers hosted by IBM and Savvis and uses the networking capabilities of these companies, Akamai and other providers. These systems continuing and uninterrupted performance is critical to our success. Despite precautions that we have taken, unanticipated problems affecting our systems in the future could cause interruptions in the delivery of our solutions. Our business, results of operations and financial condition could be materially and adversely affected by any damage or failure that interrupts or delays our operations. To improve the performance and to prevent disruption of our services, we may have to make substantial investments to deploy additional servers or one or more copies of our web sites to mirror our online resources. Although we believe we carry property insurance with adequate coverage limits, our coverage may not be adequate to compensate us for all losses, particularly with respect to loss of business and reputation that may occur.

OUR MANAGEMENT TEAM HAS ONLY RECENTLY STARTED WORKING TOGETHER.

During 2005 and 2006, the Company hired several new sales and marketing managers general managers to run the Product groups and appointed an interim Chief Financial Officer. While all these individuals were familiar with the Internet business and Viewpoint in particular, and several had worked together before, there can be no assurance that these employees will successfully be able to transfer their experience to Viewpoint. Furthermore, there can be no assurance that these new employees or existing Viewpoint employees will successfully support one another to execute the required strategy and tactics to be a successful and profitable company.

OUR STOCK PRICE IS VOLATILE, WHICH COULD SUBJECT US TO CLASS ACTION LITIGATION.

The market price of our common stock has fluctuated significantly in the past. The price at which our common stock will trade in the future will depend on a number of factors including:

- actual or anticipated fluctuations in our operating results;
- general market and economic conditions affecting Internet companies;
- our announcement of new products, technologies or services;
- developments regarding our products, technologies or services, or those of our competitors; and
- sales of large blocks of common stock by individual or institutional shareholders.

In addition, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management s attention and resources, which could have a material adverse effect on our business, financial condition, operating results and cash flows.

OUR CHARTER DOCUMENTS COULD MAKE IT MORE DIFFICULT FOR AN UNSOLICITED THIRD PARTY TO ACQUIRE US.

Our certificate of incorporation and by-laws contain provisions that could make it difficult for an unsolicited third party to acquire control of us, even if a change in control would be beneficial to stockholders. For example, our certificate of incorporation authorizes our board of directors to issue up to 5,000,000 shares of blank check preferred stock. Without stockholder approval, the board of directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, preferred stockholders could make it more difficult for an unsolicited third party to acquire our company. In July 1998, the Board of Directors adopted a stockholder rights plan, which was amended in June, 1999 and further amended in November, 2000. The stockholder rights plan, as amended, provides for the issuance of preferred stock purchase rights (Rights) to the holders of our common stock. The Rights have certain anti-takeover effects and are designed to protect and maximize the value of the outstanding equity interests in the Company in the event of an unsolicited attempt by an acquiror to take over the Company in a manner or on terms not approved by the Board of Directors. If triggered, the Rights would cause substantial dilution to a person or group of persons who acquires more than 15% (17.5% for Computer Associates International, Inc.) of the Company s common stock on terms not approved by the Board of Directors. In addition, we must receive a stockholders proposal for an annual meeting within a specified period for that proposal to be included on the agenda. Because stockholders do not have the power to call meetings and stockholder proposals for consideration at an annual or special meeting are subject to timing requirements, any third-party takeover not supported by the board of directors would be subject to significant delays and difficulties.

THE MARKET FOR DIGITAL VISUALIZATION SOLUTIONS IS CHARACTERIZED BY RAPIDLY CHANGING TECHNOLOGY, AND IF WE DO NOT RESPOND IN A TIMELY MANNER, OUR PRODUCTS AND TECHNOLOGIES MAY NOT SUCCEED IN THE MARKETPLACE.

The market for e-commerce visualization solutions is characterized by rapidly changing technology. As a result, our success depends substantially upon our ability to continue to enhance our products and technologies and to develop new products and technologies that meet customers increasing expectations. Additionally, we may not be successful in developing and marketing enhancements to our existing products and technologies or introducing new products and technologies on a timely basis. Our new or enhanced products and technologies may not succeed in the marketplace.

In addition, the computer graphics industry is subject to rapidly changing methods and models of information delivery. If a general market migration to a method of information delivery that is not conforming with our technologies were to occur, our business and financial results would be adversely impacted.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

Our success and ability to compete substantially depend on the uniqueness or value of our products and technologies. We rely on a combination of copyright, trademark, patent, trade secret laws, and employee and third-party nondisclosure agreements to protect our intellectual and proprietary rights, products, and technologies. Policing unauthorized use of our products and technologies is difficult and the steps we take may not prevent the misappropriation or infringement of technology or proprietary rights. In addition, litigation may be necessary to enforce our intellectual property rights. Such misappropriation or litigation could result in substantial costs and diversion of resources and the potential loss of intellectual property rights, any of which would adversely impair our business.

WE MAY BE LIABLE FOR INFRINGING THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS.

Our products and technologies may be the subject of infringement claims in the future. This could result in costly litigation and could require us to obtain a license to the intellectual property of third parties. We may be unable to obtain licenses from these third parties on favorable terms, if at all. Even if a license is available, we may have to pay substantial royalties to obtain it. If we cannot obtain necessary licenses on reasonable terms, our business would be adversely affected.

REGULATORY AND LEGAL UNCERTAINTIES COULD HARM OUR BUSINESS.

We are not currently subject to direct regulation by any government agency other than laws or regulations applicable generally to e-commerce. Due to the increasing popularity and use of the Internet and other online services, federal, state, and local governments may adopt laws and regulations, or amend existing laws and regulations, with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, and characteristics and quality of products and services. In 1998, the United States Congress established the Advisory Committee on Electronic Commerce which is charged with investigating, and making recommendations to Congress regarding, the taxation of sales by means of the Internet. Furthermore, the growth and development of the market for e-commerce may prompt calls for more stringent consumer protection laws and impose additional burdens on companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the Internet or other online services, which could, in turn, decrease the demand for our services and increase our cost of doing business, or otherwise have a material adverse effect on our business, prospects, financial condition and results of operations. Moreover, the relevant governmental authorities have not resolved the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership and personal privacy and it may take time to resolve these issues definitively. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could have a material adverse effect on our business, prospects, financial condition and results of operations.

CHANGES IN REGULATIONS OR USER CONCERNS REGARDING PRIVACY AND PROTECTION OF USER DATA COULD ADVERSELY AFFECT OUR BUSINESS.

Federal, state and international laws and regulations may govern the collection, use, sharing and security of data that we receive from our users and partners. In addition, we have and post on our website our own privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or other federal, state or international privacy-related laws and regulations could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business.

Further, failure or perceived failure to comply with our policies or applicable requirements related to the collection, use, sharing or security of personal information or other privacy-related matters could result in a loss of user confidence in us and ultimately in a loss of users, partners or advertisers, which could adversely affect our business.

There are a large number of legislative proposals pending before the United States Congress, various state legislative bodies and foreign governments concerning privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted. Certain proposals, if adopted, could impose requirements that may result in a decrease in our revenues. In addition, the interpretation and application of user data protection laws are in a state of flux. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

INTERNET SECURITY POSES RISKS TO OUR ENTIRE BUSINESS.

The process of e-commerce aggregation by means of our hardware and software infrastructure involves the transmission and analysis of confidential and proprietary information of the advertiser, as well as our own confidential and proprietary information. The compromise of our security or misappropriation of proprietary information could have a material adverse effect on our business, prospects, financial condition and results of operations. We rely on encryption and authentication technology licensed from other companies to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may have a material adverse effect on our business, prospects, financial condition and results of operations.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The Company leases approximately 17,000 square feet of space on the 18th floor of a 24-story office building in New York City, New York. This space houses approximately 68 personnel, including substantially all of the Company s general and administrative and research and development personnel as well as a significant portion of the sales and marketing and creative services personnel. The primary lease agreement expires in February 2010, if not renewed. The Company believes that this office space is adequate for its current needs and that additional space is available in the building or in the New York City area to provide for anticipated growth.

The Company also leases approximately 12,000 square feet of office space in Los Angeles, California, pursuant to a lease that expires in December 2009. This space houses approximately 14 personnel principally engaged in sales, marketing and production for the services segment.

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Item 3. ***Legal Proceedings***

The Company is engaged in certain legal actions arising in the ordinary course of business. The Company believes it has adequate legal defenses in legal actions in which it is the defendant and believes that the ultimate outcome of such actions will not have a material adverse effect on the Company s consolidated financial position, results of operations, or cash flows.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None.

PART II

Item 5. ***Market for Registrant s Common Stock, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Viewpoint Corporation s (Viewpoint or the Company) common stock, $0.001 par value, began trading over the counter in December 1995. The common stock is traded on The NASDAQ National Market under the symbol VWPT. On March 15, 2007, there were 300 holders of record of our common stock. Some of the holders of record of Viewpoint common stock are brokers and other institutions that hold stock on behalf of their customers. We estimate that approximately 10,000 stockholders hold shares of Viewpoint common stock through the brokers and other institutions. The following table sets forth, for the periods indicated, the range of high and low closing sales prices per share of our common stock:

	High	Low
2006		
4th Quarter	$ 1.20	$ 0.63
3rd Quarter	1.69	1.11
2nd Quarter		