FARMSTEAD TELEPHONE GROUP INC
Form PRE 14A
April 28, 2006

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant [X]
Filed by a party other than the Registrant [ ]
Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

FARMSTEAD TELEPHONE GROUP, INC.

(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):

[x] 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:

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

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

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statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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

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(3) Filing party:

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(4) Date Filed:

FARMSTEAD TELEPHONE GROUP, INC.
22 Prestige Park Circle
East Hartford, Connecticut 06108

NOTICE OF THE
ANNUAL MEETING OF STOCKHOLDERS
To Be Held on Thursday, July 13, 2006

May 23, 2005

To our Stockholders:

NOTICE IS HEREBY GIVEN, that the Annual Meeting of Stockholders (the "Meeting") of Farmstead Telephone Group, Inc. (the "Company") will be held at 10:00 a.m. local time on Thursday, July 13, 2006 at the Company's offices located at 22 Prestige Park Circle, East Hartford, Connecticut 06108 for the following purposes:

(1) To elect seven directors, each to serve a one-year term;

(2) To ratify the selection, by the Board of Directors, of Carlin, Charron & Rosen LLP as independent auditors of the Company for the year ending December 31, 2006;

(3) To approve an amendment to the Company's 2002 Stock Option Plan to increase the number of shares of Common Stock available for grants and awards from 2,300,000 to 3,300,000 shares;

(4) To approve an amendment to the Company's Certificate of Incorporation to change the corporate name of the Company from "Farmstead Telephone Group, Inc." to "One IP Voice, Inc."; and

(5) To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

These items of business are more fully described in the proxy statement accompanying this notice. The Company's Board of Directors has fixed the close of business on May 19, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting, or any adjournment or postponement thereof.

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE MEETING. PLEASE COMPLETE, SIGN, DATE, AND MAIL THE ENCLOSED PROXY CARD AT YOUR EARLIEST CONVENIENCE. MOST STOCKHOLDERS CAN ALSO VOTE THEIR SHARES OVER THE INTERNET OR BY TELEPHONE. IF INTERNET OR TELEPHONE VOTING IS AVAILABLE TO YOU, VOTING INSTRUCTIONS ARE PRINTED ON THE PROXY CARD SENT TO YOU. IF YOU PLAN TO ATTEND THE MEETING AND YOUR SHARES ARE HELD IN THE NAME OF A BROKER OR OTHER NOMINEE, PLEASE BRING WITH YOU A PROXY OR LETTER FROM THE BROKER OR NOMINEE CONFIRMING YOUR OWNERSHIP.

By Order of the Board of Directors,

Robert G. LaVigne
Executive Vice President,
Chief Financial Officer and
Secretary

PROXY STATEMENT FARMSTEAD [LOGO]
2006 Annual Meeting of Stockholders
July 13, 2006

INTRODUCTION

Solicitation of Proxies

This Proxy Statement is being sent to you in connection with the solicitation of proxies by the Board of Directors (the "Board") of Farmstead Telephone Group, Inc., a Delaware corporation (the "Company" or "Farmstead"), for the 2006 Annual Meeting of Stockholders (the "Meeting") to be held on Thursday, July 13, 2006 at 10:00 a.m. local time, or any adjournments or postponements thereof, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders. This Proxy Statement and the accompanying proxy are first being mailed to stockholders on or about May 25, 2006. A copy of the Company's Annual Report for the year ended December 31, 2005, is included with this Proxy Statement.

Voting Rights and Required Votes

Only the holders of record of the Company's Common Stock, par value $.001 per share ("Common Stock") and the holders of record of the Company's Series A Preferred Stock, par value $.001 per share ("Preferred Stock"), as of the close of business on May 16, 2006 (the "Record Date"), are entitled to notice of, and to vote on, all matters properly brought before the Meeting or any adjournments or postponements thereof. As of April 17, 2006 there were 3,956,532 shares of Common Stock outstanding and 259,426 shares of Preferred Stock outstanding.

Each stockholder is entitled to (1) one vote for each share of Common Stock held by him or her at the close of business on the Record Date and (2) one vote for each share of Common Stock into which the shares of Preferred Stock held by such stockholder are convertible as of the Record Date. Pursuant to the Company's Amended and Restated By-laws, to constitute a quorum for the transaction of business at any meeting of stockholders, there must be present, in person or by proxy, the holders of no less than one-third of the voting power of the issued and outstanding shares of voting stock of the Company. In addition, pursuant to applicable Delaware law, a majority of the outstanding shares of Preferred Stock must be present, in person or by proxy, to constitute a quorum for the transaction of business involving a separate vote by the holders of Preferred Stock at any meeting of stockholders. Abstentions and "broker non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Once a share is represented for any purpose at the meeting, it is deemed present for quorum purposes for the remainder of the meeting.

The designated Series A Director is elected by the affirmative vote of a majority of the shares of Preferred Stock outstanding as of the Record Date present at the Meeting, in person or by proxy, and entitled to vote in the election of Directors. All remaining Directors are elected by the affirmative vote of a plurality of the voting shares (on an as-converted-basis) present at the Meeting, in person or by proxy, and entitled to vote in the election of Directors. Under applicable Delaware law, in determining whether such nominees have received the requisite number of affirmative votes, withheld votes and broker non-votes are not treated as votes cast and, therefore will not be counted at all.

Approval of the proposal to amend the Company's Certificate of Incorporation requires the affirmative vote of a majority of the shares of Preferred Stock outstanding as of the Record Date present at the Meeting, in person or by proxy, and entitled to vote at the Meeting and the affirmative vote of a majority of the voting shares (on an as-converted-basis) present, in person or by proxy, and entitled to vote at the Meeting. Under applicable Delaware law, in determining whether such proposal has received the requisite number of affirmative votes, an abstention has the effect of a vote against the proposal, and broker non-votes will not be counted at all.

Approvals of each remaining proposal requires the affirmative vote of a majority of the voting shares (on an as-converted-basis) present, in person or by proxy, and entitled to vote at the Meeting. Under applicable Delaware law, in determining whether such proposal has received the requisite number of affirmative votes, an abstention has the effect of a vote against the proposal, and broker non-votes will not be counted at all.

When proxies in the enclosed form are returned properly executed, the shares represented thereby will be voted at the Meeting and, where instructions have been given by the stockholder, will be voted in accordance therewith. If the stockholder does not otherwise specify, the stockholder's shares will be voted FOR each of the nominees for director and FOR ALL proposals set forth in the attached Notice of Annual Meeting of Stockholders all as set forth in this Proxy Statement. As to any other business, which may properly come before the Meeting, the proxy holders will vote in accordance with their best judgment.

Votes will be counted manually. A stockholder executing the accompanying proxy has the power to revoke it at any time prior to the exercise thereof by appearing at the Meeting and voting in person or by filing with the Secretary of the Company, a properly executed, later-dated proxy (including an Internet or telephone vote), or a written instrument revoking the proxy. Most stockholders have a choice of voting over the

Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible, and that there may be some risk a stockholder's vote might not be properly recorded or counted because of an unanticipated electronic malfunction.

Costs of Solicitation

The solicitation of proxies in the accompanying form is made by, and on behalf of, the Board of Directors. We have engaged the services of Computershare Trust Co., Inc., the Company's Transfer Agent, ADP Investor Communications Services and Georgeson Shareholder Communications, Inc., to assist us in the distribution and processing of proxies, for which total fees and expenses of approximately $27,000 will be paid. There will be no solicitation by officers and employees of the Company. The Transfer Agent will make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of shares held of record by such persons, and such persons will be reimbursed for reasonable expenses incurred by them in connection therewith.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Amended and Restated By-laws of the Company provide that the Board of Directors shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors, however, the Board has fixed the current number of directors at eight in accordance with the Company's Certificate of Incorporation. Each director presently is elected for a one-year term at each annual meeting of the stockholders. Officers are elected by, and serve at the pleasure of, the Board of Directors.

Seven directors are to be elected at the Meeting to hold office until the next Meeting or until their successors have been duly elected and qualified. The Board of Directors is currently in the process of finding an appropriate candidate for the eighth director who will need to be independent under the guidelines of the NASDAQ. The Board of Directors has determined that four of the seven nominees are independent under the guidelines of the NASDAQ. It is the intention of the persons named in the accompanying Proxy Card to vote FOR the election of the seven persons named in the table below as directors of the Company, unless authority to do so is withheld. All of the nominees, except for the nominee for the designated Series A Director, are currently serving as directors of the Company, and all of the nominees have consented to being nominated and named herein, and to serve as directors if elected at the Meeting. In the event that any of the nominees for director is unable to serve as a director, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES AS DIRECTOR.

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For each nominee, each of whom, except for the nominee for the designated nominee for Series A Director, is an incumbent, and for each officer of the Company other than such nominees, there follows a brief listing of their principal occupation for at least the past five years, other major affiliations, and age as of January 1, 2006.

Nominees:

Series A Director Nominee

Christopher L. Rafferty, is currently self-employed as an independent consultant specializing in private equity transactions, a position he has held since June 2001. One of his clients is C.P. Baker, Securities, Inc., which acted as placement agent to the Company in connection with the recent sale by the Company of its Series A Preferred Stock. From 1994 to 2001, Mr. Rafferty was employed by and served as a partner of the Huff Alternative Fund, L.P. a diversified private equity and hedge fund based in Morristown, NJ. While at Huff, Mr. Rafferty served as director of e.spire Communications, Inc. a start-up CLEC, and Del Monte Foods, a leading US branded food business. From 1987 to 1990, Mr. Rafferty was Managing Director of Chase Manhattan Capital Corporation, New York, NY. From 1980 to 1987, Mr. Rafferty served as Vice President of Union Venture Corporation, Los Angeles. Age: 57.

Remaining Director Nominees

Jean-Marc Stiegemeier, Chairman of the Board of Directors since May 12, 2005; our President and Chief Executive Officer, and a Director, since October 1, 2004. From August 16, 2004 to October 1, 2004, he provided business consulting services to the Company. Mr. Stiegemeier has extensive executive management experience in the telecommunications industry. From 2002 to 2004 he was a business consultant, advising companies on strategic redirections and turnarounds. He also served on the board of directors for certain of these companies. From 1997-2001, he served in various capacities including President, Founder and Director of Exp@nets Inc., a voice and data solutions provider. Prior thereto, Mr. Stiegemeier served as Chairman and CEO of Franklin Industries Inc., Lucht, Inc., Ships Entertainment, Inc, California-Telamerica Inc., Morrow Optical, Inc., and Telamerica, Inc. He was also the President of Honeywell-Telamerica. Age: 60.

George J. Taylor, Jr., Director of the Company since May 12, 2005; Special Advisor to the CEO since October 1, 2004; Chairman of the Board of Directors from 1984 until May 12, 2005; our Chief Executive Officer from 1984 until October 1, 2004, and our President from 1989 until October 1, 2004. Mr. Taylor, Jr. was President of Lease Solutions, Inc. (formerly Farmstead Leasing, Inc.), a business product and automobile leasing company, from 1981 to 1993 and Vice President - Marketing and Sales for National Telephone Company from 1977 to 1981. Mr. Taylor was one of the founders of the National Association of Telecommunication Dealers, has been a member of, or advisor to, its Board of Directors since its inception in 1986, and for two years served as its President and Chairman. He is the brother of Mr. Hugh M. Taylor, a Director of the Company. Age: 63.

Harold L. Hansen, Director of the Company since 1992. An independent management consultant since January 1997. A member of the Audit Committee (Chairman until January 2, 2003) and the Compensation Committee. President of Hansen Associates, a management and financial consulting firm from 1995 to 1997. President of H2O Environmental, Inc., an environmental and geotechnical services company, from 1994 to 1995. President of Hansen Associates from 1993 to 1994. Prior to 1993, Mr. Hansen served in various corporate executive capacities including Executive Vice President and Chief Operating Officer of Gestetner Corporation, Vice President and General Manager of the Office Products Division of Royal Business Machines and Vice President and General Manager of the Business Products Group of Saxon Industries. Age: 75.

Joseph J. Kelley, Director of the Company since April 1995. Chairman of the Compensation Committee and a member of the Audit Committee. Currently an Executive-in-Residence at the Olin Graduate School of Business at Babson College, Wellesley, Massachusetts. President of East Haven Associates, a telecommunications consulting firm located in Wellesley, Massachusetts, from 1995 to 2001. Group Vice President of NYNEX, in 1994, responsible for the State of Massachusetts operations. From 1985 to 1994 he served in various executive level positions with NYNEX, or associated companies including Vice President - Operations of New England Telephone (1991 - 1993), Vice President - New England Telephone, Network Department (1990 - 1991), Corporate Director of

Business Development, NYNEX Marketing (1988 - 1990) and Vice President of New England Telephone - Maine (1985 - 1988). Mr. Kelley has been involved in the telecommunications industry since 1963. Age: 66.

Ronald P. Pettirossi, Director of the Company since January 3, 2003. Chairman of the Audit Committee. President of ER Ltd., a consulting company since 1995. Mr. Pettirossi is a former audit partner of Ernst & Young, LLP, who worked with public and privately held companies for 31 years. Mr. Pettirossi is a member of the Board of Directors of Magellan Petroleum Corporation and Magellan Petroleum Australia Limited. Age: 62.

Hugh M. Taylor, Director of the Company since 1993. Managing Director of Newbury, Piret & Company, Inc., an investment banking firm located in Boston, MA since 1994. CEO, President and a director of the Berlin City Bank, Berlin, New Hampshire, from 1993 to 1994. Executive Vice President of Fleet Bank of Massachusetts from 1992 to 1993. Executive Vice President and Chief Operating Officer of Fleet Bank of Boston from 1990 to 1992. From 1973 to 1990 he was employed by the New England Merchants Bank, later the Bank of New England, where he held various executive management positions within the Commercial Banking Division, and the bank's venture capital subsidiary. Brother of Mr. George J. Taylor, Jr. Age: 61.

Other Executive Officers:

Robert G. LaVigne, Executive Vice President since July 1997, and our Chief Financial Officer, Corporate Secretary and Treasurer since 1988. Mr. LaVigne was a Director of the Company from 1988 to 2001. He was the Controller of Economy Electric Supply, Inc., a distributor of electrical supplies and fixtures, from 1985 to 1988 and the Corporate Controller of Hi-G, Inc., a manufacturer of electronic and electromechanical components, from 1982 to 1985. Mr. LaVigne is a Certified Public Accountant. Age:54.

Alfred G. Stein, Executive Vice President of our Company since January 15, 2005. Mr. Stein was initially engaged by the Company in September 2004 as an outside business consultant to assist management in the development of a strategic re-direction of the Company's sales organization and product offerings. Mr. Stein has extensive experience in the telecommunications industry. Since 2002 he served as founder and President of Matthews & Wolf, LLC, a small business consulting firm. From 1998 to 2002 he served as Vice President - Business Process Development for Exp@nets, Inc. a voice and data solutions provider with over $1 billion in revenues. From 1983 to 1998, he was President of Eagle Intercommunications, Inc. a New York based telecommunications solution provider selling Toshiba, NYNEX and Avaya products and services. Eagle was acquired by Exp@nets in May of 1998. Age: 61.

Nevelle R. Johnson has been an Executive Vice President of our Company since March 1, 2005. Mr. Johnson's responsibilities include the re-direction and growth of our national sales organization, as well as the implementation of new product and service offerings. Mr. Johnson has extensive experience in the telecommunications industry. From November 2003 to March 2005 he was a Vice President of sales and services within Avaya Inc. From 2000 to 2003 he was the Executive Vice President of sales and services for Exp@nets, Inc. a voice and data solutions provider. From 1983 to 2000 he held various sales and executive positions with AT&T and Lucent Technologies. Age: 48.

Other Section 16 Officers:

Frederick E. Robertson, Jr., Vice President- Operations of our Company since January 2003, and our Director of Provisioning from March 2001 to January 2003. Mr. Robertson, Jr. was Senior Director of Merchandising for Staples Communications, Inc. from 1999 to 2001, Director of Corporate Purchasing and Logistics for Claricom, Inc. from 1998 to 1999, and Corporate Manager, Cost Control and Purchasing for Executone Information Systems, Inc. from 1996 to 1998. Age: 47.

Meetings and Committees of the Board of Directors

During 2005, the Board held ten meetings. In addition, certain actions were approved by unanimous written consent resolutions of the directors. In addition, the independent directors held one separate meeting during 2005. No director attended less than 75% of all Board and applicable committee meetings held, except for Mr. Kelley, who attended 70% of all Board meetings held. During 2005, the Board had two ongoing committees: an Audit

Committee and a Compensation Committee. The Company does not have a standing nominating committee; however the full board of directors participates in the consideration of director nominees.

The Audit Committee, consisting of Messrs. Pettirossi (Chairman), Hansen and Kelley, consults with the independent auditors and management with respect to the adequacy of internal controls and the Company's audited financial statements. In the Board's judgment, each member of the Audit Committee is financially literate. The Board has reviewed the qualifications and experience of each of the Audit Committee members and determined that Mr. Pettirossi qualifies as "audit committee financial expert" as that term has been defined by the SEC. The Audit Committee also reviews the Company's internal quarterly financial statements with management and, when deemed necessary, with the independent auditors as well. The Audit Committee also recommends to the Board of Directors the appointment of independent auditors for the following year. The Audit Committee held six meetings during 2005.

The Compensation Committee, consisting of Messrs. Kelley (Chairman) and Hansen, determines the compensation and benefits of the Chief Executive Officer and reviews and approves, or modifies if deemed appropriate, the recommendations of the Chief Executive Officer with respect to the compensation and benefits of the other executive officers. The Compensation Committee also approves the issuance of grants pursuant to the Company's stock option plans. The Compensation Committee held 2 meetings during 2005.

PROPOSAL 2 - RATIFY THE APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has selected Carlin, Charron & Rosen, LLP ("CCR") as our independent auditors for the year ending December 31, 2006. CCR, and its predecessor company, DiSanto Bertoline & Company, P.C., have been our independent auditors since October 2001. We are submitting the selection of CCR for stockholder ratification at the Annual Meeting. In the event the stockholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent auditing firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of Farmstead and its stockholders.

A representative of CCR is expected to be present at the Meeting, will be afforded the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF CARLIN, CHARRON & ROSEN, LLP AS INDEPENDENT AUDITORS OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2006.

PROPOSAL 3 - TO APPROVE AN AMENDMENT TO OUR 2002 STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR GRANTS AND AWARDS UNDER THE 2002 STOCK OPTION PLAN BY 1,000,000 SHARES, FROM 2,300,000 TO 3,300,000

In April 2006, the Board approved this amendment to the 2002 Stock Option Plan, subject to approval by our stockholders. As of April 17, 2006, 920,750 shares remained available for grants and awards under the 2002 Stock Option Plan. We will be able to make grants and awards under the 2002 Stock Option Plan until April 3, 2012. Because of the limited number of shares available for grants and awards under the 2002 Stock Option Plan, we elected to propose an amendment to the 2002 Stock Option Plan to increase the number of shares available for grants and awards.

We compete with other companies in our peer group and industry for highly qualified employees. We believe that our ability to grant options and make other equity-based awards is a valuable and necessary compensation tool that helps us to attract, retain and motivate employees and encourages these employees to devote their best efforts to our business and financial success. In addition, we believe that equity-based awards to employees align the long-term financial interests of employees with the financial interests of our stockholders. The

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proposal to increase the number of shares available for issuance under the 2002 Stock Option Plan is necessary to help us meet the above objectives in the future.

Under the Company's Certificate of Incorporation, the grant of options from the additional 1,000,000 shares to the 2002 Stock Option Plan at an exercise price below $1.70 per share could require anti-dilution adjustments to the Preferred Stock conversion rate into Common Stock.

The material features of the 2002 Stock Option Plan are described in Exhibit 4.2 to our Form 10-K filed with the SEC on April 12, 2006. If Proposal 3 is approved by the stockholders, we will amend Section 4 of the 2002 Stock Option Plan accordingly.

THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THIS PROPOSAL IS IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF AN AMENDMENT TO THE COMPANY'S 2002 STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR GRANTS AND AWARDS UNDER THE 2002 STOCK OPTION PLAN BY 1,000,000 SHARES, FROM 2,300,000 TO 3,300,000.

PROPOSAL 4 - TO APPROVE AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO CHANGE THE CORPORATE NAME OF THE COMPANY FROM "FARMSTEAD TELEPHONE GROUP, INC." TO "ONE IP VOICE, INC."

In April 2006, the Board approved this amendment to the Company's Certificate of Incorporation to change the Company's corporate name from "Farmstead Telephone Group, Inc." to "One IP Voice, Inc." consistent with, and as part of, our ongoing strategic transition to a full communications solutions provider, and to establish our presence in the Internet Protocol, or IP, telephony products and unified communications products market. More detailed discussions on the Company's strategic transition is contained in our Form 10-K filed with the SEC on April 12, 2006.

THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THIS PROPOSAL IS IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS AND RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO CHANGE THE CORPORATE NAME OF THE COMPANY FROM "FARMSTEAD TELEPHONE GROUP, INC." TO "ONE IP VOICE, INC."

Principal Accounting Fees and Services

The Audit Committee or a designated member thereof, approves each audit and non-audit service rendered by CCR to Farmstead. The Audit Committee reviews and approves an engagement letter received from CCR which details the scope and cost of services to be provided the Company during the following fiscal year in connection with the audit of the Company's financial statements, reviews of quarterly financial statements and the preparation of tax returns. All other services to be performed by the auditors that are not included in the approved engagement letter are submitted to the Audit Committee for approval.

The following is a summary of fees billed to Farmstead by CCR for professional services rendered during the years ended December 31, 2005 and 2004:

Fee Category	2005	2004
Audit Fees	$61,500	$43,875
Audit-Related Fees	-	-
Tax Fees	11,400	9,250
All Other Fees	12,110	1,554
Total Fees	$85,010	$54,679

Audit Fees. Consists of fees billed for professional services rendered for the audit of Farmstead's consolidated financial statements and reviews of interim consolidated financial statements included in quarterly reports filed with the Securities and Exchange Commission. The contractual fees for the audit of Farmstead's consolidated financial statements for its fiscal years ended December 31, 2005 and 2004 were $50,100 and $48,000, respectively.

Audit-Related Fees. There were no audit-related fees billed during 2005 and 2004.

Tax Fees. Consists of fees billed for professional services rendered for the preparation of federal and state tax returns.

All Other Fees. For 2005, this consisted of reviews of Registration Statements filed with the Securities and Exchange Commission, research on state tax matters, and for representation at the 2005 Annual Meeting of Stockholders. For 2004, this consisted of fees in connection with discussions related to Section 404 of the Sarbanes-Oxley Act of 2002, and for representation at the 2004 Annual Meeting of Stockholders.

The Audit Committee reviews and approves an engagement letter received from CCR which details the scope and cost of services to be provided the Company during the following fiscal year in connection with the audit of the Company's financial statements, reviews of quarterly financial statements and the preparation of tax returns. All other services to be performed by the auditors that are not included in the approved engagement letter are submitted to the Audit Committee for approval.

CORPORATE GOVERNANCE

At Farmstead, we are committed to operating in an ethical, legal and environmentally sensitive and socially responsible manner, while creating long-term value for our shareholders. Farmstead has adopted a Code of Ethical Conduct applicable to its officers, directors and employees. A copy of this Code of Ethical Conduct is maintained on Farmstead's website at www.farmstead.com, in the Corporate Governance section, and was previously filed with the Securities and Exchange Commission as Appendix A to the Company's proxy statement for last year's annual meeting. Stockholders may obtain copies of these documents, free of charge, by sending a written request to our principal executive office at 22 Prestige Park Circle, East Hartford, CT 06108, Attention: Corporate Secretary.

Farmstead also has a "hotline" available to all employees, and the Audit Committee has established procedures for the confidential and anonymous submission of employee complaints on accounting, internal controls or auditing matters.

Independence of Directors

No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Farmstead either directly, or as a partner, stockholder or officer of an organization that has a relationship with Farmstead. Our Board of Directors has determined that all non-management directors are independent in accordance with the NASDAQ listing standards, except for Mr. Hugh M. Taylor, who is the brother of Mr. George J. Taylor, Jr., thus the majority of the Board are independent directors. The Board has made this determination based on the following objective standards, in addition to any other relevant facts and circumstances:

* A director is not considered independent if during the last three

years he or she, or his or her immediate family member, has received any payments (including political contributions) in excess of $60,000 other than for board service.

* A director is not considered independent if he or she has been employed by the Company (or a parent or subsidiary) within the past three years, or if an immediate family member is employed as an executive officer of the Company (or a parent company or subsidiary), or has been so employed within the past three years.

* A director is not considered independent if the Company makes payments to any other entity, including a not-for-profit entity, where the director, or his or her immediate family member, is an executive officer and the payments exceed the greater of $200,000 or five percent of the recipient's gross revenues.

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* A director is not considered independent if he or she, or his or her immediate family member, is or has been partners of the Company's outside auditor within the past three years.

* A director is not considered independent if, during the past three years, the director or an immediate family member was employed as an executive of another company where any executives of the Company served on the compensation committee of such other company of which the director is an executive.

Executive Sessions

Our non-management, independent directors meet at least once per year in executive session without management. Executive sessions are led by a "Presiding Director." An executive session may be held in conjunction with a regularly scheduled Board meeting and other sessions may be called by the Presiding Director in his or her own discretion or at the request of the Board. Mr. Pettirossi is currently designated as the Presiding Director. During 2005, the non-management independent directors met once.

Nomination of Directors

The Board of Directors did not have a nominating committee in 2005. The Board does not believe a standing nominating committee is necessary because all of the independent members of the Board actively participate in the nomination process and each nominee is approved for recommendation by a majority of the independent directors.

It is the policy of the Board of Directors to consider candidates for director that are recommended by stockholders. In order to recommend a candidate, stockholders must submit the individual's name and qualifications in writing to the Board (in care of the Secretary at Farmstead's principal executive office at 22 Prestige Park Circle, East Hartford, CT 06108) and otherwise in accordance with all of the procedures outlined under "Nominations and Stockholders' Proposals for year 2007 Annual Meeting of Stockholders" for a director nomination.

In identifying and evaluating nominees for Director, the Board of Directors takes into account the applicable requirements for directors under the Securities Exchange Act of 1934, as amended, and the listing standards of the NASDAQ. In addition, the Board of Directors may take into consideration such factors and criteria as it deems appropriate, including the nominee's character, judgment, business experience and acumen. In addition to nominees recommended by stockholders, the Board of Directors also considers candidates recommended by management or other members of the Board. The Board evaluates candidates recommended for Director by stockholders in the same way that it evaluates any other nominee.

Communications with the Board of Directors

The Board has established a process for stockholders and other interested parties to communicate with the Board or an individual director, including the Presiding Director or the non-management directors as a group. A stockholder may contact the Board of Directors or an individual director by writing to their attention at Farmstead's principal executive offices at 22 Prestige Park Circle, East Hartford, CT 06108. Communications received in writing are distributed to the Board or to individual directors as appropriate in accordance with procedures approved by Farmstead's independent directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, $.001 par value, as of April 17, 2006 by (i) each person known by the Company to own beneficially more than five percent of the Company's outstanding shares of Common Stock, (ii) each of the individuals listed in the "Summary Compensation Table" contained herein (iii) all directors of the Company, and (iv) all 5% stockholders, directors and officers as a group. In addition to being a beneficial owner of more than five percent of the Company's outstanding shares of Common Stock, Mr. George J. Taylor, Jr. and Mr. Jean-Marc Stiegemeier are directors of the Company.

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Beneficial ownership is determined in accordance with the rules of the SEC for computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership of that person. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days after April 17, 2006 are considered outstanding for the purpose of computing the percentage ownership of the person holding such options, but are not considered outstanding when computing the percentage ownership of each other person. Except as otherwise indicated, the Company believes each person named in the table has sole voting and investment power with respect to all shares beneficially owned by him. Information with respect to beneficial ownership is based upon information furnished by such stockholder.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock
Five Percent Stockholders:		
George J. Taylor, Jr.	1,132,884(2)	23.4%
Jean-Marc Stiegemeier	1,000,000(4)	20.2%
Robert G. LaVigne	312,500(3)	7.3%
Alfred G. Stein	275,000(6)	6.5%

Nevelle R. Johnson	260,000(7)	6.2%
Other Directors:		
Harold L. Hansen	54,229(4)	1.4%
Hugh M. Taylor	60,703(5)	1.5%
Joseph J. Kelley	43,229(4)	1.1%
Ronald P. Pettirossi	17,500(4)	*
Other Officer:		
Frederick E. Robertson, Jr.	26,930(8)	*
All 5% Owners, Directors and Officers as a Group (10 persons)	3,182,975(9)	46.4%