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GLOWPOINT, INC.

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U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2007

OR

❑ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to __________

Commission file number: 0-25940

GLOWPOINT, INC.
(Exact name of registrant as specified in its Charter)

Delaware	**77-0312442**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
225 Long Avenue, Hillside, NJ	**07205**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 235-3888

Securities registered under Section 12(b) of the Exchange Act: None

Title of each class	**Name of each exchange on which registered**
None	Not applicable

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $0.0001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in the Rule 405 of the Securities Act of 1933.❑ Yes ý No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.❑ Yes ý No

Indicate by check mark whether the Registrant: (1) 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. ýYes ❑ No

Indicate by check mark 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. ❑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	❑	Accelerated filer	❑
Non-accelerated filer	❑ (Do not check if a smaller reporting company)	Smaller reporting company	ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). ❑Yes ý No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2007, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $26,089,439.

The number of shares of the Registrant’s common stock outstanding as of March 20, 2008 was 46,389,673.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains statements that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give Glowpoint's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this annual report, including statements regarding Glowpoint's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to Glowpoint, are intended to identify forward-looking statements. These statements are based on Glowpoint's current plans, and Glowpoint's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this annual report may turn out to be inaccurate. Glowpoint has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. Glowpoint undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to Glowpoint or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this annual report on Form 10-K.

PART I

Item 1. Business

Overview

Glowpoint, Inc. ("Glowpoint" or "we" or "us" or “the Company”), a Delaware corporation, is a premiere broadcast-quality, IP (Internet Protocol)-based managed video services provider. Our mission is to improve the ease-of-use, cost-effectiveness, functionality, and quality of existing video communications in order to make it an integral and ubiquitous part of everyday business and personal communications. We believe video communications should be as easy and spontaneous to use as your telephone, but with the power of face-to-face communication.

We view our services as analogous to cellular service providers in the cellular telephone industry. Regardless of the cellular phone purchased, users must select a cellular service provider to make it work. Users make that service decision based on the features, reliability and price offered by the service provider. In our industry, regardless of the video conferencing equipment purchased, Glowpoint provides the managed video services to make it work. In doing so, we offer a vast array of managed video services, including video application services, managed network services, IP and ISDN videoconferencing services, multi-point conferencing (bridging), technology hosting and management, and professional services. We provide these services to a wide variety of companies, from large enterprises and governmental entities to small and medium-sized businesses. Glowpoint is primarily focused on high quality two-way video communications. We have bundled some of our managed services to offer video communication solutions for broadcast/media content acquisition and for video call center applications. With the advent of HD (High Definition) and telepresence solutions, we have combined various components of our features and services into a comprehensive service offering for enterprise end user customers that can support any of the telepresence products on the market today. Glowpoint is also wholesaling its services and providing branding for manufacturers, carriers, and integrators seeking to offer this service as a value-add to their offerings for their customer bases.

Glowpoint’s managed video services are hardware agnostic, supporting all recognized video standards. As a result, we have become the global video interconnection point, linking together “islands of video” across third party private networks (e.g., provided by AT&T, SBC, Qwest and others), protocols (e.g., H320, H323, IP, SIP, and VoIP), and devices (e.g., desktop, laptop, and mobile phone). Glowpoint’s services provide users with a consistent experience - regardless of how they are connecting or where they are connecting from.

Glowpoint’s managed video services involve two major components, the Glowpoint video applications services and the Glowpoint network services. The video application services are network agnostic and may be leveraged by customers on any QoS (Quality of Service) network that supports two-way video transport. The

Glowpoint network services leverage the Glowpoint network, a multiple protocol layer switching (MPLS) QoS network that is dedicated to high-quality two-way video transport built and managed by Glowpoint. The Glowpoint network is exclusively dedicated to IP-based video communications, which allows us to optimize performance and routing of video and audio packets so as to offer broadcast quality images with telephony-like reliability, features and ease-of-use. Glowpoint's reach spans the globe, with 11 points of presence (POPs) and unlimited peering capability to deliver Glowpoint services to customers in virtually any region in the world. A unique feature of the Glowpoint network is its sophisticated gatekeeper infrastructure and configuration along with its patent-pending call control capabilities (see "Intellectual Property" below), which enable customers to seamlessly connect to nearly any standards-based video communications user, whether they are still using ISDN or the Internet, across the United States as well as to virtually any major city around the world. Since videoconferencing users typically can only communicate to others on the same service, Glowpoint is bridging these isolated islands of video and making video communications more ubiquitous.

In late 2000, we launched our subscription service. From 2000 to 2003, we were a division of Wire One Technologies Inc. ("Wire One"), a reseller of videoconferencing equipment from leading manufacturers. Wire One was formed in May 2000 by the merger of All Communications Corporation and View Tech, Inc. After steady growth of the IP-based video service business through early 2003, we determined that separating the Glowpoint managed video services business from the Wire One equipment reselling business could create larger distribution channels for Glowpoint, allow for more aggressive product development, and provide us with the opportunity to develop business relationships based solely on the objective of expanding our video service product offering and increasing the size of our customer base.

On September 23, 2003, we completed the sale of the equipment business and officially changed our name from Wire One to Glowpoint in order to focus solely on growing Glowpoint's managed video services. Since 2003, we have been exclusively focused on making video communications as reliable and as easy to use as the telephone – offering ten-digit dialing (as opposed to using IP addresses), operator assistance, video mailboxes and many other features that consumers have grown accustomed to with their telephone. We have also redefined the two-way video communications marketplace by creating and offering unique IP-based features that were integrated into the industry's first "All You Can See" subscription-calling plans, which are similar to Voice over IP (VoIP) broadband-calling packages or unlimited mobile phone packages.

Glowpoint is recognized as one of the premier video-over-IP service providers in the market today. Our track record and quality-of-service commitment of 99.99% network uptime has earned us various awards and credits. We have been recognized in the industry for focusing on providing an innovative customer experience through our use of IP-based video functionality. We believe we have been a leader in setting policy through our participation in standards boards, including chairing a committee of the IMTC H.323 forum on International Dialing Plans in 2004. Our industry awards include: receipt of Frost & Sullivan's Technical Innovations award in 2001; selection as one of the 14 most innovative companies by "Telephony Magazine" in 2004; and selection of our Chief Technology Officer as a finalist for 2005 New Jersey Technology Council's "CIO/CTO of the Year" for Glowpoint's technology leadership in video communications. For two consecutive years (2006 and 2007), Glowpoint was named one of the best providers of always-on IP Networks dedicated to videoconferencing by Videoconferencing Insight Newsletter, a newsletter on the videoconferencing industry reporting from a user perspective for more than a decade (www.vcinsight.com).

Industry Overview

The videoconferencing industry has been transformed in recent years. When Glowpoint was launched, videoconferencing was a niche industry with unproven technology and questionable quality. We set out to change that. Today, video communications is becoming more mainstream and reliable, with technology giants such as Cisco Systems and Hewlett-Packard joining in and validating what we set out to accomplish. Currently, we view the video communications industry segregated into five categories, each of which is a potential partner and/or customer for Glowpoint's managed video services:

- Videoconferencing and Telepresence Equipment Manufacturers;
- Video and Telepresence Equipment Resellers and Integrators;
- Carriers (Network Providers);
- Videoconferencing Services Providers (Multi-Point Conference Services); and
- Telepresence and HD

Videoconferencing and Telepresence Equipment Manufacturers. Manufacturers of videoconferencing and telepresence equipment continue to focus on selling video infrastructure equipment. With the introduction of HD and telepresence, however, they are becoming increasingly aware that in order to sell complex solutions, they must partner with service providers (such as Glowpoint) who make it easier for customers to buy and use their products ongoing.

Video and Telepresence Equipment Resellers and Integrators. Video and telepresence equipment resellers and integrators are facing margin pressures as well as increasingly complex solutions related to videoconferencing equipment sales. Among their only options we believe is to attempt to reproduce the features, experience and services provided by Glowpoint or to become resellers of Glowpoint's services. Many have chosen the latter and Glowpoint will continue to nurture and grow its distribution channel.

There are some videoconferencing equipment resellers who have chosen to compete with us rather than resell our services (see "Competition" below). We believe that these companies offer only a rudimentary subset of the features and services that Glowpoint provides. To date, we know of no company that provides comparable video communication services and, given our proprietary technology (see "Intellectual Property" below), we believe it would be difficult for any competitor to match our comprehensive service offering.

Carriers (Network Providers). Carriers have always played a role in video communications, because all equipment requires some network for transporting the video communication. Historically, this was done using ISDN services provided by major carriers around the world. According to some estimates, there may be as many as 500,000 to 1,000,000 videoconferencing systems still using ISDN. With the emergence of IP videoconferencing, these network providers have been offering services that include high quality virtual private networks (VPNs) on which customers may support data, voice and video applications. This is often referred to as a "converged network" or "convergence". At this time, however, converged solutions provided by network providers are bandwidth only and provide little or no IP-based video communication applications services. This means that customers are free to connect their video conferencing equipment to the converged network, but must then figure out how to support the video application on their own. This amounts to "self service" videoconferencing where the customer is isolated on the converged network with no video application services or support available.

Glowpoint offers high quality and reliable "bandwidth" via the Glowpoint Network Service. At first it may appear that any network provider is our competitor. However, many of these network providers lack video expertise and do not offer IP video services or support. They essentially only offer bandwidth and their video services, if any, are still focused on ISDN. Glowpoint has been able to leverage this distinction by offering Glowpoint's managed video application services over third party networks (rather than the Glowpoint network). We call it "Glowpoint-enabling" another network. This solution has permitted us to retain some accounts when customers have sought the benefits of a converged solution, has given us sales opportunities with large enterprises that already have established network provider relationships, and has allowed us to partner, rather than compete, with network providers on opportunities where we would otherwise be considered competitors. With our Glowpoint-enabled solution, we have the potential to provide all or part of the video solution in almost every opportunity we encounter.

Videoconferencing Service Providers. A number of companies, including some equipment resellers, network providers and audio conferencing service providers, offer videoconferencing services almost exclusively focused on multi-point conferencing (bringing multiple locations into one video call). These videoconferencing service providers, however, are still heavily dependent on ISDN as the network transport for these multi-point videoconferences and, we understand, as much as 80-90% of their multi-point revenue is derived from ISDN. Glowpoint, on the other hand, not only offers multi-point conferencing services, but has introduced a full range of managed video solutions that are primarily IP-based. IP-based services offer more flexibility, higher quality and, because there are no long distance charges, lower costs.

Telepresence and HD. Telepresence has brought significant attention to the video communications industry. In reality, "telepresence" is a term that represents what Glowpoint has been providing since soon after its launch in 2000 -- high quality, easy to use video communications where the technology does not interfere with the purpose for the meeting. The most popular representation of the telepresence concept is a specially designed room configured to support a "true to life" meeting environment. Everything from multiple monitors, special furniture, strategic camera placement and sound panels are deployed to create an immersive experience so participants feel as though they are all sitting in the same physical room even though they may be continents apart. Entrance into the telepresence market by Cisco Systems and Hewlett-Packard has brought new competition to the traditional videoconferencing equipment leaders (e.g., Polycom and Tandberg); more importantly for Glowpoint, however, we believe their telepresence offering and vision have validated our business plan and brought new life and interest to the video communication industry.

As manufacturers and resellers seek telepresence market share, they have realized that customer expectations are much higher than in a traditional videoconferencing equipment sale. The system must successfully work every time. This has created a new demand for services, such as our “VNOC” (Video Network Operations Center) Support Services. Glowpoint’s VNOC Support Services offer enterprise customers, which are typically the purchasers of the telepresence systems, the peace of mind that their conferences and rooms will be managed reliably. Glowpoint’s room resource management, scheduling, specialized call launching and support are especially important and key differentiators in marketplace.

We believe Glowpoint is uniquely positioned to address all of these new developments. We have been focused primarily on providing IP-based managed video services since our launch in 2000 and our patented and patent pending technology is tailored to support any available HD equipment. Our proprietary managed video service provides HD video communication with as little as 2 Mbps of bandwidth per call, while other network providers typically require at least 6 Mbps, and as much as 45 Mbps of bandwidth for HD video communications. Regardless of the equipment used or bandwidth required, we believe that Glowpoint can be an excellent partner with any of the providers of telepresence solutions.

Market Need. Despite the fact that many enterprises may already have private networks and use their own IT support teams for applications in the business, a relatively small percentage can actually support video communications. The complexity of video communications is increasing. Most businesses already find it difficult to effectively maintain and manage existing applications because of the shortage of information technology and network personnel. Customers also soon realize that supporting video distracts the support organizations from other critical business application support and requires a different skill set than normal business IT support. As a result, businesses increasingly require a solution employing a network dedicated to video, which enables them to manage video communications, isolating it from other applications and existing communications infrastructure. As for the infrastructure itself, according to an announcement by Cisco Systems (as reported in the Wall Street Journal), only 10-15% of Cisco’s customers can support quality videoconferencing on their networks. Even if a customer network can support videoconferencing, many are reluctant to run a video application over the same network that supports their enterprise data and other applications. Among other concerns, the video communications applications would be required to share bandwidth with data applications (e.g., CRM applications, financial applications, e-mail and file transfers) on a common network. Allocating enough bandwidth in a corporate local area network or Intranet to handle real-time transmission of images and audio, in addition to data applications, can be difficult and can significantly impede overall network performance. An effective video network must also be easily scalable in much the same way that a company can simply add more phone lines as its employee base and operations grow. Moreover, widespread adoption by both enterprise and consumer users requires a video communications solution that provides the same reliability as public telephone service. We believe that there exists a significant market opportunity to provide an IP-based video communications solution that is as scalable, dependable and, ultimately, as commonplace as voice telephony.

The surge in deployment of Voice over IP (VoIP) is an example of a technology that has been technically feasible for years, but did not gain popularity until the full feature and services people were accustomed to with their traditional telephones became available. Features like publicly-available phone numbers, operator services, voicemail and the ability to seamlessly call to phones off of a company’s private IP phone network were the critical application components that facilitated adoption of VoIP phones. Because most companies would not provide those features on their own, VoIP service providers developed them and now companies simply “plug” their VoIP networks into traditional telephony companies for these application services and off-net transport.

Glowpoint is the “video” telephony company offering video application services largely unavailable from anyone else at this time and difficult (or possibly even impossible) for customers to build on their own (see “Intellectual Property” below). Glowpoint provides unique features and services, such as ten-digit dialing video phone numbers automatically routed to IP video systems, video operator services, video mailboxes, seamless video calling to off-net locations anywhere in the world and other video application services, all of which permit customers to “plug” in their VidOIP (video over IP) networks.

Market Size. According to some industry leaders, only about 5-8% of conference rooms in United States businesses have videoconferencing equipment. We believe the industry still has not begun to realize the potential deployment of video to individual desktops or in consumer environments. As a result, we believe there is still a large untapped potential market for video communications. Major technology companies such as Cisco Systems and Hewlett-Packard have publicly announced that they feel the telepresence market alone can become a multi-billion dollar industry in the coming years. According to some industry analysts, the services side of the videoconferencing industry (currently dominated by network providers) and managed services (such as multi-point conferencing) is anticipated to grow globally to more than four billion dollars over the next few years. Therefore, we believe that Glowpoint's aggregate potential addressable market is significant, though we can give no assurance as to what our market share will be in the coming years.

Glowpoint Services and Features

Glowpoint offers a vast array of managed video services, including video application services, managed network services, IP and ISDN videoconferencing services, multi-point conferencing (bridging), technology hosting and management, and professional services. We are focused primarily on high quality two-way video communications and have been supporting millions of video calls since we launched our service in late 2000. We believe our experience, expertise, video-centric focus, unique features and services, and world class support are unrivaled and a key differentiator in the industry. We have bundled some of our managed services to offer unique video communication solutions for broadcast/media content acquisition and for video call center applications. With the growth of HD (High Definition) telepresence solutions, we began offering, and have now productized, a comprehensive telepresence support solution that can support any of the telepresence solutions on the market today that we call our VNOC (video network operations center) services (see "Market Solutions" below).

Video Application Services and Managed Network Services; Glowpoint Subscription Services

Glowpoint's core managed video service offering bundles our proprietary video application communications features and services with our Quality-of-Service (QOS) managed network offering. This bundled offering gives customers a single point of contact for their high quality video communication needs and we believe makes video as easy and spontaneous as using the telephone - but with the power of face-to-face communications. Our subscription plans are priced according to the video call requirements of a location. The amount and type of bandwidth ordered depends on the number of video endpoints and is generally billed on a monthly recurring basis per location. We have established packages to accommodate the most popular requirements, with the lowest bandwidth offering beginning at a basic bundled solution currently starting at $499 per month for video calls up to 512 Kbps and higher bandwidth offerings to support HD and telepresence applications of 2Mbps up to 18Mbps per room. These higher bandwidth offerings are priced with the service and features included. Typically, we begin providing service within 30 days following the customer's order. We also routinely offer custom video communications solutions with individual customer-requested terms and conditions.

Regardless of the subscription plan, all offerings include our proprietary video application services and features and provide for unlimited IP-based video communication usage on the Glowpoint video network. Our video application services include:

- **"All You Can See" unlimited video calling plans**
  Customers can make and receive unlimited calls to video systems on the Glowpoint video network or the public Internet for one fixed price (there are no additional usage charges).

- **10-Digit Direct Dialing for IP Video Calls**
  We are the only service provider to provide IP-based video systems with real phone numbers. Typically, IP-based video callers must use an IP address, which, we believe, is unfamiliar, difficult to use, and impedes adoption of video communications.

- **"000" Live Video Operator Assistance**
  With our patented live video operator support, customers obtain live, face-to-face assistance simply by dialing "000" from any Glowpoint subscribed endpoint. Whatever the need, Glowpoint operators are there to help.

- **"Lisa", Glowpoint's Video Call Assistant**
  When a video call is not answered, fails to connect, or the recipient is busy, callers are greeted by "Lisa", Glowpoint's video call assistant, explaining why the call did not complete and providing the caller with an interactive menu to select options, including a connection to a live operator by selecting the option on the menu. We developed this feature to simplify video communications. Non-Glowpoint videoconferencing users typically are met with a blank screen, a cryptic technical error message or worse, and have no idea why a call was not completed. Our error-handling feature is user-friendly and removes much of the guesswork, which simplifies the video calling experience and promotes further adoption and use of video communications.

- **VideoMailbox**
  Glowpoint has brought voicemail to the video communications world. If a Glowpoint customer receives a video call and is not available or his video system is turned off, the call is automatically re-routed to a VideoMailbox where the caller is greeted with an outgoing video personally recorded by the Glowpoint customer. The caller may then leave his/her own video message in the VideoMailbox. The Glowpoint customer then receives a message which is stored on his VideoMailbox and receives an email alert with an image of the caller and associated information. Our customer may then view the message as a media file either through the online portal or checking messages from his video endpoint.

- **IP-to-ISDN and/or Internet Gateway Access**
  By combining one of the most sophisticated gatekeeper infrastructures that we believe has ever been deployed with patent pending call control technology, Glowpoint has created a seamless transition between ISDN and IP technologies. Glowpoint's ability to provide real telephone numbers to customer video endpoints allows our customers to place video calls off of the Glowpoint network to ISDN or Internet connected systems seamlessly across the United States and to virtually any major city around the world. Glowpoint customers may also receive incoming calls from virtually any ISDN video system or voice phone in the world. This is one of the ways we are accomplishing our goal of connecting the various "islands" of video.

- **Reduced Rate International Calling**
  Much of the world continues to utilize ISDN as a means for video communications and the cost of placing video calls overseas can cost hundreds of dollars per hour. Glowpoint offers customers significantly reduced rates for ISDN calling by utilizing our least cost routing capabilities driven by our routing techniques through points of presence around the globe. We route video calls to the most cost effective point, where the call is then handed off the network to the in-region ISDN network, thereby eliminating or reducing long distance charges.

- **Firewall Traversal**
  In an increasingly popular world of convergence, many businesses seek to leverage their own networks for video transport, but increasingly face the challenge of placing video calls outside of their own network which becomes its own "island of video". In these situations, Glowpoint becomes the video "telephony" company with solutions that provide firewall traversal, effectively allowing customers to get off of their private networks and connect to any other means, while taking advantage of all the other Glowpoint services.

- **Reservation-Less, Multi-Person Video Calls**
  This "bridging on demand" service permits multiple users to see and communicate simultaneously on one screen. The "Brady Bunch" effect (also known as "continuous presence") allows all parties to see each other at the same time in a collaborative conference session. This spontaneous service feature is a great alternative to pre-scheduled managed multi-point calls. This offers traditional conference set up and activation customary of audio teleconferencing with a pin number for all participants to use for inclusion in multi-point video calls at an extremely cost effective rate. We also provide a high definition version of this service, which is the first of its kind.

- **Video Endpoint Management**
  Many customers enjoy the option of having a single point of contact for all of their video communication needs. Therefore, we offer remote video endpoint management services and can provide proactive monitoring and support, along with maintenance of video endpoints (such as providing required software updates), to ensure our customer's video endpoints are always ready and reliably available.

These proprietary video application services are the subject of patented and patent-pending technology (see "Intellectual Property" below) and were developed by Glowpoint over years of focusing exclusively on video communications. While not an application *per se*, Glowpoint customers have access to video communications support and expertise that we do not believe is available anywhere else. Our Network Operations Center (NOC) provides solutions and support for the physical network as well as the video experience and unique programs that businesses may support with video. We do not just monitor and trouble-shoot the network and leave customers to their own devices to support video communications. We are our customers' video communications partner and provide support to ensure a high-quality, easy-to-use and reliable video experience.

Our managed network services includes "last mile" (or local loop) connectivity, which is the network connection between Glowpoint's network backbone and the customer's location to which our service is delivered. The price of the managed network service component is typically based on the amount of bandwidth required to support the number of video endpoints at each customer locations. In late 2006, we formed GP Communications, LLC ("GP Comm"), a wholly-owned subsidiary of Glowpoint, Inc., to provide the last mile connection. Among other things, the creation of GP Comm had the benefit of repositioning our managed video service offering to unbundle (or separate) the video application services from the managed network offering. We believe this has permitted us to compete more effectively in the marketplace (see "Competition" below) and has created sales opportunities for "Glowpoint-enabling" other networks. A key differentiator for our managed network services is our 99.99% service level availability (SLA) and QoS commitment, and the fact that our network was designed exclusively for two-way video communications, which we believe is the industry's highest quality and reliable network service offering.

Customers wishing to use their own network or one provided by another network provider may still enjoy the benefits of Glowpoint's video application services. We market this as our "Glowpoint Connect" service and refer to it as "Glowpoint-enabling" another network. This is a "bring-your-own-access" ("BYOA") offering and permits customers to leverage their existing internal IP networks or VPNs (virtual private networks), as an alternative to using the Glowpoint managed network. Customers simply register their video endpoints with Glowpoint to take advantage of our video application services. Since Glowpoint Connect does not use our managed network service, the Glowpoint Connect fee is lower than our full bundled managed video service offering.

Managed Multi-Point Conferencing (Bridging) Services, including HD Bridging

Managed multi-point conferencing services enable customers to utilize Glowpoint's Multi-point Control Units (MCUs, which are also known as "bridges") in order to facilitate video conference meetings with more than two locations at the same time. Glowpoint has the ability to support both ISDN and IP for multi-conference events with enough capacity to support hundreds of participating locations at one time. With our managed multi-point conferencing service, virtually anyone can participate on a video call together, including:

- Other Glowpoint video or enabled locations;
- Non-Glowpoint video locations using legacy ISDN technology or the Internet;
- Geographically unlimited locations in the United States and around the world; and
- Non-video locations (e.g., participants without videoconferencing equipment and persons out of the office who can only attend by voice only using cell phones).

Our world-class global conferencing service and skilled professional technicians provide the highest quality service to fulfill all conferencing needs – at a competitive price. Glowpoint's multi-point conferencing service includes:

- Enhanced continuous presence;

- Multiple viewing options (up to 27 different layouts);
- Pre-call site certification;
- PowerPoint display and data collaboration;
- No cancellation fees;
- Call monitoring and recording;
- Standing reservations;
- Online scheduling;
- Conference dial-in numbers; and
- ISDN Gateway reduced calling.

In addition to our reservation-less HD capabilities, we launched the industry's first High Definition (HD) managed multi-point conferencing service, which brings HD to Glowpoint's fully-managed, scheduled "white-glove" offering.

Our managed multi-point conferencing service is a valuable sales avenue into new accounts. It permits customers to experience Glowpoint's video communications service and support without having to commit to a contract term. For Glowpoint, it provides us the ability to drive net new revenue without the need to install any new services. Later, we attempt to sell the customer our subscription services and, a majority of the time, empirically show the customer, based on usage data gained from providing multi-point conferencing services, that our subscription services will benefit the customer.

Though typically an event-based service, we signed a number of minimum commitment contracts with managed multi-point conferencing customers in 2006 and 2007 in order to have some predictable revenue from the service offering. We continue to pursue minimum commitment contracts.

VNOC Services

Glowpoint has been providing the highest quality "white glove" service as part of its product offerings for years. Now, with HD and telepresence technology and the accompanying high expectations in the marketplace for the quality, performance and service, we believe we are well positioned to provide support services for video rooms and Telepresence suites. Our video network operations center ("VNOC") support services include the following:

- *Room certification:* When a client is certified by the Glowpoint VNOC service, their room will be tested for all operational capabilities and monitored with dozens of alarm points to ensure the proactive and ongoing support will enable the VNOC to ensure the room is operational at the start of every conference.

- *Single Point of Contact:* VNOC "at your service" support is a single point of contact accessible via our video concierge service (a branded version of our patented live video operator assistance), which is integrated with a "support" button on the control panel or phone that then provides dedicated toll-free dial-in access or Web mail/portal access.

- *Scheduling:* Scheduling with the VNOC service removes any concerns of room management and allows customers to book room resources through all the means available such as a dedicated toll-free number (direct dial for international calls), concierge service through video one touch dialing, and Web portal scheduling tools which are integrated to Microsoft Outlook and Lotus Notes. Glowpoint's online scheduling tool is advanced and solves many of the challenges with room resource management that many large enterprises encounter today. Confirmation notifications are provided both to requestors and to participants. All scheduling options may be private labeled to match our customer's attributes (e.g., name and marketing tagline).

- *Conference Production and Monitoring:* A Glowpoint telepresence conference producer will set up and manage the successful launch and connection of all sites in the telepresence meeting, including point-to-point or multi-point calls. Our VNOC team then continuously supports and monitors all telepresence calls, including digitally monitoring connectivity levels by a qualified Glowpoint video producer. Our goal is to ensure that the technology is transparent to our users.

- *Help Desk Support:* Our VNOC team provides technical support for all active calls during a meeting. When required, we will coordinate with hardware vendors and integrators to repair or replace any component parts or resolve room integration issues. As the single point of technical support for your video solutions, our top priority is resolving endpoint or connectivity issues.

- *Training:* We believe that successful use and adoption of video communication requires ease of use, which is in large part a result of knowing how best to use the system. We host training sessions for customers and provide periodic training updates as reasonably requested.
- *Interoperability Testing and Support:* We believe we are the industry leader in evaluating and testing video communication equipment for reliability and interoperability through our Glowpoint Certified Program (see "Intellectual – *Hardware Interoperability*" below). As telepresence continues to evolve, we expect to continue leading the industry in our interoperability and certification testing to assist our telepresence customers.
- *Stewardship Reporting and Service Reviews:* We provide monthly stewardship reports that capture key metrics related to the performance of the room, the associated network, and various support levels, including statistics related to usage (number of meetings, duration, and hours of use), network and room connectivity availability, network and room mean time to repair, and failure/root cause analysis. We have quarterly meetings with our customers to review these statistics, providing a forum to discuss areas of success, areas in need of improvement, and address any other concern.
- *Advanced Network Monitoring:* If a client chooses to use another network to support their telepresence rooms, Glowpoint offers advanced network monitoring which allows the VNOC service to not only qualify the room readiness at all times, but to also monitor the performance of the network supporting that room. We will set thresholds based on the requirements of video traffic and react and report on any deficiencies.

The Glowpoint VNOC solution may be bundled with our Quality of Service (QoS) managed network service or offered on its own by Glowpoint-enabling another network service. Customers who purchase a Cisco Systems 3000 Telepresence^{TM} solution, Polycom RPX$^{TM\ or\ TPX}$, or Tandberg Experia^{TM} solution, for example, may all take advantage of the Glowpoint VNOC solution regardless of their choice of network. A typical telepresence room requires 6 megabits per second (mbps) per video device, of which there are typically usually two or three per telepresence room. Therefore, the total bandwidth per telepresence room is usually at least 18 mbps. Multi-point calls (bridging calls) require even more bandwidth, often as much as a DS-3 (45 mbps) to support one session. Our managed network solution is ideal to support the telepresence suites, especially when customer networks cannot handle those demanding requirements.

Professional Services

As with technology hosting and management services, we sought new revenue sources using what we believe are our unrivaled network and video engineering capabilities. With the growing interest in convergence and the desire by some enterprises to add the transport of video to their enterprise networks, we have provided professional services and believe the market for such services is growing. Additionally, our extensive knowledge of all leading video conferencing equipment makes our video engineers a valuable resource for manufacturers on an outsourced basis. While our primary focus is generating monthly recurring revenue from our subscription services, our professional services have been a valuable sales avenue into video communication opportunities and have led to sales of our managed video services.

Market Solutions: Bundled Offerings for Broadcast and Video Call Centers

We have bundled certain components of our managed services to offer video communication solutions for broadcast/media content acquisition, and video call centers.

Managed IP Video Service for Broadcast and Event Services

Our managed video services have been used during events to cost-effectively acquire video content for broadcasters, cable companies and other media enterprises, especially in the sports, news and entertainment industries. While it includes our core managed video services, IP-based broadcasting and event services require more project management and dedicated operational and engineering personnel than our standard subscription services. Rather than using an expensive satellite feed, companies can acquire broadcast-quality standard definition footage at a fraction of the cost from Glowpoint over a dedicated IP connection. Since 2002, we have provided this service to ESPN during the NFL and NBA drafts. ESPN has used it for interviews from team locations with coaches, players and analysts during their coverage. Our managed services for IP-broadcast solutions are currently used by many well-known media companies, including ESPN and NFL Network, amongst many others.

In 2007, we launched a High Definition (HD) content acquisition solution that we branded TeamCamHD and RemoteCamHD. This offering provides two-way HD video communication for content acquisition from remote locations. In April 2007, we announced a multi-year agreement with NASCAR Images as the first customer to deploy the TeamCamHD solution, which will be used to provide the NASCAR industry the ability to acquire content, such as driver interviews between races, which may then be distributed to key media outlets for dissemination.

Video Call Center Solution

Glowpoint is leading the way in developing unique applications using video communications. Leveraging our patented live video operator service, we developed a proprietary product that allows businesses to bring video to their call centers, turning their most talented resources into a global sales team. We call this application “Customer Connect” and it is the “middle ware” that plugs into, and accesses all of the intelligence in, existing call management systems in a call center or other location. We believe that service and retail sales businesses are always seeking more effective ways to connect with customers. Our video call center solution, permitting a “Remote Video Expert” on demand, is a way for businesses to differentiate themselves.

Our Customer Connect solution is currently being used by a major retail bank to provide high definition “video banking” services to clients around the country. With one touch inside a local branch location, an existing or potential bank customer is instantly immersed in a telepresence call with a highly trained bank professional. Rather than needing to have these professionals scattered at local branches when their services may not always be required, our call center solution permits the retail bank to centrally locate its trained professionals and provide services as and when needed, supporting a region rather than one or two locations. Our business customer is now able to train fewer people, support a greater number of branches and cross-sell products more effectively. This appears to be a growing trend where businesses will use video communications as a tool to interact more cost effectively and efficiently with their customers. We call this a business-to-business-to-consumer (B2B2C) application and believe it will make video communications a critical application across many industries.

Our video call center “Customer Connect” solution provides the same experience as its audio call center counterpart, such as automated attendant, interactive menus, multiple languages, multiple skills-based call routing, on hold, call transfer, and call center statistics. It is simple and cost effective for businesses to implement and easy for consumers to use. Some features (and differentiators) of this product include:

- private labeling to include the brand of our business customer, so its customers only know that they are interacting with the business’ call center;
- customization to interact with the video elements of choice (agnostic to all video endpoints);
- integration with our business customer’s existing call management system technology in its call center; and
- scalability to thousands of remote locations (e.g., local bank branches) that will interact with one call center, or as many call centers as our business customer needs.

As with all of our managed video services, our Glowpoint Video Call Center solution may be bundled with our QoS managed network service or offered on its own by Glowpoint-enabling another network service.

Technology Hosting and Management Services; Private Labeling

In constructing Glowpoint’s global network and service offering, we developed technical and operational expertise relating to supporting two-way video communications. In early 2006, we decided to leverage this intellectual property and video infrastructure by offering to host other companies’ video-related equipment and applications. Additionally, we “packaged” our services and expertise so they can be branded for use by other companies in a private label fashion. When we have private labeled our services, our live operators answer calls using the other company’s name, we re-brand “Lisa” to use the other company’s name, logo and other information, and the other company’s end user customers view the service as provided by that other company even though it is actually “powered by Glowpoint.”

Our technology hosting revenue is comprised of a non-recurring fee for setup and installation, and an ongoing monthly hosting and support fee. For enterprise customers, the majority of hosting revenue is centered on hosting and managing MCUs (bridges). For other service providers, Glowpoint hosts components of the provider's video solution.

All of Glowpoint's unique features and services have been designed so that the entire suite can be "private labeled" by other service providers or companies who want to integrate video communications into their existing products quickly and cost efficiently. "Glowpoint Enabling" is very similar to the concept of "Intel inside" where, for example, Glowpoint provides all of the video infrastructure and support, including customer portals and billing applications, as a private label service for a third party, who in turn sells these services to their customers. Glowpoint has been involved in a number of private label opportunities, including Sony and Vision Net in Australia, and have a number of additional opportunities pending. Other examples of leveraging our video application services across other networks include Glowpoint-enabling the networks of providers such as Masergy, Savvis, AT&T, and Qwest.

Intellectual Property

Supporting these unique services and features is Glowpoint's patented and patent-pending proprietary technology developed specifically for two-way video communications. Over the past six years, we have spent in excess of $7 million and tens of thousands of engineering hours in designing, building, and perfecting our managed video services and spent in excess of $8 million building the Glowpoint network. We have focused our research and development on the three key factors that we believe are essential to the successful delivery and widespread adoption of video communications: (i) network architecture; (ii) video applications and telephony features; and (iii) hardware interoperability. Our research and development has led to a patent and a number of patent applications (*see below*) and various solutions. We know of no competitor that offers any service with comparable features, performance, reliability, and scalability, and we believe there are significant barriers to create one.

Network Architecture

We designed and built our global network to meet and exceed what we believe to be the needs and expectations of two-way video communications. Our architecture includes patented and patent pending technologies that provide advantages over other networks that are capable of carrying video, including such Glowpoint features as interoperability between IP and ISDN systems, fast re-route of video calls, varied and flexible "last mile" connectivity options that support multiple protocols, 99.99% Quality of Service ("QoS") commitment, and a fully redundant and secure backbone design.

Our network is a secure, state-of-the-art multiple protocol layer switching (MPLS) backbone with the redundancy and reliability businesses demand for their critical applications. Our network is a ring with mesh points to provide full redundancy on the backbone. Utilizing carrier grade Cisco products in the core, we have been able to design a backbone that is scalable and can easily grow as demand dictates. With the increasing adoption of HD (High Definition) video systems and telepresence rooms, the expectation is that the demand for more bandwidth per video call will also grow. Our investment in our backbone architecture accounted for this and our backbone capacity can more than triple with modest additional investment.

We maintain a state-of-the-art network operations center (NOC) at our Hillside, NJ headquarters, from which we monitor the operations of our network on a 24x7 basis. The NOC's primary functions are to monitor the network, manage and support all backbone equipment, and provide proactive and on-demand support for our customers. Video traffic does not pass through our NOC, nor does usage information or authentication packets. We designed our network to handle those functions at our Points of Presence (POPs), which was done for improved video performance and, more importantly, to address security and disaster recovery/business continuity matters. We utilize Netcool, HP OpenView and NetVigil network management tools to monitor and support our network. We also use Remedy for workflow in order to track and report trouble tickets.

Our proprietary network architecture includes Glowpoint-owned equipment installed at collocation centers across the country, connected by multiple dedicated high-speed circuits. These Points of Presence (POPs) are connected in a ring topology with strategic mesh points, which virtually eliminate the risk of a single point of failure and provide industry-leading throughput, scalability and mission-critical resiliency. We have contracted with numerous network providers for backbone circuits, aggregate hubs and collocation facilities. Our primary vendors in the United States are (i) Qwest for backbone connectivity, (ii) Qwest, Verizon Business/MCI and Covad for the aggregate hubs, and (iii) Equinix for collocation facilities. We have also contracted with a number of “last mile” providers in the United States and abroad to deliver local loops to our customer locations. In the United States, Covad Communications and New Edge are our primary SDSL providers with Qwest, Verizon Business/MCI, and XO Communications providing private line DS-1 services. We use Network-I and Easynet for DSL as well as T-Systems, Asia Netcom, Savvis, Masergy, Telstra, Global Crossings and others for international connectivity. Our goal is to partner with carriers who can provide dedicated broadband access to our network using either digital subscriber lines (DSL) or dedicated 1.5 mbps (DS-1) or 45 mbps (DS-3) lines. We have many access options for connecting customer locations to the backbone, including SDSL, HDSL, T1, DS3, Sonet, ATM and Gigabit Ethernet options.

Our network architecture was specially designed for the efficient and cost-effective delivery of feature-rich two-way video content. The network boasts a fully deployed and sophisticated gatekeeper infrastructure that can support thousands of video endpoints with redundancy. This design enables us to provide a unique set of value-added services, such as intelligent call routing and an exclusive consolidated video call detail record (CDR) feature that allows for detailed tracking on a call-by-call basis for point-to-point, gateway and multi-point calls. Competitive providers of network, such as telecommunications carriers (see “Competition” below), would have to install video-specific gatekeeper technology throughout their networks to provide the additional functionality necessary to create similar service capability. The challenge facing these carriers to replicate our network features is two-fold: (i) the sheer volume of data traffic carried by their networks would make such a project enormously expensive and, most likely, cost prohibitive and (ii) the gatekeepers alone do not route calls and track usage, it is our other proprietary technology that augments the gatekeeper functionality. We have also developed a specialized configuration of software, hardware and global positioning technology that enables us to accurately monitor jitter, packet loss and latency to maximize overall network performance.

With our origins in videoconferencing equipment sales and service, we have a broad understanding of the unique demands placed on a network by a video communication application. Telecommunication carrier networks were simply not designed for two-way video communications. Unlike a standard data application, video applications immediately expose network performance limitations. It was this need for quality and reliability that prompted us to develop our own network dedicated exclusively to two-way video communications, but designed using standard (and proven) network concepts and methodologies. We also believed that a network alone would not offer a sustainable competitive advantage. Accordingly, we developed and continue to develop proprietary software and hardware-based service offerings that leverage our dedicated proprietary network architecture and enables us to offer high quality and easy-to-use video communications.

Video Applications and Telephony Features

We developed and offer a full array of pioneering applications and features targeted to the specific demands of two-way video communications, making it as easy and spontaneous as using the telephone but with the power of face-to-face communications. In April 2007, we were awarded a U.S. Patent for our live video operator assistance feature. This patented technology provides customers the ability to obtain live, face-to-face assistance and has widespread application, from general video call assistance to “video concierge” services. This patent is an essential component of providing “expert on demand” and telepresence “white glove” (our VNOC) services.

Other proprietary features and services include call forwarding, the video call distributor, unassisted incoming and outgoing gateway calling, bridging-on-demand meeting rooms, least-cost international call routing, web-based scheduling, video endpoint authentication via LDAP servers, firewall traversal services, customer information center, data collection and statistical analysis tools. Many of these features and services are the subject of patented and patent-pending technology (*see below*) and were developed to offer a unique set of video communication capabilities, services and features that are difficult for any competitor to match.

Hardware Interoperability

We are hardware agnostic. Therefore, we strive to ensure that our managed video services work with any available standards-based videoconferencing equipment. Through the Glowpoint Certification Program, we test and assess new equipment, options and configurations for use throughout our network. The program sets strict standards for equipment performance and service levels. Customers can be assured that Glowpoint-certified products conform to the highest standards of compliancy as well as interoperability with other leading manufacturers of similar products. Our certification team has created a comprehensive testing and evaluation methodology requiring that each manufacturer’s class of video communications equipment meet or exceed performance, reliability and interoperability levels in the areas of video, audio, data, feature and capability set. We maintain a close relationship with all of the leading video equipment manufacturers, such as Polycom, Tandberg, Sony, Cisco, HaiVision, Life Size and Radvision, and provide each of them with information about their products' performance.

Patents and Patents-Pending

Because we were the first dedicated IP-video service provider, the development of our network architecture and video applications resulted in a significant amount of intellectual property – from real-time rating and billing for video calls to video call center applications for customer support. In 2007, we received our first patent and a number of others have been filed and are in various stages of the patent process. This patented and patent-pending proprietary technology provides an important barrier for competitive offerings of similar telephony-like managed video services. We are unique and, given our proprietary technology, believe we are especially well positioned to partner with telecommunications carriers, virtual private network providers, equipment manufacturers, resellers and other companies focused on integrating innovative and high quality video solutions into their product mix.

As mentioned above, we were awarded U.S. Patent No. 7,200,213 B2 in April 2007 for our live video operator assistance feature. This patented technology provides customers the ability to obtain live, face-to-face assistance and has widespread application, from general video call assistance to "video concierge" services. This patent is an essential component of providing "expert on demand" and telepresence "white glove" (our VNOC) services. We believe this patent helps solidify our position as the leader in developing solutions that make video communications a critical business application for our customers.

We have substantial intellectual property with regard to two-way video communications. Due to resource prioritization matters, we have initially only pursued those patent applications we believe are the most strategic. The following is a brief description of our pending patents and their role in our managed video service offering:

- *Video Call Director* - When you place a voice telephone call, you expect some resolution of it – a completed call, a busy signal, or a message that you dialed the wrong number. In the IP-video world, we do not believe that this functionality existed before Glowpoint. Customers placing IP video calls would receive cryptic error codes or invalid network error messages. We developed the Video Call Director technology to intelligently redirect calls based on various conditions. The technology is deployed as "Lisa", our video call assistant. Now, when a Glowpoint customer places a video call that does not connect, he is greeted with an interactive video message from "Lisa" explaining some reasons and offering him the option of reaching a live video operator for assistance. The ability to intelligently route video calls based on various conditions lends itself to numerous other capabilities and services, including video mailbox, follow-me video numbers (see below), and video call transfers and forwarding.

- *Method and Process for the Glowpoint Video Call Distributor* – Our video call distributor technology permits businesses to route real-time, two-way video calls over an IP network using a call management system (e.g., a traditional PBX-based automatic call distribution system) that may serve multiple possible endpoints (for example, a call center environment). This video call distributor integrates the features and services of traditional voice call distribution systems with video calls. It is built on previously patented Glowpoint technology as well as new technology developed specifically for this solution, which is marketed as Glowpoint's Customer Connect offering. We believe this patent-pending technology is a critical component of skills-based video call centers, where video calls can be routed to the appropriate person based on predetermined skill sets or criteria. For example, in our video banking pilot (discussed above), this patent-pending technology has been used to route video calls to English and Spanish speaking video bankers depending on a selection made at the remote branch location.

- *Method and Process for Consolidated Video Call Detail Records (CDR)* - Many of the individual video conferencing products have the ability to create their own CDRs. However, in a service provider environment with many independent products supporting a complex suite of services, the ability to gather and provide call details in a consolidated manner did not, to our knowledge, exist. Without that capability, it would be virtually impossible to bill customers for usage-based video calls, and difficult to run a video communications business. Therefore, we developed the technology and method for automatically gathering video call details. Even though we provide unlimited usage across the Glowpoint network, the technology has been applied to expanded uses, including providing customers with online call detail, specialized utilization reports, stewardship reports, and tracking unique billing codes to every video call. This patent-pending technology has been instrumental in selling our managed video services to law firms, consultants and professional services customers.

- *Method and Process for Video over IP Network Management* – When Glowpoint was launched, we found no network existed at the time to support high quality two-way video communications. As a result, we developed a highly sophisticated network that included our backbone network architecture and our video network architecture. We combined off the shelf components with proprietary design and technology to create the world's first dedicated IP video network. In addition to the method and process for building this network, we developed and deployed unique testing tools that enable us to closely monitor key metrics associated with successfully delivering high quality video communications. With the introduction of HD and telepresence, there are increased concerns regarding carrying video traffic with data traffic on the same network. We believe these concerns underscore the need to carry video communications on Glowpoint's patent-pending dedicated IP video network.

- *Systems and Method for Video Transport Services (Service Provider Based Firewall Traversal)* – Our initial product offering included customers using our video applications and managed network services as a completely outsourced solution for all video communications. However, as convergence (using one network for data, voice and video) gained acceptance, we were asked by customers to support a hybrid solution, where some video endpoints remained on the customer's network but other locations and the video application services (multi-point conferencing, gateway to ISDN, etc.) were provided across Glowpoint's network. In order to accommodate the need to traverse the customer's network in a secure fashion, we developed our Video Transport Service (VTS) specifically to provide firewall traversal solutions in a managed service offering. While individual firewall traversal products can be purchased from various hardware manufacturers, we believe our patent-pending technology is the first complete service solution.

- *Systems and Method for Automated Routing of Incoming and Outgoing Video Calls between IP and ISDN network* – Even though adoption of IP video has seen a surge recently, a significant portion of video communications users in the world still utilize legacy ISDN networks. Early on, we wanted to ensure that the migration from ISDN to IP would be painless and we understood the need to be able to seamlessly connect IP users with ISDN systems around the world. We believe Glowpoint is still the only service that assigns real phone numbers to customers that enable them to simply dial the phone number to "gateway" from their IP system on Glowpoint to ISDN systems. In addition, Glowpoint customers can be called directly from virtually any ISDN video system or even a phone anywhere in the world. This patent-pending automated call routing capability has been leveraged to provide a least cost gateway to customers, routing the call to the most inexpensive gateway exit point off the Glowpoint network before entering the PSTN/ISDN network.

- *Video Communications Control System/Parental Control* – In late 2005, Glowpoint introduced IVE (Instant Video Everywhere), a software-based video service that works with a simple web camera over the Internet. During development and market research, it became apparent that the early adopters of consumer based two-way video communications would be teenagers and young adults. Given that demographic and the proliferation of tools to help parents control what websites are visited by their children, we felt that parental control of two-way video communications was a logical requirement as video communications became more mainstream. This patent-pending technology leverages existing parental control codes and guidelines to restrict video calls from being placed or received from blocked callers. It also permits parents to establish a "friends and family" directory of allowable video numbers that can be called. While it may be currently ahead of its time, we believe this patent-pending technology will be valuable in the future.

- *Method and Process for Follow-Me Video Phone Number* – Our IVE (Instant Video Everywhere) product offering was intended to enable traveling business people to stay connected by video wherever they go. These "road warriors" could log into IVE from a hotel room, airport lounge, or anywhere else a quality broadband connection was available, and place and receive video calls. In order to enhance the experience and integration with the video systems in their offices, Glowpoint developed technology to create a Follow-Me Video number capability. Essentially, the user has one video phone number and, if logged into IVE, the video call will automatically route there instead of the video system in the user's office. This patent-pending technology allows our customer to have one video number, one video mailbox, and yet literally be reached by video anywhere in the world.

Sales and Marketing

We market and sell our managed video services to a broad range of businesses in many industries through both direct and indirect sales channels. As noted above (see "Overview - *Industry Overview*"), videoconferencing equipment manufacturers, equipment resellers, audio/visual integrators, and network providers have expanded our indirect sales channels. Many of the complex solutions sought in today's market have created new and unique opportunities for the sale of Glowpoint services. We also continue to diversify our lead generation and sales efforts by integrating these indirect sales channels with aggressive internal lead generation programs and vertical industry focused marketing and promotional efforts. No matter the lead generation, sales or distribution channel, our goal is to provide all with a world-class service, sales and collateral materials, training, and management tools to reduce barriers and increase our return on investment against our sales, marketing and promotional efforts.

One of our main sales challenges has been that video communications is not generally perceived as a critical application for most companies. This has resulted in historically moderate growth and longer sales cycles. Recognizing this, we set out to create new markets where video communications plays a critical role in business practices. Two areas we have focused on are the legal and broadcast/media sectors. Law firms have been using video conferencing for years, but poor performance and the difficulty of associating its usage to clients prevented widespread utilization and growth in the sector. Therefore, Glowpoint introduced a legal industry-focused video solution, which combines Glowpoint's high-quality managed video services with special billing features that enable law firms to enter a client/matter billing code before placing a video call. This innovation established Glowpoint as a key component of many law firms' communication infrastructures and translated into more sales success.

For the broadcast/media industry, we recognized its need to acquire more content and do so more cost effectively. Therefore, we introduced a highly managed and supported service that has been utilized to acquire video content for broadcasters, cable companies and other media enterprises, especially in the sports, news and entertainment industries. Rather than utilizing an expensive satellite feed, companies can acquire broadcast-quality standard definition (SD) and high definition (HD) content over a dedicated Glowpoint IP connection at a fraction of the cost. The initial SD use of Glowpoint in the broadcast sector was in 2002 when we provided this service to ESPN during the NFL and NBA Drafts. ESPN has used it for interviews from team locations with coaches, players and analysts during their coverage of the drafts every year since 2002. In 2007, we launched a High Definition (HD) content acquisition solution that we branded TeamCamHD and RemoteCamHD and announced a multi-year agreement with NASCAR Images as the first customer to deploy this solution, which will be utilized to provide the NASCAR industry the ability to acquire content, such as driver interviews between races, which may then be distributed to key media outlets for television broadcast. This sales focus on the broadcast/media sector translated into approximately a 67% revenue growth rate from 2005 to 2006 and more than a 100% revenue growth rate from 2006 to 2007.

Our current plans include focusing on telepresence support services and "business-to-business-to-consumer" ("B2B2C") applications, mining our existing customer base for additional sales, targeting select market segments that have shown the greatest promise (e.g., legal and broadcast/media), strengthening our indirect sales channel relationships, and continued conversion of ISDN users. Depending on the source, anywhere from 50% to 70% of installed video systems are still using legacy ISDN services. Considering that there are an estimated 500,000 to 1,000,000 video systems in the United States alone, we believe there is still a huge untapped market available to convert to Glowpoint IP services. We will continue to create sales programs designed to convince legacy ISDN users to migrate to IP, which may include bundles with resellers, where equipment and services are sold to the customer as one package.

The decision about what network or service to use is generally made at the same time a customer purchases video conferencing equipment. Because we do not sell video equipment, we have not been included in a number of opportunities at the point of sale. The only way to ensure Glowpoint is involved at the point of sale is through the indirect channel, mostly made up of companies that also sell video equipment. Glowpoint initiated a campaign in

May 2006 to re-energize that sales channel and reestablish relationships. The result was an increase from 10% of new sales coming through that channel prior to May 2006 to approximately 40% of new sales from June through December 2006 coming through that channel and approximately 39% of new sales coming through that channel in 2007.

We also view B2B2C opportunities as very exciting, and “disruptive”, in the market. While the Glowpoint products and service have tremendous potential in the consumer market, we are not currently positioned to realize that potential. Therefore, we are developing and marketing solutions to other businesses where the ultimate user is that business’ customer. An example of this is video banking, where a bank is currently using Glowpoint’s patented and patent-pending technology to sell services to customers at branch office locations from a central video banking call center. By going to market with a B2B2C offering, we can reap the benefits of consumers using our managed video services without the expense and risk of trying to reach out to them directly.

Customers

We have a stable, growing customer base of over 660 customers ranging from Fortune 100 companies to federal, state, and municipal governmental entities to businesses and service professionals (e.g., accountants and lawyers) to non-profit organizations. Our top ten current market segments at the end of 2007, listed in order of contribution to revenue, are: legal and law enforcement, approximately 15% of revenue; broadcast/media, 14%; governmental entities (local, state and federal), 10%; banking and finance, 10%; manufacturing, 8%; education, 5%; healthcare and medicine, 5%; services (including consulting), 4%; food and beverage, 4%; and engineering and construction, 3%. No single customer represents more than 10% of our revenue.

Employees

As of December 31, 2007, we had 65 full-time employees. Of these employees, 10 are involved in backbone engineering and development, 22 in customer service and operations, 18 in sales and marketing and 15 in corporate functions. None of our employees is represented by a labor union. We believe that our employee relations are good.

Competition

For the sale of our video application services and managed network services, we mainly compete against telecommunications carriers, VPN service providers, and videoconferencing equipment resellers. Many of our competitors have greater resources than we do, including, without limitation, financial, engineering, personnel, intellectual property, research and development, and network. Telecommunications carriers, such as AT&T, Verizon Business/MCI, Sprint and some of the regional Bell operating companies, mainly compete on the basis of offering network and a converged solution of data, voice and video. VPN service providers and smaller regional network providers, such as Masergy Communications, XO Communications, and SAVVIS, are all capable of supporting video over their networks, but do not offer video services directly. Typically, these providers partner with a video service provider, such as Wire One/VSPAN or IVCI, to compete directly with us. These relationships generally are not exclusive and we have been able to partner with a number of would-be competitors with the intent of selling our video application services to be delivered over their networks. Glowpoint-enabled third party networks is one way Glowpoint ensures it can work closely with carriers and customers to deliver video services even if Glowpoint’s network is not selected. Some videoconferencing equipment resellers have opted to create their own video services offering, using third party networks (such as Savvis or Masergy) to sell video services at the equipment point of sale. We do not believe that any of these offerings have the full range and scope of services that Glowpoint offers.

For our multi-point conferencing services, we compete against other multi-point conferencing providers, many of whom also have greater resources than we do, including, without limitation, financial, engineering, personnel, intellectual property, research and development, and network. In addition to the above-mentioned telecommunications carriers, competitors include audio conferencing companies that have added video functionality, such as InterCall (a subsidiary of West Corporation and recently announced acquirer of Genesys Conferencing), ACT Teleconferencing, and Wire One/VSPAN. We believe these competitors are still heavily dependent on ISDN and have little or no expertise in IP video. By combining our managed video service with our multi-point conferencing services, we offer tremendous performance and cost savings to our customers that we believe is difficult, if not nearly impossible, for the competition to match at this time.

We compete primarily on the basis of our:

- sole focus on two-way video communications;
- breadth of service offerings;
- full support of all industry standards;
- unique custom built applications and services;
- global network presence;
- technical expertise;
- knowledgeable video service and training personnel; and
- commitment to world-class customer service and support.

More than just a provider of bandwidth for video communications, we have developed a comprehensive approach to significantly improve video communications so that it can become an integral tool for business communications. We not only designed a network specifically for two-way video communications but also have continued to develop proprietary network applications that ensure a high quality, reliable and easy-to-use experience. Glowpoint supports any standards-based videoconferencing equipment and, through our certification program, we have developed expertise in the area of hardware interoperability across IP networks. Our value-added services include video operators, multi-point video conferencing (bridging), seamless connectivity from IP to ISDN (gateway services), on-line real-time billing and a call detail portal. Our services offer subscribers substantially reduced transmission costs and superior video communications quality, remote monitoring and management of all video endpoint subscriber locations utilizing SNMP for products that support SNMP, video streaming, firewall transport services and VNOC support for telepresence rooms.

We believe that our ability to compete successfully will depend on a number of factors both within and outside of our control, including the adoption and evolution of technologies relating to our business, the pricing policies of competitors and suppliers, the ability to hire and retain key technical and management personnel, the availability of adequate working capital to fund our sales and marketing plans, and industry and general economic conditions.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and its rules and regulations. The Securities Exchange Act requires us to file periodic reports, proxy statements and other information with the Securities and Exchange Commission. Copies of these periodic reports, proxy statements and other information can be inspected and copied at:

SEC Public Reference Room
100 F Street, N.E.
Washington, D.C. 20549

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of any material we have filed with the SEC by mail at prescribed rates from:

Public Reference Section
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

You may obtain these materials electronically by accessing the SEC’s website on the Internet at www.sec.gov.

In addition, we make available, free of charge, on our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. You may review these documents on our website at www.glowpoint.com.

Item 1A. Risk Factors.

Glowpoint's business faces numerous risks, including those set forth below or those described elsewhere in this Form 10-K Annual Report or in our other filings with the Securities and Exchange Commission. The risks described below are not the only risks that we face, nor are they necessarily listed in order of significance. Other risks and uncertainties may also affect our business. Any of these risks may have a material adverse effect on Glowpoint's business, financial condition, results of operations and cash flow.

Risks Relating To Our Securities

We need future capital to refinance our existing obligations and for working capital. If we are able to raise additional capital, it may dilute our existing stockholders or restrict our ability to operate our business. If we are unable to refinance our existing obligations, it would have a material adverse effect on the Company.

Our working capital requirements continue to be significant. To date, we have been dependent primarily on the net proceeds of private placements of convertible debt and equity securities. Our 10% Senior Secured Convertible Notes ("Senior Notes") issued in March and April 2006 and September 2007 (collectively, the "Private Placements") in aggregate principal amount of $9,718,000, together with additional notes issued to satisfy the quarterly interest payments ("Senior Secured Interest Notes"; together with the Senior Notes, the "Senior Secured Notes"), mature in March 2009. We may not be able to repay such notes at that time and may have to evaluate our options, which include renegotiating the terms and maturity date and issuing new debt or equity to repay the Senior Secured Notes. If we are unable to renegotiate the maturity of the Senior Secured Notes or issue new securities on favorable terms to repay them, it would have a material adverse effect on the Company and we would not have sufficient funds to continue as a going concern.

Furthermore, our working capital requirements depend and will continue to depend on numerous factors, including the timing of revenues, the expense involved in development of our products, realizing cost reductions on our technology, capital improvements and the cost involved in protecting our proprietary rights. Accordingly, the proceeds from our September 2007 financing and our other existing capital resources may not be sufficient to fund our future operations. We currently have no committed sources of, or other arrangements with respect to, additional financing. If additional working capital is required, it may dilute our existing stockholders or restrict our ability to run our business.

Our consolidated financial statements are prepared assuming we are a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from being unable to raise the necessary additional capital, renegotiate or refinance the Senior Secured Notes, and realize projected operational savings.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. We have incurred recurring operating losses and negative operating cash flows since our inception including a net loss attributable to common stockholders of $4,924,000 and negative operating cash flows of $1,878,000 for the year ended December 31, 2007. The Company performed an evaluation of its long-lived assets, however, and determined that there is an excess of cash flow on an undiscounted basis over the long-lived carrying amount. Therefore, the Company believes that no impairment losses were required. At December 31, 2007, we had cash and cash equivalents of $2,312,000, a working capital deficit of $9,092,000 and an accumulated deficit of $178,094,000. These factors raise substantial doubt as to our ability to continue as a going concern. In 2006 we commenced a restructuring of the current business (see Note 16 to the consolidated financial statements for further information). We raised capital in March and April 2006 and September 2007, but continue to sustain losses and negative operating cash flows. Assuming we realize all of the savings from our restructured operating activities and assuming we are able to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees, we believe that our available capital as of December 31, 2007 will enable us to continue as a going concern during 2008. There are no assurances, however, that those assumptions will be realized. The accompanying financial statements do not include any adjustments that might result from this uncertainty. The potential adjustments that might result include:

- Substantial disposition of assets outside the ordinary course of business;
- Externally forced revisions of our operations or similar actions; and
- Restructuring of our debt or a reorganization of our business.

We have reported weaknesses in our internal controls for financial reporting. If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders may not be confident in our financial reporting, which would harm our business and the price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed.

We may be required to issue more shares of common stock upon adjustment of the conversion price of our outstanding Series C Preferred Stock and the Senior Secured Notes or the exercise price of our outstanding warrants, resulting in dilution of our existing stockholders.

The conversion or exercise of any of our outstanding preferred stock, Senior Secured Notes, options and warrants will dilute the ownership interests of our stockholders. If we sell common stock or common stock equivalents at a price per share that is below the then-applicable conversion price of our outstanding Series C Preferred Stock and the Senior Secured Notes and/or below the then-applicable exercise price of certain of our outstanding warrants, then the conversion price or exercise price, as the case may be, of such securities may adjust downward and, as a result, the amount of shares of common stock issuable upon conversion or exercise of such securities would increase. As a result of the foregoing, we may be required to issue more shares of common stock than previously anticipated which would result in further dilution of our existing stockholders.

Failure to achieve a minimum EBITDA will increase the interest rate of the Senior Secured Notes, which may result in dilution of our existing stockholders.

All of the Senior Secured Notes bear interest at 10% per annum, increasing to 12% on the first anniversary following their issuance, and mature on March 31, 2009. Beginning in January 2008, the per annum interest rate on the unpaid principal balance of the Senior Secured Notes then in effect shall increase if the Company fails to achieve a minimum adjusted quarterly earnings before interest, taxes, depreciation and amortization (the “Adjusted EBITDA”) as defined in the Senior Secured Notes. The per annum interest rate shall increase by 200 basis points if the stated quarterly Adjusted EBITDA is not achieved, and such increase will be cumulative for each subsequent quarterly failure to achieve the stated Adjusted EBITDA; provided, however, that the per annum interest rate shall revert to the lower interest rate in the event the Company achieves or exceeds the stated or cumulative minimum Adjusted EBITDA in any subsequent quarterly period. The minimum Adjusted EBITDA required in order to avoid an increased interest rate is: (i) $0 for the quarter ending March 31, 2008; (ii) $1,000,000 for the period commencing on January 1, 2008 and ending on June 30, 2008; (iii) $1,500,000 for the quarter ending September 30, 2008, or $2,500,000 for the period commencing on January 1, 2008 and ending on September 30, 2008; and (iv) $2,000,000 for the quarter ending December 31, 2008, or $4,500,000 for the year ended December 31, 2008.

To date, all interest due on the then-outstanding Senior Notes has been paid by issuing Senior Secured Interest Notes. The failure to achieve the Adjusted EBITDA will, if not paid by the Company in cash, require the issuance of Senior Secured Interest Notes with greater principal than if the Company had achieve the Adjusted EBITDA. Because of all of the Senior Secured Notes are convertible into common stock at a conversion rate of $0.50 per share, we may be required to issue more shares of common stock than previously anticipated due to the failure to achieve the Adjusted EBITDA, which would result in further dilution of our existing stockholders.

Sales of substantial amounts of common stock in the public market could reduce the market price of our common stock and make it more difficult for us and our stockholders to sell our equity securities in the future.

Under the terms of the prior financings, including the terms of the Private Placements and the terms of a private placement in February 2004 (the “2004 Financing”), a substantial number of shares of our common stock were to be registered for resale. Resale of a significant number of these shares into the public market, once registered, could depress the trading price of our common stock and make it more difficult for our stockholders to sell equity securities in the future. In addition, to the extent other restricted shares become freely available for sale, whether through an effective registration statement or under Rule 144 of the Securities Act of 1933, as amended (the “Securities Act”), or if we issue additional shares that might be or become freely available for sale, our stock price could decrease.

Although the sale of these additional shares to the public might increase the liquidity of our stockholders' investments, the increase in the number of shares available for public sale could drive the price of our common stock down, thus reducing the value of your investment and perhaps hindering our ability to raise additional funds in the future.

We do not believe the Series B warrants are exercisable. If our position is challenged and we do not prevail, there will be significant dilution.

In connection with our March 2006 and April 2006 financing, we issued Series B warrants to purchase 6,180,000 shares of common stock at an exercise price of $0.01 per share. The Series B warrants would only become exercisable if we failed to achieve positive operating income in the fourth quarter of 2006, excluding certain restructuring and non-cash charges identified in such warrant. While we reported positive operating income, excluding those restructuring and non-cash charges identified on Schedule A to the Series B warrants, as amended, for the fourth quarter of 2006 and do not believe the Series B warrants are exercisable, there can be no assurance that the Series B warrant holders will not challenge our results. While there has been no challenge to date, in the event of such a challenge and an adverse outcome against us, 6,180,000 shares of common stock may be issued for one cent per share and there will be significant dilution.

We do not intend to pay any dividends on our common stock.

We have not declared and paid any dividends on our common stock and we do not intend to declare and pay any dividends on our common stock. Earnings, if any, will be re-invested in our business.

We expect our future operating results to vary from quarter to quarter, and increase the likelihood that we may fail to meet the expectations of securities analysts and investors at any given time.

We expect our revenues and operating results to vary significantly from quarter to quarter. In addition, the Company will be required to incur interest expense until conversion of the Senior Secured Notes into common stock. The interest rate of the Senior Secured Notes will increase if we fail to achieve certain EBITDA covenants set forth in such notes. We also expect that our operating results could vary significantly from quarter to quarter based on changes to the estimated fair value of the derivative liabilities related to the Series A warrants and the Series A-2 warrants, the conversion feature of the Senior Secured Notes and the 2004 Financing. The estimated fair value of the derivative liabilities are calculated using the Black-Scholes formula and such estimates are revalued at each balance sheet date, with changes in value recorded as other income or other expense. As a result of each of the foregoing, quarter-to-quarter comparisons of our revenues, interest expense and operating results may not be meaningful. In addition, due to our stage of development, we cannot predict our future revenues or results of operations accurately. It is possible that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock may decline.

Our common stock is thinly traded and subject to volatile price fluctuations.

Our common stock is thinly traded, and it is therefore susceptible to wide price swings. Our common stock is traded on the OTC Bulletin Board under the symbol "GLOW". Thinly traded stocks are more susceptible to significant and sudden price changes than stocks that are widely followed by the investment community and actively traded on an exchange or NASDAQ. The liquidity of our common stock depends upon the presence in the marketplace of willing buyers and sellers. We cannot assure you that you will be able to find a buyer for your shares. In the future, if we successfully list the common stock on a securities exchange or obtain NASDAQ trading authorization, we will not be able to assure you that an organized public market for our securities will develop or that there will be any private demand for the common stock. We could also fail subsequently to satisfy the standards for continued exchange listing or NASDAQ trading, such as standards having to do with a minimum share price, the minimum number of public shareholders or the aggregate market value of publicly held shares. Any holder of our securities should regard them as a long-term investment and should be prepared to bear the economic risk of an investment in our securities for an indefinite period.

We may be subject to litigation resulting from common stock volatility and other factors, which may result in substantial costs and a diversion of our management's attention and resources and could have a negative effect on our business and results of operations.

The stock market has, from time to time, experienced extreme price and volume fluctuations. Many factors caused, and may in the future cause, the market price for our common stock to decline, perhaps substantially, including (without limitation) demand for our common stock, technological innovations by competitors or in competing technologies, investor perception of our industry or our prospects, or general technological or economic trends. In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. As a result, we may be involved in a securities class action litigation in the future. Such litigation often results in substantial costs and a diversion of management's attention and resources and could have a negative effect on our business and results of operation.

Penny stock regulations may impose certain restrictions on the marketability of our securities.

The Securities and Exchange Commission (the "Commission") has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share, subject to certain exceptions. Our common stock is presently subject to these regulations which impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock", unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Commission relating to the "penny stock" market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the "penny stock" held in the account and information on the limited market in "penny stocks". Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our securities and may negatively affect the ability of purchasers of our shares of common stock to sell such securities.

Risks Related to Our Business

Our history of substantial net losses may continue indefinitely and may make it difficult to fund our operations.

Glowpoint was formed by the merger of All Communications Corporation and View Tech, Inc. in May 2000. We reported a substantial loss from operations in all years since 2000. We cannot assure you that we will achieve revenue growth or profitability or generate positive cash flow on a quarterly or annual basis in the future, or at all. If we do not become profitable in the future, the value of our common stock may be adversely impacted and we could have difficulty obtaining funds to continue our operations.

Our success is highly dependent on the evolution of our overall market.

The market for video communication services is evolving rapidly. Although certain industry analysts project significant growth for this market, their projections may not be realized. Our Glowpoint network service utilizes IP (H.323) standards and provide high quality video communications. As a result, our future growth, if any, will depend on a desire for higher quality video communications and the continued trend of businesses to migrate to IP-based standards and away from the older, less reliable Integrated Services Digital Network ("ISDN") technology. Additionally, our future growth depends on acceptance and adoption of video communications. There can be no assurance that the market for our services will grow, that our services will be adopted, that customers will desire higher quality, or that businesses will use IP-based videoconferencing equipment or our IP subscriber network. If we are unable to react quickly to changes in the market, if the market fails to develop, or develops more slowly than expected, or if our services do not achieve market acceptance, then we are unlikely to become or remain profitable.

Our future plans could be adversely affected if we are unable to attract or retain key personnel.

We have attracted a highly skilled management team and specialized workforce. Our future success is dependent in part on attracting and retaining qualified management and technical personnel. Our inability to hire qualified personnel on a timely basis, or the departure of key employees, could materially and adversely affect our business development and therefore, our business, prospects, results of operations and financial condition.

We may have difficulty managing our growth.

If we successfully increase our sales substantially, we expect to hire more employees and expand our operations. This growth may place a strain on our management, our operations and our systems. Our ability to manage this growth will depend upon our ability to broaden our management team and our ability to attract, hire and retain skilled employees. Our success will also depend on the ability of our officers and key employees to continue to implement and improve our operational, financial and other systems, to manage multiple customer relationships concurrently, and to hire, train and manage our employees. Our future success is dependent upon growth. If we cannot scale our business appropriately or otherwise adapt to this growth, a key part of our strategy may not be successful.

Our gross revenue may decline significantly due to the planned decline of our ISDN resale business, attributable in part to the cessation of a customer contract.

We are actively considering whether to sell, transfer or just discontinue our ISDN resale business. Currently, we resell ISDN and other services to Tandberg, from whom we acquired our ISDN resale business in April 2004 (formerly known as "NuVision"). While we resell ISDN services to many customers, in the year ended December 31, 2007, approximately 44% of our resold ISDN revenues, or approximately $1,174,000, were from Tandberg, which was approximately 5.2% of our total gross revenues. Pursuant to the terms of the April 2004 purchase, as amended, Tandberg was contractually obligated to exclusively purchase certain enumerated services from us through January 31, 2007. While Tandberg has continued to purchase services from us after January 31, 2007, Tandberg has begun the process of transitioning its business from Glowpoint and intends to cease buying these services from Glowpoint, which may occur at any time. Because this revenue is our lowest margin revenue, however, we expect our overall gross margin percentage to increase once we lose this gross revenue.

If our actual liability for sales and use taxes and regulatory fees is different from our accrued liability, it could have a material impact on our financial condition.

Sales and use taxes and regulatory fees are supposed to be, or are routinely, collected from customers and remitted to the applicable authorities in certain circumstances. Historically, we were not properly collecting and remitting all such taxes and regulatory fees and, as a result, have accrued a liability. We used estimates when accruing our sales and use tax and regulatory fee liability, including interest and penalties, and assumed, among other things, various credits we expect to receive from taxing authorities and/or our underlying service providers. All of our tax positions are subject to audit. While we believe all of our estimates and assumptions are reasonable and will be sustained upon audit, actual liabilities and credits may differ significantly. If so, it may materially impact our financial condition, negatively if we underestimated our liability or positively if we overestimated our liability.

Our failure to obtain or maintain the right to use certain intellectual property may negatively affect our business.

Our future success and competitive position depends in part upon our ability to obtain or maintain certain proprietary intellectual property to be used in connection with our services. This may be achieved in part by prosecuting claims against others who we believe are infringing on our rights and by defending claims of intellectual property infringement by our competitors. While we are not currently engaged in any intellectual property litigation, we could become subject to lawsuits in which it is alleged that we have infringed the intellectual property rights of others or we could commence lawsuits against others who we believe are infringing upon our rights. Our involvement in intellectual property litigation could result in significant expense to us, adversely affecting the development of sales of the challenged product or intellectual property and diverting the efforts of our technical and management personnel, whether or not such litigation is resolved in our favor.

In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to: pay substantial damages; cease the development, use or sale of services that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue the use or incorporation of infringing technology; or obtain licenses to the infringing intellectual property. We cannot assure you that we would be successful in such development or acquisition or that such licenses would be available upon reasonable terms. Any such development, acquisition or license could require the expenditure of substantial time and other resources and could have a negative effect on our business and financial results.

An adverse outcome as plaintiff, in addition to the costs involved, may, among other things, result in the loss of the intellectual property (such as a patent) that was the subject of the lawsuit by a determination of invalidity or unenforceability, significantly increase competition as a result of such determination, and require the payment of penalties resulting from counterclaims by the defendant.

We may not be able to protect the rights to our intellectual property

Failure to protect our existing intellectual property rights may result in the loss of our exclusivity or the right to use our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation and/or be enjoined from using such intellectual property. We rely on patent, trade secret, trademark and copyright law to protect our intellectual property. Some of our intellectual property is not covered by any patent or patent application. As we further develop our services and related intellectual property, we expect to seek additional patent protection. Our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, we cannot assure you that: any of the patents owned by us or other patents that other parties license to us in the future will not be invalidated, circumvented, challenged, rendered unenforceable or licensed to others; any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, if issued at all; or any patents owned by or licensed to us, although valid, will not be dominated by a patent or patents to others having broader claims. Additionally, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons will not assert rights to intellectual property arising out of these relationships.

We depend upon our network providers and facilities infrastructure.

Our success depends upon our ability to implement, expand and adapt our national network infrastructure and support services to accommodate an increasing amount of video traffic and evolving customer requirements at an acceptable cost. This has required and will continue to require that we enter into agreements with providers of infrastructure capacity, equipment, facilities and support services on an ongoing basis. We cannot assure you that any of these agreements can be obtained on satisfactory terms and conditions. We also anticipate that future expansions and adaptations of our network infrastructure facilities may be necessary in order to respond to growth in the number of customers served.

We depend upon suppliers and have limited sources of supply for some services.

We rely on other companies to supply some components of our network infrastructure and the means to access our network. Some of the products and services that we resell and certain components that we require for our network are available only from limited sources. We could be adversely affected if such sources were to become unavailable to us on commercially reasonable terms. We cannot assure you that, on an ongoing basis, we will be able to obtain third-party services cost-effectively and on the scale and within the timeframes we require, or at all. Failure to obtain or to continue to make use of such third-party services would have a material adverse effect on our business, financial condition and results of operations.

Our network could fail, which could negatively impact our revenues.

Our success depends upon our ability to deliver reliable, high-speed access to our partners' data centers and upon the ability and willingness of our telecommunications providers to deliver reliable, high-speed telecommunications service through their networks. Our network and facilities, and other networks and facilities providing services to us, are vulnerable to damage, unauthorized access, or cessation of operations from human error and tampering, breaches of security, fires, earthquakes, severe storms, power losses, telecommunications failures, software defects, intentional acts of vandalism including computer viruses, and similar events, particularly if the events occur within a high traffic location of the network or at one of our data centers. The occurrence of a natural disaster or other unanticipated problems at the network operations center, key sites at which we locate routers, switches and other computer equipment that make up the backbone of our network infrastructure, or at one or more of our partners' data centers, could substantially and adversely impact our business. We cannot assure you that we will not experience failures or shutdowns relating to individual facilities or even catastrophic failure of the entire network. Any damage to or failure of our systems or service providers could result in reductions in, or terminations of, services supplied to our customers, which could have a material adverse effect on our business.

Our network depends upon telecommunications carriers who could limit or deny us access to their network or fail to perform, which would have a material adverse effect on our business.

We rely upon the ability and willingness of certain telecommunications carriers and other corporations to provide us with reliable high-speed telecommunications service through their networks. If these telecommunications carriers and other corporations decide not to continue to provide service to us through their networks on substantially the same terms and conditions (including, without limitation, price, early termination liability, and installation interval), if at all, it would have a material adverse effect on our business, financial condition, results of operations, and ability to even provide service. Additionally, many of our service level objectives are dependent upon satisfactory performance by our telecommunications carriers. If they fail to so perform, it may have a material adverse effect on our business.

We compete in a highly competitive market and many of our competitors have greater financial resources and established relationships with major corporate customers.

The video communications industry is highly competitive. A number of telecommunications carriers and other corporations, including AT&T, Verizon Business/MCI, Sprint, Cisco and Hewlett-Packard, have entered into the video communications industry. Many of these organizations have substantially greater financial and other resources than us, furnish some of the same services provided by us, and have established relationships with major corporate customers that have policies of purchasing directly from them. We believe that as the demand for video communications systems continues to increase, additional competitors, many of which may have greater resources than us, will continue to enter the video communications market.

Our Glowpoint managed video services have limited market awareness.

Our Glowpoint video communications offering was introduced in December 2000 and was only a small part of our operations until the sale of our video solutions business in September 2003. Our future success will be dependent in significant part on our ability to generate demand for our Glowpoint managed video services and professional services. To this end, our direct marketing and indirect sales operations must increase market awareness of our service offering to generate increased revenue. Our products and services require a sophisticated sales effort targeted at the senior management of our prospective customers. All new hires will require training and will take time to achieve full productivity. We cannot be certain that our new hires will become as productive as necessary or that we will be able to hire enough qualified individuals or retain existing employees in the future. We cannot be certain that we will be successful in our efforts to market and sell our products and services, and if we are not successful in building market awareness and generating increased sales, future results of operations will be adversely affected.

As we expand our Glowpoint network and its use, any system failures or interruptions in our network may cause loss of customers.

Our success depends on the seamless, uninterrupted operation of our Glowpoint network and on the management of traffic volumes and route preferences over our network. As we continue to expand our network to increase both its capacity and reach, and as traffic volume continues to increase, we will face increasing demands and challenges in managing our capacity and traffic management systems. Any prolonged failure of our network or other systems or hardware that causes significant interruptions to our operations could seriously damage our reputation and result in customer attrition and financial loss.

We may be unable to adequately respond to rapid changes in technology.

The market for our Glowpoint network and related services is characterized by rapidly changing technology, evolving industry standards and frequent product introductions. The introduction of products and services embodying new technology and the emergence of new industry standards may render our existing managed video services obsolete and unmarketable if we are unable to adapt to change. A significant factor in our ability to grow and to remain competitive is our ability to successfully introduce new products and services that embody new technology, anticipate and incorporate evolving industry standards and achieve levels of functionality and price acceptable to the market. If our managed video services are unable to meet expectations or unable to keep pace with technological changes in the video communication industry, our managed video services could eventually become obsolete. We may be unable to allocate the funds necessary to upgrade our managed video services as improvements in video communication technologies are introduced. In the event that other companies develop more technologically advanced networks, our competitive position relative to such companies would be harmed.

We incur significant accounting and other control costs that impact our financial condition.

As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Some of our competitors are privately owned so their accounting and control costs can be a competitive disadvantage for us. Should our sales decline or if we are unsuccessful at increasing prices to cover higher expenditures for internal controls and audits, our costs associated with regulatory compliance will rise as a percentage of sales.

Other issues and uncertainties may include:

- New accounting pronouncements or changes in accounting policies; and
- Legislation or other governmental action that detrimentally impacts our expenses or reduces sales by adversely affecting our customers.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are located at 225 Long Avenue, Hillside, New Jersey 07205. These premises consist of approximately 17,400 square feet of leased office space and 3,000 square feet of leased warehouse facilities. Our lease currently expires on the earlier of December 31, 2010 and six months following notice that we intend to vacate the premises, so long as such earlier date is not before December 31, 2008. The base rent for the premises is currently approximately $214,100 per annum. In addition, we are obligated to pay our share of the landlord’s operating expenses (that is, those expenses incurred by the landlord in connection with the ownership, operation, management, maintenance and repair of the premises, including, among other things, the cost of common-area electricity, operational services and real estate taxes). The Hillside premises house our corporate functions and our network operations center. In addition to our headquarters, we lease a technical facility in Ventura, California that houses our Bridging Services group, help desk and technical personnel. We believe our current facilities are suitable and adequate for our business needs and growth prospects.

Item 3. Legal Proceedings

We are not currently defending any suit or claim.

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

None.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

As of September 19, 2007, Glowpoint's securities have been traded on the Over-The-Counter Bulletin Board ("OTCBB") under the symbol "GLOW". From October 5, 2005 until inclusion on the OTCBB, there was no established public trading market of Glowpoint's common stock and sales of Glowpoint's securities were reported on the Pink Sheets under the symbol "GLOW.PK". On October 5, 2005, Glowpoint's securities were delisted from the NASDAQ Stock Market. In the future, if we satisfy the listing criteria, we may apply for listing on either the NASDAQ or the American Stock Exchange, though there is no assurance that we will be accepted for listing and, if accepted for listing, an active market for our securities will develop in the future.

The following table sets forth high and low closing sale prices per share for our common stock for each quarter of 2006 and 2007, based upon information obtained from the Pink Sheets for the period before September 19, 2007 and from the OTCBB for the period after September 19, 2007. All reported sales prices reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

	Glowpoint Common Stock	
	High	**Low**
Year Ended December 31, 2006		
First Quarter	$ 0.74	$ 0.51
Second Quarter	0.67	0.35
Third Quarter	0.65	0.37
Forth Quarter	0.38	0.25
Year Ended December 31, 2007		
First Quarter	$ 0.74	$ 0.38
Second Quarter	0.78	0.47
Third Quarter	0.85	0.50
Forth Quarter	0.75	0.40

On March 20, 2008, the closing sale price of our common stock was $0.55 per share as reported on the OTCBB, and 46,389,673 shares of our common stock were held by approximately 222 holders of record. American Stock Transfer & Trust Company of Brooklyn, New York is the transfer agent and registrar of our common stock.

Dividends

Our board of directors has never declared or paid any cash dividends on our common stock and does not expect to do so for the foreseeable future. We currently intend to retain any earnings to finance the growth and development of our business. Our board of directors will make any future determination of the payment of dividends based upon conditions then existing, including our earnings, financial condition and capital requirements, as well as such economic and other conditions as our board of directors may deem relevant. In addition, the payment of dividends may be limited by financing arrangements which we may enter into in the future.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

There have been no sales of securities in the past three years that have not been previously reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Purchases of Equity Securities by Glowpoint and Affiliated Purchasers

There were no purchases of any Glowpoint securities by Glowpoint or any affiliated purchaser during the fourth quarter of 2007.

Item 6. Selected Financial Data

The following summary of selected consolidated financial information, with respect to the years ended December 31, 2007 and 2006 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and footnotes included elsewhere in this document. With respect to the years ended December 31, 2005 and 2004, the related information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and footnotes filed on Form 8-K filed on February 27, 2007. The historical results presented below are not necessarily indicative of future results.

Consolidated Statement of Operations Information:

	Years Ended December 31,			
	2007	2006	2005	2004
Revenue	$ 22,792	$ 19,511	$ 17,735	$ 15,867
Cost of revenue	15,212	13,583	14,984	16,019
Gross margin (loss)	7,580	5,928	2,751	(152)
Operating expenses:				
Research and development	810	816	1,242	1,078
Sales and marketing	3,061	2,570	4,028	3,265
General and administrative	8,330	11,049	14,120	12,598
Total operating expenses	12,201	14,435	19,390	16,941
Loss from operations	(4,621)	(8,507)	(16,639)	(17,093)
Interest and other expense (income):				
Interest expense, including $261, $0, $0 and $0, respectively, for Insider Purchasers	6,043	3,969	3	63
Amortization of deferred financing costs, including $14, $0, $0 and $0, respectively, for Insider Purchasers	531	389	—	448
(Decrease) increase in fair value of derivative financial instruments, including $328, $0, $0 and $0, respectively, for Insider Purchasers	(5,665)	(1,992)	271	134
Interest income	(59)	(83)	(100)	(92)
Other income	—	—	—	(5,000)
Amortization of discount on subordinated debentures	—	—	—	2,650
Gain on marketable equity securities	—	—	—	(132)
Gain on settlement with Gores	—	—	(379)	—
Loss on exchange of debt	—	—	—	743
Total interest and other expense (income), net	850	2,283	(205)	(1,186)
Net loss	$ (5,471)	$ (10,790)	$ (16,434)	$ (15,907)
Net loss attributable to common stockholders per share:				
Basic and diluted	$ (0.11)	$ (0.24)	$ (0.41)	$ (0.45)
Weighted average number of common shares and share equivalents outstanding:				
Basic and diluted	46,735	46,242	44,348	36,416

Balance Sheet Information:	December 31,			
	2007	2006	2005	2004
Cash and cash equivalents	$ 2,312	$ 2,153	$ 2,023	$ 4,497
Working capital (deficit)	(9,092)	(11,868)	(3,526)	2,158
Total assets	8,562	8,393	9,037	14,992
Long-term debt (including current portion)	7,231	4,326	—	35
Total stockholders' equity (deficit)	$ (17,172)	$ (11,591)	$ (2,405)	$ 1,699

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated balance sheets as of December 31, 2007 and 2006 and the related consolidated statements of operations, stockholders' deficit and cash flows for the years ended December 31, 2007 and 2006 and the notes attached hereto. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future development plans, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future. The Company operates in one segment and therefore segment information is not presented.

Overview

Glowpoint is a premiere broadcast-quality, IP (Internet Protocol)-based managed video services provider. Our mission is to improve the ease-of-use, cost-effectiveness, functionality, and quality of existing video communications in order to make it an integral and ubiquitous part of everyday business and personal communications. We believe video communications should be as easy and spontaneous to use as your telephone, but with the power of face-to-face communication.

We view our services as analogous to cellular service providers in the cellular telephone industry. Regardless of the cellular phone purchased, users must select a cellular service provider to make it work. Users make that service decision based on the features, reliability and price offered by the service provider. In our industry, regardless of the video conferencing equipment purchased, Glowpoint provides the managed video services to make it work. In doing so, we offer a vast array of managed video services, including video application services, managed network services, IP and ISDN videoconferencing services, multi-point conferencing (bridging), technology hosting and management, and professional services. We provide these services to a wide variety of companies, from large enterprises and governmental entities to small and medium-sized businesses. Glowpoint is exclusively focused on high quality two-way video communications. We have bundled some of our managed services to offer video communication solutions for broadcast/media content acquisition and for video call center applications. With the advent of HD (High Definition) and telepresence solutions, we have combined various components of our features and services into a comprehensive service offering for enterprise end user customers that can support any of the telepresence products on the market today. Glowpoint is also wholesaling its services and providing branding for manufacturers, carriers, and integrators seeking to offer this service as a value-add to their offerings for their customer bases.

Glowpoint's managed video services are hardware agnostic, supporting all recognized video standards. As a result, we have become the global video interconnection point, linking together "islands of video" across third party private networks (e.g., provided by AT&T, SBC, Qwest and others), protocols (e.g., H320, H323, IP, SIP, and VoIP), and devices (e.g., desktop, laptop, and mobile phone). Glowpoint's services provide users with a consistent experience - regardless of how they are connecting or where they are connecting from.

Glowpoint's managed video services involve two major components, the Glowpoint video applications services and the Glowpoint network services. The video application services are network agnostic and may be leveraged by customers on any QoS (Quality of Service) network that supports two-way video transport. The Glowpoint network services leverage the Glowpoint network, a multiple protocol layer switching (MPLS) QoS network that is dedicated to high-quality two-way video transport built and managed by Glowpoint. The Glowpoint network is exclusively dedicated to IP-based video communications, which allows us to optimize performance and routing of video and audio packets so as to offer broadcast quality images with telephony-like reliability, features and ease-of-use. Glowpoint's reach spans the globe, with 11 points of presence (POPs) and unlimited peering capability to deliver Glowpoint services to customers in virtually any region in the world. A unique feature of the Glowpoint network is its sophisticated gatekeeper infrastructure and configuration along with its patent-pending call control capabilities (see "Intellectual Property" above), which enable customers to seamlessly connect to nearly any standards-based video communications user, whether they are still using ISDN or the Internet, across the United States as well as to virtually any major city around the world. Since videoconferencing users typically can only communicate to others on the same service, Glowpoint is bridging these isolated islands of video and making video communications more ubiquitous.

Going Concern

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. We have incurred recurring operating losses and negative operating cash flows since our inception including a net loss attributable to common stockholders of $4,924,000 and negative operating cash flows of $1,878,000 for the year ended December 31, 2007. The Company performed an evaluation of its long-lived assets, however, and determined that there is an excess of projected cash flow on an undiscounted basis over the long-lived carrying amount. Therefore, the Company believes that no impairment losses were required. At December 31, 2007, we had cash and cash equivalents of $2,312,000, a working capital deficit of $9,092,000 and an accumulated deficit of $178,094,000. Additionally, the Senior Secured Notes have been renegotiated to mature in March 2009. We raised capital in the Private Placements, but continue to sustain losses and negative operating cash flows. These factors raise substantial doubt as to our ability to continue as a going concern. In 2006, we implemented a corporate restructuring plan designed to reduce certain operating, sales and marketing and general and administrative costs (see Note 16 to the consolidated financial statements for further information). Assuming we realize all of the savings from our restructured operating activities and assuming we are able to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees (see Note 5 to the consolidated financial statements for further information), we believe that our available capital as of December 31, 2007 will enable us to continue as a going concern through December 31, 2008. There are no assurances that we will be able to raise additional capital as needed upon acceptable terms nor any assurances that we will be able to repay or further refinance or renegotiate the terms and maturity date of the Senior Secured Notes. If we are unable to repay the Senior Secured Notes and unable to renegotiate their maturity or issue new securities on favorable terms to repay them, it would have a material adverse effect on the Company. The accompanying consolidated financial statements do not include any adjustments that might result from this uncertainty.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are described in Note 2 to our consolidated financial statements attached hereto. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

We recognize subscription revenue when the applicable services have been performed. Revenues billed in advance are deferred until the revenue has been earned. Other service revenue, including amounts related to surcharges charged by our carriers, related to the Glowpoint managed network service and the multi-point video and audio bridging services as service is provided. As the non-refundable, upfront activation fees charged to the subscribers do not meet the criteria as a separate unit of accounting, they are deferred and recognized over the twenty-four month period estimated life of the customer relationship. At December 31, 2007 and 2006, we had deferred activation fees of $330,000 and $288,000, respectively, and related deferred installation costs of $67,000 and $53,000, respectively. Revenue related to integration services is recognized at the time the services are performed, and presented in accordance with EITF 99-19 “Reporting Revenue Gross as a Principal Versus Net as an Agent”. Revenues derived from other sources are recognized when services are provided or events occur.

Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates made. We continually evaluate estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. The significant areas of estimation include determining the allowance for doubtful accounts, deferred tax valuation allowance, accrued sales taxes, regulatory fees and related penalties and interest, the estimated life of customer relationships, the estimated lives and recoverability of property and equipment, the fair value of derivative financial instruments and the valuation of our Series C convertible preferred stock.

Allowance for Doubtful Accounts

We record an allowance for doubtful accounts based on specifically identified amounts that we believe to be uncollectible. We also record additional allowances based on certain percentages of our aged receivables, which are determined based on historical experience and our assessment of the general financial conditions affecting our customer base. If our actual collections experience changes, revisions to our allowance may be required. After all attempts to collect a receivable have failed, we write off the receivable against the allowance.

Long-Lived Assets

We evaluate impairment losses on long-lived assets used in operations, primarily fixed assets, when events and circumstances indicate that the carrying value of the assets might not be recoverable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets"* . For purposes of evaluating the recoverability of long-lived assets, the undiscounted cash flows estimated to be generated by those assets are compared to the carrying amounts of those assets. If and when the carrying values of the assets exceed their fair values, the related assets will be written down to fair value. The Company performed an evaluation of its long-lived assets and determined that there is an excess of cash flow over the long-lived carrying amount. Therefore, the Company believes that no impairment losses were required.

Results of Operations

The following table sets forth, for the two years in the period ended December 31, 2007, the percentages of revenues represented by selected items reflected in our consolidated statements of operations. The comparisons of financial results are not necessarily indicative of future results:

	2007	2006
Revenue	100.0%	100.0%
Cost of revenue	66.7	69.6
Gross margin	33.3	30.4
Operating expenses:		
Research and development	3.6	4.2
Sales and marketing	13.4	13.2
General and administrative	36.5	56.6
Total operating expenses	53.5	74.0
Loss from operations	(20.2)	(43.6)
Interest and other expense (income):		
Interest expense, including 1.1% and 0.0%, respectively, for Insider Purchasers	26.5	20.3
Amortization of deferred financing costs, including 0.1% and 0.0%, respectively, for Insider Purchasers	2.3	2.0
Decrease in fair value of derivative financial instruments, including 1.4% and 0.0%, respectively, for Insider Purchasers	(24.9)	(10.2)
Interest income	(0.3)	(0.4)
Total interest and other expense (income), net	3.6	11.7
Net loss	(23.8)	(55.3)
Gain on redemption of preferred stock	3.5	—
Preferred stock dividends	(1.1)	(1.8)
Net loss attributable to common stockholders	(21.4)%	(57.1)%

Year ended December 31, 2007 (the "2007 year") compared to year ended December 31, 2006 (the "2006 year")

Revenue - Revenue increased by $3,281,000, or 16.8%, to $22,792,000 in the 2007 year from $19,511,000 in the 2006 year. Subscription and related revenue increased $2,020,000, or 15.6%, to $14,949,000 in the 2007 year from $12,929,000 in the 2006 year. The increased subscription and related revenue is caused by increases in installed subscription circuits and in revenue per circuit. Non-subscription revenue consisting of bridging, services, special events and other one-time fees increased $1,261,000, or 19.2%, in the 2007 year to $7,843,000 from $6,582,000 in the 2006 year. The primary causes were $973,000 of one-time integration services on equipment required by broadcast customers as part of the implementation of their two-year agreements. Glowpoint was asked

to facilitate the procurement and integration of equipment on behalf of the broadcast customers and agreed to do so as a pass-through service. Therefore all equipment integrated into the solution was billed to the broadcast customers at cost plus a slight mark-up and the related costs are included in cost of revenue. In addition, bridging services increased $556,000, or 21.0%, in the 2007 year to $3,203,000 from $2,647,000 in the 2006 year. This was a result of a concerted effort by the Company to grow revenue from bridging services and was facilitated by the hiring of a Product Manager who focused on the bridging business.

Cost of revenues - Cost of revenue increased by $1,629,000, or 12.0%, to $15,212,000 in the 2007 year from $13,583,000 in the 2006 year. The primary components of this increase were $1,521,000 of sales taxes and regulatory fees that until the fourth period of 2006 may not have been properly collected and remitted and, as a result we had accrued this liability in general and administrative expenses. Subsequently, these sales taxes and regulatory fees are being properly collected and remitted to the taxing authorities and that expense is now included in cost of revenues. Another increase was for $922,000 of one-time integration services on equipment required by broadcast customers, discussed in the Revenue section above. These increases were partially offset by $437,000 of savings from the continuing efforts to eliminate costs in our network and our on-going activity involving the renegotiation of rates and the migration of service to lower cost providers where possible and a $377,000 reduction in depreciation costs.

The components of cost of revenues and their percentage of revenues for the years ended December 31, 2007 and 2006 are summarized as follows (in thousands):

	2007	% of 2007 Revenues	2006	% of 2006 Revenues
Telecommunication carrier charges	$ 11,244	49.3 %	$ 10,844	55.6 %
Sales taxes and regulatory fees	1,845	8.1 %	324	1.7 %
Depreciation	1,134	5.0 %	1,511	7.7 %
Salaries and benefits	706	3.1 %	625	3.2 %
General overhead costs	283	1.2 %	279	1.4 %
Total for the year	$ 15,212	66.7 %	$ 13,583	69.6 %

Gross margin - Gross margin increased by $1,652,000, or 27.9%, to $7,580,000 from $5,928,000 in the 2006 year. The savings discussed in the Cost of Revenue section and the additional revenue caused our gross margin to increase to 33.3% in the 2007 year from 30.4% in the 2006 year. Excluding the broadcast customers integration transactions our gross margin percentage is 34.5% in the 2007 year. Since the cost of revenue decreased primarily from the renegotiation of rates and the migration of service, the rate of increase in our gross margin percentage is not indicative of results expected to be achieved in subsequent periods.

Research and development - Research and development expenses, which include the costs of the personnel in this group, the equipment they use and their use of the network for development projects, decreased by $6,000, or 0.7%, to $810,000 in the 2007 year from $816,000 in the 2006 year. The decrease was a result of a $90,000 increase in capitalized software development costs related to our “Customer Connect” software that is to be sold, leased or licensed to third parties in the future, reductions of $23,000 in salaries and benefits as a result of the corporate restructuring that took place in March 2006 and $15,000 of depreciation. These decreases were partially offset by a $116,000 increase in contract employees. Research and development expenses, as a percentage of revenue, were 3.6% for the 2007 year versus 4.2% for the 2006 year.

Sales and marketing - Sales and marketing expenses, which include sales personnel salaries, commissions, overhead and marketing costs, increased $491,000, or 19.1%, to $3,061,000 in the 2007 year from $2,570,000 in the 2006 year. The primary components of the increase were $196,000 for salaries and benefits as a result of new employees for bridging and general salespeople, $174,000 for marketing and trade show expenses, $60,000 for agent commissions, $38,000 for contract employees and $37,000 in travel and entertainment costs. These increases were partially offset by reductions of $11,000 of depreciation and $8,000 of consultant fees. Sales and marketing expenses, as a percentage of revenue, were 13.4% for the 2007 year versus 13.2% for the 2006 year.

General and administrative - General and administrative expenses, which includes direct corporate expenses related to costs of personnel in the various corporate support categories, including executive, finance, human resources and information technology decreased $2,719,000, or 24.6%, in the 2007 year to $8,330,000 from $11,049,000 in the 2006 year. The primary components of this decrease were $1,200,000 for the March 2006 restructuring program, $977,000 of sales taxes and regulatory fees that are now included in cost of revenue,

$585,000 in professional fees primarily related to the restatements of 2004 and 2005 consolidated financial statements, $126,000 of equipment rental, $110,000 of salaries and benefits as a result of the March 2006 restructuring program, $77,000 of depreciation and $60,000 of contract employees. These reductions were partially offset by increases of $184,000 of consulting expenses, $59,000 in deferred compensation, $41,000 of maintenance and repairs, $35,000 of Board of Directors fees and $34,000 of bank fees. General and administrative expenses, as a percentage of revenue, were 36.5% in the 2007 year versus 56.6% in the 2006 year.

Interest and other expense (income) – Interest and other expense of $850,000 principally reflects interest expense of $6,043,000 comprised of $1,977,000 for expensing of the beneficial conversion feature related to the Senior Secured Notes, $2,881,000 for the accretion of the discount related to the Senior Secured Notes, $912,000 of accrued but unpaid interest expense related to the Senior Secured Notes and $268,000 of accrued interest expense related to the sales and use taxes and regulatory fees and $5,000 of other interest. Amortization of deferred financing costs incurred in connection with the Senior Secured Notes was $531,000. Those expenses are partially offset by $2,022,000 decrease in fair value of derivative financial instruments and $59,000 of interest income. In addition, in December 2007, in light of changes to Rule 144 of the Securities Act, we amended the Registration Rights Agreement to eliminate the requirement to register the shares issuable upon conversion of the Senior Secured Notes, thereby eliminating any requirement to deliver registered shares, which effectively eliminated the right of the holders of the Senior Secured Notes to demand that the Company pay such holders cash, calculated as defined in the Senior Secured Notes. Accordingly, the Company will no longer account for the beneficial conversion feature as a derivative liability. Therefore, in December 2007, the Company eliminated the $2,778,000 derivative liability related to the beneficial conversion feature that had been accrued as of that date.

Income taxes - As a result of our losses we recorded no provision for incomes taxes in the years ended December 31, 2007 and 2006. Any deferred tax asset that would be related to our losses has been fully reserved under a valuation allowance, reflecting the uncertainties as to realization evidenced by the Company's historical results and restrictions on the usage of the net operating loss carryforwards.

Net loss - Net loss decreased by $5,319,000, or 49.3%, to $5,471,000 in the 2007 year from $10,790,000 in the 2006 year.

Gain on redemption of preferred stock – As a result of the Preferred Stock Exchange (as defined in Note 9) in September 2007 we recognized a gain for the $799,000 excess of Series B Carrying Amount over the Series C Fair Value during 2007.

Preferred stock dividends - We recognized preferred stock dividends of $252,000 for the 2007 year and $347,000 for the 2006 year. The decrease in 2007 preferred stock dividends results from the September 2007 issuance of 474.8126 shares of a new Series C Preferred Stock, which does not pay dividends, in exchange for all of our then issued and outstanding Series B Preferred Stock, which bore 12% dividends.

Net loss attributable to common stockholders - Net loss attributable to common stockholders was $4,924,000 or $0.11 per basic and diluted share in the 2007 year. For the 2006 year, the net loss attributable to common stockholders was $11,137,000, or $0.24 per basic and diluted share.

Liquidity and Capital Resources

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred recurring operating losses and negative operating cash flows since our inception including a net loss attributable to common stockholders of $4,924,000 for the year ended December 31, 2007. At December 31, 2007, we had a working capital deficit of $9,092,000. We had $2,312,000 in cash and cash equivalents at December 31, 2007 and cash used in operating activities of $1,878,000 for the year ended December 31, 2007. We raised capital in March and April 2006 and September 2007 private placements, but continue to sustain losses and negative operating cash flows. These factors raise substantial doubt as to our ability to continue as a going concern. Our primary liquidity requirements include capital expenditures and working capital needs and payment of the principal and interest on the Senior Secured Notes. See also, "Commitments and Contingencies" below. We fund our liquidity requirements primarily through existing cash and, to the extent necessary and available, through issuing equity or debt. In September 2007, we extended the maturity date of our then outstanding Senior Secured Notes to March 31, 2009 and we raised $3,230,000 by issuing additional Senior Secured Notes, which also mature on March 31, 2009. We believe that our available capital as of December 31, 2007, together with our restructured operating activities, the amended maturity date of the Senior Secured Notes, and assuming we are able to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees, will enable us to continue as a going concern through December 31, 2008. There are no assurances, however, that we will be able to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees. If we are unable to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees, it would have a material adverse effect on the Company. The accompanying consolidated financial statements do not include any adjustments that might result from these uncertainties.

March and April 2006 Financing

In March and April 2006, we issued Senior Secured Notes and warrants to purchase common stock in a private placement to accredited investors. In the March and April 2006 financing, we issued $5,665,000 and $515,000, respectively, with a total aggregate principal amount of $6,180,000 of our Senior Secured Notes, Series A warrants to purchase 6,180,000 shares of common stock at an exercise price of $0.65 per share and Series B warrants to purchase 6,180,000 shares of common stock at an exercise price of $0.01 per share. Both warrants are subject to certain anti-dilution protection. The Series B warrants only became exercisable if we failed to achieve positive operating income, excluding certain restructuring and non-cash charges, identified on Schedule A of the Series B warrants, as amended, in the fourth quarter of 2006. Management determined that the Series B warrants were not exercisable because we achieved positive operating income, excluding the restructuring and non-cash charges listed on Schedule A of the Series B warrants, as amended, in the fourth quarter of 2006 (see "*Non-Exercisability of Series B Warrants*" below).

We also agreed to reduce the exercise price of previously issued warrants to purchase 3,625,000 shares of common stock held by the investors in this offering to $0.65 from a weighted average price of $3.38, and to extend the expiration date of any such warrants to no earlier than three years after the offering date. The new weighted average expiration date of the warrants was 3.5 years from a previous weighted average expiration date of 2.9 years. In addition, we issued to the designees and assigns of Burnham Hill Partners placement agent warrants to purchase 618,000 shares of our common stock at an exercise price of $0.55 per share. All of the warrants issued are subject to certain anti-dilution protection. The $5,123,000 and $462,000 net proceeds of the March and April 2006, respectively, financings were used to support our corporate restructuring program and for working capital.

The Senior Secured Notes bear interest at 10% per annum (which increased to 12% commencing one (1) year following the issuance date in March and April 2007) and are convertible into common stock at a conversion price of $0.50 per share (x) at any time at the holder's election or (y) automatically if the closing bid price (as defined in the Senior Secured Notes) of the Company's common stock exceeds $1.25 (as adjusted for stock splits, stock dividends, combinations and similar transactions) for twenty (20) consecutive trading days. We have the option to pay the accrued interest for the Senior Secured Notes in cash or additional Senior Secured Notes. To date, all interest payments have been made by issuing additional Senior Secured Notes (the "Senior Secured Interest Notes"). As of December 31, 2007, the principal amount of all outstanding Senior Secured Interest Notes totaled $1,288,000. The maturity date of all Senior Secured Notes is March 31, 2009.

Non-Exercisability of Series B Warrants

We determined that the Series B warrants were not exercisable because we achieved positive operating income, excluding the restructuring and non-cash charges listed on Schedule A of the Series B warrants, as amended ("Adjusted Positive Operating Income"), of $156,000 in the fourth quarter of 2006. The Series B warrants only became exercisable if we failed to achieve Adjusted Positive Operating Income in the fourth quarter of 2006. The identified restructuring and non-cash charges were set forth on Schedule A to the Series B warrants, as amended, which included:

"1. $200,000 in connection with severance payments for reduction in force, defined as any costs related to a reduction in force, including ongoing contractual payments for employees terminated in support of restructuring of the business.

2. $50,000 in connection with termination liabilities, defined as any costs to terminate a contract or consolidate facilities as part of the restructuring plan.

3. The costs of this capital raise, defined as the amortization or expense of costs related to this financing, calculated in accordance with GAAP.

4. $450,000 of depreciation expense, calculated in accordance with GAAP.

5. $150,000 of deferred non-cash compensation expense, calculated in accordance with GAAP.

Amounts not used under any item of this Schedule A may be used under any other item of this Schedule A if the limit of such item has been surpassed in the fourth quarter of 2006."

We determined that our unaudited 2006 fourth quarter loss from operations was $497,000. Because we do not issue quarterly consolidated financial statements for a fourth quarter, we calculated this loss from operations by subtracting (i) Glowpoint's "Loss from operations" of $8,507,000 for the year ended December 31, 2006, as reported in our audited Consolidated Statements of Operations in Item 8 of our 2006 annual report on Form 10-K, from (ii) the "Loss from operations" of $8,010,000 for the nine months ended September 30, 2006, as reported in our unaudited Consolidated Statements of Operations on Form 10-Q for September 30, 2006.

To that $497,000 loss from operations, we added back a total of $653,000 of permitted restructuring and non-cash charges, which included:

- $457,000 of depreciation (the difference between the "Depreciation and Amortization" of $1,947,000 for the year ended December 31, 2006, as reported in our audited Consolidated Statements of Cash Flows in Item 8 of our 2006 annual report on Form 10-K, and $1,490,000 for the nine months ended September 30, 2006, as reported in our unaudited Consolidated Statements of Cash Flows on Form 10-Q for September 30, 2006);

- $125,000 of deferred non-cash compensation expense (the difference between the "Stock-based Compensation" of $781,000 for the year ended December 31, 2006, as reported in our audited Consolidated Statements of Cash Flows in Item 8 of our 2006 annual report on Form 10-K, and $656,000 for the nine months ended September 30, 2006, as reported in our unaudited Consolidated Statements of Cash Flows on Form 10-Q for September 30, 2006); and

- $71,000 of severance payments (defined to include ongoing contractual payments for employees terminated in support of restructuring of the business, which, though not separately disclosed in our consolidated financial statements, are derived from our books and records).

Therefore, we believe Glowpoint achieved $156,000 of Adjusted Positive Operating Income in the fourth quarter of 2006. Though no warrant holder has objected to our calculation of Adjusted Positive Operating Income to date, we can provide no assurance that our calculations will not be disputed or contested by any warrant holder. The following table summarizes our analysis:

	Schedule A Adj.	4th Quarter 2006
Loss from operations		$ (497)
Schedule A adjustments:		
1. Severance payments	71	
2. Termination liabilities	—	
3. Capital raise costs	—	
4. Depreciation	457	
5. Deferred non-cash compensation	125	
Total Schedule A adjustments		653
Adjusted Positive Operating Income		$ 156

September 2007 Financing

On September 21, 2007, we issued $3,538,000 of additional Senior Secured Notes and warrants in a private placement, the investors of which included (but are not limited to) some of the holders of our then outstanding Senior Secured Notes and participating Glowpoint officers and directors, which included Michael Brandofino, Aziz Ahmad, Bami Bastani, Edwin F. Heinen, Joseph Laezza and David W. Robinson (the "Insider Purchasers"). The Senior Secured Notes and other transaction documents provide that the participating Glowpoint officers and directors will not be entitled to all of the rights and benefits available to the other purchasers upon the occurrence of certain events, including, but not limited to, an event of default, the failure by Glowpoint to achieve specified EBITDA. Of the $3,538,000 raised, the Company paid a placement agent fee of $283,000 and received net proceeds

of $3,230,000. In this transaction, we issued $3,538,000 aggregate principal amount of our Senior Secured Notes and Series A-2 Warrants to purchase 3,538,000 shares of common stock at an exercise price of $0.65 per share. The Series A-2 Warrants are exercisable for a period of five years. The Senior Secured Notes bear interest at 10% per annum (which increases to 12% commencing one (1) year following the issuance date in September 2008), and are convertible into common stock at a conversion price of $0.50 per share (x) at any time at the holder's election or (y) automatically if the closing bid price (as defined in the Senior Secured Notes) of the Company's common stock exceeds $1.25 (as adjusted for stock splits, stock dividends, combinations and similar transactions) for twenty (20) consecutive trading days. We have the option to pay the accrued interest for the Senior Secured Notes in cash or additional Senior Secured Notes. To date, all interest payments have been made by issuing additional Senior Secured Notes (the "Senior Secured Interest Notes"). As of December 31, 2007, the principal amount of all outstanding Senior Secured Interest Notes totaled $1,288,000. The maturity date of all Senior Secured Notes is March 31, 2009.

Pursuant to an Exchange Agreement, dated September 21, 2007, we issued an aggregate of 474.8126 shares of a new Series C convertible preferred stock (the "Series C Preferred Stock") in exchange for cancelling all of our issued and outstanding Series B Preferred Stock, cancelling $1,098,000 of accrued but unpaid dividends due on the Series B Preferred Stock, and surrendering 1,525,000 shares of common stock held by North Sound Capital LLC entities. Each share of Series C Preferred Stock, par value $0.0001 per share, has a liquidation preference equal to its stated value, which is $10,000 per share, and is convertible at the holder's election into 10,000 shares of common stock, subject to adjustment. The Series C Preferred Stock will automatically convert to common stock after the closing bid and ask prices of our common stock exceeds $2.00 (as adjusted for stock splits, stock dividends, combinations and similar transactions) for a period of ten consecutive trading days.

Also on September 21, 2007, we amended the terms of our then outstanding Senior Secured Notes to, among other things, extend the maturity date to March 31, 2009 from September 30, 2007. We also (i) amended the outstanding Series A Warrants, dated March 31, 2006 and April 12, 2006, to amend certain definitions; (ii) amended the Registration Rights Agreement, dated March 31, 2006, which amendment (x) included among the registrable securities the shares issuable upon conversion of the Senior Secured Notes issued on September 21, 2007 and the Series C Preferred Stock and the exercise of the Series A-2 Warrants and (y) provided Glowpoint additional time to file the required registration statement and cause its effectiveness; and (iii) amended the Security Agreement, dated March 31, 2006, to include as Permitted Liens (as defined therein) equipment purchase money financing and a credit facility collateralized by up to $1,000,000 of receivables. In consideration for amending the then outstanding Senior Secured Notes and other transaction documents, we issued Series A-2 Warrants to the noteholders to purchase an aggregate of 4,772,822 shares of common stock (which represents thirty-three (33%) percent of the shares of common stock issuable upon conversion of the Existing Notes). The Series A-2 Warrants have an exercise price of $0.65 per share and are exercisable for a period of five years.

Burnham Hill Partners acted as placement agent for the new financing and acted as financial advisor for the other transactions occurring on September 21, 2007 and received a cash fee of $283,000, which equaled eight (8%) percent of the gross proceeds we received. We also issued warrants to the designees and assigns of Burnham Hill Partners to purchase (i) 566,080 shares of common stock at an exercise price of $0.55 per share and (ii) 250,000 shares of common stock at an exercise price of $0.65 per share.

In December 2007, in light of changes to Rule 144 of the Securities Act, we amended the Registration Rights Agreement to eliminate the requirement to register the shares issuable upon conversion of the Senior Secured Notes, thereby eliminating any requirement to deliver registered shares, which effectively eliminated the right of the holders of the Senior Secured Notes to demand that the Company pay such holders cash, calculated as defined in the Senior Secured Notes. Accordingly, the Company will no longer account for the beneficial conversion feature as a derivative liability. Therefore, in December 2007, the Company eliminated the $2,778,000 derivative liability related to the beneficial conversion feature that had been accrued as of that date.

The foregoing brief descriptions of the September 2007 transactions are qualified by reference to the provisions of the applicable exhibits to the Company's Form 8-K filed with the Commission on September 24, 2007.

Senior Secured Notes –Adjusted EBITDA Requirements

The Company needs to achieve minimum Adjusted EBITDA, as defined, in 2008 or the per annum interest rate on the unpaid principal balance of the Senior Secured Notes then in effect shall increase by 200 basis points. The following table sets forth the Adjusted EBITDA, as defined, for the year ended December 31, 2007 (in thousands):

Net loss before dividends	$ (5,471)
Adjustments:	
Income taxes	—
Interest expense	1,185
Depreciation	1,467
Amortization of intangible assets and stock based compensation	871
Extraordinary losses	—
Financing charges	531
Costs of beneficial conversion features	1,977
Accretion of discounts	2,881
Interest income	(59)
Extraordinary gains	—
Derivative financial instruments	(5,665)
Adjusted EBITDA	$ (2,283)

If the Company does not achieve the following minimum Adjusted EBITDA the per annum interest rate on the unpaid principal balance of the Senior Secured Notes then in effect shall increase by 200 basis points, and such increase will be cumulative for each subsequent period; provided, however, that the per annum interest rate shall revert to the lower interest rate in the event the Company achieves or exceeds the cumulative minimum Adjusted EBITDA for any subsequent determination date. Failure to maintain the minimum Adjusted EBITDA, however, shall not constitute an Event of Default as defined in the Senior Secured Notes agreements. The Adjusted EBITDA (as defined below) targets for the determination dates are as follows:

Determination Date	Adjusted EBITDA
As of March 31, 2008	$0 for the quarter ending March 31, 2008
As of June 30, 2008	$1,000,000 for the period commencing on January 1, 2008 and ending on June 30, 2008.
As of September 30, 2008	$1,500,000 for the quarter ending September 30, 2008, or $2,500,000 for the period commencing on January 1, 2008 and ending on September 30, 2008.
As of December 31, 2008	$2,000,000 for the quarter ending December 31, 2008 or $4,500,000 for the year ended December 31, 2008.

"Adjusted EBITDA" is defined as the sum of the amounts for such period of (i) net income or loss before dividends, plus (ii) charges for foreign, federal, state and local taxes as computed on our income tax returns, plus (iii) interest expense, plus (iv) depreciation, plus (v) amortization expense, including, without limitation, amortization of goodwill and other intangible assets and amortization of stock based compensation expense, plus (vi) extraordinary losses, plus (vii) charges related to any financing consummated on or prior to the September 2007 private placement, plus (viii) the cost of any beneficial conversion feature of any outstanding security, plus (ix) the cost of any accretion of discounts minus (x) interest income, minus (xi) extraordinary gains, and (xii) such other adjustments to eliminate the impact of any derivative financial instruments.

Cash flows

At December 31, 2007, we had a working capital deficit of $9,092,000, compared to a working capital deficit of $11,868,000 at December 31, 2006, a decrease of $2,826,000. We had $2,312,000 in cash and cash equivalents at December 31, 2007, compared to $2,153,000 at December 31, 2006, an increase of $159,000.

Net cash used by operating activities was $1,878,000 for the 2007 year. The cash components provided by operations were $611,000 for an increase in customer deposits, $642,000 for an increase in accounts payable, accrued expenses, and sales taxes and regulatory fees, $202,000 for a decrease in accounts receivable, $42,000 for an increase in deferred revenue and $41,000 for a decrease in other assets. These were partially offset by a $21,000 decrease in prepaid expenses and other current assets.

During the year ended December 31, 2007, the only material change in our contractual obligations was to enter into a capital lease of $358,000 for certain network equipment.

Cash used in investing activities in the year ended December 31, 2007 for the purchase of property and equipment was $1,053,000. We anticipate capital expenditures in 2008 to be at a similar level as 2007.

Cash provided by financing activities in the year ended December 31, 2007 were $3,230,000 provided from the net proceeds from the issuance of Senior Secured Notes which were partially offset by $140,000 of costs incurred in extension of maturity date of Senior Secured Notes and Series C Preferred Stock exchange.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements at December 31, 2007.

Commitments and Contractual Obligations

The following table summarizes our contractual cash obligations and commercial commitments at December 31, 2007, and the effect such obligations are expected to have on liquidity and cash flow in future periods (in thousands).

Contractual Obligations:	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Senior Secured Notes	$ 11,006	$ —	$ 11,006	$ —	$ —
Derivative liabilities	6,117	6,117	—	—	—
Operating lease obligations	440	311	129	—	—
Capital lease obligations	477	203	274	—	—
Commercial commitments	4,155	2,913	1,242	—	—
Total	$ 22,195	$ 9,544	$ 12,651	$ —	$ —

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"*, to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The Company is assessing the impact the adoption of SFAS No. 157 will have on the Company's financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financia* l Liabilities". SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS No. 141 (R)"), *"Business Combinations (SFAS No. 141(R))*". SFAS No. 141(R) revises SFAS No. 141 on establishing the requirements in recognizing and measuring identifiable assets acquired and liabilities assumed within a business combination, any noncontrolling interest, goodwill acquired in a business combination or a gain from a bargain purchase, and any applicable disclosures needed to evaluate the nature and financial effect of a business combination. SFAS No. 141 is effective the first annual reporting period beginning on or after December 15, 2008, and therefore would be effective for the Company beginning January 1, 2009. The Company is evaluating the impact SFAS No. 141(R) will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, ("Noncontrolling Interests in Consolidated Financial Statements"), an amendment of ARB No. 51 ("SFAS No. 160"). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary, in which the noncontrolling interest will be reclassified as equity; and the income, expense and comprehensive income from a noncontrolling interest will be fully consolidated. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and therefore would be effective for the Company beginning January 1, 2009. The Company is evaluating the impact SFAS 160 will have on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have certain derivative financial instruments related to the 2004 Financing and the Placement Agent, Series A and Series A-2 warrants issued in connection with the March and April 2006 and September 2007 private placements (collectively, the "2006/2007 Warrants"). The derivative financial instruments are revalued each period, which causes fluctuations in our results from operations. As a result of this volatility, the Company is presenting proforma information which shows the effect on the derivative liability if our common stock price of $0.48 on December 31, 2007 had been increased or decreased by $0.25. The following table shows the effect of those common stock prices on the derivative financial instruments shown in the consolidated balance sheets and the increase in fair value of derivative financial instruments and net loss attributable to common stockholders shown in the consolidated statement of operations as of December 31, 2007.

		Proforma Information	
	As Reported December 31, 2007	Common Stock Price Reduction	Common Stock Price Increase
Common stock price	$ 0.48	$ 0.23	$ 0.73
Balance Sheet:			
Derivative financial instrument –2004 Financing	$ 1,200	$ 1,200	$ 1,200
2006/2007 Warrants:			
Derivative financial instrument – Placement Agent Warrants	457	176	764
Derivative financial instrument – Series A Warrants	1,758	634	3,025
Derivative financial instrument – Series A-2 Warrants	2,560	1,005	4,249
Derivative financial instrument – Series A-2 Warrants, Insider Purchasers	142	56	236
Aggregate derivative instruments for the 2006/2007 Warrants:	4,917	1,871	8,274
Derivative financial instruments	$ 6,117	$ 3,071	$ 9,474
Change in fair value of derivative financial instruments	$ —	$ (3,046)	$ 3,357
Consolidated Statement of Operations:			
Decrease in fair value of derivative financial instruments	$ (5,665)	$ (8,711)	$ (2,308)
Net loss attributable to common stockholders	$ (4,924)	$ (1,878)	$ (8,281)

The derivative financial instrument related to the 2004 Financing is not affected by changes in the Company's common stock price but is affected by the number of shares of common stock currently held by the original investors in the 2004 Financing. Had 74,000 shares, which is 10% of the shares currently held by the original investors, been sold as of December 31, 2007, then the fair value of the related derivative financial instrument would have been reduced by $49,000 and we would have recognized that amount as income in the consolidated statement of operations.

The 2006/2007 Warrants require that we deliver, under certain circumstances, shares registered pursuant to the Securities Act. Management determined that certain events or actions necessary to satisfy the requirement to deliver registered shares are not controlled by the Company. These events which are outside the control of the Company are what give rise to the derivative liability. For example, if the Company is sold to or merged with a non-public company, some or all of the purchase price may include the stock of the non-public company. In such an instance, the holders of the 2006/2007 Warrants are entitled to a cash payment, calculated in accordance with the terms of the 2006/2007 Warrants. Additionally, if the purchase price is less than the warrant strike price of the 2006/2007 Warrants, we are required to make a cash payment to the 2006/2007 Warrant holders, which also causes a derivative liability.

The potential cash payments that the Company would be required to make for the derivative liabilities associated with the 2006/2007 Warrants are determined based on:

- whether the value of the consideration (which includes stock, cash, and/or property) to be received by the stockholders is greater or less than warrant strike price, and

- whether or not any securities received are of a public company.

The following table summarizes transactions under which the derivative liability would be paid:

	Type of Consideration Received by our Stockholders in a Sale		
	Securities of a Non-Public Company, then 2006/2007 Warrants holders will receive	**Cash, then 2006/2007 Warrants holders will receive**	**Securities of a Public Company, then 2006/2007 Warrants holders will receive**
Consideration is greater than the warrant strike price – **	Payment of the amount accrued for the derivative liability	Cash *	Securities of such Public Company *
Consideration is less than the warrant strike price – **	Payment of the amount accrued for the derivative liability	Payment of the amount accrued for the derivative liability	Payment of the amount accrued for the derivative liability

* – The 2006/2007 Warrant holders will receive the difference between the Consideration received per share and the then current warrant strike price. The remaining derivative liability related to the 2006/2007 Warrants issued in connection with the Senior Secured Notes will not be paid and will be credited to equity.

** – The current warrant strike prices range from $0.50 to $0.65.

Solely for purposes of illustration, if the Company were sold for $0.73 per share and that purchase price was paid in cash or the securities of a public company, the Aggregate Derivative Liability for the 2006/2007 Warrants of $8,274,000 (see first table in this “Quantitative and Qualitative Disclosures about Market Risk” section) would not be paid, but would be credited to equity.

The derivative liability related to the February 2004 Financing is not affected by a sale, merger of other transaction.

Item 8. Financial Statements and Supplemental Data

The information required by this Item 8 is incorporated by reference herein from Item 15, Part IV, of this Form 10-K.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by Glowpoint in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by Glowpoint in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Glowpoint has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2007, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Glowpoint has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2007 and have concluded that no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

Glowpoint's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Glowpoint's management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2007.

The information set forth in this Item 9A shall not be considered filed under the Exchange Act. This annual report does not include an attestation report of Amper, Politziner & Mattia, P.C., Glowpoint's independent registered public accounting firm, regarding internal control over financial reporting. Management's report was not subject to attestation by Amper, Politziner & Mattia, P.C. pursuant to temporary rules of the SEC that permit Glowpoint to provide only management's report in this annual report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors, Executive Officers, Promoters and Control Persons

The following table sets forth information with respect to our current directors and executive officers.

Name	Age	Position with Company
Aziz Ahmad (5)	44	Class III Director
Bami Bastani (1)(2)(3)	54	Class II Director
Michael Brandofino	43	Chief Executive Officer, President and Class II Director
Dean Hiltzik (2)(3)	54	Class III Director
James S. Lusk (1)(2)	52	Class I Director
Richard Reiss	51	Class III Director
Peter Rust (1)(3)(4)	54	Class I Director
Non-Director Executive Officers:		
Edwin F. Heinen	56	Chief Financial Officer and Executive Vice President, Finance
Joseph Laezza	37	Chief Operating Officer
David W. Robinson	39	Executive Vice President and General Counsel

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nominating Committee
(4) Alternate Member of the Compensation Committee
(5) Alternate Member of the Audit, Compensation and Nominating Committees

Biographies

Aziz Ahmad, Class III Director. Mr. Ahmad joined our board of directors in June 2006 and his term will expire at the annual meeting of stockholders in 2008. He is co-founder and a board member of Netria Systems, a joint venture between Vonair and Broadsoft that develops client management solutions for service providers of converged networks solutions. Mr. Ahmad is also the CEO and co-founder of Vonair, a firm focused on developing client applications for the Voice over IP and Video IP wireline and wireless markets, and CEO of UTC Associates, a leading systems and network integration professional services company. He holds B.E. and M.E. degrees in Electrical Engineering from The City College of New York.

Bami Bastani, Class II Director. Dr. Bastani joined our board of directors in February 2007 and his term will expire at the annual meeting of stockholders in 2010. He is President and CEO of ANADIGICS (NASDAQ:ANAD), a leading supplier of semiconductor radio frequency integrated circuits for the broadband and wireless communications markets. Prior to joining ANADIGICS in 1998, he held senior positions with Fujitsu Microelectronics and National Semiconductor. Dr. Bastani currently serves on the board of directors of ANADIGICS and Nitronex, a private company; he previously served on the board of directors of Globespan Virata in 2003 and was a national member of the AEA board of directors until 2007. Dr. Bastani earned his Ph.D and his M.S.E.E. in Microelectronics from Ohio State University and his B.S. (Electrical Engineering) from the University of Arkansas. He also holds three US patents.

Michael Brandofino, Chief Executive Officer, President and Class II Director. Mr. Brandofino was named our Chief Executive Officer and President and a member of our board of directors in April 2006. His term as a director will expire at the annual meeting of stockholders in 2010. Mr. Brandofino previously served as our Chief Operating Officer and, before that, served as our Executive Vice President and Chief Technology Officer since October 2000. Prior to that, Mr. Brandofino was co-founder and President of Johns Brook Co., Inc., a technology consulting company acquired by us in 2000. Mr. Brandofino holds a B.S. degree in Management Information Systems from Pace University.

Dean Hiltzik, Class III Director. Mr. Hiltzik has been a member of our board of directors since May 2000 and his term will expire at the annual meeting of stockholders in 2008. From September 1999 until May 2000, Mr. Hiltzik was a member of the board of directors of All Communications Corporation (“ACC”). Mr. Hiltzik, a certified public accountant, is a partner and director of consulting services at Schneider & Associates LLP, which he joined in 1979. Schneider provides tax and consulting services to Glowpoint. Mr. Hiltzik received a B.A. from Columbia University and an M.B.A. in Accounting from Hofstra University.

James S. Lusk, Class I Director. Mr. Lusk joined our board of directors in February 2007 and his term will expire at the annual meeting of stockholders in 2009. He is Chief Financial Officer of ABM Industries Incorporated (NYSE:ABM), a leading facility services contractor in the United States and Canada, and was formerly ABM's Executive Vice President. Prior to joining ABM, he was Vice President, Business Services of Avaya, Chief Financial Officer, Treasurer of BioScrip/MIM, President of Lucent Technologies' Business Solutions division, and interim Chief Financial Officer of Lucent Technologies. Mr. Lusk earned his B.S. (Economics), cum laude, from the Wharton School, University of Pennsylvania, and his M.B.A (Finance) from Seton Hall University. He is a CPA and was inducted into the AICPA Business and Industry Leadership Hall of Fame in 1999.

Richard Reiss, Class III Director. Mr. Reiss has been a member of our board of directors since May 2000 and his term will expire at the annual meeting of stockholders in 2008. He is co-founder and currently serves as President of Prime Communications, an Avaya Business Partner that installs technologically advanced communication systems for businesses of all sizes. Mr. Reiss previously served as Chairman of our board from May 2000 to December 2006 and served as our Chief Executive Officer from May 2000 to October 2003. Mr. Reiss also served as our President from May 2000 to April 2002. Mr. Reiss served as Chairman of the Board of Directors, President and Chief Executive Officer of ACC from ACC's formation in 1991 until the formation of Glowpoint's predecessor pursuant to the merger of ACC and View Tech, Inc. ("VTI") in May 2000.

Peter Rust, Class I Director. Mr. Rust joined our board of directors in May 2006 and his term will expire at the annual meeting of stockholders in 2009. Mr. Rust has over 27 years of experience in the telecommunications and computer industries. He is currently CEO of Bank Street Consulting Group, a firm that works with mid-cap companies helping them achieve their growth objectives. Previously, he consulted for a number of telecommunications, technology and financial firms and served as President and CEO of Con Edison Communications from February 1999 until May 2005. He is also a former director of NEON Communications, a current director for two non-profits and a member of the Communications Sector of the NYC Investment Fund. Mr. Rust holds an M.B.A. in Corporate Finance from Adelphi University, a Master of Science in Biomedical Engineering from Polytechnic University of New York, and a B.A. from Brown University in Rhode Island.

Executive Officers

The following individuals are our executive officers but are not directors:

Edwin F. Heinen, Chief Financial Officer and Executive Vice President, Finance. Mr. Heinen, a certified public accountant, has been our Chief Financial Officer since April 2006 and previously served as our Controller since March 2005. Mr. Heinen joined the Company from Communications Network Enhancement, Inc., an audio conferencing company, where he was CFO since September 2001. Before that, Mr. Heinen served in senior financial executive positions with responsibility for accounting, auditing, treasury, analysis, budgeting, and financial and tax reporting. Mr. Heinen received a B.S. in Business Administration from Cornell University and an M.B.A in Finance from the University of Detroit.

Joseph Laezza, Chief Operating Officer. Mr. Laezza has been our Chief Operating Officer since April 2006 and previously served as our Vice President, Operations since March 2004. Mr. Laezza joined the Company from Con Edison Communications, where he was Vice President, Network Operations. He previously held management positions at a number of telecommunications service providers, including AT&T and XO Communications, where he was responsible for operations, service delivery, and customer service.

David W. Robinson, Executive Vice President and General Counsel . Mr. Robinson has been our Executive Vice President and General Counsel since May 2006. Prior to joining the Company, Mr. Robinson was Vice President and General Counsel of Con Edison Communications from August 2001 until March 2006, when Con Edison Communications was purchased by RCN Corporation. Before that, Mr. Robinson served in senior executive positions with other telecommunications service providers and provided legal and business counseling to other businesses. Mr. Robinson received a B.A. from the University of Pennsylvania (*magna cum laude*) and a Juris Doctorate from Boston College Law School.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires executive officers and directors and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% stockholders are required by regulations of the Securities and Exchange Commission to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of reports we received, or written representations that no such reports were required for those persons, we believe that, for 2007, all statements of beneficial ownership required to be filed with the Securities and Exchange Commission were filed on a timely basis.

Code of Ethics

We have adopted a code of business conduct and ethics, which is designed to promote: honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in our filings with the SEC and other public communications; compliance with applicable laws, rules and regulations; prompt internal reporting of violations of the code of business conduct and ethics; and accountability for adherence to the code of business conduct and ethics. The code of business conduct and ethics applies to our employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer and controller. A copy of our code of business conduct and ethics is available at our website at www.glowpoint.com. You may request a copy of the code of business conduct and ethics, at no cost, by telephoning us at (866) GLOWPOINT or writing us at the following address: Glowpoint, Inc., 225 Long Avenue, Hillside, New Jersey 07205, Attention: Investor Relations. We may post amendments to or waivers of the provisions of the code of business conduct and ethics, if any, made with respect to our principal executive officer, principal financial officer, principal accounting officer or controller on that website. Please note, however, that the information contained on the website is not incorporated by reference in, or considered to be part of, this document.

Corporate Governance

Corporate governance is typically defined as the system that allocates duties and authority among a company's stockholders, board of directors and management. The stockholders elect the board and vote on extraordinary matters; the board is the company's governing body, responsible for hiring, overseeing and evaluating management, particularly the chief executive officer; and management runs the company's day-to-day operations. The primary responsibilities of the board of directors are oversight, counseling and direction to our management in the long-term interests of us and our stockholders. Our board of directors currently consists of seven directors. The current board members include five independent directors and one current member and one former member of our senior management.

Independent Directors. Other than Mr. Reiss (a former member of our senior management) and Mr. Brandofino (our current President and CEO), each of our directors qualifies as "independent" in accordance with the published listing requirements of the Company Guide of the American Stock Exchange. This independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, the board has made a subjective determination as to each independent director that no relationship exist which, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Board Committees. The board has an audit committee, a compensation committee and a nominating committee. Each committee has a charter that is available for review on our website at www.glowpoint.com. You may request a copy of each charter, at no cost, by telephoning us at (866) GLOWPOINT or writing us at the following address: Glowpoint, Inc., 225 Long Avenue, Hillside, New Jersey 07205, Attention: Investor Relations.

Audit Committee. We currently have an audit committee consisting of James Lusk, Peter Rust and Bami Bastani. Aziz Ahmad serves as an alternate member of the audit committee. Mr. Lusk is the chairman of the audit committee. The audit committee consults and meets with our Registered Public Accounting Firm and chief financial officer and accounting personnel, reviews potential conflict of interest situations where appropriate, and reports and makes recommendations to the full board of directors regarding such matters.

The members of the audit committee each qualify as "independent" under the heightened standards established for members of audit committees pursuant to Rule 10A-3 under the Securities Exchange Act. The audit committee is also required to have at least one independent member who is determined by the board to meet the qualifications of an "audit committee financial expert" in accordance with SEC rules, including that the person meets the relevant definition of an "independent director." Each member of the audit committee has been determined to be an audit committee financial expert and independent director. Stockholders should understand that this designation is a disclosure requirement of the SEC related to these directors' experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon these directors any duties, obligations or liability that are greater than are generally imposed on them as a member of the audit committee and the board, and their designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the audit committee or the board.

Compensation Committee. We currently have a compensation committee consisting of Dean Hiltzik, Bami Bastani and James Lusk. Aziz Ahmad and Peter Rust each serve as alternate members of the compensation committee. Each member of the compensation committee meets the required independence standard. The compensation committee is responsible for supervising our executive compensation policies, reviewing officers' salaries, reviewing and discussing with management the Compensation Discussion and Analysis, providing the Compensation Committee Report for inclusion in our Proxy Statement, and performing such other duties as the board of directors may prescribe from time to time.

Nominating Committee. We currently have a nominating committee consisting of Dean Hiltzik, Peter Rust and Bami Bastani. Aziz Ahmad serves as an alternate member of the nominating committee. Each member of the nominating committee meets the required independence standard. The nominating committee is responsible for assessing the performance of our board of directors and making recommendations to our board regarding nominees for the board. The nominating committee was formed in February 2004. Prior to the formation of the committee, its functions were performed by the board of directors. The nominating committee considers qualified candidates to serve as a member of our board of directors suggested by our stockholders. Stockholders can suggest qualified candidates for director by writing to our Corporate Secretary at 225 Long Avenue, Hillside, New Jersey 07205. Stockholder submissions that are received in accordance with our by-laws and that meet the criteria outlined in the nominating committee charter are forwarded to the members of the nominating committee for review. There have been no changes to the procedures by which stockholders may recommend nominees to our board of directors in the last two years.

Item 11. Executive Compensation

Summary Compensation Table

The table set forth below summarizes for our named executive officers the compensation paid, accrued or granted, during or with respect to the two years ended December 31, 2007. Certain columnar information required by Item 402(c)(2) of Regulation S-K has been omitted for categories where there has been no compensation awarded to, or paid to, the named executive officers during or with respect to the two years ended December 31, 2007.

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (2)	All Other Compensation (3)	Total
Michael Brandofino President and Chief Executive Officer	2007	$ 276,058	$ 84,000 (4)	$ 77,500	$ 73,471	$ 9,608	$ 520,637
	2006	267,500	27,500	—	26,969	10,279	332,248
Edwin F. Heinen Chief Financial Officer	2007	200,769	63,000 (4)	79,222	54,543	8,695	406,229
	2006	167,212	37,500	—	71,157	5,056	280,925
Joseph Laezza Chief Operating Officer	2007	242,976	63,000 (4)	61,971	92,812	7,563	468,322
	2006	228,608	23,320	35,384	34,459	3,900	325,671
David W. Robinson Executive Vice President, General Counsel	2007	248,861	63,000 (4)	66,000	27,864	8,205	413,930
	2006	158,769	16,080	41,000	9,882	2,140	227,871

(1) The amounts included in the “Stock Awards” column represent the compensation cost we recognized in 2007 and 2006 related to non-option stock awards, as described in Statement of Financial Accounting Standards No. 123R without taking into account any forfeiture rates. For a discussion of the valuation assumptions, see Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2007. In 2007, we used the following weighted average assumption to determine the risk-free interest rate of 4.6%: an expected life of five years, expected volatility of 98.4%, an estimated forfeiture rate of 10% and no dividends. Please see the “Grants of Plan-Based Awards” table for more information regarding stock awards we granted in 2007 and 2006. The table below summarizes, by year of grant, the 2007 and 2006 expense amounts, respectively, reported in the “Stock Awards” column for each named executive officer:

Name	Year	2003	2004	2005	2006	2007	Total
Michael Brandofino	2007	$ —	$ —	$ —	$ —	$77,500	$77,500
	2006	—	—	—	—	—	—
Edwin F. Heinen	2007	—	—	—	—	79,222	79,222
	2006	—	—	—	—	—	—
Joseph Laezza	2007	—	8,846	—	—	53,125	61,971
	2006	—	35,384	—	—	—	35,384
David W. Robinson	2007	—	—	—	21,000	45,000	66,000
	2006	—	—	—	41,000	—	41,000

(2) The amounts included in the “Option Awards” column represent the compensation cost we recognized in 2007 and 2006 related to option awards, as described in Statement of Financial Accounting Standards No. 123R without taking into account any forfeiture rates. For a discussion of the valuation assumptions, see Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2007. In 2007, we used the following weighted average assumption to determine the risk-free interest rate of 4.6%: an expected life of five years, expected volatility of 98.4%, an estimated forfeiture rate of 10% and no dividends. Please see the “Grants of Plan-Based Awards” table for more information regarding option awards we granted in 2007 and 2006. The following table summarizes, by year of grant, the 2007 and 2006 expense amounts, respectively, reported in the “Option Awards” column for each named executive officer:

Name	Year	2003	2004	2005	2006	2007	Total
Michael Brandofino	2007	$ —	$ 5,250	$ —	$13,333	$54,888	$73,471
	2006	—	17,087	—	9,882	—	26,969
Edwin F. Heinen	2007	—	—	26,679	13,333	14,531	54,543
	2006	—	—	61,275	9,882	—	71,157
Joseph Laezza	2007	—	—	10,869	13,333	68,610	92,812
	2006	—	—	24,577	9,882	—	34,459
David W. Robinson	2007	—	—	—	13,333	14,531	27,864
	2006	—	—	—	9,882	—	9,882

(3) The following table presents all other compensation during the years ended December 31, 2006 and 2007 to the named executive officers:

Name	Year (1)	Vehicle Allowance	Company Contributions to 401(k) Plan	Health Insurance	Severance	Total
Michael Brandofino	2007	$ 4,820	$ 3,214	$ 1,574	$ —	$ 9,608
	2006	4,000	3,132	3,147	—	10,279
Edwin F. Heinen	2007	4,820	3,875	—	—	8,695
	2006	3,700	1,356	—	—	5,056
Joseph Laezza	2007	4,820	2,743	—	—	7,563
	2006	3,900	—	—	—	3,900
David W. Robinson	2007	4,820	3,385	—	—	8,205
	2006	2,140	—	—	—	2,140

(4) The reported bonus consists of a combination of restricted stock and cash. Mr. Brandofino was awarded 100,000 shares of restricted stock, which had a dollar value of $55,000 on the date of grant, and the balance of the bonus (which is $29,000) was paid in cash. Each of Messrs. Laezza, Heinen, and Robinson was awarded 75,000 shares of restricted stock, which had a dollar value of $41,250 on the date of grant, and the balance of the bonus (which is $21,750) was paid in cash.

Grants of Plan-Based Awards

The table set forth below presents all plan-based equity and non-equity grants made by Glowpoint during the year ended December 31, 2007 to the named executive officers. Certain columnar information required by Item 402(d)(2) of Regulation S-K has been omitted for categories where there has been no compensation awarded to, or paid to, the named executive officers during or with respect to the year ended December 31, 2007.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards
Michael Brandofino	6/25/07	75,000 (5)	—	—	$ 45,000
	5/15/07	—	200,000 (3)	0.52	79,388
	5/15/07	400,000 (6)	—	—	208,000
	6/27/06	—	100,000 (1)	0.41	30,638
Edwin F. Heinen	6/25/07	—	100,000 (2)	0.60	46,272
	6/25/07	75,000 (5)	—	—	45,000
	1/30/07	200,000 (8)	—	—	112,000
	6/27/06	—	100,000 (1)	0.41	30,638
Joseph Laezza	6/25/07	75,000 (5)	—	—	45,000
	5/15/07	100,000 (7)	—	—	52,000
	5/15/07	—	250,000 (4)	0.52	99,235
	6/27/06	—	100,000 (1)	0.41	30,638
David W. Robinson	6/25/07	—	100,000 (2)	0.60	46,272
	6/25/07	75,000 (5)	—	—	45,000
	5/4/06	200,000 (9)	—	—	90,000
	6/27/06	—	100,000 (1)	0.41	30,638

(1) The options for each of the named executive officers to purchase 100,000 shares were granted on June 27, 2006, have a ten year life and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(2) The options for each of the named executive officers to purchase 100,000 shares were granted on June 25, 2007, have a ten year life and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(3) Options to purchase 200,000 shares were granted on May 15, 2007, have a ten year life and vests as to 100,000 shares subject to the grant on that date and as to the remaining 100,000 shares subject to the grant, 33.33% on each of the first, second and third anniversary dates of the grant.

(4) Options to purchase 250,000 shares were granted on May 15, 2007, have a ten year life and vests as to 125,000 shares subject to the grant on that date and as to the remaining 125,000 shares subject to the grant, 33.33% on each of the first, second and third anniversary dates of the grant.

(5) Restricted stock awards for each of the named officers of 75,000 shares were granted on June 25, 2007 and vested on the date of the grant.

(6) A restricted stock award of 400,000 shares was granted on May 15, 2007, and vests as to 50% of the total number of shares subject to the grant on each of the second and fourth anniversary dates of the grant.

(7) A restricted stock award of 100,000 shares was granted on May 15, 2007, and vests as to 50% of the total number of shares subject to the grant on each of the second and fourth anniversary dates of the grant.

(8) A restricted stock award of 200,000 shares was granted on January 30, 2007, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(9) A restricted stock award of 200,000 shares was granted on May 4, 2006, and vested as to 60,000 shares on the commencement date of Mr. Robinson’s employment and the remaining 140,000 shares subject to the grant vests 33.33% on each of the first, second and third anniversary dates of the grant.

Outstanding Equity Awards at Fiscal Year-End

The table set forth below presents the number and values of exercisable and unexercisable options and unvested restricted stock at December 31, 2007. Certain columnar information required by Item 402(f)(2) of Regulation S-K has been omitted for categories where there has been no compensation awarded to, or paid to, the named executive officers required to be reported in the table during two fiscal years ended December 31, 2007.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (7)
Michael Brandofino	100,000	—	$ 3.94	1/01/2011	—	$ —
	20,000	—	4.40	2/25/2012	—	—
	15,000	—	3.04	4/24/2012	—	—
	29,875	—	1.13	7/22/2012	—	—
	100,000	—	3.39	9/23/2013	—	—
	100,000	—	1.36	7/26/2014	—	—
	33,333	66,667 (1)	0.41	6/27/2016	—	—
	100,000	100,000 (5)	0.52	5/15/2017	—	—
	—	—	—	—	400,000 (8)	192,000
Edwin F. Heinen	26,666	13,334 (3)	2.13	3/02/2015	—	—
	9,334	4,666 (3)	1.17	8/10/2015	—	—
	50,000	25,000 (3)	1.00	9/29/2015	—	—
	33,333	66,667 (1)	0.41	6/27/2016	—	—
	—	100,000 (2)	0.60	6/25/2017	—	—
	—	—	—	—	200,000 (9)	96,000
Joseph Laezza	33,334	16,666 (4)	1.17	8/10/2015	—	—
	33,333	66,667 (1)	0.41	6/27/2016	—	—
	125,000	125,000 (6)	0.52	5/15/2017	—	—
	—	—	—	—	100,000 (10)	48,000
David W. Robinson	33,333	66,667 (1)	0.41	6/27/2016	—	—
	—	100,000 (2)	0.60	6/25/2017	—	—
	—	—	—	—	93,333 (11)	44,800

(1) An option to purchase 100,000 shares was granted on June 27, 2006, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(2) Options to purchase 100,000 shares were granted on June 25, 2007, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(3) Options to purchase 40,000 shares on March 2, 2005, 14,000 shares on August 10, 2005 and 75,000 shares of September 29, 2005 were granted, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(4) An option to purchase 50,000 shares was granted on August 10, 2005, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant.

(5) An option to purchase 200,000 shares was granted on May 15, 2007, and vests as to 100,000 shares subject to the grant on that date and as to the remaining 100,000 shares subject to the grant, 33.33% on each of the first, second and third anniversary dates of the grant.

(6) An option to purchase 250,000 shares was granted on May 15, 2007, and vests as to 125,000 shares subject to the grant on that date and as to the remaining 125,000 shares subject to the grant, 33.33% on each of the first, second and third anniversary dates of the grant.

(7) The market value of the stock awards is based on the $0.48 closing price our common stock on December 31, 2007.

(8) A restricted stock award of 400,000 shares was granted on May 15, 2007, and vests as to 50% of the total number of shares subject to the grant on each of the second and fourth anniversary dates of the grant. As of December 31, 2007, all shares were unvested.

(9) A restricted stock award of 200,000 shares was granted on January 30, 2007, and vests as to 33.33% of the total number of shares subject to the grant on each of the first, second and third anniversary dates of the grant. As of December 31, 2007, all shares were unvested.

(10) A restricted stock award of 100,000 shares was granted on May 15, 2007, and vests as to 50% of the total number of shares subject to the grant on each of the second and fourth anniversary dates of the grant. As of December 31, 2007, all shares were unvested.

(11) A restricted stock award of 200,000 shares was granted on May 4, 2006, and vests as to 60,000 shares on the commencement date of Mr. Robinson's employment and as to the remaining 140,000 shares subject to the grant, 33.33% on each of the first, second and third anniversary dates of the grant. As of December 31, 2007, 106,667 shares had vested and 93,333 shares were unvested.

Option Exercises and Stock Vested

The table set forth below presents information concerning stock option exercises and vesting of restricted stock during the year ended December 31, 2007 for each named executive officer. Certain columnar information required by Item 402(g)(2) of Regulation S-K has been omitted for categories where there has been no compensation awarded to, or paid to, the named executive officers required to be reported in the table during the fiscal year ended December 31, 2007.

		Option Awards		Stock Awards	
Name	Year	Number of Shares Acquired on Exercise (#)	Value Realized On Exercise (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (2)
Michael Brandofino	2007	—	$ —	75,000	$ 45,000
Edwin F. Heinen	2007	—	—	75,000	45,000
Joseph Laezza	2007	—	—	93,334	54,534
David W. Robinson	2007	—	—	121,667	73,000

(1) The value of an option is the difference between (a) the market price upon exercise and (b) the exercise price of the option upon grant.

(2) The value of a restricted stock share upon vesting is the market value of a share of the Company's common stock on the vesting date.

Potential Payments Upon Termination or Change-in-Control

The tables below outline the potential payments to our Chief Executive Officer and other named executive officers upon the occurrence of certain termination triggering events. For the purposes of the table, below are the standard definitions for the various types of termination, although exact definitions may vary by agreement and by person.

"Voluntary Resignation" means the resignation initiated by the executive officer.

"Resignation for Good Reason" means if the executive officer resigns because: (i) there has been a diminution in his base salary; (ii) he is required to be based in an office that is more than a certain distance (e.g., 50 or 75 miles) from the current location of the office; (iii) he is assigned duties that are materially inconsistent with his current position; or (iv) there is a material diminution of his status, office, title, responsibility, or reporting requirements.

"Termination For Cause" means a termination of executive officer's employment by the Company because, in the judgment of the Company: (i) the executive officer willfully engaged in any act or omission which is in bad faith and to the detriment of the Company; (ii) the executive officer exhibited unfitness for service, dishonesty, habitual neglect, persistent and serious deficiencies in performance, or gross incompetence, which conduct is not cured within fifteen (15) days after receipt by the executive officer of written notice of the conduct; (iii) the executive officer is convicted of a crime; or (iv) the executive officer refused or failed to act on any reasonable and lawful directive or order from his superior or the Board.

"Termination Without Cause" means a termination for a reason other than for Cause, as defined above.

"Benefits upon a Change in Control or Corporate Transaction" means the benefit the named executive will receive upon a Change in Control or Corporate Transaction, as each such term is defined it the executive officer's employment contract and restricted stock award agreement.

No named executive officer is entitled to a payment in connection with Voluntary Resignation, Disability or a Termination for Cause.

Executive Benefits and Payments Upon Termination (1)	Resignation for Good Reason or Termination Without Cause	Death	Change in Control or Corporate Transaction
Michael Brandofino			
Compensation			
Severance (2)	$ 275,000	$ 275,000	$ 275,000
Equity			
Restricted Stock (8)	—	—	192,000
Options (7)	—	—	197,667
Benefits and Perquisites (3)			
401 (k) Match (4)	3,875	3,875	3,875
Health Insurance (5)	—	—	—
Accrued vacation pay (6)	21,154	21,154	21,154
Edwin F. Heinen			
Compensation			
Severance (2)	210,000	210,000	210,000
Equity			
Restricted Stock (9)	32,000	32,000	96,000
Options (10)	—	—	—
Benefits and Perquisites (3)			
401 (k) Match (4)	3,875	3,875	3,875
Health Insurance (5)	11,952	—	11,952
Accrued vacation pay (6)	16,154	16,154	16,154
Joseph Laezza			
Compensation			
Severance (2)	244,860	244,860	244,860
Equity			
Restricted Stock (8)	—	—	48,000
Options (10)	—	—	—
Benefits and Perquisites (3)			
401 (k) Match (4)	3,875	3,875	3,875
Health Insurance (5)	15,135	—	15,135
Accrued vacation pay (6)	18,835	18,835	18,835
David W. Robinson			
Compensation			
Severance (2)	252,000	252,000	252,000
Equity			
Restricted Stock (9)	22,400	22,400	44,800
Options (10)	—	—	—
Benefits and Perquisites (3)			
401 (k) Match (4)	3,875	3,875	3,875
Health Insurance (5)	15,135	—	15,135
Accrued vacation pay (6)	19,385	19,385	19,385

(1) For purposes of this analysis, we assume that the named Executive Officer's compensation is as follows: Mr. Brandofino's current base salary is $275,000; Mr. Heinen's current base salary is $210,000; Mr. Laezza's current base salary is $244,860; and Mr. Robinson's current base salary is $252,000.

(2) Severance is calculated based on the officer's current base pay times the twelve months detailed in their employment agreements.

(3) Payments associated with benefits and perquisites are limited to the items listed. No other continuation of benefits or perquisites occurs under the termination scenarios listed.

(4) 401(k) Employer Match is calculated on salary paid as per Safe Harbor provision of the 401(k) Plan up to the maximum allowable contribution.

(5) Health Insurance is calculated based on the current COBRA costs for the officer's current coverage times twelve months (none for Mr. Brandofino) detailed in their employment agreements.

(6) Assumes four weeks of unused vacation days at the time of termination.

(7) Mr. Brandofino will receive a bonus of the difference between $200,000 and the amount he realizes from the exercise of his options. Based on the $0.48 closing price of our common stock on December 30, 2007, Mr. Brandofino will realize $2,333 from the exercise of his options so he will receive $197,667 of such bonus.

(8) Represents the value of Mr. Brandofino's and Mr. Laezza's unvested restricted stock whose vesting would be accelerated in a change in control (all unvested shares). Unvested restricted stock whose vesting would be accelerated in a termination of employment (one year) is not impacted because the next vesting date for their restricted stock is May 15, 2009.

(9) Represents the value of Mr. Heinen's and Mr. Robinson's unvested restricted stock whose vesting would be accelerated as a result of termination of employment (one year) or change in control (all unvested shares).

(10) No accelerated vesting of options upon termination.

Director Compensation

Directors who are not our executive officers or employees receive a director's fee of a cash payment of $2,000 and an option to purchase 1,000 shares of common stock for each board meeting attended, a cash payment of $1,000 and an option to purchase 500 shares of common stock for each committee meeting attended, and a cash payment of $5,000 and options to purchase 4,000 shares of common stock for attendance at the annual meeting of stockholders. Each chairperson of a standing committee of our board of directors also receives a cash payment of $1,000 per year, paid following each annual meeting of our stockholders. Attendance at board meetings and committee may be in person or by telephone.

Each director who is independent in accordance with the published listing requirements of Nasdaq receives a one-time grant of 80,000 restricted shares of our common stock. The restricted shares have an exercise price equal to the closing price of our common stock (as quoted in the Pink Sheets, Over-the-Counter Bulletin Board, or applicable exchange) on the date of grant. 20,000 shares vest on the date of grant and 20,000 shares vest on each of the first, second and third anniversaries of the date of grant, provided that, with respect to each scheduled vesting date, the director in question (i) attended at least 75% of the meetings of the board of directors held in the twelve months prior to the scheduled vesting date and (ii) remains independent under the Nasdaq listing standards prevailing on the scheduled vesting date. The restricted shares become fully vested and exercisable upon a change in control of our company.

The following table represents compensation paid to our directors during the year ended December 31, 2007:

Name	Year	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	Total
Aziz Ahmad	2007	$ 10,000	$ 7,600	$ 2,128	$ 19,728
Bami Bastani	2007	24,000	25,667	5,810	55,477
Dean Hiltzik	2007	19,000	7,067	4,728	30,795
James Lusk	2007	26,000	25,667	6,079	57,746
Richard Reiss	2007	17,000	—	4,255	21,255
Peter Rust	2007	25,000	8,600	6,102	39,702

(1) Non employee directors are paid $2,000 for attending each Board of Director meeting and $1,000 for attending each committee meeting.

(2) When a non-employee is elected to the Board of Directors they receive 80,000 restricted shares which vest as to 20,000 shares on each of the grant date and first, second and third anniversary dates of the grant. The amounts included in the "Stock Awards" column represent the compensation cost we recognized in 2007 related to non-option stock awards, as described in Statement of Financial Accounting Standards No. 123R without taking into account any forfeiture rates. For a discussion of the valuation assumptions, see Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2007. In 2007, we used the following weighted average assumption to determine the risk-free interest rate of 4.6%: an expected life of five years, expected volatility of 98.4%, an estimated forfeiture rate of 10% and no dividends. Please see the "Grants of Plan-Based Awards" table for more information regarding stock awards we granted in 2007. The table below summarizes, by year of grant, the expense amounts reported in the "Stock Awards" column for each named executive officer:

Name	Year	2003	2004	2005	2006	2007	Total
Aziz Ahmad	2007	$ —	$ —	$ —	$ 7,600	$ —	$ 7,600
Bami Bastani	2007	—	—	—	—	25,667	25,667
Dean Hiltzik	2007	—	7,067	—	—	—	7,067
Jim Lusk	2007	—	—	—	—	25,667	25,667
Richard Reiss	2007	—	—	—	—	—	—
Peter Rust	2007	—	—	—	8,600	—	8,600

(3) Non-employee directors receive options to acquire 1,000 shares of common stock for attending each Board of Director meeting and options to acquire 500 shares of common stock for attending each committee meeting. The options are fully vested when granted. The amounts included in the "Option Awards" column represent the compensation cost we recognized in 2007 related to option awards, as described in Statement of Financial Accounting Standards No. 123R without taking into account any forfeiture rates. For a discussion of the valuation assumptions, see Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended December 31, 2007. In 2007, we used the following weighted average assumption to determine the risk-free interest rate of 4.6%: an expected life of five years, expected volatility of 98.4%, an estimated forfeiture rate of 10% and no dividends. Please see the "Grants of Plan-Based Awards" table for more information regarding option awards we granted in 2007.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table provides information regarding the aggregate number of securities to be issued under all of our stock options and equity-based plans upon exercise of outstanding options, warrants and other rights and their weighted-average exercise prices as of December 31, 2007. The securities issued under equity compensation plans not approved by security holders consist entirely of options issued with respect to individual compensation arrangements for officers, directors and consultants.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflecting in Column (a))
Equity compensation plans approved by security holders	4,205,232	$1.44	2,903,887
Equity compensation plans not approved by security holders	50,000	$2.98	—
Total	4,213,232	$1.47	2,903,887

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of common stock as of March 21, 2008 by each of the following:

- each person (or group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) known by us to own beneficially 5% or more of the common stock;
- our directors and named executive officers; and
- all of our directors and executive officers as a group.

The amounts and percentages are based on 47,954,564 shares of common stock issued as of March 21, 2008, which includes 1,564,891 shares held by the Company as treasury shares. As used in this table, "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any

security. A person is considered the beneficial owner of securities that can be acquired within 60 days of such date through the exercise of any option, warrant or right. Shares of common stock subject to options, warrants or rights which are currently exercisable or exercisable within such 60 days are considered outstanding for computing the ownership percentage of the person holding such options, warrants or rights, but are not considered outstanding for computing the ownership percentage of any other person. However, unless specifically waived by such selling stockholder, the selling stockholder is prohibited from acquiring shares of common stock under the Senior Secured Notes, the Series A Warrants and the Series A-2 Warrants to the extent such acquisition would result in the selling stockholder beneficially owning more than 4.9% or 9.9% of our outstanding common stock after such acquisition.

Name And Address of Beneficial Owners (1)	Number of Shares Owned (2)	Percentage of Outstanding Shares
Executive Officers and Directors:		
Michael Brandofino	1,267,614 (3)	2.6%
Joseph Laezza	617,125 (4)	1.3%
Edwin F. Heinen	878,900 (5)	1.8%
David W. Robinson	729,397 (6)	1.5%
Aziz Ahmad	244,493 (7)	*
Bami Bastani	329,240 (8)	*
Dean Hiltzik	184,000 (9)	*
James Lusk	98,000 (10)	*
Richard Reiss	3,588,250 (11)	7.4%
Peter Rust	103,500 (12)	*
All directors and executive officers as a group (10 people)	8,040,519	16.3%
5% Owners:		
North Sound Capital LLC 20 Horseneck Lane, Greenwich, Connecticut 06830	2,470,845 (13)	4.9%
Coghill Capital Management LLC One North Wacker Drive, New York, New York 10006	4,886,419 (14)	9.9%
Vicis Capital 126 East 56th Street, New York, New York 10022	2,470,845 (15)	4.9%
Smithfield Fiduciary LLC (c/o Highbridge Capital Management) 9 West 57th Street, 27th Floor, New York, New York 10019	2,470,845 (16)	4.9%

* Less than 1%

(1) Unless otherwise noted, the address of each person listed is c/o Glowpoint, Inc., 225 Long Avenue, Hillside, New Jersey 07205.

(2) Unless otherwise noted indicated by footnote, the named persons have sole voting and investment power with respect to the shares of common stock beneficially owned.

(3) Includes 400,000 shares of restricted stock that are subject to forfeiture, 105,538 shares issuable upon conversion of our Senior Secured Notes, and 582,041 shares subject to stock options and warrants presently exercisable or exercisable within 60 days.

(4) Includes 100,000 shares of restricted stock that are subject to forfeiture, 53,291 shares issuable upon conversion of our Senior Secured Notes, and 258,834 shares subject to stock options and warrants presently exercisable or exercisable within 60 days.

(5) Includes 133,333 shares of restricted stock that are subject to forfeiture, 261,233 shares issuable upon conversion of our Senior Secured Notes, and 257,667 shares subject to stock options and warrants presently exercisable or exercisable within 60 days.

(6) Includes 46,666 shares of restricted stock that are subject to forfeiture, 234,064 shares issuable upon conversion of our Senior Secured Notes, and 145,333 shares subject to stock options and warrants exercisable within 60 days.

(7) Includes 40,000 shares of restricted stock that are subject to forfeiture, 104,493 shares issuable upon conversion of our Senior Secured Notes, and 60,000 subject to presently exercisable stock options and warrants.

(8) Includes 40,000 shares of restricted stock that are subject to forfeiture, 156,740 shares issuable upon conversion of our Senior Secured Notes, and 92,500 subject to presently exercisable stock options and warrants.

(9) Includes 104,000 shares subject to presently exercisable stock options.

(10) Includes 40,000 shares of restricted stock that are subject to forfeiture and 18,000 subject to presently exercisable stock options.

(11) Includes 313,000 shares subject to presently exercisable stock options and 82,500 shares held by a trust for the benefit of Mr. Reiss' children, of which he is the trustee.

(12) Includes 20,000 shares of restricted stock that are subject to forfeiture and 23,500 subject to presently exercisable stock options.

(13) Based on ownership information from the selling stockholder questionnaire, dated October 12, 2007 and confirmed on January 4, 2008, submitted to the Company by North Sound Capital Management, L.L.C., holder does not currently own any shares and may, within the next 60 days, acquire 2,470,845 shares issuable upon conversion of our Senior Secured Notes, which amount is due to a contractual 4.9% ownership limitation. Does not include 13,875,169 shares which are exercisable on 61 days' prior written notice to the Company, which includes 3,698,762 additional shares issuable upon conversion of Senior Secured Notes, 4,748,126 shares issuable upon conversion of our Series C Preferred Stock, and 5,428,281 shares subject to presently exercisable warrants. The required 61 days prior written notice is designed to assure that the holder will not be deemed the beneficial owner of all underlying shares because the 61 day waiting period before the waiver becomes effective denies the holder the right to have beneficial ownership within 60 days. Therefore, without giving effect to the 4.9% contractual ownership limitation, holder presently would have the right to acquire a total of 16,346,014 shares.

(14) Based on ownership information from the Schedule 13G filed by Coghill Capital Management, L.L.C. on February 14, 2008, holder currently owns 3,483,218 shares and may, within the next 60 days, acquire 1,403,201 shares issuable upon conversion of our Senior Secured Notes, which amount is due to a contractual 9.9% ownership limitation. Does not include 8,713,860 shares which are exercisable on 61 days' prior written notice to the Company, which includes 4,388,424 additional shares issuable upon conversion of Senior Secured Notes and 4,325,436 shares subject to presently exercisable warrants. The required 61 days prior written notice is designed to assure that the holder will not be deemed the beneficial owner of all underlying shares because the 61 day waiting period before the waiver becomes effective denies the holder the right to have beneficial ownership within 60 days. Therefore, without giving effect to the 9.9% contractual ownership limitation, holder presently would have the right to acquire a total of 10,117,061 shares in addition to the 3,483,218 shares owned, for a total position of 13,600,279 shares.

(15) Based on ownership information from the selling stockholder questionnaire, dated October 15, 2007 and confirmed on December 20, 2007, submitted to the Company by Vicis Capital Master Fund, holder does not currently own any shares and may, within the next 60 days, acquire 2,470,845 shares issuable upon conversion of our Senior Secured Notes, which amount is due to a contractual 4.9% ownership limitation. Does not include 9,298,022 shares which are exercisable on 61 days' prior written notice to the Company, which includes 4,365,711 additional shares issuable upon conversion of Senior Secured Notes, and 4,932,311 shares subject to presently exercisable warrants. The required 61 days prior written notice is designed to assure that the holder will not be deemed the beneficial owner of all underlying shares because the 61 day waiting period before the waiver becomes effective denies the holder the right to have beneficial ownership within 60 days. Therefore, without giving effect to the 4.9% contractual ownership limitation, holder presently would have the right to acquire a total of 11,768,867 shares.

(16) Based on ownership information from the selling stockholder questionnaire, dated January 7, 2008, submitted to the Company by Smithfield Fiduciary LLC, holder does not currently own any shares and may, within the next 60 days, acquire 1,229,877 shares issuable upon conversion of our Senior Secured Notes and 1,240,968 shares subject to presently exercisable warrants, which amount is due to a contractual 4.9% ownership limitation. Does not include 74,022 additional shares subject to presently exercisable warrants which are exercisable on 61 days' prior written notice to the Company. The required 61 days prior written notice is designed to assure that the holder will not be deemed the beneficial owner of all underlying shares because the 61 day waiting period before the waiver becomes effective denies the holder the right to have beneficial ownership within 60 days. Therefore, without giving effect to the 4.9% contractual ownership limitation, holder presently would have the right to acquire a total of 2,544,867 shares.

Item 13. Certain Relationships and Related Transactions, and Director Independence

We receive financial and tax services from Schneider & Associates LLP, an accounting firm in which Dean Hiltzik, one of our directors, is a partner. In the last fiscal year, we incurred fees of approximately $92,000 for services received from this firm.

Item 14. Principal Accounting Fees and Services

Audit Fees

Amper, Politziner & Mattia, P.C. ("Amper"), our principal accountant, billed us approximately $282,000 for professional services for the audit of our annual consolidated financial statements for the 2007 fiscal year and the reviews of the consolidated financial statements included in our quarterly reports on Form 10-Q for the 2007 fiscal year and approximately $278,000 for the audit of our annual consolidated financial statements for the 2006 fiscal year and the reviews of the consolidated financial statements included in our quarterly reports on Form 10-Q for the 2006 fiscal year.

Audit-Related Fees

In connection with filing a registration statement in late 2007, Amper billed us approximately $29,800 in fiscal year 2007 for services rendered. Except for the foregoing and as reported in the paragraph immediately above, Amper did not bill us for any assurance and related services that are reasonably related to the performance of the audit and review of our consolidated financial statements that are not already. All of these fees were billed in connection with our filings with the Securities and Exchange Commission and attendance at audit committee meetings.

Tax Fees

Amper did not render any professional services to us for tax compliance, tax advice and tax planning in the 2007 or 2006 fiscal years.

All Other Fees

Amper did not bill us in the 2007 or 2006 fiscal years for any services or products other than Audit Fees and Audit-Related Fees, as listed above.

In accordance with audit committee policy and the requirements of law, all services provided by Amper were pre-approved by the audit committee and all services to be provided by Amper will be pre-approved. Pre-approval includes audit services, audit-related services, tax services and other services. To avoid certain potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its auditing firm. We obtain these services from other service providers as needed.

PART IV

Item 15. Exhibits and Financial Statement Schedules

A. The following documents are filed as part of this report:

1. Consolidated Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets at December 31, 2007 and 2006	F-2
Consolidated Statements of Operations for the years ended December 31, 2007 and 2006	F-3
Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2007 and 2006	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2007and 2006	F-5
Notes to Consolidated Financial Statements	F-6

2. Financial Statement Schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibits:

A list of exhibits required to be filed as part of this report is set forth in the Exhibit Index on page 56 of this Form 10-K, which immediately precedes such exhibits, and is incorporated by reference.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation. (1)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Wire One Technologies, Inc. changing its name to Glowpoint, Inc. (8)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Glowpoint, Inc. increasing its authorized common stock to 150,000,000 shares from 100,000,000 shares. (19)
3.4	Amended and Restated Bylaws. (8)
3.5	Amendment to Amended and Restated Bylaws (21)
4.1	Specimen Common Stock Certificate. (16)
4.2	Certificate of Designations, Preferences and Rights of Series C Preferred Stock. (19)
4.3	Certificate of Designations, Preferences and Rights of Series D Preferred Stock. (19)
4.4	Certificate Eliminating Series A Preferred Stock. (22)
4.5	Certificate Eliminating Series B Preferred Stock. (22)
10.1	Glowpoint, Inc. 2000 Stock Incentive Plan. (2)
10.2	Form of Warrant to purchase Common Stock, dated January 10, 2002. (3)
10.3	Form of Warrant to Purchase Shares of common stock of Registrant. (4)
10.4	Registration Rights Agreement dated as of December 17, 2002, between Registrant and the Purchasers set forth therein. (4)
10.5	Note and Warrant Purchase Agreement dated as of December 17, 2002, between Registrant and the Purchasers set forth therein. (4)
10.6	Warrant to Purchase Shares of common stock of Glowpoint, Inc. (5)
10.7	Common Stock Purchase Agreement between Registrant and the Purchasers Listed on Exhibit A. (5)
10.8	Placement Agent Agreement, dated August 4, 2003, between Registrant and Burnham Hill Partners, as amended as of January 29, 2004. (8)
10.9	Form of Warrant to Purchase Common Stock, dated August 8, 2001. (6)
10.10	Form of Warrant to Purchase Common Stock, dated June 14, 2000. (7)
10.11	Employment Agreement with Joseph Laezza, dated as of March 11, 2004. (8)
10.12	Amended and Restated Employment Agreement with Michael Brandofino, dated July 1, 2004. (9)
10.13	Form of Common Stock Purchase Agreement, dated March 14, 2005. (10)
10.14	Form of Warrant to Purchase Common Stock, dated March 14, 2005. (10)
10.15	Form of Exchange Agreement, dated March 14, 2005. (11)
10.16	Placement Agent Agreement, dated March 19, 2005, between Registrant and Burnham Hill Partners. (16)
10.17	Separation Agreement with Stuart Gold, dated as of April 5, 2006. (16)
10.18	Separation Agreement with David C. Trachtenberg dated as of April 6, 2006. (16)
10.19	Note and Warrant Purchase Agreement, dated as of March 31, 2006, between Glowpoint and the purchasers set forth therein, which reflects the same terms as the Note and Warrant Purchase Agreement, dated April 12, 2006. (12)
10.20	10% Senior Secured Convertible Promissory Note, dated as of March 31, 2006, which reflects the same terms as the 10% Senior Secured Convertible Promissory Note, dated April 12, 2006. (12)
10.21	Form of Series A Warrant to Purchase Common Stock dated as of March 31, 2006, which reflects the same terms as the Series A Warrant to Purchase Common Stock, dated April 12, 2006. (12)
10.22	Form of Series B Warrant to Purchase Common Stock dated as of March 31, 2006, which reflects the same terms as the Series B Warrant to Purchase Common Stock, dated April 12, 2006. (12)
10.23	Registration Rights Agreement, dated as of March 31, 2006, between Glowpoint and the purchasers set forth therein, which reflects the same terms as the Registration Rights Agreement, dated April 12, 2006. (12)
10.24	Security Agreement, dated as of March 31, 2006, between Glowpoint and the secured parties set forth therein, to which a joinder agreement was executed on April 12, 2006. (12)

10.25	Form of Placement Agent Warrant, dated as of March 31, 2006, between Glowpoint and the parties set forth therein. (12)
10.26	Employment Agreement with David W. Robinson, dated May 1, 2006 (13)
10.27	Employment Agreement with Edwin F. Heinen, dated January 30, 2007. (14)
10.28	Employment Agreement Amendment with David W. Robinson, dated April 24, 2007. (15)
10.29	Employment Agreement Amendment with Edwin F. Heinen, dated April 24, 2007. (15)
10.30	Employment Agreement Amendment with Michael Brandofino, dated May 15, 2007 (15)
10.31	Employment Agreement Amendment with Joseph Laezza, dated May 15, 2007. (15)
10.32	Employment Agreement Amendment with Michael Brandofino, dated June 26, 2007 (17)
10.33	Glowpoint, Inc. 2007 Stock Incentive Plan. (18)
10.34	Employment Agreement Amendment with David W. Robinson, dated September 20, 2007. (19)
10.35	Form of Amendment No. 1 to Senior Secured Promissory Notes, dated September 21, 2007. (19)
10.36	Form of Amendment No. 1 to Series A Warrant, dated September 21, 2007. (19)
10.37	Amendment No. 1 to Registration Rights Agreement, dated as of September 21, 2007, between Glowpoint and the Purchasers set forth therein. (19)
10.38	Amendment No. 1 to Security Agreement, dated as of September 21, 2007, between Glowpoint and the Secured Parties set forth therein. (19)
10.39	Note and Warrant Purchase Agreement, dated as of September 21, 2007, between Glowpoint and the Purchasers set forth therein. (19)
10.40	Form of 10% Senior Secured Convertible Promissory Note, dated September 21, 2007. (19)
10.41	Form of Series A—2 Warrant, dated September 21, 2007. (19)
10.42	Exchange Agreement, dated September 21, 2007, between Glowpoint and the Holders set forth therein. (19)
10.43	Form of Placement Agent Warrant, dated September 21, 2007. (19)
10.44	Letter Agreement, dated as of December 18, 2007, amending the amended Registration Rights Agreement, dated as of September 21, 2007, between Glowpoint and the Purchasers set forth therein. (20)
10.45	Lease Agreement for premises located at 225 Long Avenue, Hillside, New Jersey, dated as of December 31, 2007, between Registrant and Vitamin Realty Associates, L.L.C. (22)
10.46	Form of Restricted Stock Award Agreement and Schedule of Recently Reported Restricted Stock Awards. (22)
21.1	Subsidiaries of Glowpoint, Inc. (22)
31.1	Rule 13a—14(a)/15d—14(a) Certification of the Chief Executive Officer. (22)
31.2	Rule 13a—14(a)/15d—14(a) Certification of the Chief Financial Officer. (22)
32.1	Section 1350 Certification of the Chief Executive Officer. (22)
32.2	Section 1350 Certification of the Chief Financial Officer. (22)

(1) Filed as an appendix to View Tech, Inc.'s Registration Statement on Form S-4 (File No. 333-95145) and incorporated herein by reference.

(2) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000, and incorporated herein by reference.

(3) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 15, 2002, and incorporated herein by reference.

(4) Filed as an exhibit to Registrant's Current Report on Form 8-K, dated December 23, 2002, and incorporated herein by reference.

(5) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 26, 2004, and incorporated herein by reference.

(6) Filed as an exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-69432) and incorporated herein by reference.

(7) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 10, 2000, and incorporated herein by reference.

(8)

Filed as an Exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and incorporated herein by reference.

(9) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004, and incorporated herein by reference.

(10) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2005, and incorporated herein by reference.

(11) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and incorporated herein by reference.

(12) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2006, and incorporated herein by reference.

(13) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2006, and incorporated herein by reference.

(14) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2007, and incorporated herein by reference.

(15) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 21, 2007, and incorporated herein by reference.

(16) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and incorporated herein by reference.

(17) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2007, and incorporated herein by reference.

(18) Filed as an exhibit to Registrant's Definitive Proxy on Schedule 14A filed with the Securities and Exchange Commission on July 30, 2007, and incorporated herein by reference.

(19) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 24, 2007, and incorporated herein by reference.

(20) Filed as an exhibit to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on January 11, 2008, and incorporated herein by reference.

(21) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008, and incorporated herein by reference.

(22) Filed herewith.

SIGNATURES

Pursuant to the requirement of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 27, 2008

GLOWPOINT, INC.

By: /s/ Michael Brandofino
Michael Brandofino
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael Brandofino and Edwin F. Heinen jointly and severally, his attorneys-in-fact, each with power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant as of this 27th day of March 2008 in the capacities indicated.

/s/ Michael Brandofino Michael Brandofino	Chief Executive Officer (Principal Executive Officer)
/s/ Edwin F. Heinen Edwin F. Heinen	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Aziz Ahmad Aziz Ahmad	Director
/s/ Bami Bastani Bami Bastani	Director
/s/ Dean Hiltzik Dean Hiltzik	Director
/s/ James Lusk James Lusk	Director
/s/ Richard Reiss Richard Reiss	Director
/s/ Peter Rust Peter Rust	Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Glowpoint, Inc.

We have audited the accompanying balance sheets of Glowpoint, Inc and Subsidiaries (the “Company”) as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Glowpoint, Inc as of December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for the year then ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming Glowpoint, Inc. and Subsidiaries will continue as a going concern. As more fully described in Note 2, the Company has a working capital deficiency and recurring net losses, and is in the process of seeking additional capital. The Company has not yet secured sufficient capital to fund its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

As discussed in Note 13 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertainty in income taxes in 2007. As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in 2006.

AMPER, POLITZINER & MATTIA, P.C.

March 24, 2008
Edison, New Jersey

GLOWPOINT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and shares)

	December 31,	
	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,312	$ 2,153
Accounts receivable, net of allowance for doubtful accounts of $132 and $121, respectively	2,546	2,748
Prepaid expenses and other current assets	348	327
Total current assets	5,206	5,228
Property and equipment, net	2,692	2,762
Other assets	664	403
Total assets	$ 8,562	$ 8,393
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,575	$ 1,957
Accrued expenses	1,427	1,906
Accrued sales taxes and regulatory fees	4,011	4,216
Derivative financial instruments	6,117	4,301
Senior Secured Notes, net of discount of $2,280	—	4,326
Customer deposits	713	102
Deferred revenue	330	288
Current portion of capital lease	125	—
Total current liabilities	14,298	17,096
Long term liabilities:		
Senior Secured Notes, net of discount of $3,912	6,647	—
Senior Secured Notes held by Insider Purchasers - related parties, net of discount of $221	226	—
Capital lease, less current portion	233	—
Total long term liabilities	7,106	—
Total liabilities	21,404	17,096
Preferred stock:		
Preferred stock, $.0001 par value; 0 and 5,000,000 shares authorized and redeemable; 0 and 120 Series B shares issued and outstanding (stated value of $0 and $2,888; liquidation value of $0 and $3,735), respectively	—	2,888
Preferred stock, $10,000 par value; 1,500 and 0 shares authorized and redeemable; 475 and 0 Series C shares issued and outstanding recorded at fair value (stated value and liquidation value of $4,748 and 0), respectively	4,330	—
Commitments and contingencies		
Stockholders' deficit:		
Common stock, $.0001 par value; 150,000,000 and 100,000,000 shares authorized; 47,629,564 and 46,389,564 shares issued; 46,064,673 and 46,349,673 shares outstanding, respectively	5	5
Additional paid-in capital	162,300	161,267
Accumulated deficit	(178,094)	(172,623)
	(15,789)	(11,351)
Less: Treasury stock, 1,564,891 and 39,891 shares at cost, respectively	(1,383)	(240)
Total stockholders' deficit	(17,172)	(11,591)
Total liabilities and stockholders' deficit	$ 8,562	$ 8,393

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,	
	2007	2006
Revenue	$ 22,792	$ 19,511
Cost of revenue	15,212	13,583
Gross margin	7,580	5,928
Operating expenses:		
Research and development	810	816
Sales and marketing	3,061	2,570
General and administrative	8,330	11,049
Total operating expenses	12,201	14,435
Loss from operations	(4,621)	(8,507)
Interest and other expense (income):		
Interest expense, including $261 and $0, respectively, for Insider Purchasers	6,043	3,969
Amortization of deferred financing costs, including $14 and $0, respectively, for Insider Purchasers	531	389
Decrease in fair value of derivative financial instruments, including $328 and $0, respectively, for Insider Purchasers	(5,665)	(1,992)
Interest income	(59)	(83)
Total interest and other expense, net	850	2,283
Net loss	(5,471)	(10,790)
Gain on redemption of preferred stock	799	—
Preferred stock dividends	(252)	(347)
Net loss attributable to common stockholders	$ (4,924)	$ (11,137)
Net loss attributable to common stockholders per share:		
Basic and diluted	$ (0.11)	$ (0.24)
Weighted average number of common shares:		
Basic and diluted	46,735	46,242

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Years Ended December 31, 2007 and 2006
(In thousands)

	Common		Additional Paid In Capital	Accumulated Deficit	Deferred Comp.	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at January 1, 2006	46,086	5	160,219	(161,833)	(556)	40	(240)	(2,405)
Net loss	—	—	—	(10,790)	—	—	—	(10,790)
Reclassification of deferred compensation	—	—	(556)	—	556	—	—	—
Stock-based compensation - restricted stock	364	—	354	—	—	—	—	354
Stock-based compensation	—	—	473	—	—	—	—	473
Restricted stock compensation and modification of option terms related to restructuring	—	—	217	—	—	—	—	217
Forfeiture of restricted stock	(60)	—	(45)	—	—	—	—	(45)
Placement agent warrants – Senior Secured Notes	—	—	296	—	—	—	—	296
Warrant price and term modification – Senior Secured Notes, net of financing costs of $110	—	—	656	—	—	—	—	656
Preferred stock dividends	—	—	(347)	—	—	—	—	(347)
Balance at December 31, 2006	46,390	$ 5	$ 161,267	$ (172,623)	$ —	40	$ (240)	$ (11,591)
Net loss	—	—	—	(5,471)	—	—	—	(5,471)
Stock-based compensation - restricted stock	1,160	—	360	—	—	—	—	360
Stock-based compensation	—	—	480	—	—	—	—	480
Issuance of restricted stock for consulting services	80	—	31	—	—	—	—	31
Treasury stock received and costs incurred in connection with Series C convertible preferred stock exchange	—	—	(89)	—	—	1,525	(1,143)	(1,232)
Gain on redemption of preferred stock	—	—	799	—	—	—	—	799
Reclassification of placement agent warrants – Senior Secured Notes	—	—	(296)	—	—	—	—	(296)
Preferred stock dividends	—	—	(252)	—	—	—	—	(252)
Balance at December 31, 2007	47,630	$ 5	$ 162,300	$ (178,094)	$ —	1,565	$ (1,383)	$ (17,172)

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2007	2006
Cash flows from Operating Activities:		
Net loss	$ (5,471)	$ (10,790)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,467	1,947
Amortization of deferred financing costs	531	389
Beneficial conversion feature for Senior Secured Notes	1,977	1,850
Accretion of discount on Senior Secured Notes	2,881	1,359
Loss on disposal of equipment	14	169
Expense recognized for the decrease in the estimated fair value of derivative financial instruments	(5,665)	(1,992)
Stock-based compensation	871	781
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Accounts receivable .	202	(577)
Prepaid expenses and other current assets	(21)	183
Other assets	41	205
Accounts payable	(382)	368
Accrued expenses, sales taxes and regulatory fees .	1,024	1,497
Customer deposits	611	3
Deferred revenue	42	(86)
Net cash used in operating activities .	(1,878)	(4,694)
Cash flows from Investing Activities:		
Purchases of property and equipment	(1,053)	(761)
Net cash used in investing activities	(1,053)	(761)
Cash flows from Financing Activities:		
Proceeds from issuance of Senior Secured Notes, including $400 and $0 from Insider Purchasers and net of financing costs of $308 and $595, respectively	3,230	5,585
Costs incurred in extension of maturity date of Senior Secured Notes and Series C convertible preferred stock exchange	(140)	—
Net cash provided by financing activities	3,090	5,585
Increase in cash and cash equivalents	159	130
Cash and cash equivalents at beginning of year	2,153	2,023
Cash and cash equivalents at end of year	$ 2,312	$ 2,153
Supplement disclosures of cash flow information:		
Cash paid during the year for interest	$ 5	$ 0
Non-cash investing and financing:		
Preferred stock dividends	$ 252	$ 347
Capital lease used to acquire network equipment	358	—
Additional Senior Secured Notes issued as payment for interest including $9 and $0, respectively, for Insider Purchasers	862	426
Deferred financing costs for Senior Secured Notes incurred by issuance of placement agent warrants	417	296

See accompanying notes to consolidated financial statements.

Note 1 - The Business

Glowpoint, Inc. ("Glowpoint" or "we" or "us" or “the Company”), a Delaware corporation, is a premiere broadcast-quality, IP (Internet Protocol)-based managed video services provider. Our mission is to improve the ease-of-use, cost-effectiveness, functionality, and quality of existing video communications in order to make it an integral and ubiquitous part of everyday business and personal communications. We believe video communications should be as easy and spontaneous to use as your telephone, but with the power of face-to-face communication. The Company operates in one segment and therefore segment information is not presented.

We view our services as analogous to cellular service providers in the cellular telephone industry. Regardless of the cellular phone purchased, users must select a cellular service provider to make it work. Users make that service decision based on the features, reliability and price offered by the service provider. In our industry, regardless of the video conferencing equipment purchased, Glowpoint provides the managed video services to make it work. In doing so, we offer a vast array of managed video services, including video application services, managed network services, IP and ISDN videoconferencing services, multi-point conferencing (bridging), technology hosting and management, and professional services. We provide these services to a wide variety of companies, from large enterprises and governmental entities to small and medium-sized businesses. Glowpoint is exclusively focused on high quality two-way video communications and has been supporting millions of video calls since its launch in 2000. We have bundled some of our managed services to offer video communication solutions for broadcast/media content acquisition and for video call center applications. With the advent of HD (High Definition) Telepresence solutions, we have combined various components of our features and services into a comprehensive “white glove” service offering that can support virtually any of the telepresence solutions on the market today.

Note 2 - Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

Going concern

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. We have incurred recurring operating losses and negative operating cash flows since our inception including a net loss attributable to common stockholders of $4,924,000 and negative operating cash flows of $1,878,000 for the year ended December 31, 2007. The Company performed an evaluation of its long-lived assets, however, and determined that there is an excess of projected cash flow over the long-lived carrying amount. Therefore, the Company believes that no impairment losses were required. At December 31, 2007, we had cash and cash equivalents of $2,312,000, a working capital deficit of $9,092,000 and an accumulated deficit of $178,094,000. These factors raise substantial doubt as to our ability to continue as a going concern. In 2006 we commenced a restructuring of the current business (see Note 16). We raised capital in March and April 2006 and September 2007, but continue to sustain losses and negative operating cash flows. Assuming we realize all of the savings from our restructured operating activities and assuming we are able to negotiate favorable terms with the authorities regarding our sales and use taxes and regulatory fees, we believe that our available capital as of December 31, 2007 will enable us to continue as a going concern during 2008. There are no assurances, however, that those assumptions will be realized. The accompanying consolidated financial statements do not include any adjustments that might result from this uncertainty.

Principles of Consolidation

The consolidated financial statements include the accounts of Glowpoint and our wholly-owned subsidiary, GP Communications, LLC. All material inter-company balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts primarily related to customer deposits from 2006 have been reclassified to conform to the 2007 presentation.

Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates made. We continually evaluate estimates used in the preparation of the consolidated financial statements for reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. The significant areas of estimation include determining the allowance for doubtful accounts, deferred tax valuation allowance, accrued sales taxes, regulatory fees and related penalties and interest, the estimated life of customer relationships, the estimated lives and recoverability of property and equipment, the fair value of derivative financial instruments and the valuation of our Series C convertible preferred stock.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers. We record an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible. We also record additional allowances based on certain percentages of our aged receivables, which are determined based on historical experience and an assessment of the general financial conditions affecting our customer base. If our actual collections experience changes, revisions to our allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. We do not obtain collateral from our customers to secure accounts receivable.

Revenue Recognition

We recognize subscription revenue when the related services have been performed. Revenue billed in advance is deferred until the revenue has been earned. Other service revenue, including amounts related to surcharges charged by our carriers, related to the Glowpoint managed network service and the multi-point video and audio bridging services are recognized as service is provided. As the non-refundable, upfront activation fees charged to the subscribers do not meet the criteria as a separate unit of accounting, they are deferred and recognized over the twenty-four month period estimated life of the customer relationship. Revenue related to integration services is recognized at the time the services are performed, and presented in accordance with EITF 99-19 “Reporting Revenue Gross as a Principal Versus Net as an Agent”. Revenues derived from other sources are recognized when services are provided or events occur.

Cash and Cash Equivalents

We consider all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, and trade accounts receivable. We place our cash and cash equivalents primarily in commercial checking accounts and money market funds. Commercial bank balances may from time to time exceed federal insurance limits; money market funds are uninsured.

Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful lives of the related assets, which range from two to five years. Leasehold improvements are amortized over the shorter of either the asset's useful life or the related lease term. Depreciation is computed on the straight-line method for financial reporting purposes. Property and equipment include fixed assets subject to capital leases which are depreciated over the life of the respective asset.

Long-Lived Assets

We evaluate impairment losses on long-lived assets used in operations, primarily fixed assets, when events and circumstances indicate that the carrying value of the assets might not be recoverable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets"* . For purposes of evaluating the recoverability of long-lived assets, the undiscounted cash flows estimated to be generated by those assets are compared to the carrying amounts of those assets. If and when the carrying values of the assets exceed their fair values, the related assets will be written down to fair value. In the 2007 and 2006 years, no impairment losses were indicated or recorded.

Income Taxes

We use the asset and liability method to determine our income tax expense or benefit. Deferred tax assets and liabilities are computed based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that are expected to be in effect when the differences are expected to recovered or settled. Any resulting net deferred tax assets are evaluated for recoverability and, accordingly, a valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Earnings (Loss) per Share

Basic loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common shares outstanding during the period. Diluted loss per share for 2007 and 2006 is the same as basic loss per share. Potential shares of common stock associated with 27,188,000 and 19,849,000, respectively, outstanding options and warrants, 0 and 1,875,000, respectively, shares issuable upon conversion of our Series B convertible preferred stock, 4,748,000 and 0, respectively, shares issuable upon conversion of our Series C convertible preferred stock and 22,012,000 and 13,214,000 respectively, shares issuable upon conversion of the Senior Secured Notes have been excluded from the calculation of diluted loss per share because the effects, as a result of our net loss, would be anti-dilutive.

Stock-based Compensation

We periodically grant stock options to employees and directors in accordance with the provisions of our stock option plans, with the exercise price of the stock options being set at the closing market price of the common stock on the date of grant. Effective January 1, 2006, the Company adopted Statement of Financial Standards No. 123R, *Share-Based Payment* ("SFAS No. 123R") which requires that compensation cost relating to share-based payment transactions be recognized as an expense in the consolidated financial statements and that measurement of that cost be based on the estimated fair value of the equity or liability instrument issued. Under SFAS No. 123R, the pro forma disclosures previously permitted under SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") are no longer an alternative to financial statement recognition. SFAS No. 123R also requires that forfeitures be estimated and recorded over the vesting period of the instrument.

The intrinsic value of options outstanding and exercisable at December 31, 2007 and 2006 was $26,000 and $0, respectively. There were no options exercised during the year ended December 31, 2007.

The remaining unrecognized stock-based compensation expense at December 31, 2007 was $406,000 and will be amortized over a weighted average life of 1.25 years.

The weighted average fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions during the years ended December 31, 2007 and 2006:

	2007	2006
Risk free interest rate	4.6%	4.8%
Expected option lives	5 Years	5 Years
Expected volatility	98.4%	95.4%
Estimated forfeiture rate	10%	20%
Expected dividend yields	None	None
Weighted average grant date fair value of options	$0.45	$0.30

Expected volatility was calculated using the historical volatility of the appropriate industry sector index. The expected term of the options is estimated based on the Company's historical exercise rate and forfeiture rates are estimated based on employment termination experience. The risk free interest rate is based on U.S. Treasury yields for securities in effect at the time of grants with terms approximating the term of the grants. The assumptions used in the Black-Scholes option valuation model are highly subjective, and can materially affect the resulting valuation.

Fair value of Financial Instruments

Financial instruments reported in our consolidated balance sheet consist of cash and cash equivalents, accounts receivable and accounts payable, the carrying value of which approximated fair value at December 31, 2007 and 2006 due to the short-term nature of these instruments.

Derivative Financial Instruments

The Company's objectives in using debt-related derivative financial instruments are to obtain the lowest cash cost source of funds within a targeted range of variable-to fixed-rate debt obligations. Derivatives are recognized in the consolidated balance sheets at fair value based on the criteria specified in SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*. The estimated fair value of the derivative liabilities is calculated using the Black-Scholes method where applicable and such estimates are revalued at each balance sheet date, with changes in value recorded as other income or expense in the consolidated statement of operations.

Software Development Costs

The Company incurs costs for the development of its "Customer Connect" software that is to be sold, leased or licensed to third parties in the future. All software development costs have been appropriately accounted for in accordance with SFAS 86 "*Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed"* . Software development costs are required to be capitalized when a product's technological feasibility has been established by completion of a detailed program design or working model of the product, and ending when a product is available for release to customers. The Company capitalized $139,000 and $49,000 of software development costs for the years ended December 31, 2007 and 2006, respectively. Software development costs are being amortized over 24 months beginning in September 2007, when the product became available for general release to customers and the capitalization of software costs ceased. For the year ended December 31, 2007 and 2006, we amortized $31,000 and $0, respectively, to cost of revenues. As of December 31, 2007, there was $157,000 of unamortized capitalized software costs. The Company did not capitalize any costs related to the purchase of software and related technologies and content.

Deferred Financing Costs

The costs incurred when undertaking financing activities, excluding any internal costs, have been capitalized and are amortized using the effective interest method over the term of the financing. Amortization of deferred financing costs was $531,000 and $389,000 for the years ended December 31, 2007 and 2006. At December 31, 2007 and 2006, included in other assets in the accompanying consolidated balance sheets are $635,000 and $392,000, respectively, of deferred financing costs.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"*, to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The Company is assessing the impact the adoption of SFAS No. 157 will have on the Company's financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159 *"The Fair Value Option for Financial Assets and Financial Liabilities"*. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS No. 141 (R)"), *"Business Combinations (SFAS No. 141(R))*". SFAS No. 141(R) revises SFAS No. 141 on establishing the requirements in recognizing and measuring identifiable assets acquired and liabilities assumed within a business combination, any noncontrolling interest, goodwill acquired in a business combination or a gain from a bargain purchase, and any applicable disclosures needed to evaluate the nature and financial effect of a business combination. SFAS No. 141 is effective the first annual reporting period beginning on or after December 15, 2008, and therefore would be effective for the Company beginning January 1, 2009. The Company is evaluating the impact SFAS No. 141(R) will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, ("Noncontrolling Interests in Consolidated Financial Statements"), an amendment of ARB No. 51 ("SFAS No. 160"). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary, in which the noncontrolling interest will be reclassified as equity; and the income, expense and comprehensive income from a noncontrolling interest will be fully consolidated. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, and therefore would be effective for the Company beginning January 1, 2009. The Company is evaluating the impact SFAS 160 will have on its consolidated financial statements.

Note 3 - Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31, 2007 and 2006 (in thousands):

	2007	2006
Prepaid maintenance contracts	$ 86	$ 135
Prepaid insurance	69	0
Deferred installation costs	67	53
Due from vendors and tax authorities	5	34
Other prepaid expenses	121	105
	$ 348	$ 327

Note 4 - Property and Equipment

Property and equipment, net consist of the following at December 31, 2007 and 2006 (in thousands):

	2007	2006	Estimated Useful Life
Network equipment and software	$ 8,655	$ 7,695	2 to 5 Years
Computer equipment and software	2,102	1,995	3 to 4 Years
Bridging equipment	1,977	1,828	5 Years
Leasehold improvements	235	214	5 Years
Office furniture and equipment	222	166	5 Years
Videoconferencing equipment	66	74	3 Years
	13,257	11,972	
Accumulated depreciation and amortization	(10,565)	(9,210)	
	$ 2,692	$ 2,762	

Depreciation and amortization expense is allocated as follows for the years ended December 31, 2007 and 2006 (in thousands):

	2007	2006
Cost of revenue	$ 1,134	$ 1,511
Research and development	51	66
Sales and marketing	13	24
General and administrative	269	346
	$ 1,467	$ 1,947

Note 5 - Accrued Sales Taxes and Regulatory Fees

Included in accrued sales taxes and regulatory fees are (i) certain estimated sales and use taxes, regulatory fees and related penalties and interest, (ii) a tax obligation of a predecessor of Glowpoint, and (iii) sales taxes and regulatory fees collected from customers and to be remitted to taxing authorities. Sales and use taxes and regulatory fees are supposed to be, or are routinely, collected from customers and remitted to the applicable authorities in certain circumstances. Prior to October 2006, we may not have been properly collecting and remitting all such taxes and regulatory fees and, as a result, have accrued a liability. We used estimates when accruing our sales and use tax and regulatory fee liability, including interest and penalties, and assumed, among other things, various credits we expect to receive from taxing authorities and/or our underlying service providers. All of our tax positions are subject to audit. While we believe all of our estimates and assumptions are reasonable and will be sustained upon audit, actual liabilities and credits may differ significantly. For the years ended December 31, 2007 and 2006, we reduced the accrual for sales taxes and regulatory fees and penalties based on filings of voluntary disclosure agreements, correspondence with various states and our reassessments based on the passage of time, by $95,000 and $0, respectively, to reflect revised estimates.

Accrued sales taxes and regulatory fees consist of the following at December 31, 2007 and 2006 (in thousands):

	2007	2006
Sales taxes and regulatory fees	$ 2,284	$ 2,552
Sales taxes and regulatory fees – penalties	533	730
Sales taxes and regulatory fees – interest	785	529
Tax obligations of a predecessor of Glowpoint	8	223
Collected sales taxes and regulatory fees to be remitted to authorities	401	182
	$ 4,011	$ 4,216

Note 6 - Accrued Expenses

Accrued expenses consist of the following at December 31, 2007 and 2006 (in thousands):

	2007	2006
Accrued compensation	$ 784	$ 417
Accrued communication costs	161	43
Accrued professional fees	120	40
Accrued interest	108	57
Restructuring costs	7	212
Accrued dividends	—	847
Other accrued expenses	247	290
	$ 1,427	$ 1,906

Note 7 - Senior Secured Notes

Senior Secured Notes and Senior Secured Notes Discount

In March and April 2006 and September 2007, we issued our Senior Secured Notes in private placements to private investors. The September 2007 private placement also included Insider Purchasers. Activity for the Senior Secured Notes and Senior Secured Notes discount during the years ended and as of December 31, 2007 and 2006 was as follows (in thousands):

	December 31, 2006	2007 Activity	Insider Purchasers 2007 Activity	December 31, 2007
Principal of Senior Secured Notes:				
March 2006 private placement	$ 5,665	$ —	$ —	$ 5,665
April 2006 private placement	515	—	—	515
September 2007 private placement	—	3,100	438	3,538
Senior Secured Notes issued as payment for interest	426	853	9	1,288
	6,606	3,953	447	11,006
Discount:				
Derivative financial instrument – Series A Warrants	(2,873)	—	—	(2,873)
Derivative financial instrument – Series A-2 Warrants	—	(4,484)	(250)	(4,734)
Reduction of exercise price and extension of expiration dates of warrants	(766)	—	—	(766)
	(3,639)	(4,484)	(250)	(8,373)
Accretion of discount	1,359	2,852	29	4,240
	(2,280)	(1,632)	(221)	(4,133)
Senior Secured Notes, including those held by Insider Purchasers, net of discount	$ 4,326	$ 2,321	$ 226	$ 6,873

In the March and April 2006 private placement, we issued $5,665,000 and $515,000, respectively, with a total aggregate principal amount of $6,180,000 of our Senior Secured Notes and Series A warrants to purchase 6,180,000 shares of common stock at an exercise price of $0.65 per share. The Series A warrants are exercisable for a period of five years and are subject to certain anti-dilution protection. We also agreed to reduce the exercise price of 3,625,000 previously issued warrants held by the investors in these private placements to $0.65 from a weighted average price of $3.38, and to extend the expiration date of any such warrants to no earlier than three years after the offering date. The new weighted average expiration date of the warrants is 3.5 years from March 2006 from a previous weighted average expiration date of 2.9 years. In addition, we issued to the designees and assigns of Burnham Hill Partners placement agent warrants to purchase 618,000 shares of our common stock at an exercise price of $0.55 per share. As a result of the September 2007 private placement, the exercise price of the Series A warrants has been adjusted to $0.54 per share as of December 31, 2007. The warrants are subject to certain anti-dilution protection. The $5,585,000 net proceeds of the March and April 2006 private placement were used to support our corporate restructuring program and for working capital.

We accounted for the reduction of the exercise price of 3,625,000 previously issued warrants held by the investors in the March and April 2006 private placement to $0.65 from a weighted average price of $3.38, and the extension of the expiration date of any such warrants to no earlier than three years after the offering date at fair value as a debt discount with an offsetting credit to paid in capital. A portion of the finance costs of the Senior Secured Notes issued in March and April 2006 were allocated to this transaction and charged to paid in capital. The estimated fair value of this modification is based on the excess of the fair value of these warrants at the date of the financings over the fair value of these warrants at their original terms. In the March and April 2006 private placement, $766,000 of the proceeds were attributed to the estimated fair value of the modification of price and term of these warrants. The $766,000 fair value of this modification was treated as a discount of the Senior Secured Notes and expensed, using the effective interest method, over the 18 month period to the original maturity date of September 30, 2007 of the Senior Secured Notes issued in March and April 2006.

In September 2007, we amended the terms of our then outstanding Senior Secured Notes to extend the maturity date to March 31, 2009 from September 30, 2007 (the “Senior Secured Notes Extension”). In consideration for the Senior Secured Notes Extension, we issued Series A-2 Warrants to the note holders to purchase an aggregate of 4,773,000 shares of common stock (which represented thirty-three (33%) percent of the shares of common stock issuable upon conversion of the then outstanding Senior Secured Notes and accrued interest). The Series A-2 Warrants have an exercise price of $0.65 per share and are exercisable for a period of five years. The warrants are subject to certain anti-dilution protection. Burnham Hill Partners acted as financial advisor for the Preferred Stock Exchange (as defined in Note 9, Series C Convertible Preferred Stock below) and Senior Secured Notes Extension and received financial advisory warrants to purchase 250,000 shares of common stock at an exercise price of $0.65 per share. The warrants are exercisable for a period of five years and are subject to certain anti-dilution protection. The Company allocated 150,000 of the warrants, with a fair value of $86,000, to the Senior Secured Notes Extension and incurred professional fees related to the Senior Secured Notes Extension of $50,000.

The Senior Secured Notes bear interest at 10% per annum, increasing to 12% on the first anniversary following their issuance, and mature on March 31, 2009. Beginning in January 2008 the per annum interest rate on the unpaid principal balance of the Senior Secured Notes then in effect shall increase if the Company fails to achieve a minimum adjusted quarterly earnings before interest, taxes, depreciation and amortization (the “Adjusted EBITDA”) as defined in the Senior Secured Notes. The per annum interest rate shall increase by 200 basis points if the stated quarterly Adjusted EBITDA is not achieved, and such increase will be cumulative for each subsequent quarterly failure to achieve the stated Adjusted EBITDA; provided, however, that the per annum interest rate shall revert to the lower interest rate in the event the Company achieves or exceeds the stated or cumulative minimum Adjusted EBITDA in any subsequent quarterly period. The Senior Secured Notes and other transaction documents provide that the Insider Purchasers will not be entitled to all of the rights and benefits available to the other purchasers upon the failure by the Company to achieve Adjusted EBITDA.

The Senior Secured Notes are convertible into common stock at a conversion rate of $0.50 per share (x) at any time at the holder’s election or (y) automatically if the closing bid price (as defined in the Senior Secured Notes) of the Company’s common stock exceeds $1.25 (as adjusted for stock splits, stock dividends, combinations and similar transactions) for twenty (20) consecutive trading days. We have the option to pay the accrued interest for the Senior Secured Notes in cash or additional Senior Secured Notes. To date, all required interest payments have been made by issuing additional Senior Secured Notes.

In the September 2007 private placement, we issued $3,538,000 of our Senior Secured Notes and Series A-2 warrants to purchase 3,538,000 shares of common stock at an exercise price of $0.65 per share. Insider Purchasers invested $438,000 in the private placement. The Series A-2 warrants are exercisable for a period of five years and are subject to certain anti-dilution protection. In addition, we issued to the designees and assigns of Burnham Hill Partners placement agent warrants to purchase 566,080 shares of our common stock at an exercise price of $0.55 per share. The warrants are exercisable for a period of five years and are subject to certain anti-dilution protection. Burnham Hill Partners received a cash fee of $283,000, which equaled eight (8%) percent of the gross proceeds we received. The $3,230,000 net proceeds of the September 2007 private placement are being used for working capital.

During the year ended December 31, 2007 and 2006, the accretion of discount on the Senior Secured Notes was $2,881,000 and $1,359,000, respectively.

Financing Costs

The financing costs, which were included in Other Assets in the accompanying consolidated balance sheets, and accumulated amortization as of December 31, 2007 and 2006, are as follows (in thousands):

	2006	2007			
	2006 Private Placement	2006 Private Placement	2007 Private Placement and Senior Secured Notes Extension	2007 Private Placement, Insider Purchasers	Total
Cash financing costs:					
Placement agent fees – Burnham Hill Partners	$ 480	$ 480	$ 248	$ 35	$ 763
Other financing costs	115	115	71	3	189
	595	595	319	38	952
Non-cash financing costs:					
Placement agent and financial advisory warrants – Burnham Hill Partners	296	296	376	41	713
Financing costs charged to additional paid in capital	(110)	(110)	—	—	(110)
Total financing costs	781	781	695	79	1,555
Accumulated amortization	(389)	(781)	(125)	(14)	(920)
	$ 392	$ 0	$ 570	$ 65	$ 635
Amortization during year	$ 389	$ 392	$ 125	$ 14	$ 531

The financing costs for the March and April 2006 private placement were being amortized over the 18 month period through September 30, 2007, the maturity date of the originally issued Senior Secured Notes. The financing costs for the September 2007 private placement and extension of the maturity date of the March and April 2006 private placement are being amortized over the 18 month period through March 31, 2009, the current maturity date of the Senior Secured Notes.

Accounting for Conversion Feature and Series A and A-2 Warrants Derivative Liabilities

Activity for derivative liabilities during the years ended and as of December 31, 2007 and 2006 was as follows (in thousands):

		December 31, 2006	Additions	Increase (decrease) in Fair Value	Elimination of derivative liability	December 31, 2007
(i)	Derivative financial instrument – February 2004 capital raise	$ 1,236	$ —	$ (36)	$ —	$ 1,200
(ii)	Derivative financial instrument – Beneficial conversion feature – Senior Secured Notes	1,666	1,757	(757)	(2,666)	—
(ii)	Derivative financial instrument – Beneficial conversion feature – Senior Secured Notes, Insider Purchasers	—	220	(108)	(112)	—
(iii)	Derivative financial instrument – Placement agent and financial advisory warrants	—	770	(313)	—	457
(iv)	Derivative financial instrument – Series A Warrants	1,399	—	359	—	1,758
(v)	Derivative financial instrument – Series A-2 Warrants, September 2007 private placement	—	1,765	(757)	—	1,008
(v)	Derivative financial instrument – Series A-2 Warrants, September 2007 private placement, Insider Purchasers	—	250	(108)	—	142
(vi)	Derivative financial instrument – Series A-2 Warrants, issued in connection with Senior Secured Notes Extension	—	2,719	(1,167)	—	1,552
		$ 4,301	$ 7,481	$ (2,887)	$ (2,778)	$ 6,117

The components of the increase or (decrease) in the fair value of derivative financial instruments with changes in value recorded as other (income) expense for the years ended December 31, 2007 and 2006 was as follows (in thousands):

		2007	2006
(i)	Derivative financial instrument – February 2004 capital raise	$ (36)	$ (334)
(ii)	Derivative financial instrument – Beneficial conversion feature – Senior Secured Notes	(865)	(184)
(ii)	Elimination of derivative financial instrument – Beneficial conversion feature – Senior Secured Notes	(2,666)	—
(ii)	Elimination of derivative financial instrument – Beneficial conversion feature – Senior Secured Notes, Insider Purchasers	(112)	—
(iii)	Derivative financial instrument – Placement agent and financial advisory warrants	(313)	—
(iv)	Derivative financial instrument – Series A Warrants	359	(1,474)
(v)	Derivative financial instrument – Series A-2 Warrants, September 2007 private placement	(757)	—
(v)	Derivative financial instrument – Series A-2 Warrants, September 2007 private placement, Insider Purchasers	(108)	—
(vi)	Derivative financial instrument – Series A-2 Warrants, issued in connection with Senior Secured Notes Extension	(1,167)	—
		$ (5,665)	$ (1,992)

(i) We accounted for the registration rights agreement related to the February 2004 capital raise as a separate freestanding instrument and accounted for the liquidated damages provision as a derivative liability subject to SFAS No. 133. The estimated fair value of the derivative liability is based on estimates of the probability and costs expected to be incurred and such estimates are revalued at each balance sheet date with changes in value recorded as other income or expense. We estimated the fair value of the derivative liability as of December 31, 2007 and 2006 to be $1,200,000 and $1,236,000, respectively.

(ii) We initially accounted for the convertibility of the Senior Secured Notes into common stock at a conversion rate of $0.50 per share as a derivative liability subject to SFAS No. 133. Management determined that certain events or actions necessary to deliver registered shares are not controlled by the Company and that the holders have the right to demand that the Company pay the holders in cash, calculated as defined in the Senior Secured Notes, under certain circumstances. Accordingly, the Company accounted for the beneficial conversion feature as a derivative liability. The estimated fair value of the derivative liability is based on the prepayment amount that would be owed to a Senior Secured Notes holder if payment is required. The prepayment amount is the greater of (i) 125% of the value of the Senior Secured Notes and accrued interest and (ii) the value if the Senior Secured Notes and accrued interest converted into common stock at $0.50 per share and then multiplied by the then current stock price. Since the Senior Secured Notes are convertible at the issuance date, an expense related to the derivative liability is recognized on that date. We estimated the fair value of the derivative liability as of December 31, 2006 to be $1,666,000.

In December 2007, in light of changes to Rule 144 of the Securities Act, we amended the Registration Rights Agreement to eliminate the requirement to register the shares issuable upon conversion of the Senior Secured Notes, thereby eliminating any requirement to deliver registered shares, which effectively eliminated the right of the holders of the Senior Secured Notes to demand that the Company pay such holders cash, calculated as defined in the Senior Secured Notes. Accordingly, the Company will no longer account for the beneficial conversion feature as a derivative liability. Therefore, in December 2007, the Company eliminated the $2,778,000 derivative liability related to the beneficial conversion feature that had been accrued as of that date.

(iii) We accounted for the issuance of the placement agent and financial advisory warrants issued in connection with the March and April 2006 and September 2007 private placements of the Senior Secured Notes as a derivative liability subject to SFAS No. 133. Management determined that the events or actions necessary to deliver registered shares are not controlled by the Company and that the holders have the right to demand that the Company pay the holders in cash, calculated as defined in the Series A and Series A-2 warrant, under certain circumstances. Accordingly the Company accounted for the placement agent and financial advisory warrants as a derivative liability. The estimated fair value of the derivative liability is calculated using the Black-Scholes method and such estimates are revalued at each balance sheet date with changes in value recorded as other income or expense. We estimated the fair value of the derivative liability as of December 31, 2007 and 2006 to be $457,000 and $147,000, respectively. See also Note 18.

(iv) We accounted for the issuance of the Series A warrants to purchase 6,180,000 shares of common stock at an exercise price of $0.65 per share as a derivative liability subject to SFAS No. 133. Management determined that certain events or actions necessary to deliver registered shares are not controlled by the Company and that the holders have the right to demand that the Company pay the holders in cash, calculated as defined in the Series A warrant, under certain circumstances. Accordingly the Company accounted for the Series A warrants as a derivative liability. The estimated fair value of the derivative liability is calculated using the Black-Scholes method and such estimates are revalued at each balance sheet date, with changes in value recorded as other income or expense. We estimated the fair value of the derivative liability as of December 31, 2007 and 2006 to be $1,758,000 and $1,399,000, respectively.

(v) In connection with the September 2007 private placement we accounted for the issuance of the Series A-2 warrants to purchase 3,538,000 shares of common stock at an exercise price of $0.65 per share as a derivative liability subject to SFAS No. 133. Management determined that certain events or actions necessary to deliver registered shares are not controlled by the Company and that the holders have the right to demand that the Company pay the holders in cash, calculated as defined in the Series A-2 warrant, under certain circumstances. Accordingly the Company accounted for the Series A-2 warrants as a derivative liability. The estimated fair value of the derivative liability is calculated using the Black-Scholes method and such estimates are revalued at each balance sheet date, with changes in value recorded as other income or expense. In the September 2007 private placement, $2,015,000 of the proceeds was attributed to the estimated fair value of the derivative liability. The $2,015,000 for the derivative liability will be treated as a discount on the Senior Secured Notes and expensed, using the effective interest method, over the 18 month period to the maturity of the Senior Secured Notes. We estimated the fair value of the derivative liability as of December 31, 2007 to be $1,150,000.

(vi) In connection with the Senior Secured Notes Extension we accounted for the issuance of the Series A-2 warrants to purchase 4,773,000 shares of common stock at an exercise price of $0.65 per share as a derivative liability subject to SFAS No. 133. Management determined that certain events or actions necessary to deliver registered shares are not controlled by the Company and that the holders have the right to demand that the Company pay the holders in cash, calculated as defined in the Series A-2 warrant, under certain circumstances. Accordingly the Company accounted for the Series A warrants as a derivative liability. The estimated fair value of the derivative liability is calculated using the Black-Scholes method and such estimates are revalued at each balance sheet date, with changes in value recorded as other income or expense. In the Senior Secured Notes Extension, $2,719,000 was attributed to the estimated fair value of the derivative liability. The $2,719,000 for the derivative liability will be treated as a discount on the Senior Secured Notes and expensed, using the effective interest method, over the 18 month period to the Senior Secured Notes' maturity date. We estimated the fair value of the derivative liability as of December 31, 2007 to be $1,552,000.

Insider Purchasers investment in September 2007 Private Placement

In the September 2007 private placement, the Insider Purchasers invested an aggregate of $438,000 and were issued Senior Secured Notes and Series A-2 warrants to acquire 438,000 shares of common stock. The Senior Secured Notes and other transaction documents provide that the Insider Purchasers will not be entitled to all of the rights and benefits available to the other purchasers upon the occurrence of certain events, including, but not limited to, an event of default, the failure by Glowpoint to achieve specified Adjusted EBITDA (as defined below), and the failure to timely file the required registration statement.

Senior Secured Notes –Adjusted EBITDA Requirements

If the Company does not achieve the following minimum Adjusted EBITDA the per annum interest rate on the unpaid principal balance of the Senior Secured Notes then in effect shall increase by 200 basis points, and such increase will be cumulative for each subsequent period; provided, however, that the per annum interest rate shall revert to the lower interest rate in the event the Company achieves or exceeds the cumulative minimum Adjusted EBITDA for any subsequent determination date. Failure to maintain the minimum Adjusted EBITDA, however, shall not constitute an Event of Default as defined in the Senior Secured Notes agreements. The Adjusted EBITDA (as defined below) targets for the determination dates are as follows:

Determination Date	Adjusted EBITDA
As of March 31, 2008	$0 for the quarter ending March 31, 2008
As of June 30, 2008	$1,000,000 for the period commencing on January 1, 2008 and ending on June 30, 2008.
As of September 30, 2008	$1,500,000 for the quarter ending September 30, 2008, or $2,500,000 for the period commencing on January 1, 2008 and ending on September 30, 2008.
As of December 31, 2008	$2,000,000 for the quarter ending December 31, 2008 or $4,500,000 for the year ended December 31, 2008.

"Adjusted EBITDA" is defined as the sum of the amounts for such period of (i) net income or loss before dividends, plus (ii) charges for foreign, federal, state and local taxes as computed on our income tax returns, plus (iii) interest expense, plus (iv) depreciation, plus (v) amortization expense, including, without limitation, amortization of goodwill and other intangible assets and amortization of stock based compensation expense, plus (vi) extraordinary losses, plus (vii) charges related to any financing consummated on or prior to the September 2007 private placement, plus (viii) the cost of any beneficial conversion feature of any outstanding security, plus (ix) the cost of any accretion of discounts minus (x) interest income, minus (xi) extraordinary gains, and (xii) such other adjustments to eliminate the impact of any derivative financial instruments.

Note 8 - Interest Expense

The components of interest expense for the years ended December 31, 2007 and 2006 are presented below (in thousands):

	2007	2006
Accretion of discount on Senior Secured Notes	$ 2,852	$ 1,359
Accretion of discount on Senior Secured Notes, Insider Purchasers	29	—
Interest on Senior Secured Notes	900	483
Interest on Senior Secured Notes, Insider Purchasers	12	—
Beneficial conversion feature – Senior Secured Notes	1,757	1,850
Beneficial conversion feature – Senior Secured Notes, Insider Purchasers	220	—
Interest expense for sales and use taxes and regulatory fees	268	277
Other interest expense	5	—
	$ 6,043	$ 3,969

Note 9 - Stockholders' Deficit

Common Stock

In February 2004, we raised net proceeds of $12,480,000 in a private placement offering of 6,100,000 shares of our common stock at $2.25 per share. We also issued warrants to the investors in the private placement offering to purchase 1,830,000 shares of our common stock at an exercise price of $2.75 per share. The warrants expire five and a half years after the closing date. The warrants are subject to certain anti-dilution protection (minimum price of $2.60) and as a result of the March 2005 financing, the exercise price was reduced to $2.60 (the incremental fair value was nominal). In addition, we issued to our placement agent five and a half year warrants to purchase 427,000 shares of common stock at an exercise price of $2.71 per share with an estimated fair value of $895,000. The placement agent warrants are subject to anti-dilution protection (minimum price of $2.60) and as a result of the March 2005 financing, the exercise price was reduced to $2.60 (the incremental fair value was nominal).

The registration rights agreement for the February 2004 financing provides for liquidated damages of 3% of the aggregate purchase price for the first month and 1.5% for each subsequent month if we failed to register the common stock and the shares of common stock underlying the warrants or maintain the effectiveness of such registration. We accounted for the registration rights agreement as a separate freestanding instrument and accounted for the liquidated damages provision as a derivative liability subject to SFAS No. 133. The estimated fair value of the derivative liability is based on estimates of the probability and costs expected to be incurred and such estimates are revalued at each balance sheet date with changes in value recorded as other income or expense. $1,164,000 of the proceeds of the financing was attributed to the estimated fair value of the derivative liability. We estimated the fair value of the derivative liability as of December 31, 2007 and 2006 to be $1,200,000 and $1,236,000, respectively. For the years ended December 31, 2007 and 2006 we recognized other income of $36,000 and $334,000 for a decrease in the fair value of the derivative liability.

In March 2005, we raised net proceeds of $9,376,000 in a private placement offering of 6,766,667 shares of our common stock at $1.50 per share. Investors in the private placement offering were also issued warrants to purchase 2,706,667 shares of common stock at an exercise price of $2.40 per share. The warrants expire five years after the closing date. The warrants are subject to certain anti-dilution protection (minimum price of $1.61). The warrants may be exercised by cash payment of the exercise price or by "cashless exercise". As a result of subsequent financings, the conversion price of these warrants has been adjusted to $1.61 and $1.79 as of December 31, 2007 and 2006, respectively.

Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock. Currently, we have 1,500 shares of Series C convertible preferred stock (the "Series C Preferred Stock") authorized, of which 474.8126 shares are issued and outstanding, and 4,000 shares of Series D convertible preferred stock authorized, none of which are issued. We have no other classes of preferred stock. Only the Series C Preferred Stock is outstanding as of December 31, 2007.

Series C Convertible Preferred Stock

In September 2007, we entered into an Exchange Agreement with the holders of the Series B convertible preferred stock (the “Series B Holders”) and issued an aggregate of 474.8126 shares of a new Series C Preferred Stock in exchange for cancelling all of our issued and outstanding Series B convertible preferred stock, cancelling $1,098,000 of accrued but unpaid dividends due on the Series B convertible preferred stock, and 1,525,000 shares of common stock held by the Series B Holders (the “Preferred Stock Exchange”). Each share of Series C Preferred Stock, par value $0.0001 per share, has a liquidation preference equal to its stated value, which is $10,000 per share, and is convertible at the holder’s election into 10,000 shares of common stock. The Series C Preferred Stock has anti-dilution rights. The Series C preferred stockholders are not entitled to receive dividends. The Series C Preferred Stock is only redeemable in the event of the Company’s liquidation, dissolution or winding up of affairs. Upon a change of control, as defined therein, the holders of the Series C Preferred Stock or the Company can require that the Series C Preferred Stock be redeemed at the stated value per share as adjusted. The Series C Preferred Stock must be converted into shares of common stock when the closing bid and ask price of the Company’s common stock exceeds $2.00 for a period of 10 consecutive trading days. The Series C Preferred Stock is not classified in Stockholders’ Deficit.

Burnham Hill Partners acted as financial advisor for, among other things, the Preferred Stock Exchange and the extension of the maturity date of the Senior Secured Notes that were maturing in September 2007 and received warrants to purchase 250,000 shares of common stock at an exercise price of $0.65 per share. The financial advisory warrants are exercisable for a period of five years and are subject to certain anti-dilution protection. The Company allocated 100,000 of the financial advisory warrants, with a fair value of $57,000, to the Preferred Stock Exchange and incurred professional fees related to the Preferred Stock Exchange of $33,000. These costs were charged to additional paid in capital. See Note 7 for the allocation of the remaining financial advisory warrants.

We accounted for the Preferred Stock Exchange as a redemption and in accordance with Emerging Issues Task Force Topic No. D-42 *“The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock”* (“D- 42”). In connection with the Preferred Stock Exchange, D-42 requires that the excess of the carrying amount of the Series B convertible preferred stock (the “Series B Carrying Amount”) over the fair value of the Series C Preferred Stock (the “Series C Fair Value”) be subtracted from net loss to arrive at net loss attributable to common stockholders. The Series B Carrying Amount of $5,130,000 is comprised of the $2,888,000 stated value of the Series B convertible preferred stock, the $1,098,000 of accrued but unpaid dividends, and $1,143,000 for the 1,525,000 shares of common stock valued at the common stock price of $0.75 on the date the common stock shares were surrendered. We computed the $4,330,000 Series C Fair Value using a valuation model utilized by the financial advisory and investment banking industries to determine the fair value of this type of financial instrument. The $799,000 excess of Series B Carrying Amount over the Series C Fair Value is recognized in our consolidated statement of operations as a “Gain on Redemption of Preferred Stock” and subtracted from our net loss to arrive at the net loss attributable to common shareholders.

The transaction is summarized as follows:

$2,888,000	Series B convertible preferred stock – carrying value
1,143,000	Common stock – fair value
1,098,000	Accrued and unpaid dividends – carrying value
5,129,000	The Series B Carrying Amount
4,330,000	The Series C Fair Value
$ 799,000	Gain on Redemption of Preferred Stock

The Series C Preferred Stock is recorded in the accompanying consolidated balance sheet at its fair value on the date of the transaction of $4,330,000.

Series D Convertible Preferred Stock

The Series D convertible preferred stock does not have any voting rights, but is convertible into Glowpoint’s common stock and is entitled to any liquidating distribution to holders of common stock. All of the Senior Secured Notes, the Series A Warrants, as amended, the Series A-2 Warrants and the Series C Preferred Stock are convertible or exercisable, as the case may be, into our common stock, but provide that, unless specifically waived by such holder, in no event shall any holder of such securities own more than 4.99% or 9.99% of our outstanding common stock. In the event a holder would own more than either percentage upon conversion or exercise and does not waive such ownership cap, we will issue Series D convertible preferred stock for the amount above such limitation. The holder may then convert Series D convertible preferred stock into common stock in the future as permitted by the ownership limitations or upon waiver of such restriction. The Series D convertible preferred stock is classified in Stockholders' Deficit. No shares of Series D convertible preferred stock have been issued as of December 31, 2007.

Note 10 - Stock options

Glowpoint 2007 Stock Incentive Plan

Pursuant to the Glowpoint 2007 Stock Incentive Plan (the "2007 Plan"), 3,000,000 shares of common stock have been reserved for issuance thereunder. The 2007 Plan permits the grant of incentive stock options ("ISOs") to employees or employees of our subsidiaries. Non-qualified stock options ("NQSOs") may be granted to employees, directors and consultants. As of December 31, 2007, options to purchase a total of 144,000 shares were outstanding and 2,856,000 shares remained available for future issuance under the 2007 Plan.

The exercise price of the awards is established by the administrator of the plan and, in the case of ISOs issued to employees who are less than 10% stockholders, the per share exercise price must be equal to at least 100% of the fair market value of a share of the common stock on the date of grant or not less than 110% of the fair market value of the shares in the case of an employee who is a 10% stockholder. The administrator of the plan determines the terms and provisions of each award granted under the 2007 Plan, including the vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment, payment contingencies and satisfaction of any performance criteria.

Glowpoint 2000 Stock Incentive Plan

Pursuant to the Glowpoint 2000 Stock Incentive Plan (the "2000 Plan"), as amended, 4,400,000 shares of common stock have been reserved for issuance thereunder. The 2000 Plan permits the grant of incentive stock options ("ISOs") to employees or employees of our subsidiaries. Non-qualified stock options ("NQSOs") may be granted to employees, directors and consultants. As of December 31, 2007, options to purchase a total of 3,913,000 shares were outstanding and 49,000 shares remained available for future issuance under the 2000 Plan.

The exercise price of the awards is established by the administrator of the plan and, in the case of ISOs issued to employees who are less than 10% stockholders, the per share exercise price must be equal to at least 100% of the fair market value of a share of the common stock on the date of grant or not less than 110% of the fair market value of the shares in the case of an employee who is a 10% stockholder. The administrator of the plan determines the terms and provisions of each award granted under the 2000 Plan, including the vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment, payment contingencies and satisfaction of any performance criteria.

1996 Stock Option Plan

Under the 1996 Stock Option Plan (the "1996 Plan"), as amended and then terminated in December 2006, 2,475,000 shares of common stock had been reserved for issuance thereunder. The 1996 Plan provided for the granting of options to officers, directors, employees and advisors. No options were granted under the 1996 Plan in the years ended December 31, 2007 and 2006. As of December 31, 2007, options to purchase a total of 8,000 shares were outstanding.

VTI Stock Option Plans

As part of the merger with View Tech, Inc. ("VTI") in May 2000, we assumed the outstanding options of the four stock option plans maintained by VTI. These plans generally require the exercise price of options to be not less than the estimated fair market value of the stock at the date of grant. Options vest over a maximum period of four years and may be exercised in varying amounts over their respective terms. In accordance with the provisions of such plans, all outstanding options become immediately exercisable upon a change of control, as defined, of VTI. The plans will terminate in 2009. Options assumed as part of the merger with VTI totaled 361,605. No options were granted under these Plans in years ended December 31, 2007 and 2006. As of December 31, 2007, options to purchase a total of 98,000 shares of Glowpoint's common stock were outstanding and no shares remained available for future issuance.

Options outside our Qualified Plans

We have also issued stock options outside of our qualified plans in prior years, though none in the years ended December 31, 2007 and 2006. At December 31, 2007, the total of these options outstanding was 50,000.

Other Option Information

A summary of options granted, exercised, expired and forfeited under our plans and options outstanding as of December 31, 2007and 2006, is presented below (options in thousands):

	Outstanding		Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1, 2006	4,996	$ 2.51	3,614	$ 2.92
Granted	1,134	0.41		
Exercised	—	0.00		
Expired	(11)	5.41		
Forfeited	(1,019)	1.36		
Options outstanding, December 31, 2006	5,100	2.26	3,664	2.86
Granted	1,284	0.59		
Exercised	—	0.00		
Expired	(1,380)	2.94		
Forfeited	(791)	2.58		
Options outstanding, December 31, 2007	4,213	$ 1.47	2,519	$ 2.06
Shares of common stock available for future grant under company plans	2,905			

Additional information as of December 31, 2007 with respect to all outstanding options is as follows (options in thousands):

	Outstanding			Exercisable	
Range of price	Number of Options	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.36 – 0.48	872	8.49	$0.39	303	$0.39
0.51 – 0.70	1,293	9.48	0.59	310	0.54
0.86 – 1.48	937	6.81	1.21	825	1.22
1.58 – 3.50	507	5.15	3.02	477	3.08
3.90 – 5.50	604	3.08	4.03	604	4.03
$ 0.36 – 5.50	4,213	7.24	$1.47	2,519	$2.06

A summary of nonvested options as of, and changes during the years ended December 31, 2007 and 2006, is presented below (options in thousands):

	Options	Weighted Average Grant Date Fair Value
Nonvested options outstanding, January 1, 2006	1,380	$1.16
Granted	1,134	0.30
Vested	(416)	1.15
Forfeited	(662)	0.95
Nonvested options outstanding, December 31, 2006	1,436	0.59
Granted	1,284	0.45
Vested	(917)	0.65
Forfeited	(108)	0.41
Nonvested options outstanding, December 31, 2007	1,695	$0.46

At December 31, 2007 and December 31, 2006 there was $26,000 and $161,000, respectively, of total unrecognized compensation costs related to non-vested options granted prior to January 1, 2006 that are expected to be recognized over a weighted-average period of 0.53 and 0.90 years, respectively. The Company has recorded $481,000 and $472,000 related to its stock-based compensation expense for options in general and administrative expenses for the years ended December 31, 2007 and 2006, respectively. There was no income tax benefit recognized for stock-based compensation for the year ended December 31, 2007 and 2006. No compensation costs were capitalized as part of the cost of an asset.

The fair value of nonvested options at December 31, 2007and 2006 was $776,000 and $844,000, respectively.

Note 11 - Restricted Stock

A summary of restricted stock granted, vested, forfeited and unvested restricted stock outstanding during the years ended December 31, 2007 and 2006, is presented below (restricted shares in thousands):

	Restricted Shares	Weighted Average Exercise Price
Unvested restricted shares outstanding, January 1, 2006	313	$2.44
Granted	363	0.43
Vested	(299)	1.89
Forfeited	(60)	2.20
Unvested restricted shares outstanding, December 31, 2006	317	0.71
Granted	1,240	0.58
Vested	(530)	0.69
Forfeited	0	0.00
Unvested restricted shares outstanding, December 31, 2007	1,027	$0.54

The Company has recorded $390,000 and $309,000 related to its stock-based compensation expense for restricted stock in general and administrative expenses for the years ended December 31, 2007 and 2006, respectively. There was no income tax benefit recognized for stock-based compensation for the year ended December 31, 2007. No compensation costs were capitalized as part of the cost of an asset.

Note 12 - Warrants

A summary of warrants granted, exercised and forfeited and warrants outstanding as of December 31, 2007 and 2006, is presented below (warrants in thousands):

	Warrants	Weighted Average Exercise Price
Warrants outstanding, January 1, 2006	9,756	$3.42
Granted	6,798	0.64
Exercised	—	—
Forfeited	(1,805)	3.15
Warrants outstanding, December 31, 2006	14,749	1.28
Granted	9,127	0.64
Exercised	—	—
Forfeited	(901)	5.39
Warrants outstanding, December 31, 2007	22,975	$0.86

Additional information as of December 31, 2007 with respect to outstanding warrants, all of which are exercisable, is as follows (warrants in thousands):

Range of Price	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Subject to Anti-dilution Protection
$ 0.50 – 0.55	1,284	3.66	$0.55	Yes
0.65	18,371	3.65	0.65	Yes
1.61	1,640	2.20	1.61	No
2.60	1,680	1.63	2.60	No
$ 0.50 – 2.60	22,975	3.40	$0.86	

The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions during the years ended December 31, 2007 and 2006:

	2007	2006
Risk free interest rate	4.3%	4.7% – 4.8%
Warrant lives	5 Years	5 Years
Expected volatility	94.6%	95.6% - 95.9%
Expected dividend yields	None	None

Expected volatility was calculated using the historical volatility of the appropriate industry sector index. The risk free interest rate is based on U.S. Treasury yields for securities in effect at the time of grants with terms approximating the term of the grants. The assumptions used in the Black-Scholes option valuation model are highly subjective, and can materially affect the resulting valuation.

Note 13 - Income Taxes

We had no tax provision for the years ended December 31, 2007 and 2006. Our effective tax rate differs from the statutory federal tax rate for the years ended December 31, 2007 and 2006 as shown in the following table (in thousands):

	2007	2006
U.S. federal income taxes at the statutory rate	$ (1,843)	$ (3,782)
State taxes, net of federal effects	(325)	(667)
Nondeductible expenses	417	722
Beneficial conversion feature	912	618
Change in valuation allowance	839	2,888
Adjustments to prior years’ options and other charges	—	221
	$ —	$ —

The tax effect of the temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2007 and 2006 is presented below (in thousands):

	2007	2006
Deferred tax assets:		
Tax benefit of operating loss carry forward	$ 47,706	$ 44,392
Reserves and allowances	1,500	1,620
Accrued expenses	89	72
Goodwill	595	665
Warrants issued for services	605	575
Equity based compensation	562	369
Fixed assets	141	285
Fair value adjustments to derivative financial instruments	—	703
Restricted stock	217	106
Total deferred tax assets	51,415	48,787
Deferred tax liability:		
Fair value adjustments to derivative financial instruments	(1,789)	—
Deferred tax assets and liability, net	49,626	48,787
Valuation allowance	(49,626)	(48,787)
Net deferred tax assets	$ —	$ —

The ending balance of the deferred tax asset has been fully reserved, reflecting the uncertainties as to realizability evidenced by the Company’s historical results.

We and our subsidiaries file federal tax returns on a consolidated basis and separate state tax returns. At December 31, 2007, we have net operating loss (“NOL”) carry-forwards of $121,235,000 for federal income tax purposes which expire in various amounts through 2027. At December 31, 2007, we have net NOL carry-forwards of $92,178,000 for state income tax purposes which expire in various amounts through 2027. The utilization of $85,826,000 of our NOL (the “Limited NOLs”) for federal income tax purposes sustained by Glowpoint prior to February 17, 2004 is limited to $5,400,000 annually as a result of an "ownership change" (as defined by Section 382 of the Internal Revenue Code of 1986, as amended). As of December 31, 2007, the Company has estimated that the entire amount of the Limited NOLs can be realized, based on federal limitations on the useability of such expiring losses (to the extent that it generates taxable income). If the Company undergoes a change of ownership in the future, the utilization of the Company’s NOL carry-forwards may be materially constrained.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN No. 48), which clarifies the accounting for uncertainty in income taxes recognized in the financial statement in accordance with FASB Statement No. 109 Accounting for Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no significant matters determined to be unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded on the Company’s consolidated financial statements for the year ended December 31, 2007.

Additionally, FIN No. 48 provides guidance on the recognition of interest and penalties related to income taxes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2007 and 2006.

The federal and state tax returns for the years ending December 31, 2004, 2005 and 2006 are currently open and the tax returns for the year ended December 31, 2007 will be filed in November 2008.

Note 14 - 401(k) Plan

We have adopted a 401(k) retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan covers substantially all employees who met minimum age and service requirements. The plan was non-contributory on our part. Employer contributions to the 401(k) plan for the years ended December 31, 2007 and 2006 were $69,000 and $38,000, respectively.

Note 15 - Related Parties

We receive consulting and tax services from an accounting firm in which one of our directors is a partner. Management believes that such transactions are at arm's-length and for terms that would have been obtained from unaffiliated third parties. For the years ended December 31, 2007 and 2006, we incurred fees for these services of $92,000 and $32,000, respectively. See also Note 7 for Insider Purchasers of Senior Secured Notes.

Note 16 - March 2006 Restructuring

In March 2006, we implemented a corporate restructuring plan designed to reduce certain operating, sales and marketing and general and administrative costs. The costs of this restructuring, $1,200,000, consisting of severance payments, acceleration of vesting of stock options and benefit reimbursements, were recorded in the first quarter of 2006 and will be paid through April 2007. As part of the restructuring initiative, we implemented management changes, including the departure of twenty-one employees and the promotion of Michael Brandofino to Chief Operating Officer. David Trachtenberg, President and Chief Executive Officer since October 2003, and Gerard Dorsey, Executive Vice President and Chief Financial Officer since December 2004 had left Glowpoint. In connection with their separation, Messrs. Trachtenberg and Dorsey were paid severance based upon their employment agreements of approximately $500,000 and $155,000, respectively, over the following year and receive other benefits (e.g., accelerated vesting of restricted stock or options) valued at approximately $180,000 and $9,000, respectively. The amount paid to them is a portion of the $1,200,000 of restructuring costs recorded in 2006. In April 2006, Mr. Brandofino was appointed President and Chief Executive Officer and a member of the Board of Directors, Edwin Heinen was appointed Chief Financial Officer, and Joseph Laezza was appointed Chief Operating Officer. The following is a summary of our March 2006 restructuring activity during the years ended December 31, 2007 and 2006 (in thousands):

Accrual as of January 1, 2006	$ 0
Provision for severance	1,200
Less: amounts paid	(988)
Accrual as of December 31, 2006	$ 212
Less: amounts paid	(212)
Accrual as of December 31, 2007	$ —

Note 17 - Commitments and Contingencies

Employment Agreements

We had employment agreements with our prior President and Chief Executive Officer ("CEO") and our prior Executive Vice President and Chief Financial Officer ("CFO"), both of whom left Glowpoint in April 2006. We also have agreements with our Executive Vice President and Chief Technology Officer ("CTO"), who became Chief Operating Officer in March 2006 and then President and Chief Executive Officer in April 2006, our Chief Financial Officer ("CFO"), our Chief Operating Officer ("COO") and our Executive Vice President and General Counsel ("GC"). Such employment agreements provide:

President and Chief Executive Officer -We entered into an initial three-year agreement, commencing January 1, 2001, with Michael Brandofino when he was CTO. This agreement has been subsequently amended numerous times to reflect agreed upon annual base salary, incentive compensation and other stock option grants. In May and June 2007, Mr. Brandofino's agreement was further amended to (i) reflect his title as President and Chief Executive Officer, (ii) grant 400,000 restricted shares of the Company's common stock, with one-half of such restricted shares vesting on each of May 15, 2009 and May 15, 2011, (iii) grant an option to purchase 200,000 shares of the Company's common stock, with one-half of such options vesting immediately and the remaining 100,000 options vesting in equal installments on May 15, 2008, May 15, 2009, and May 15, 2010, and (iv) provide for a July 1, 2009 expiration. Under the amended agreement, Mr. Brandofino is entitled to an annual base salary in each year, an ability to earn annual incentive bonus in an amount equivalent to forty percent (40%) of his then annual base salary, subject to the sole discretion of our Compensation Committee, taking into consideration the achievement of goals and metrics established by the Board of Directors, with such goals and metrics being updated on an annual basis. Compensation expense of $360,000 and $295,000, comprised of base salary and the incentive bonus, was recorded during the years ended December 31, 2007 and 2006, respectively. In addition, Mr. Brandofino's agreement stipulates that if we enter into a sale agreement during the term of the agreement and he realizes less than $200,000 from the exercise of all outstanding options, then he is entitled to a bonus in an amount equal to the difference between $200,000 and the amount realized. Either we or Mr. Brandofino may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Brandofino is terminated without cause or resigns for good reason (as defined) or if he dies, he is entitled to one year of his then annual base salary and one year of accelerated vesting of the stock options granted under the amended employment agreement. If Mr. Brandofino's employment is terminated with cause or if he voluntarily resigns, he is entitled to his base salary and other benefits through the last day actually worked.

Chief Financial Officer - In January 2007, we entered into a two-year employment agreement with Edwin F. Heinen. Under the employment agreement, Mr. Heinen is entitled to a base salary of not less than $200,000 per calendar year and, subject to the sole discretion of our Compensation Committee, he is eligible to receive an annual incentive bonus of up to 40% of his base salary, taking into consideration the achievement of goals and metrics established by the President and CEO, which goals and metrics shall be updated on an annual basis. Compensation expense of $264,000 and $205,000, comprised of base salary and the incentive bonus, was recorded during the years ended December 31, 2007 and 2006. The agreement also provides for a grant to Mr. Heinen of 200,000 restricted shares of the Company's common stock, with one-third of such restricted shares of common stock vesting on January 30 of each of the following three years. Either we or Mr. Heinen may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Heinen is terminated without cause or resigns for good reason (as defined) or if he dies, he is entitled to twelve months of his then-annual base salary, as well as the pro-rated amount of incentive compensation due as of the effective date of termination and one year of accelerated vesting of the restricted stock under the employment agreement. If Mr. Heinen's employment is terminated with cause or if he voluntarily resigns, he is entitled to his base salary and other benefits through the last day actually worked.

Chief Operating Officer – In March 2004, we entered into an employment agreement with Joseph Laezza under which he became the Vice President, Operations. Under that agreement, Mr. Laezza is entitled to an annual base salary and, subject to the sole discretion of our Compensation Committee, annual incentive bonus in an amount equivalent to forty percent (40%) of his then-annual base salary, taking into consideration the achievement of goals and metrics established by the President and CEO, which goals and metrics shall be updated on an annual basis. In April 2006, he became Chief Operating Officer. In May 2007, Mr. Laezza's agreement was amended to (i) reflect his title as COO, (ii) grant 100,000 restricted shares of the Company's common stock, with one-half of such restricted shares vesting on each of May 15, 2009 and May 15, 2011, (iii) grant an option to purchase 250,000 shares of the Company's common stock, with one-half of such options vesting immediately and the remaining 125,000 options vesting in equal installments on May 15, 2008, May 15, 2009, and May 15, 2010, and (iv) provide for a January 1, 2009 expiration. Compensation expense of $306,000 and $252,000, comprised of base salary and the incentive bonus, was recorded during the years ended December 31, 2007 and 2006. The March 2004 agreement also provided for a grant to Mr. Laezza of 55,000 restricted shares of the Company's common stock, with one-third of such restricted shares of common stock vesting on March 11 of each of the following years. Either we or Mr. Laezza may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Laezza is terminated without cause or resigns for good reason (as defined) or if he dies, he is entitled to twelve months of his then-annual base salary, as well as the pro-rated amount of incentive compensation due as of the effective date of termination and one year of accelerated vesting of the restricted stock under the employment agreement. If Mr. Laezza's employment is terminated with cause or if he voluntarily resigns, he is entitled to his base salary and other benefits through the last day actually worked.

Executive Vice President and General Counsel - In May 2006, we entered into a two-year employment agreement with David W. Robinson, which was subsequently amended in April and September 2007. Under the agreement, Mr. Robinson is entitled to an annual base salary and, subject to the sole discretion of our Compensation Committee, annual incentive bonus in an amount equivalent to forty percent (40%) of his then-annual base salary, taking into consideration the achievement of goals and metrics established by the President and CEO, which goals and metrics shall be updated on an annual basis. Compensation expense of $312,000 and $185,000, comprised of base salary and the incentive bonus, was recorded during the years ended December 31, 2007 and 2006. The agreement also provided for a grant of 200,000 shares of restricted common stock, with 60,000 shares vesting upon commencement of employment and one-third of the remaining restricted shares (or 46,666 shares) vesting annually thereafter. Either we or Mr. Robinson may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Robinson is terminated without cause or resigns for good reason (as defined) or if he dies, he is entitled to twelve months of his then-annual base salary, as well as the pro-rated amount of incentive compensation due as of the effective date of termination and one year of accelerated vesting of the restricted stock under the employment agreement. If Mr. Robinson's employment is terminated with cause or if he voluntarily resigns, he is entitled to his base salary and other benefits through the last day actually worked.

Operating Leases

We lease several facilities under operating leases expiring through 2007. Certain leases require us to pay increases in real estate taxes, operating costs and repairs over certain base year amounts. Lease payments for the years ended December 31, 2007, and 2006 were $292,000, and $288,000, respectively.

Future minimum rental commitments under all non-cancelable operating leases are as follows (in thousands):

Year Ending December 31	
2008	$ 311
2009	74
2010	55
	$ 440

Capital Lease Obligation

We lease certain equipment under a non-cancelable lease agreement at a fixed interest rate of 25%. The lease is accounted for as capital lease. The equipment under the capital lease as of December 31, 2007 had a cost of $358,000. The equipment had not yet been placed in service so no depreciation expense was incurred. Future minimum commitments under all non-cancelable capital leases are as follows (in thousands):

Year Ending December 31	
2008	$ 203
2009	274
Total minimum lease obligation	477
Less interest	(119)
Present value of total minimum lease obligation	$ 358

Commercial Commitments

We have entered into a number of agreements with telecommunications companies to purchase communications services. Some of the agreements require a minimum amount of services purchased over the life of the agreement, or during a specified period of time.

Glowpoint believes that it will meet its commercial commitments. In certain instances where Glowpoint did not meet the minimum commitments, no such penalties for minimum commitments have been assessed and the Company has entered into new agreements. It has been our experience that the prices and terms of successor agreement are similar to those offered by other carriers.

Glowpoint does not believe that any loss contingency related to a potential shortfall should be recorded in the consolidated financial statements because it is not probable, from the information available and from prior experience, that Glowpoint has incurred a liability.

Future minimum commercial commitments under carrier agreements are as follows (in thousands):

Year Ending December 31	
2008	$ 2,913
2009	1,242
	$ 4,155

Note 18 – Adjustments Related to Prior Fiscal Periods

During the quarter ended December 31, 2007, the Company identified and recorded certain adjustments related to the year ended December 31, 2006 and to the period ended September 30, 2007. The adjustments are related to recognizing a derivative liability related to the placement agent and financial advisory warrants issued in connection with the March and April 2006 and September 2007 private placements of the Senior Secured Notes. Had these adjustments been reflected in the year ended December 31, 2006, the derivative liability in the balance sheet would have been increased by $147,000, Additional Paid in Capital would have been reduced by $296,000 and other income from the decrease in the fair value of derivative financial instruments would have been $149,000 greater. There was no impact on the loss from operations. The effect of these adjustments, was to increase the net loss and net loss attributable to common stockholders for the year ended December 31, 2007 by $149,000. The effect on the Company's consolidated balance sheet and consolidated statements of operations as of September 30, 2007, June 30, 2007 and March 31, 2007 were not considered to be material. The effect of recording the adjustment in the fourth quarter of 2007 was to reduce the Company's net income by $32,000. The Company's consolidated financial statements for prior periods have not been restated since the amounts of the adjustments are not material either quantitatively or qualitatively to the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows or the consolidated financial statements taken as a whole.

Note 19 – Subsequent Events

In February 2008, the Company entered into a three year lease with an effective date of January 1, 2008 for its corporate office in Hillside, New Jersey. The lease is terminable on six months notice so long as such termination date is not before December 31, 2008. The base monthly lease payment is $18,000 for the life of the lease.

EXHIBIT 4.4

CERTIFICATE ELIMINATING REFERENCE TO
SERIES A PREFERRED STOCK
FROM THE CERTIFICATE OF INCORPORATION OF
GLOWPOINT, INC.

Pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware, it is hereby certified that:

1. The name of the corporation (the "Corporation") is: Glowpoint, Inc.

2. The designation of the series of shares of stock of the Corporation to which this certificate relates is: Series A Preferred Stock, par value $.0001 per share (the “Series A Preferred Stock”).

3. The voting powers, designations, preferences, and the relative, participating, optional, or other rights, and the qualifications, limitations, and restrictions of the Series A Preferred Stock were provided for in a resolution adopted by the Board of Directors of the Corporation pursuant to authority expressly vested in it by the provisions of the certificate of incorporation of the Corporation. A certificate setting forth the said resolution has been filed with the Secretary of State of the State of Delaware on June 14, 2000 pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware.

4. The Board of Directors of the Corporation has adopted the following resolution:

> RESOLVED, that none of the authorized shares of stock of the Corporation designated as Series A Preferred Stock are outstanding; and none of the authorized shares of stock of the Corporation designated as Series A Preferred Stock will hereinafter be issued, and be it further
>
> RESOLVED, that the proper officers of the Corporation be and hereby are authorized and directed to file a certificate setting forth this resolution with the Secretary of State of the State of Delaware pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware for the purpose of eliminating from the certificate of incorporation of the Corporation all reference to the Series A Preferred Stock.

5. The effective time of this certificate shall be the filing date hereof.

IN WITNESS WHEREOF, the undersigned has executed this certificate this 4th day of December, 2007.

GLOWPOINT, INC.

By: /s/ Michael Brandofino
Michael Brandofino
President and CEO

EXHIBIT 4.5

CERTIFICATE ELIMINATING REFERENCE TO SERIES B CONVERTIBLE PREFERRED STOCK FROM THE CERTIFICATE OF INCORPORATION OF GLOWPOINT, INC.

Pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware, it is hereby certified that:

1. The name of the corporation (the "Corporation") is: Glowpoint, Inc.

2. The designation of the series of shares of stock of the Corporation to which this certificate relates is: Series B Convertible Preferred Stock, par value $.0001 per share (the “Series B Convertible Preferred Stock”).

3. The voting powers, designations, preferences, and the relative, participating, optional, or other rights, and the qualifications, limitations, and restrictions of the Series B Convertible Preferred Stock were provided for in a resolution adopted by the Board of Directors of the Corporation pursuant to authority expressly vested in it by the provisions of the certificate of incorporation of the Corporation. A certificate setting forth the said resolution has been filed with the Secretary of State of the State of Delaware on January 22, 2004 pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware.

4. The Board of Directors of the Corporation has adopted the following resolution:

> RESOLVED, that none of the authorized shares of stock of the Corporation designated as Series B Convertible Preferred Stock are outstanding; and none of the authorized shares of stock of the Corporation designated as Series B Convertible Preferred Stock will hereinafter be issued, and be it further
>
> RESOLVED, that the proper officers of the Corporation be and hereby are authorized and directed to file a certificate setting forth this resolution with the Secretary of State of the State of Delaware pursuant to the provisions of Section 151 (g) of the General Corporation Law of the State of Delaware for the purpose of eliminating from the certificate of incorporation of the Corporation all reference to the Series B Convertible Preferred Stock.

5. The effective time of this certificate shall be the filing date hereof.

IN WITNESS WHEREOF, the undersigned has executed this certificate this 4th day of December, 2007.

GLOWPOINT, INC.

By: /s/ Michael Brandofino
Michael Brandofino
President and CEO

EXHIBIT 10.45

LEASE AGREEMENT

BETWEEN

VITAMIN REALTY ASSOCIATES, L.L.C.,

LESSOR

-AND-

GLOWPOINT, INC,

LESSEE

DATED: As of DECEMBER 31, 2007

Prepared by:

Robert J Canarick, Esq.
Canarick & Canarick, LLC
PO Box 610
Spring Lake, New Jersey 07762-0610
(732) 449-1542

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SCHEDULE B BASIC RENT

LEASE AGREEMENT (this "Lease"), effective January 1, 2008, between **VITAMIN REALTY ASSOCIATES,L.L.C.**(the "LESSOR"), a New Jersey limited liability company, having an address at 225 Long Avenue, Hillside, New Jersey 07205, and **GLOWPOINT, INC**. (the "LESSEE"), a Delaware corporation, having an address at 225 Long Avenue, Hillside, New Jersey 07205.

PRELIMINARY STATEMENT

LESSOR is the owner in fee simple of a certain tract of land situated in the Township of Hillside, County of Union and State of New Jersey, which is designated on the official tax map for the Township of Hillside as Block 1110, Lot 1 (the "Land"). On the Land, there is an office and warehouse building (the "Building") and other related improvements; the Land and the Building, including all other improvements now or hereafter constructed on the Land and all fixtures and appurtenances to the Land and the Building, are collectively referred to as the "Premises". The Premises are commonly known as 225 Long Avenue, Hillside, New Jersey.

The roadways, the drainage areas, the landscape areas and the other common portions of the Premises will be maintained for the benefit, use and enjoyment of all tenants leasing space within the Premises.

LESSEE desires to lease from LESSOR approximately 3,000 rentable square feet of warehouse space on the first floor of the Building and approximately 17,423 rentable square feet of office space on the second floor of the Building (collectively, the "Demised Premises") in accordance with, and subject to, the provisions of this Lease. The location of the Demised Premises is cross-hatched on the floor plan annexed hereto as Schedule A.

NOW, THEREFORE, LESSOR and LESSEE agree as follows:

ARTICLE 1
DEFINITIONS

1.1. As used in this Lease, the following terms have the following respective meanings:

(a) Additional Rent: defined in Section 3.2.

(b) Alterations: defined in Section 6.5.Basic Rent: defined in Section 3.1 and specified in Schedule B annexed hereto.

(c) Basic Rent: defined in Section 3.1 and specified in Schedule B annexed hereto.

(d) Basic Rent Payment Dates: the first day of each consecutive calendar month during the Term.

(e) Building: defined in the Preliminary Statement.

(f) Building Holidays: Saturday, Sunday, New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

(g) Business Hours: 8:00 AM to 6:00 PM, Monday through Friday, except for Building Holidays; though LESSEE shall have access to the Building and the Demised Premises at all hours of every day (24/7/365) for LESSEE's business.

(h) Change Orders: defined in Section 5.2.

(i) Commencement Date: defined in Section 2.2.

(j) Costs: defined in Section 5.2(a).

(k) Demised Premises: defined in the Preliminary Statement.

(l) Environmental Laws: all statutes, regulations, codes and ordinances of any governmental entity, authority, agency and/or department relating to (i) air emissions, (ii) water discharges, (iii) noise emissions, (iv) air, water or ground pollution or (v) any other environmental or health matter, including, without limitation, ISRA, the New Jersey Spill Compensation and Control Act, N.J.S.A. 58:10-23.11 et eq. and the regulations promulgated thereunder, and the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. and the regulations promulgated thereunder.

(m) Events of Default: defined in Article 18.

(n) Excusable Delay: any delay caused by governmental action, or lack thereof; shortages or unavailability of materials and/or supplies; labor disputes (including, but not limited to, strikes, slow downs, job actions, picketing and/or secondary boycotts); fire or other casualty; delays in transportation; acts of God; directives or requests by any governmental entity, authority, agency or department; any court or administrative orders or regulations; adjustments of insurance; acts of declared or undeclared war, public disorder, riot or civil commotion; or by anything else beyond the reasonable control of LESSOR, including delays caused directly or indirectly by an act or a failure to act by LESSEE or LESSEE'S Visitors.

(o) Finish Work: defined in Section 5.2.

(p) Insurance Requirements: all terms of any insurance policy maintained by LESSOR with respect to the Premises and all requirements of the National Board of Fire Underwriters (or any other body exercising similar function) applicable to or affecting all or any part of the Premises.

(q) ISRA: The New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. and the regulations promulgated thereunder.

(r) Land: defined in the Preliminary Statement.

(s) Legal Requirements: all statutes, regulations, codes and ordinances of any governmental entity, authority, agency and/or department, which now or at any time hereafter may be applicable to the Premises or any part thereof, including, but not limited to, all Environmental Laws.

(t) LESSEE: the party defined as such in the first paragraph of this Lease.

(u) LESSEE Finish Work: defined in Section 5.2.

(v) LESSEE'S Finish Work Costs(s): defined in Section 5.2(a).

(w) LESSEE'S Notice: defined in Section 15.2.

(x) LESSEE'S Proportionate Share: for all purposes of this Lease shall be deemed to be 13.1%.

(y) LESSEE'S Visitors: LESSEE'S agents, servants, employees, subtenants, contractors, invitees, licensees and all other persons invited by LESSEE into the Demised Premises as guests or doing lawful business with LESSEE.

(z) LESSOR: the party defined as such in the first paragraph of this Lease, including at any time after the date hereof, the then owner of LESSOR'S interest in the Premises.

(aa) LESSOR'S Estimated Operating Expenses:defined in Section 4.2.

(ab) LESSOR'S Expense Statement: defined in Section 4.2.

(ac) LESSOR'S Operating Expenses: those costs or expenses paid or incurred by LESSOR in connection with the ownership, operation, management, maintenance, repair and replacement of the Premises, including, but not limited to, the cost of common area electricity; sewer meter charges; water; window cleaning; exterminating; insurance of all kinds carried in good faith by LESSOR and applicable to the Premises (including, without limitation, rent insurance); snow and ice removal; maintenance and cleaning of the parking lots and driveways (including resurfacing and restripping); regulation of traffic; landscape and grounds maintenance; service, maintenance, repair and replacement of all mechanical, electrical, plumbing and other systems and/or equipment (other than any system or equipment installed by LESSEE in the Demised Premises); general maintenance and repairs of any kind for which LESSOR is not reimbursed; painting and/or sealing of the exterior of the Building and the common areas; management fees; maintenance and service agreements; compliance with any Legal or Insurance Requirements; Taxes; contesting the Taxes and/or the assessed valuation of the Premises (including reasonable attorneys' fees, accounting fees and appraisal fees); any expenses allocable to the Premises and/or to LESSOR which relate to the common areas of the Premises; the cost of obtaining and maintaining access and/or utility licenses and easements across any contiguous property which serve the Premises; security services and/or alarm and fire protection systems and equipment; wages, salaries, fringe benefits and other labor costs of all persons engaged by LESSOR for the operation, maintenance, repair and replacement of the Premises; janitorial and cleaning of common area; payroll taxes and workers' compensation for such persons; legal and accounting expenses (except legal expenses incurred in preparing leases or enforcing the terms of leases); licenses, permits and other governmental charges; depreciation on and rentals of machinery and equipment used in the operation and maintenance of the Premises; and any other expense or cost, which, in accordance with generally accepted accounting principles and the standard management practices for buildings comparable to the Building, would be considered as an expense of operating, managing, maintaining, repairing or replacing the Premises, plus a sum equal to fifteen percent (15%) of the aggregate of the foregoing for general overhead. Excluded from LESSOR'S Operating Expenses are costs reimbursed by insurance; the cost of any work or service performed by LESSOR for any tenant of the Building pursuant to the terms of said tenant's lease to the extent such work or service is in excess of the work or service which LESSOR is obligated to perform under this Lease; costs in connection with preparing space for a new tenant; advertising expenses; real estate brokers' commissions; franchise, transfer, inheritance or capital stock taxes or other taxes imposed upon or measured by the income or profits of LESSOR; and administrative wages and salaries or any other general and administrative overhead of LESSOR. All accounting for LESSOR'S Operating Expenses shall be on the accrual basis. In the event that, at any time during the Term, the Building is not fully leased and occupied by tenants, LESSOR'S Operating Expenses shall be projected as if the Building were fully occupied at all times.

(ad) Lien: any mortgage, pledge, lien, charge, encumbrance or security interest of any kind, including any inchoate mechanic's or materialmen's lien.

(ae) Net Award: any insurance proceeds or condemnation award payable in connection with any damage, destruction or Taking, less any expenses incurred by LESSOR in recovering such amount.

(af) Net Rental Proceeds: in the case of a sublease, the amount by which the aggregate of all rents, additional charges or other consideration payable under a sublease to LESSEE by the subtenant (including sums paid for the sale or rental of LESSEE'S fixtures, leasehold improvements, equipment, furniture or other personal property) exceeds the sum of (i) the Basic Rent plus all amounts payable by LESSEE pursuant to the provisions hereof during the term of the sublease in respect of the subleased space and(ii) brokerage commissions at prevailing rates due and owing to a real estate brokerage firm; and in the case of an assignment, the amount by which all sums and other considerations paid to LESSEE by the assignee of this Lease for or by reason of such assignment (including sums paid for the sale of LESSEE'S fixtures, leasehold improvements, equipment, furniture or other personal property) exceeds the sum of (i) brokerage commissions at prevailing rates due and owing to a real estate brokerage firm, and (ii) the then net unamortized or undepreciated cost of the fixtures, leasehold improvements, equipment, furniture or other personal property sold to the assignee.

(ag) New Space: defined in Section 29.5.

(ah) Premises: defined in the Preliminary Statement.

(ai) Prime Rate: the prime commercial lending rate published from time to time in The Wall Street Journal.

(aj) Punchlist Items: defined in Section 5.4.

(ak) Recapture Notice: defined in Section 15.5.

(al) Recapture Space: defined in Section 15.5.

(am) Restoration: the restoration, replacement or rebuilding of the Building or any portion thereof as nearly as practicable to its value, condition and character immediately prior to any damage, destruction or Taking.

(an) Rules and Regulations: defined in Article 28.

(ao) Taking: a taking of all or any part of the Premises, or any interest therein or right accruing thereto, as the result of, or in lieu of, or in anticipation of, the exercise of the right of condemnation or eminent domain pursuant to any law, general or special, or by reason of the temporary requisition of the use or occupancy of the Premises or any part thereof, by any governmental authority, civil or military.

(ap) Taxes: all real estate taxes and assessments or substitutes thereof or supplements thereto, upon, applicable, attributable or assessed against the Premises or any part thereof, or any improvement thereon owned by LESSOR and used in connection with the operation of the Building. If and to the extent that due to a change in the method of taxation or assessment any franchise, capital stock, capital, rent, income, profit or other tax or charge shall be substituted by the applicable taxing authority for or added to the Taxes now or hereafter imposed upon the Premises, such franchise, capital stock, capital, rent, income, profit or other tax or charge shall be deemed included in the term "Taxes", provided, however, that the amount of such tax, assessment, levy, imposition, charge or fee deemed to be included in the term "Taxes" shall be determined as if the Premises were the only asset of LESSOR and as if the rent received therefrom were the only income of LESSOR. In the event the Building is not fully leased and occupied by tenants, the Taxes shall be projected as if the Building was fully occupied at all times.

(aq) Term: defined in Section 2.2.

(ar) Termination Date: December 31, 2010 or such earlier date upon which the Term may expire or be terminated pursuant to any of the conditions of this

Lease (including, without limitation, as set forth in Section 2.2) or pursuant to law.

(as) Underlying Encumbrances: defined in Section 22.1.

(at) Working Drawings: defined in Section 5.3.

ARTICLE 2
DEMISE; TERM

2.1. LESSOR, for and in consideration of the covenants hereinafter contained and made on the part of the LESSEE, does hereby demise and lease to LESSEE, and LESSEE does hereby hire from LESSOR, the Demised Premises, together with the non-exclusive right to use 50 automobile parking spaces in the general parking area on the Land and the non-exclusive right to use such other portions of the Premises as are intended for common use, subject, however, to the terms and conditions of this Lease. Tenant has inspected the Demised Premises and accepts the same "as is" in its present condition, subject to the construction of the Finish Work.

2.2. The term (the "Term") of this Lease shall commence on January 1, 2008 (the "Commencement Date"), and shall end on the earlier of (i) the date LESSEE elects to terminate the Lease, provided that such early termination date may not be before December 31, 2008 and provided further that LESSEE gives LESSOR at least 180 days prior written notice of such selected termination date, and (ii) the Termination Date of December 31, 2010 (Article 1, Section 1.1 subsection ar).

ARTICLE 3
BASIC RENT; ADDITIONAL RENT; NET LEASE

3.1. LESSEE shall pay rent ("Basic Rent") to LESSOR during the Term in the amounts and at the times provided in Schedule B in lawful money of the United States of America; provided, however, LESSEE shall pay the first installment of Basic Rent upon the execution of this Lease.

3.2. In addition to the Basic Rent, LESSEE shall pay to LESSOR during the Term all other amounts, liabilities and obligations which LESSEE herein agrees to pay to LESSOR as and when the same become due (hereinafter collectively referred to as "Additional Rent"); and LESSEE agrees that each such amount, liability and obligation, together with any interest, penalty and/or cost thereon, shall be deemed Additional Rent regardless of whether it is specifically referred to as Additional Rent in this Lease. LESSOR shall have all the rights, powers and remedies provided for in this Lease or at law or in equity or otherwise for failure to pay Additional Rent as are available for nonpayment of Basic Rent.

3.3. If any installment of Basic Rent or Additional Rent is not paid when due, LESSEE shall pay to LESSOR on demand, as Additional Rent, a late charge equal to five percent (5%) of the amount unpaid. In addition, any installment or installments of Basic Rent or Additional Rent accruing hereunder which are not paid within ten (10) days after the date when due, shall bear interest at the Prime Rate plus five percent (5%) per annum from the due date thereof until the date of payment, which interest shall be deemed Additional Rent hereunder and shall be payable upon demand by LESSOR.

3.4. LESSEE will contract for and pay all charges for communications services at any time rendered or used on or about the Demised Premises to the company providing the same.

3.5. Except as herein provided, LESSEE hereby covenants and agrees to pay to LESSOR during the Term, at LESSOR'S address for notices hereunder, or such other place as LESSOR may from time to time designate, without any offset, set-off, counterclaim, deduction, defense, abatement, suspension, deferment or diminution of any kind (i) the Basic Rent, without notice or demand, (ii) Additional Rent and (iii) all other sums payable by LESSEE hereunder. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall LESSEE have any right to terminate or avoid this Lease or be entitled to the abatement of any Basic Rent, Additional Rent or other sums payable hereunder or any reduction thereof, nor shall the obligations and liabilities of LESSEE hereunder be in any way affected for any reason. The obligations of LESSEE hereunder shall be separate and independent covenants and agreements.

ARTICLE 4
OPERATING EXPENSES

4.1. LESSEE shall pay to LESSOR, as Additional Rent,
LESSEE'S Proportionate Share of LESSOR'S Operating Expenses for any calendar year during the Term. LESSEE'S Proportionate Share of LESSOR'S Operating Expenses for less than a year shall be

prorated and apportioned.

4.2. On or about the Commencement Date, and thereafter within ninety (90) days following the first day of each succeeding calendar year within the Term, LESSOR shall determine or estimate LESSEE'S Proportionate Share of LESSOR'S Operating Expenses for such calendar year ("LESSOR'S Estimated Operating Expenses") and shall submit such information to LESSEE in a written statement ("LESSOR'S Expense Statement").

4.3. Commencing on the first Basic Rent Payment Date following the submission of any LESSOR'S Expense Statement and continuing thereafter until LESSOR renders the next LESSOR'S Expense Statement, LESSEE shall pay to LESSOR on account of its obligation under Section 4.1 of this Lease, a sum (the "Monthly Expense Payment") equal to one-twelfth (1/12) of LESSEE'S Proportionate Share of LESSOR'S Estimated Operating Expenses for such calendar year. LESSEE'S first Monthly Expense Payment after receipt of LESSOR'S Expense Statement shall be accompanied by the payment of an amount equal to the product of the number of full months, if any, within the calendar year which shall have elapsed prior to such first Monthly Expense Payment, times the Monthly Expense Payment; minus any Additional Rent already paid by LESSEE on account of its obligation under Section 4.1 of this Lease for such calendar year.

4.4. LESSOR shall use reasonable efforts to deliver to LESSEE within 120 days after each calendar year a statement of the final Operating Expenses for the immediately preceding calendar year which shall reconcile the payments made by LESSEE for such calendar year. Any balance due to LESSOR shall be paid by LESSEE within thirty (30) days after LESSEE'S receipt of the final LESSOR'S Expense Statement; any surplus due to LESSEE shall be applied by LESSOR against the next accruing monthly installment(s) of Additional Rent due under this Article. If the Term has expired or has been terminated, LESSEE shall pay the balance due to LESSOR or, alternatively, LESSOR shall refund the surplus to LESSEE, whichever the case may be, within thirty (30) days after LESSEE'S receipt of the final LESSOR'S Expense Statement; provided, however, if the Term shall have been terminated as a result of a default by LESSEE, then LESSOR shall have the right to retain such surplus to the extent LESSEE owes LESSOR any Basic Rent or Additional Rent.

4.5. LESSEE or its representative shall have the right to examine LESSOR'S books and records with respect to the reconciliation of LESSOR'S Operating Expenses for the prior calendar year set forth in the final LESSOR'S Expense Statement during normal business hours at any time within thirty (30) days following the delivery by LESSOR to LESSEE of such final LESSOR'S Expense Statement. Unless LESSEE shall give LESSOR a notice objecting to said reconciliation and specifying the respects in which said reconciliation is claimed to be incorrect within ten (10) days after the date of said examination, said reconciliation shall be considered as final and accepted by LESSEE. Notwithstanding anything to the contrary contained in this Article, LESSEE shall not be permitted to examine LESSOR'S books and records or to dispute said reconciliation unless LESSEE has paid to LESSOR the amount due as shown thereon; said payment is a condition precedent to said examination and/or dispute.

4.6. (a) If LESSOR shall receive any refund of Taxes in respect of a calendar year and if LESSEE shall have paid Additional Rent pursuant to this Article 4 for said calendar year, LESSOR shall credit to LESSEE LESSEE'S Proportionate Share of such refund (based upon the portion of said Taxes paid by LESSEE) against the next accruing monthly installment(s) of Additional Rent due under this Article, or if the Term shall have expired, LESSEE'S Proportionate Share of such refund shall be refunded to LESSEE within thirty (30) days after receipt thereof by LESSOR; provided, however, if the Term shall have expired as a result of a default by LESSEE, then LESSOR shall have the right to retain LESSEE'S Proportionate Share of the refund to the extent LESSEE owes LESSOR any Basic Rent or Additional Rent.

(b)while proceedings for the reduction in assessed valuation for any year are pending, the computation of the Taxes shall be based upon the original assessments for such year.

(c) Notwithstanding anything to the contrary contained in this Lease, LESSEE shall not have the right to contest or appeal the validity of any Taxes or the amount of the assessed valuation of the Premises without the prior written consent of LESSOR.

4.7. In no event shall any adjustment in LESSEE'S obligation to pay Additional Rent under this Article 4 result in a decrease in the Basic Rent payable hereunder. LESSEE'S obligation to pay Additional Rent, and LESSOR'S obligation to credit and/or refund to LESSEE any amount, pursuant to the provisions of this Article 4, shall survive the Termination Date.

4.8. LESSEE shall also pay to LESSOR, as Additional Rent, upon demand, the amount of any increase in LESSOR'S Operating Expenses which is attributable to LESSEE'S use or manner of use of the Demised Premises, to activities conducted on or about the Demised Premises by LESSEE or on behalf of LESSEE or to any additions, improvements or alterations to the Demised Premises made by or on behalf of LESSEE.

4.9. The provisions of Section 29.3 shall apply to LESSOR'S Expense Statement.

ARTICLE 5
LAYOUT AND FINISH OF DEMISED PREMISES

5.1. (a) LESSOR has constructed all the improvements to the Demised Premises for LESSEE's occupancy in accordance with the architectural and engineering working drawings and specifications (the "Working Drawings") for the layout and finish of the Demised Premises, and LESSEE has accepted these improvements.

5.2. If LESSEE decides to amend, change or modify the Workspace, LESSEE shall submit to LESSOR for its approval (which approval shall not be unreasonably withheld) a reasonably detailed description of a proposed amendment, change or modification (hereinafter referred to as a "Change Order"). Within ten (10) business days after receipt of the Change Order, LESSOR shall notify LESSEE whether it approves or disapproves the Change Order, the estimated construction costs for the Change Order, but the effect, if any, of the Change Order shall not effect the Commencement Date. If LESSOR approves the Change Order, LESSOR shall notify LESSEE of such approval and LESSEE shall notify LESSOR whether it approves the estimated cost within five (5) business days after LESSEE's receipt of LESSOR's notice. If LESSEE fails to notify LESSOR of LESSEE's approval of the estimated cost within said five (5) business day period, then LESSEE shall be deemed to have disapproved the estimated cost. Notwithstanding anything to the contrary contained herein, LESSOR shall not proceed with the work shown on any approved Change Order unless LESSEE has approved LESSOR's determination of the cost and effect of the Change Order. If LESSEE has notified LESSOR of its approval, then LESSEE shall pay 100% of the Costs of the Change Order in accordance with the provisions of Sections 6.1(b) and (f) hereof.

5.3. LESSEE shall pay Costs of any Change Orders as Additional Rent hereunder at the time of the payment of LESSEE'S Costs.

5.4. Notwithstanding anything contained in this Lease to the contrary, and as an essential inducement to LESSOR, LESSEE agrees that, while LESSOR is performing Change Orders (if applicable):

(a) LESSEE shall not perform or cause to be performed any alteration, construction, fixturing, decoration or other work in the Demised Premises by LESSEE'S Visitors without LESSOR'S prior written consent in each instance. LESSEE acknowledges that LESSOR shall have the right to withhold its consent to the performance of any such alteration, construction or other work in the exercise of its sole discretion.

(b) In the event that LESSOR shall grant its consent to LESSEE to perform such alteration, construction, fixturing, decoration or other work in the Demised Premises, then LESSEE agrees promptly to notify LESSOR in writing of the names of LESSEE'S Visitors who are to work in said Demised Premises, and to furnish LESSOR with such other information as LESSOR may require. All work done by LESSEE and LESSEE'S Visitors shall be scheduled and performed so as not to conflict, interfere with, or delay LESSOR'S completion of the Demised Premises. In the event that LESSEE or LESSEE'S Visitors do not work in harmony with, or interfere with, labor employed by LESSOR, its agents, contractors, subcontractors or employees, or in the event any work stoppage, jurisdictional labor dispute or other interference with LESSOR, its agents, contractors, subcontractors or employees occurs, of which facts LESSOR shall be sole and absolute judge, LESSOR shall have the right to require LESSEE, upon written demand, to remove or cause the removal forthwith of all LESSEE'S Visitors from the Demised Premises and LESSEE agrees to comply with such demand immediately. In the event LESSEE fails to comply with such demand immediately, and thereby causes a delay in the completion of the the Change Orders, the same shall be deemed a delay of the character referred to in clause 2.3(a)(iii). If such delay does not cease within a reasonable period of time (not to exceed twenty (20) days), then such delay shall constitute a material breach of this Lease entitling LESSOR to all of its rights hereunder and at law to terminate this Lease and to hold LESSEE fully liable for all damages resulting therefrom.

(c) Except for the obligation to pay Basic Rent and Additional Rent, the terms and conditions of this Lease shall apply during any period that LESSEE or LESSEE'S Visitors are performing work within the Demised Premises, and LESSEE shall submit proof to LESSOR'S reasonable satisfaction, prior to entering upon the Demised Premises pursuant to this Article, that LESSEE has in full force and effect comprehensive general public liability insurance complying with the requirements of Article 13.

ARTICLE 6
MAINTENANCE, ALTERATIONS AND ADDITIONS;
REMOVAL OF TRADE FIXTURES

6.1. LESSEE agrees to keep the Demised Premises (including, but not limited to, all systems located within the Demised Premises and servicing only the Demised Premises) in good order and condition (except for ordinary wear and tear) and will make all non-structural repairs, alterations, renewals and replacements, ordinary and extraordinary, foreseen or unforeseen, and shall take such other action as may be necessary or appropriate to keep and maintain the Demised Premises in good order and condition. Except as expressly provided in this Lease, LESSOR shall not be obligated in any way to maintain, alter or repair the Demised Premises. Notice is hereby given that, except with respect to repairs or restoration undertaken by LESSOR, LESSOR will not be liable for any labor, services or materials furnished or to be furnished to LESSEE, or to anyone holding the Demised Premises or any part thereof through or under LESSEE, and that no mechanics' or other liens for any such labor or materials shall attach to or affect the interest of LESSOR in and to the Demised Premises.

6.2. If LESSOR is required to make any repairs and replacements to the Premises as a result of or arising out of the intentional acts or negligence of LESSEE or LESSEE'S Visitors, then LESSEE shall reimburse LESSOR, upon demand, for the reasonable cost thereof.

6.3. All maintenance and repair, and each addition, improvement or alteration (a) must not, individually or in the aggregate, adversely affect the usefulness of the Demised Premises for use as office space, (b) shall be completed expeditiously in a good and workmanlike manner, and in compliance with all applicable Legal and Insurance Requirements, (c) shall be completed free and clear of all Liens and (d) shall be performed by contractors approved by LESSOR to the extent such work involves any work to any electrical, mechanical, plumbing or other system of the Building, any work to the outside of the Building, any work to the roof of the Building or any work to any structural element of the Building.

6.4. LESSEE shall not make any addition, improvement or alteration of the Demised Premises (any such work being hereinafter referred to as "Alterations"), unless LESSEE submits to LESSOR detailed plans and specifications therefor and LESSOR approves such plans and specifications in writing (which such approval shall be at LESSOR'S sole discretion).

6.5. (a) All Alterations to the Demised Premises shall, upon installation, become the property of LESSOR and shall be deemed part of, and shall be surrendered with, the Demised Premises, unless LESSOR, by notice given to LESSEE at least thirty (30) days prior to the Termination Date, elects to relinquish LESSOR'S right thereto. If LESSOR elects to relinquish LESSOR'S right to any such Alteration, LESSEE shall remove said Alteration, shall promptly repair any damage to the Demised Premises caused by said removal and shall restore the Demised Premises to the condition existing prior to the installation of said Alteration; all such work shall be done prior to the Termination Date.

(b) LESSEE may install or place or reinstall or replace and remove from the Demised Premises any trade equipment, machinery and personal property belonging to LESSEE, provided, that (i) LESSEE shall repair all damage caused by such removal and (ii) LESSEE shall not install any equipment, machinery or other items upon the roof of the Building or make any openings on or about such roof. Such trade equipment, machinery and personal property shall not become the property of LESSOR.

ARTICLE 7
USE OF DEMISED PREMISES

7.1. LESSEE shall not, except with the prior consent of LESSOR, use or suffer or permit the use of the Demised Premises or any part thereof for any purposes other than general, administrative and sales offices, operating a network operations center, and warehousing of inventory in connection therewith; provided, however, anything in this Lease to the contrary notwithstanding, that (a) the portions of the Demised Premises which are identified as toilets or utility areas shall be used by LESSEE only for the purposes for which they are designed, (b) LESSEE complies with the requirements of Section 7.2 hereof, and (c) in no event shall LESSEE use the Demised Premises for retail purposes to the general public.

7.2. LESSEE shall not use, or suffer or permit the use of, the Demised Premises or any part thereof in any manner or for any purpose or do, bring or keep anything, or suffer or permit anything to be done, brought or kept, therein (including, but not limited to, the installation or operation of any electrical, electronic or other equipment) (a) which would violate any covenant, agreement, term, provision or condition of this Lease or is unlawful or in contravention of the certificate of occupancy for the Building or the Demised Premises, or is in contravention of any Legal or Insurance Requirement to which the Building or the Demised Premises is subject, or (b) which would overload or could cause an overload of the electrical or mechanical systems of the Building or the Demised Premises or which would exceed the floor load per square foot which the floor was designed to carry and which is allowed by law, or (c) which in the reasonable judgment of the LESSOR may in any way impair or interfere with the proper and economic heating, air conditioning of the Building or (d) suffer or permit the Building or any component thereof to be used in any manner or anything to be done therein or anything to be brought into or kept thereon which, in the reasonable judgment of LESSOR, would in any way impair or tend to impair or exceed the design criteria, the structural integrity, character or appearance of the Building, or result in the use of the Building or any component thereof in a manner or for a purpose not intended; nor shall the LESSEE use, or suffer or permit the use of, the Demised Premises or any part thereof in any manner, or do, or suffer or permit the doing of, anything therein or in connection with the LESSEE'S business or advertising which, in the reasonable judgment of the LESSOR, may be prejudicial to the business of LESSOR.

7.3. LESSEE shall obtain, at its sole cost and expense, all permits, licenses or authorizations of any nature required in connection with the operation of LESSEE'S business at the Demised Premises.

ARTICLE 8
LESSOR'S SERVICES

8.1. LESSOR shall furnish to LESSEE only the services set forth in this Lease.

8.2. Throughout the Term, LESSOR shall supply, which shall be included in LESSOR'S Operating Expenses snow and ice removal from the parking areas, driveways and sidewalks each day (other than Building Holidays) within a reasonable time after accumulation thereof.

8.3. (a) LESSOR shall provide to the Demised Premises HVAC, electricity, hot and cold water and sewer services. The Demised Premises are not separately metered, and LESSEE shall pay to LESSOR as Additional Rent, LESSEE'S Proportionate Share of the cost of such services, which payment shall be due within ten (10) days after receipt of a statement therefor from LESSOR. Notwithstanding anything to the contrary contained in this Lease, LESSEE hereby expressly agrees and acknowledges that (i) LESSOR shall not be liable in any way to LESSEE (A) for any loss, damage, failure, defect or change in the quantity or character of any utility furnished to the Demised Premises, (B) or if such quantity or character of any utility furnished to the Demised Premises is no longer available or suitable for LESSEE'S requirements, or (C) for any cessation, diminution or interruption of the supply thereof.

(b) LESSEE shall be responsible for replacing all light bulbs, fluorescent lamps, non-Building standard lamps and bulbs, and all ballasts used by LESSEE in the Demised Premises. At the option of LESSOR, LESSEE shall purchase from LESSOR all fluorescent lamps, light bulbs and ballasts used in the Demised Premises and pay LESSOR for the cost of same.

(c) LESSEE shall make no alteration to the existing electrical equipment or connect any fixtures, appliances or equipment thereto (other than electric typewriters, personal computers, calculators, desk lights, photocopy machines and other small, ordinary office equipment) without the prior written consent of LESSOR in each instance.

Should LESSOR grant such consent, all additional risers or other equipment required therefor shall be provided by LESSOR and the cost thereof shall be paid by LESSEE as Additional Rent upon LESSOR'S demand.

8.4. LESSOR shall not be liable to LESSEE for any costs, expenses or damages incurred by LESSEE as a result of any failure to furnish any service hereunder, or any interruption of any utility service to the Demised Premises, and such failure or interruption (i) shall not be construed as a constructive eviction or eviction of LESSEE, (ii) shall not excuse LESSEE from failing to perform any of its obligations hereunder and (iii) shall not entitle LESSEE to any abatement or offset against Basic Rent or Additional Rent. LESSEE agrees that any service to be provided by LESSOR may be stopped and/or interrupted in connection with any inspection, repair, replacement or emergency.

8.5. The parties hereto shall comply with all mandatory and voluntary energy conservation controls and requirements imposed or instituted by the Federal, State or local governments and applicable to office and warehouse buildings, including, without limitation, controls on the permitted range of temperature settings, and requirements necessitating curtailment of the volume of energy consumption or the hours of operation of the Building. Any terms or conditions of this Lease that conflict or interfere with such controls or requirements shall be suspended for the duration of such controls or requirements. Compliance with such controls or requirements shall not be considered an eviction, actual or constructive, of LESSEE from the Demised Premises and shall not entitle LESSEE to terminate this Lease or to an abatement of any Basic Rent or Additional Rent.

ARTICLE 9
INDEMNIFICATION; LIABILITY OF LESSOR

9.1. LESSEE hereby indemnifies, and shall pay, protect and hold LESSOR harmless from and against all liabilities, losses, claims, demands, costs, expenses (including attorneys' fees and expenses) and judgments of any nature, except to the extent LESSOR is compensated by insurance maintained by LESSEE hereunder and except for such of the foregoing as arise from the recklessness or willful misconduct of LESSOR, its agents, servants or employees), arising, or alleged to arise, from or in connection with, (a) any injury to, or the death of, any person or loss or damage to property on or about the Demised Premises, (b) any violation of this Lease or of any Legal or Insurance Requirement, or (c) performance of any labor or services or the furnishing of any materials or other property in respect of the Demised Premises or any part thereof. LESSEE will resist and defend any action, suit or proceeding brought against LESSOR by reason of any such occurrence by independent counsel selected by LESSEE, which is reasonably acceptable to LESSOR. The obligations of LESSEE under this Section 9.1 shall survive any termination of this Lease.

9.2. LESSEE agrees to make no claim against LESSOR for any injury or damage to LESSEE or to any other person or for any damage to, or loss (by theft or otherwise) of, or loss of use of, any property of LESSEE or of any other person, unless caused by the recklessness or willful misconduct of LESSOR, its agents, servants and employees, it being understood that LESSEE assumes all risk in connection therewith.

ARTICLE 10
COMPLIANCE WITH REQUIREMENTS

10.1. At its sole cost and expense, LESSEE will (a) comply with all Legal and Insurance Requirements applicable to the Demised Premises and the use thereof and (b) maintain and comply with all permits, licenses and other authorizations required by any governmental authority for its use of the Demised Premises and for the proper operation, maintenance and repair of the Demised Premises or any part thereof. LESSOR will join in the application for any permit or authorization with respect to Legal Requirements if such joinder is necessary.

10.2. LESSEE shall not do, or permit to be done, anything in or to the Demised Premises, or bring or keep anything therein which will, in any way, increase the cost of fire or public liability insurance on the Premises, or invalidate or conflict with the fire insurance or public liability insurance policies covering the Premises or any personal property kept therein by LESSOR, or obstruct or interfere with the rights of LESSOR or of other tenants, or in any other way injure LESSOR or other tenants, or subject LESSOR to any liability for injury to persons or damage to property, or interfere with good order of the Building, or conflict with the Legal Requirements. Any increase in fire insurance premiums on the Premises or the contents within the Building, or any increase in the premiums of any other insurance carried by LESSOR in connection with the Building or the Demised Premises, caused by the use or occupancy of the Demised Premises by LESSEE and any expense or cost incurred in consequence of the negligence, carelessness or willful action of LESSEE, shall be Additional Rent and paid by LESSEE to LESSOR within ten (10) days of demand therefor made by LESSOR to LESSEE.

10.3. LESSEE shall deliver promptly to LESSOR a true and complete photocopy of any correspondence, notice, report, sampling, test, finding, declaration, submission, order, complaint, citation or any other instrument, document, agreement and/or information submitted to, or received from, any governmental entity, department or agency in connection with any Environmental Law relating to or affecting LESSEE, LESSEE'S employees, LESSEE'S use and occupancy of the Demised Premises and/or the Demised Premises.

10.4. LESSEE shall not cause or permit any "hazardous substance" or "hazardous waste" (as such terms are defined under ISRA or any other Environmental Law) to be brought, kept or stored on or about the Demised Premises, and LESSEE shall not engage in, or permit any other person or entity to engage in, any activity, operation or business on or about the Demised Premises which involves the generation, manufacture, refining, transportation, treatment, storage, handling or disposal of hazardous substances and/or hazardous wastes.

10.5. (a) If a spill or discharge of a hazardous substance or a hazardous waste occurs on the Premises, LESSEE shall give LESSOR immediate oral and written notice of such spill and/ or discharge, setting forth in reasonable detail all relevant facts. In the event such spill or discharge arose out of or in connection with LESSEE'S use and occupancy of the Demised Premises, or in the event such spill or discharge was caused by the act, negligence or omission of LESSEE or LESSEE'S Visitors, then LESSEE shall pay all costs and expenses relating to compliance with the applicable Environmental Law (including, without limitation, the costs and expenses of the site investigations and of the removal and remediation of such hazardous substance or hazardous waste).

(b) Without relieving LESSEE of its obligations under this Lease and without waiving any default by LESSEE under this Lease, LESSOR shall have the right, but not the obligation, to take such action as LESSOR deems necessary or advisable to cleanup, remove, resolve or minimize the impact of or otherwise deal with any spill or discharge of any hazardous substance or hazardous waste. In the event such spill or discharge arose out of or in connection with LESSEE'S use and occupancy of the Demised Premises, or in the event such spill or discharge was caused by the act, negligence or omission of LESSEE or LESSEE'S Visitors, then LESSEE shall pay to LESSOR on demand, as Additional Rent, all costs and expenses incurred by LESSOR in connection with any action taken by LESSOR.

10.6. (a) If LESSEE'S operations at the Demised Premises now or hereafter constitute an "Industrial Establishment" (as defined under ISRA) or are subject to the provisions of any Environmental Law, then LESSEE agrees to comply, at its sole cost and expense, with all requirements of ISRA or such other applicable Environmental Law to the satisfaction of LESSOR and the governmental entity, department or agency having jurisdiction over such matters (including, but not limited to, performing site investigations and performing any removal and remediation required in connection therewith), in connection with (i) the occurrence of the Termination Date, (ii) any termination of this Lease prior to the Termination Date, (iii) any closure, transfer or consolidation of LESSEE'S operations at the Demised Premises, (iv) any change in the ownership or control of LESSEE, (iv) any permitted assignment of this Lease or permitted sublease of all or part of the Demised Premises or (v) any other action by LESSEE which triggers such Environmental Law.

(b) In connection with subsection (a) above, if LESSEE has failed (i) with respect to ISRA, to obtain a no further action letter, complete an approved remediation agreement or otherwise comply with the requirements of ISRA, or (ii) with respect to any other applicable Environmental Law to fully comply with the applicable provisions of such Environmental Law prior to the Termination Date, LESSEE shall be deemed to be a holdover tenant, shall pay rent at the rate set forth in Section 23.3 and shall continue to diligently pursue compliance with ISRA and/or such Environmental Law. Upon LESSEE'S full compliance with ISRA and/or the provisions of such Environmental Law, LESSEE shall deliver possession of the Demised Premises to LESSOR in accordance with the provisions of this Lease and such holdover rent shall be adjusted as of said date.

10.7. (a) In connection with (i) any sale or other disposition of all or part of LESSOR'S interest in the Premises, (ii) any change in the ownership or control of LESSOR, (iii) any condemnation, (iv) any foreclosure or (v) any other action by LESSOR which triggers ISRA or any other applicable Environmental Law, LESSOR shall comply, at its sole cost and expense, with all requirements of ISRA or such applicable Environmental Law; provided, however, if any site investigation is required as a result of LESSEE'S use and occupancy of the Demised Premises or a spill or discharge of a hazardous substance or hazardous waste caused by the act, negligence or omission of LESSEE or LESSEE'S Visitors, then LESSEE shall pay all costs associated with said site investigation; in addition, if any removal and remediation is required as a result of a spill or discharge of a hazardous substance or hazardous waste caused by the act, negligence or omission of LESSEE or LESSEE'S Visitors, then LESSEE shall pay all costs associated with said removal and remediation.

(b) If, in connection with such compliance, LESSOR requires any affidavits, certifications or other information from LESSEE, LESSEE agrees to cooperate with LESSOR and to execute and deliver to LESSOR without charge all such documents within five (5) business days after LESSEE'S receipt of said request.

10.8. (a) LESSOR shall have the right, but not the obligation, to enter onto the Demised Premises from time to time during the Term for the purpose of conducting such tests and investigations as LESSOR deems reasonably necessary to determine whether LESSEE is complying with the provisions of this Article 10 and all applicable Environmental Laws. In the event LESSOR determines that LESSEE is not in compliance with this Article 10 or any Environmental Law, LESSOR shall notify LESSEE of such fact, setting forth in such notice the basis for LESSOR'S determination. Within ten (10) business days after receipt of LESSOR'S notice of noncompliance, LESSEE shall notify LESSOR whether it disputes LESSOR'S determination. If LESSEE so notifies LESSOR within said ten (10) business day period, then LESSOR and LESSEE, and their respective consultants, shall meet to resolve the dispute; if LESSEE fails to notify LESSOR of any objection within said ten (10) business day period, then LESSEE shall be deemed to have accepted LESSOR'S determination and LESSEE shall promptly remedy the noncompliance.

(b) In the event LESSEE is not in compliance with the provisions of this Article 10 or any applicable Environmental Law, LESSEE shall pay to LESSOR, as Additional Rent, upon demand, an amount equal to all costs and expenses incurred by LESSOR in connection with the tests and investigations conducted by or on behalf of LESSOR.

(c) LESSOR shall use reasonable efforts to minimize any interference with or disruptions to LESSEE'S operations at the Demised Premises caused by such tests and investigations, to do all such tests and investigations in a good and workmanlike manner, to proceed with such tests and investigations with reasonable dispatch and to repair promptly all damage to the Demised Premises arising out of or in connection with such tests and investigations.

10.9. LESSEE hereby agrees to defend, indemnify and hold LESSOR harmless from and against any and all claims, losses, liability, damages and expenses (including, without limitation, site investigation costs, removal and remediation costs and attorneys' fees and disbursements) arising out of or in connection with (i) LESSEE'S use and occupancy of the Demised Premises, (ii) any spill or discharge of a hazardous substance or hazardous waste by LESSEE or LESSEE'S Visitors and/or (iii) LESSEE'S failure to comply with the provisions of this Article 10.

10.10. If LESSOR has given to LESSEE the name and address of any holder of an Underlying Encumbrance, LESSEE agrees to send to said holder a photocopy of those items given to LESSOR pursuant to the provisions of Section 10.3.

10.11. LESSEE'S obligations under this Article 10 shall survive the expiration or earlier termination of this Lease.

ARTICLE 11
DISCHARGE OF LIENS

LESSEE will discharge within fifteen (15) days after receipt of notice thereof any Lien on the Demised Premises or the Basic Rent, Additional Rent or any other sums payable under this Lease, caused by or arising out of LESSEE'S acts or LESSEE'S failure to perform any obligation hereunder.

ARTICLE 12
PERMITTED CONTESTS

LESSEE may contest by appropriate proceedings, the amount, validity or application of any Legal Requirement which LESSEE is obligated to comply with or any Lien which LESSEE is obligated to discharge, provided that (a) such proceedings shall suspend the collection of any amounts due as a result thereof, (b) no part of the Demised Premises or of any Basic Rent or Additional Rent or other sum payable hereunder would be subject to loss, sale or forfeiture during such proceedings, (c) LESSOR would not be subject to any civil or criminal liability for failure to pay or perform, as the case may be, (d) LESSEE shall have furnished such security as may be required in the proceedings or reasonably requested by LESSOR, (e) such proceedings shall not affect the payment of Basic Rent, Additional Rent or any other sum payable to LESSOR hereunder or prevent LESSEE from using the Demised Premises for its permitted use hereunder, and (f) LESSEE shall notify LESSOR of any such proceedings not less than ten (10) days prior to the commencement thereof, and shall describe such proceedings in reasonable detail. LESSEE will conduct all such contests in good faith and with due diligence and will, promptly after the determination of such contest, pay and discharge all amounts which shall be determined to be payable therein.

ARTICLE 13
INSURANCE

13.1. LESSEE will maintain with insurers authorized to do business in the State of New Jersey and which are rated A-Plus in Best's Key Rating Guide:

(a) comprehensive general liability insurance (including, during any period when LESSEE is making alterations or improvements to the Demised Premises, coverage for any construction on or about the Demised Premises), against claims for bodily injury, personal injury, death or property damage occurring on, in or about the Demised Premises in a combined single limit of not less than $2,000,000.00 per occurrence/$2,000,000 aggregate;

(b) workers' compensation insurance coverage for the full statutory liability of LESSEE;

(c) such other insurance with respect to the Demised Premises in such amounts and against such insurable exposures as may reasonably and customarily carried by tenants in similar quality buildings in the vicinity in which the Building is located.

13.2. The policies of insurance required to be maintained by LESSEE pursuant to Section 13.1 shall name as the insured parties (except for workers' compensation insurance) LESSOR and LESSEE, as their respective interests may appear, and shall be reasonably satisfactory to LESSOR. In addition, said policies of insurance (except for worker's compensation insurance) shall (i) provide that thirty (30) days' prior written notice of suspension, cancellation, termination, modification, non-renewal or lapse or material change of coverage shall be given and that such insurance shall not be invalidated by any act or neglect of LESSOR or LESSEE or any owner of the Demised

Premises, nor by any change in the title or ownership of the Demised Premises, nor by occupation of the Demised Premises for purposes more hazardous than are permitted by such policy, and (ii) not contain a provision relieving the insurer thereunder of liability for any loss by reason of the existence of other policies of insurance covering the Demised Premises against the peril involved, whether collectible or not; and the policies of insurance required to be maintained by LESSEE pursuant to subsection 13.1(a) shall also include a contractual liability endorsement evidencing coverage of LESSEE'S obligation to indemnify LESSOR pursuant to Section 9.1 hereof.

13.3. On the Commencement Date, LESSEE shall deliver to LESSOR original or duplicate policies or certificates of the insurers evidencing all the insurance which is required to be maintained hereunder by LESSEE, and, within ten (10) days prior to the expiration of any such insurance, other original or duplicate policies or certificates evidencing the renewal of such insurance.

13.4. LESSEE shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by Section 13.1 unless LESSOR and LESSEE are named as insureds therein.

13.5. (a) LESSOR hereby waives and releases LESSEE, and LESSEE hereby waives and releases LESSOR, from any and all liabilities, claims and losses for which the released party is or may be held liable to the extent of any insurance proceeds received by said injured party.

(b) Each party hereto agrees to have included in each of its insurance policies (insuring the Building in the case of LESSOR, and insuring LESSEE'S personal property, trade fixtures, equipment and improvements in the case of LESSEE, against loss, damage or destruction by fire or other casualty) a waiver of the insurer's right of subrogation against the other party to this Lease. If there is any extra charge for such waiver, the party requesting the waiver shall pay the extra charge. If such waiver is not enforceable or is unattainable, then such insurance policy shall contain either (i) an express agreement that such policy shall not be invalidated if LESSOR or LESSEE, whichever the case may be, waives the right of recovery against the other party to this Lease or (ii) any other form for the release of LESSOR or LESSEE, whichever the case may be. If such waiver, agreement or release shall not be, or shall cease to be, obtainable from LESSOR'S insurance company or from LESSEE'S insurance company, whichever the case may be, then

LESSOR or LESSEE shall notify the other party of such fact and shall use its best efforts to obtain such waiver, agreement or release from another insurance company satisfying the requirements of this Lease.

ARTICLE 14
ESTOPPEL CERTIFICATES

14.1. At any time and from time to time, upon not less than ten (10) days' prior notice by LESSOR, LESSEE shall execute, acknowledge and deliver to LESSOR a statement (or, if LESSEE is a corporation, an authorized officer of LESSEE shall execute, acknowledge and deliver to LESSOR a statement) certifying the following: (i) the Commencement Date, (ii) the Termination Date, (iii) the date(s) of any amendment(s) and/or modification(s) to this Lease, (iv) that this Lease was properly executed and is in full force and effect without amendment or modification, or, alternatively, that this Lease and all amendments and/or modifications thereto have been properly executed and are in full force and effect, (v) the current annual Basic Rent, the current monthly installments of Basic Rent and the date on which LESSEE'S obligation to pay Basic Rent commenced, (vi) the current monthly installment of Additional Rent for Taxes and LESSOR'S Operating Expenses, (vii) the date to which Basic Rent and Additional Rent have been paid, (viii) the amount of the security deposit, if any, (ix) that all work to be done to the Demised Premises by LESSOR has been completed in accordance with this Lease and have been accepted by LESSEE, except as specifically provided in the estoppel certificate, (x) that no installment of Basic Rent or Additional Rent has been paid more than thirty (30) days in advance, (xi) that LESSEE is not in arrears in the payment of any Basic Rent or Additional Rent, (xii) that, to the best of LESSEE'S knowledge, neither party to this Lease is in default in the keeping, observance or performance of any covenant, agreement, provision or condition contained in this Lease and no event has occurred which, with the giving of notice or the passage of time, or both, would result in a default by either party, except as specifically provided in the estoppel certificate, (xiii) that LESSEE has no existing defenses, offsets, liens, claims or credits against the Basic Rent or Additional Rent or against enforcement of this Lease by LESSOR, (xiv) that LESSEE has not been granted any options or rights of first refusal to extend the Term, to lease additional space, to terminate this Lease before the Termination Date or to purchase the Premises, except as specifically provided in this Lease, (xv) that LESSEE has not received any notice of violation of Legal Requirements or Insurance Requirements relating to the

Demised Premises or to the Premises, (xvi) that LESSEE has not assigned this Lease or sublet all or any portion of the Demised Premises, (xvii) that no "hazardous substances" or "hazardous wastes" have been generated, manufactured, refined, transported, treated, stored, handled, disposed or spilled on or about the Demised Premises and (xviii) such other reasonable matters as the person or entity requesting the Certificate may request. LESSEE hereby acknowledges and agrees that such statement may be relied upon by any mortgagee, or any prospective purchaser, lessee, sublessee, mortgagee or assignee of any mortgage, of the Demised Premises or any part thereof. If LESSEE is unable to certify as to any of the information provided above, LESSEE shall set forth the reasons in the statement, in reasonable detail.

14.2. If LESSEE shall fail or otherwise refuse to execute an estoppel certificate in accordance with Section 14.1, then and upon such event, LESSEE shall be deemed to have appointed LESSOR and LESSOR shall thereupon be regarded as the irrevocable attorney-in-fact of LESSEE duly authorized to execute and deliver the required certificate for and on behalf of LESSEE, but the exercise of such power shall not be deemed a waiver of LESSEE'S default.

ARTICLE 15
ASSIGNMENT AND SUBLETTING

15.1. Except as otherwise expressly provided in this Article 15, LESSEE shall not assign this Lease or the Demised Premises, by operation of law or otherwise, without providing prior written notice to LESSOR. Except as otherwise expressly provided in this Article 15, LESSEE shall not sell, transfer, hypothecate, mortgage, encumber, grant concessions or licenses, sublet, or otherwise dispose of any interest in this Lease or the Demised Premises, by operation of law or otherwise, without the prior written consent of LESSOR. Any consent granted by LESSOR in any instance shall not be construed to constitute a consent with respect to any other instance or request. If the Demised Premises or any part thereof should be sublet, used, or occupied by anyone other than LESSEE, or if this Lease should be assigned by LESSEE, LESSOR shall have the right to collect rent from the assignee, subtenant, user or occupant, but no such assignment, subletting, use, occupancy or collection shall be deemed a waiver of any of LESSOR'S rights under the provisions of this Section 15.1, a waiver of any of LESSEE'S covenants contained in this Article 15, the acceptance of the assignee, subtenant, user or occupant as tenant, or a release of LESSEE from further performance by LESSEE of LESSEE'S obligations under the Lease.

15.2. If LESSEE shall desire to sublet the Demised Premises or to assign this Lease, it shall first submit to LESSOR a written notice ("LESSEE'S Notice") setting forth in reasonable detail:

(a) the name and address of the proposed sublessee or assignee;

(b) the terms and conditions of the proposed subletting or assignment (including the proposed commencement date of the sublease or the effective date of the assignment, which shall be at least thirty (30) days after LESSEE'S Notice is given);

(c) the nature and character of the business of the proposed sublessee or assignee;

(d) banking, financial, and other credit information relating to the proposed sublessee or assignee, in reasonably sufficient detail, to enable LESSOR to determine the proposed sublessee's or assignee's financial responsibility; and

(e) in the case of a subletting, complete plans and specifications for any and all work to be done in the Demised Premises to be sublet.

15.3. Within thirty (30) days after LESSOR'S receipt of LESSEE'S Notice, LESSOR agrees that it shall notify LESSEE whether LESSOR (i) consents to the proposed sublet or assignment, (ii) does not consent to the proposed sublet or assignment, or (iii) elects to exercise its recapture right, as described in Section 15.5. If LESSOR fails to so notify LESSEE within said thirty (30) day period, LESSOR shall be deemed to have not consented to the proposed sublet or assignment. In the event that LESSOR does not elect to exercise its right of recapture, LESSOR agrees that it shall not unreasonably withhold its consent to an assignment of the Lease or a sublease of all or a part of the Demised Premises.

15.4. In addition to the foregoing requirements,
(a) no assignment or sublease shall be permitted if, at the effective date of such assignment or sublease, LESSEE is in default under this Lease; and(b) no assignment or sublease shall be permitted unless LESSEE agrees, at the time of the proposed assignment or sublease and in LESSEE'S Notice, to pay to

LESSOR, immediately upon receipt thereof, all Net Rental Proceeds, of whatever nature, payable by the prospective assignee or sublessee to LESSEE pursuant to such assignment or sublease.

15.5. (a) LESSOR shall have the right, to be exercised by giving written notice (the "Recapture Notice") to LESSEE within thirty (30) days after receipt of LESSEE'S Notice, to recapture the space described in LESSEE'S Notice (the "Recapture Space"). The Recapture Notice shall cancel and terminate this Lease with respect to the Recapture Space as of the date stated in LESSEE'S Notice for the commencement of the proposed assignment or sublease as fully and completely as if that date had been herein definitively fixed as the Termination Date, and LESSEE shall surrender possession of the Recapture Space as of such date. Thereafter, the Basic Rent and Additional Rent shall be equitably adjusted based upon the square footage of the Demised Premises then remaining, after deducting the square footage attributable to the Recapture Space.

(b) In the event LESSOR elects to exercise its recapture right and the Recaptured Space is less than the entire Demised Premises, then LESSOR, at its sole expense, shall have the right to make any alterations to the Demised Premises required, in LESSOR'S reasonable judgment, to make such Recaptured Space a self-contained rental unit. LESSOR agrees to perform all such work, if any, with as little inconvenience to LESSEE'S business as is reasonably possible; provided, however, LESSOR shall not be required to perform such work after LESSEE'S business hours or on weekends; and provided further, LESSOR shall not be deemed guilty of an eviction, partial eviction, constructive eviction or disturbance of LESSEE'S use or possession of the Demised Premises, and shall not be liable to LESSEE for same.

15.6. In addition to the foregoing requirements, any sublease must contain the following provisions:

(a) the sublease shall be subject and subordinate to all of the terms and conditions of this Lease;

(b) at LESSOR'S option, in the event of cancellation or termination of this Lease for any reason or the surrender of this Lease, whether voluntarily, involuntarily, or by operation of law, prior to the expiration of such sublease, including extensions and renewals of such sublease, the subtenant shall make full and complete attornment to LESSOR for the balance of the term of the sublease. The attornment shall be evidenced by an agreement in form and substance satisfactory to LESSOR which the subtenant shall execute and deliver at any time within five (5) days after request by LESSOR or its successors and assigns;

(c) the term of the sublease shall not extend beyond a date which is one day prior to the Termination Date;

(d) no subtenant shall be permitted to further sublet all or any portion of the subleased space or to assign its sublease without LESSOR'S prior written consent; and

(e) the subtenant shall waive the provisions of any law now or subsequently in effect which may give the subtenant any right of election to terminate the sublease or to surrender possession of the space subleased in the event that any proceeding is brought by LESSOR to terminate this Lease.

15.7. Each of the following events shall be deemed to constitute an assignment of this Lease and each shall require the prior written consent of LESSOR:

(a) any assignment or transfer of this Lease by operation of law; or

(b) any hypothecation, pledge, or collateral assignment of this Lease; or

(c) any involuntary assignment or transfer of this Lease in connection with bankruptcy, insolvency, receivership, or similar proceeding; or

(d) any assignment, transfer, disposition, sale or acquisition of a controlling interest in LESSEE to or by any person, entity, or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions; or

(e) any issuance of an interest or interests in LESSEE (whether stock, partnership interests, or otherwise) to any person, entity, or group of related persons or affiliated entities, whether in a single transaction or in a series of related or unrelated transactions, which results in such person, entity, or group holding a controlling interest in LESSEE. For purposes of the immediately foregoing, a "controlling interest" of LESSEE shall mean 50% or more of the aggregate issued and outstanding equitable interests (whether stock, partnership interests, or otherwise) of LESSEE. The transfer of the outstanding capital stock of any corporate tenant shall not be deemed an assignment of this Lease if such transfer shall be effected by the sale of stock through the "over-the-counter-market" or through any recognized stock exchange.

15.8. It is a further condition to the effectiveness of any assignment otherwise complying with this Article 15 that the assignee execute, acknowledge, and deliver to LESSOR an agreement in form and substance satisfactory to LESSOR whereby the assignee assumes all of the obligations of LESSEE under this Lease and agrees that the provisions of this Article 15 shall continue to be binding upon it with respect to all future assignments and deemed assignments of this Lease.

15.9. No assignment of this Lease nor any sublease of all or any portion of the Demised Premises shall release or discharge LESSEE from any liability, whether past, present, or future, under this Lease and LESSEE shall continue to remain primarily liable under this Lease.

15.10. LESSEE shall be responsible for obtaining all permits and approvals required by any governmental or quasi-governmental agency in connection with any assignment of this Lease or any subletting of the Demised Premises, and LESSEE shall deliver copies of these documents to LESSOR prior to the commencement of any work, if work is to be done. LESSEE is also responsible for and is required to reimburse LESSOR for all fees, costs and expenses, including, but not limited to, reasonable attorneys' fees and disbursements; which LESSOR incurs in reviewing any proposed assignment of this Lease, any proposed sublease of the Demised Premises, and any permits, approvals, and applications for construction within the Demised Premises.

15.11. If LESSOR consents to any proposed assignment or sublease and LESSEE fails to consummate the assignment or sublease to which LESSOR consented within ninety (90) days after the giving of such consent, LESSEE shall be required again to comply with all of the provisions and conditions of this Article 15 before assigning this Lease or subletting the Demised Premises. If LESSEE consummates the assignment or sublease to which LESSOR consented within said ninety (90) day period, LESSEE agrees that it shall deliver to LESSOR a fully executed, duplicate original counterpart of the assignment or sublease agreement within ten (10) days of the date of execution of such item.

15.12. LESSEE agrees that under no circumstances shall LESSOR be liable in damages or subject to liability by reason of LESSOR'S failure or refusal to grant its consent to any proposed assignment of this Lease or subletting of the Demised Premises.

15.13. If LESSOR withholds its consent of any proposed assignment or sublease, LESSEE shall defend, indemnify, and hold LESSOR harmless from and reimburse LESSOR for all liability, damages, costs, fees, expenses, penalties, and charges (including, but not limited to, reasonable attorneys' fees and disbursements) arising out of any claims that may be made against LESSOR by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease.

15.14. (a) Notwithstanding anything to the contrary contained in this Lease, in the event that this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to LESSOR, shall be and remain the exclusive property of LESSOR and shall not constitute property of LESSEE or of the estate of LESSEE within the meaning of the Bankruptcy Code. Any and all monies or other consideration constituting LESSOR'S property under the preceding sentence not paid or delivered to LESSOR shall be held in trust for the benefit of LESSOR and be promptly paid to or turned over to LESSOR.

(b) If LESSEE proposes to assign this Lease pursuant to the provisions of the Bankruptcy Code to any person or entity who shall have made a bona fide offer to accept an assignment of this Lease on terms acceptable to LESSEE, then notice of such proposed assignment setting forth (i) the name and address of such person or entity, (ii) all of the terms and conditions of such offer and (iii) the adequate assurance to be provided by LESSEE to assure such person's or entity's future performance under this Lease, including, without limitation, the assurance referred to in Section 365(b)(3) of the Bankruptcy Code, or any such successor or substitute legislation or rule thereto, shall be given to LESSOR by LESSEE no later than twenty (20) days after receipt by LESSEE, but in any event no later than ten (10) days prior to the date that LESSEE shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. LESSOR shall thereupon have the prior right and option, to be exercised by notice to LESSEE given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person for the assignment of this Lease. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on or after the date of such assignment. Any such assignee shall, upon demand, execute and deliver to LESSOR an instrument confirming such assumption.

ARTICLE 16
CASUALTY

16.1. If there is any damage to or destruction of the Demised Premises, LESSEE shall promptly give notice thereof to LESSOR, describing the nature and extent thereof.

16.2. If the Demised Premises are damaged, but are not thereby rendered partially or wholly untenantable, and this Lease is not terminated pursuant to Section 16.4, 16.5 or 16.6 hereof, LESSOR shall, at its own expense, cause Restoration to be completed as soon as reasonably practicable but in no event later than ninety (90) days from the occurrence, subject to any Excusable Delays, and the Basic Rent and Additional Rent shall not abate.

16.3. If the Demised Premises are damaged or destroyed and are rendered partially or wholly untenantable, and this Lease is not terminated pursuant to Section 16.4, 16.5 or 16.6 hereof, LESSOR shall, at its own expense, cause Restoration to be completed as soon as reasonably practicable but in no event later than one hundred eighty (180) days from the occurrence, subject to any Excusable Delays, and the Basic Rent and Additional Rent shall be equitably abated.

16.4. If, in the sole opinion of LESSOR, the Building is damaged or destroyed and the total cost of Restoration shall amount to twenty percent (20%) or more of the full insurable value of the Building, LESSOR, in lieu of Restoration, may elect to terminate this Lease, provided that notice of such termination shall be sent to LESSEE within sixty (60) days after the occurrence of such casualty. If LESSOR exercises its right to terminate this Lease, this Lease shall cease, terminate and expire, and all Basic Rent and Additional Rent shall be prorated, as of the date of such damage or destruction.

16.5. If the Building is damaged or destroyed and, in the sole opinion of LESSOR, more than one hundred eighty (180) days are necessary to complete Restoration, or if during the final year of the Term the Demised Premises are damaged or destroyed and rendered partially or wholly untenantable, then in either case LESSOR may elect to terminate this Lease provided notice of such termination shall be sent to LESSEE within sixty (60) days after the occurrence of such casualty. If LESSOR exercises its right to terminate this Lease, this Lease shall cease, terminate and expire, and all Basic Rent and Additional Rent shall be prorated, as of the date of such damage or destruction.

16.6. LESSOR shall not be required to expend for Restoration an amount in excess of the Net Award received by it. In the event the Net Award is not adequate or the holder of an Underlying Encumbrance elects to retain the Net Award, LESSOR shall have the right to terminate this Lease provided notice of such termination shall be sent to LESSEE within sixty (60) days after the amount of such Net Award is ascertained, or after the date on which the holder of the Underlying Encumbrance notifies LESSOR that it has elected to retain the Net Award, whichever the case may be. If LESSOR exercises its right to terminate this Lease, this Lease shall cease, terminate and expire, and all Basic Rent and Additional Rent shall be prorated, as of the date of such damage or destruction.

ARTICLE 17
CONDEMNATION

17.1. LESSEE hereby irrevocably assigns to LESSOR any award or payment to which LESSEE becomes entitled by reason of any Taking of all or any part of the Demised Premises, whether the same shall be paid or payable in respect of LESSEE'S leasehold interest hereunder or otherwise, except that LESSEE shall be entitled to any award or payment for the Taking of LESSEE'S trade fixtures or personal property or for loss of business, relocation or moving expenses provided the amount of the Net Award payable to LESSOR with respect to the fee interest is not diminished. All amounts payable pursuant to any agreement with any condemning authority which have been made in settlement of or under threat of any condemnation or other eminent domain proceeding shall be deemed to be an award made in such proceeding. LESSEE agrees that this Lease shall control the rights of LESSOR and LESSEE in any Net Award and any contrary provision of any present or future law is hereby waived.

17.2. In the event of a Taking of the whole of the Demised Premises, then the Term shall cease and terminate as of the date when possession is taken by the condemning authority and all Basic Rent and Additional Rent shall be paid up to that date.

17.3. In the event of a Taking of thirty (30%) percent or more of the Demised Premises, then, if LESSEE shall determine in good faith and certify to LESSOR that because of such Taking, continuance of its business at the Demised Premises would be uneconomical, LESSEE may at any time either prior to or within a period of sixty (60) days after the date when possession of such premises shall be required by the condemning authority, elect to terminate this Lease. In the event that LESSEE shall fail to exercise any such option to terminate this Lease, or in the event of a Taking of the Demised Premises under circumstances under which LESSEE will have no such option, then, and in either of such events, LESSOR shall, subject to the provisions of Section 17.4. cause Restoration to be completed as soon as reasonably practicable, but in no case later than ninety (90) days after the date the condemning authority takes possession of such portion of the Demised Premises, subject to any Excusable Delays, and the Basic Rent and Additional Rent thereafter payable during the Term shall be equitably prorated based upon the square foot area of the Demised Premises and/or of the Building actually taken.

17.4. If (a) the Net Award is inadequate to complete Restoration of the Demised Premises, or (b) in the case of a Taking of thirty (30%) percent or more of the Demised Premises, LESSEE has not elected to terminate this Lease pursuant to Section 17.3 hereof, then LESSOR may elect either to complete such Restoration or terminate this Lease by giving notice to LESSEE within sixty (60) days after (x) the amount of the Net Award is ascertained or (y) the expiration of the sixty (60) day period within which LESSEE may terminate this Lease (as described in Section 17.3 hereof), whichever the case may be. In such event, all Basic Rent and Additional Rent shall be apportioned as of the date the condemning authority actually takes possession of the Demised Premises.

ARTICLE 18
EVENTS OF DEFAULT

18.1. Any of the following occurrences, conditions or acts shall constitute an "Event of Default" under this Lease:

(a) If LESSEE shall default in making payment when due of any Basic Rent, Additional Rent or other amount payable by LESSEE hereunder, and such default shall continue for ten (10) days; or

(b) if LESSEE shall fail to take actual occupancy of the Demised Premises within thirty (30) days after the Commencement Date or shall thereafter vacate the Demised Premises for a period in excess of thirty (30) days; or

(c) if the Demised Premises shall be abandoned by LESSEE for a period of thirty (30) consecutive days; or

(d) if LESSEE shall file a petition in bankruptcy pursuant to the Bankruptcy Code or under any similar federal or state law, or shall be adjudicated a bankrupt or become insolvent, or shall commit any act of bankruptcy as defined in any such law, or shall take any action in furtherance of any of the foregoing; or

(e) if a petition or answer shall be filed proposing the adjudication of LESSEE as a bankrupt pursuant to the Bankruptcy Code or any similar federal or state law, and (i) LESSEE shall consent to the filing thereof, or (ii) such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof; or

(f) if a receiver, trustee or liquidator (or other similar official) of LESSEE or of all or substantially all of its business or assets or of the estate or interest of LESSEE in the Demised Premises shall be appointed and shall not be discharged within sixty (60) days thereafter or if LESSEE shall consent to or acquiesce in such appointment; or

(g) if the estate or interest of LESSEE in the Demised Premises shall be levied upon or attached in any proceeding and such process shall not be vacated or discharged within sixty (60) days after such levy or attachment; or

(h) if LESSEE shall use or suffer or permit the use of the Demised Premises or any part thereof for any purpose other than expressly specified in Section 7.1; or

(i) if LESSEE fails to discharge any Lien within the time period set forth in Article 11; or

(j) if LESSEE fails to maintain the insurance required pursuant to Article 13, or LESSEE fails to deliver to LESSOR the insurance certificates required by Article 13 within the time periods set forth in Section 13.3; or

(k) if LESSEE fails to deliver to LESSOR the estoppel certificate required by Article 14 within the time period set forth therein; or

(l) if LESSEE assigns this Lease or sublets all or any portion of the Demised Premises without complying with all the provisions of Article 15; or

(m) if LESSEE fails to deliver to LESSOR the subordination agreement required by Section 22.1 within the time period set forth therein; or

(n) if LESSEE fails to comply with any Legal or Insurance Requirement, and such failure continues for a period of ten (10) days after LESSOR shall have given notice to LESSEE specifying such default and demanding that the same be cured; or

(o) if LESSEE shall default in the observance or performance of any provision of this Lease other than those provisions contemplated by clause (i) through (n), inclusive, of this Section 18.1, and such default shall continue for thirty (30) days after LESSOR shall have given notice to LESSEE specifying such default and demanding that the same be cured (unless such default cannot be cured by the payment of money and cannot with due diligence be wholly cured within such period of thirty (30) days, in which case LESSEE shall have such longer period as shall be necessary to cure the default, so long as LESSEE begins promptly to cure the same within such thirty (30) day period, prosecutes the cure to completion with due diligence and advises LESSOR from time to time, upon LESSOR'S request, of the actions which LESSEE is taking and the progress being made).

ARTICLE 19
CONDITIONAL LIMITATIONS; REMEDIES

19.1. This Lease and the Term and estate hereby granted are subject to the limitation that whenever an Event of Default shall have happened and be continuing, LESSOR shall have the right, at its election, then or thereafter while any such Event of Default shall continue and notwithstanding the fact that LESSOR may have some other remedy hereunder or at law or in equity, to give LESSEE written notice of LESSOR'S intention to terminate this Lease on a date specified in such notice, which date shall be not less than ten (10) days after the giving of such notice, and upon the date so specified, this Lease and the estate hereby granted shall expire and terminate with the same force and effect as if the date specified in such notice were the date hereinbefore fixed for the expiration of this Lease, and all right of LESSEE hereunder shall expire and terminate, and LESSEE shall be liable as hereinafter in this Article 19 provided. If any such notice is given, LESSOR shall have, on such date so specified, the right of re-entry and possession of the Demised Premises and the right to remove all persons and property therefrom and to store such property in a warehouse or elsewhere at the risk and expense, and for the account, of LESSEE. Should LESSOR elect to re-enter as herein provided or should LESSOR take possession pursuant to legal proceedings or pursuant to any notice provided for by law, LESSOR may from time to time re-let the Demised Premises or any part thereof for such term or terms and at such rental or rentals and upon such terms and conditions as LESSOR may deem advisable, with the right to make alterations in and repairs to the Demised Premises.

19.2. In the event of any termination of this Lease as in this Article 19 provided or as required or permitted by law, LESSEE shall forthwith quit and surrender the Demised Premises to LESSOR, and LESSOR may, without further notice, enter upon, reenter, possess and repossess the same by summary proceedings, ejectment or otherwise, and again have, repossess and enjoy the same as if this Lease had not been made, and in any such event LESSEE and no person claiming through or under LESSEE by virtue of any law or an order of any court shall be entitled to possession or to remain in possession of the Demised Premises but shall forthwith quit and surrender the Demised Premises, and LESSOR at its option shall forthwith, notwithstanding any other provision of this Lease, be entitled to recover from LESSEE, as and for liquidated damages, the sum of:

(a) all Basic Rent, Additional Rent and other amounts payable by LESSEE hereunder then due or accrued and unpaid, and

(b) for loss of the bargain, an amount equal to the aggregate of all unpaid Basic Rent and Additional Rent which would have been payable if this Lease had not been terminated prior to the end of the Term then in effect, discounted to its then present value in accordance with accepted financial practice using a rate equal to six percent (6%) per annum; and

(c) all other damages and expenses (including at torneys' fees and expenses), which LESSOR shall have sustained by reason of the breach of any provision of this Lease.

19.3. Nothing herein contained shall limit or prejudice the right of LESSOR, in any bankruptcy or insolvency proceeding, to prove for and obtain as liquidated damages by reason of such termination an amount equal to the maximum allowed by any bankruptcy or insolvency proceedings, or to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law whether such amount shall be greater or less than the excess referred to above.

19.4. In the event that LESSEE should abandon the Demised Premises, LESSOR may, at its option and for so long as LESSOR does not terminate LESSEE'S right to possession of the Demised Premises, enforce all of its rights and remedies under this Lease, including the right to recover all Basic Rent, Additional Rent and other payments as they become due hereunder. Additionally, LESSOR shall be entitled to recover from LESSEE all costs of maintenance and preservation of the Demised Premises, and all costs, including attorneys' and receiver's fees, incurred in connection with the appointment of or performance by a receiver to protect the Demised Premises and LESSOR'S interest under this Lease.

19.5. Nothing herein shall be deemed to affect the right of LESSOR to indemnification pursuant to Section 8.1 of this Lease.

19.6. At the request of LESSOR upon the occurrence of an Event of Default, LESSEE will quit and surrender the Demised Premises to LESSOR or its agents, and LESSOR may without further notice enter upon, re-enter and repossess the Demised Premises by summary proceedings, ejectment or otherwise. The words "enter", "re-enter", and "re-entry" are not restricted to their technical legal meanings.

19.7. If LESSEE shall be in default in the observance or performance of any provision of this Lease, and an action shall be brought for the enforcement thereof in which it shall be determined that LESSEE was in default, LESSEE shall pay to LESSOR all fees, costs and other expenses which may become payable as a result thereof or in connection therewith, including attorneys' fees and expenses.

19.8. If LESSEE shall default in the keeping, observance or performance of any covenant, agreement, term, provision or condition herein contained, LESSOR, without thereby waiving such default, may perform the same for the account and at the expense of LESSEE (a) immediately or at any time thereafter and without notice in the case of emergency or in case such default will result in a violation of any Legal or Insurance Requirement, or in the imposition of any Lien against all or any portion of the Premises and (b) in any other case if such default continues after thirty (30) days from the date of the giving by LESSOR to LESSEE of notice of LESSOR'S intention so to perform the same. All costs and expenses incurred by LESSOR in connection with any such performance by it for the account of LESSEE and also all costs and expenses, including attorneys' fees and disbursements incurred by LESSOR in any action or proceeding (including any summary dispossess proceeding) brought by LESSOR to enforce any obligation of LESSEE under this Lease and/or right of LESSOR in or to the Demised Premises, shall be paid by LESSEE to LESSOR upon demand.

19.9. Except as otherwise provided in this Article 19, no right or remedy herein conferred upon or reserved to LESSOR is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to any other legal or equitable right or remedy given hereunder, or now or hereafter existing. No waiver by LESSOR of any provision of this Lease shall be deemed to have been made unless expressly so made in writing. LESSOR shall be entitled, to the extent permitted by law, to injunctive relief in case of the violation, or attempted or threatened violation, of any provision of this Lease, or to a decree compelling observance or performance of any provision of this Lease, or to any other legal or equitable remedy.

ARTICLE 20
RIGHT OF ENTRY; RESERVATION OF EASEMENTS

20.1. LESSOR and LESSOR'S agents and representatives shall have the right to enter into or upon the Demised Premises, or any part thereof, at all reasonable hours for the following purposes: (1) examining the Demised Premises; (2) making such repairs or alterations therein as may be necessary in LESSOR'S sole judgment for the safety and preservation of the Building or the Demised Premises; (3) erecting, maintaining, repairing or replacing wires, cables, ducts, pipes, conduits, vents or plumbing equipment running in, to or through the Demised Premises; (4) showing the Demised Premises to prospective new tenants during the last twelve (12) months of the Term; or (5) showing the Demised Premises during the Term to any mortgagees or prospective purchasers of the Premises. LESSOR shall give LESSEE three (3) business days prior written notice before commencing any non-emergency repair or alteration.

20.2. LESSOR may enter upon the Demised Premises at any time in case of emergency without prior notice to LESSEE.

20.3. LESSOR, in exercising any of its rights under this Article 20, shall not be deemed guilty of an eviction, partial eviction, constructive eviction or disturbance of LESSEE'S use or possession of the Demised Premises and shall not be liable to LESSEE for same.

20.4. All work performed by or on behalf of LESSOR in or on the Demised Premises pursuant to this Article 20 shall be performed with as little inconvenience to LESSEE'S business as is reasonably possible.

20.5. LESSEE shall not change any locks or install any additional locks on doors entering into the Demised Premises without the consent of LESSOR and, if any change is made, a copy of any such lock key shall be given to LESSOR. If in an emergency LESSOR is unable to gain entry to the Demised Premises by unlocking entry doors thereto, LESSOR may force or otherwise enter the Demised Premises, without liability to LESSEE for any damage resulting directly or indirectly therefrom. LESSEE shall be responsible for all damages created or caused by its failure to give LESSOR a copy of any key to any lock installed by LESSEE controlling entry to the Demised Premises.

20.6. LESSOR reserves the right to make changes, alterations, additions, improvements, repairs or replacements in or to the Premises, the Building (including the Demised Premises) and the fixtures and equipment thereof from time to time as LESSOR may reasonably deem necessary or desirable; provided, however, that there be no unreasonable obstruction of the means of access to the Demised Premises or unreasonable interference with LESSEE'S use of the Demised Premises and the usable square foot area of the Demised Premises is not unreasonably affected thereby. Nothing contained in this Article shall be deemed to relieve LESSEE of any duty, obligation or liability of LESSEE with respect to making any repair, replacement or improvement or complying with any law, order or requirement of any governmental authority.

ARTICLE 21
ACCORD AND SATISFACTION

The receipt by LESSOR of any installment of Basic Rent or of any Additional Rent with knowledge of a default by LESSEE under the terms and conditions of this Lease shall not be deemed a waiver of such default. No payment by LESSEE or receipt by LESSOR of a lesser amount than the rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and LESSOR may accept such check or payment without prejudice to LESSOR'S right to recover the balance of such rent or pursue any other remedy in this Lease provided.

ARTICLE 22
SUBORDINATION

22.1. This Lease and the term and estate hereby granted are and shall be subject and subordinate to the lien of each mortgage which may now or at any time hereafter affect all or any portion of the Premises or LESSOR'S interest therein and to all ground leases which may now or at any time hereafter affect all or any portion of the Premises (any such mortgage or ground lease being herein called an "Underlying Encumbrance"). The foregoing provisions for the subordination of this Lease and the term and estate hereby granted to an Underlying Encumbrance shall be self-operative and no further instrument shall be required to effect any such subordination; provided, however, at any time and from time to time, upon not less than ten (10) days' prior notice by LESSOR, LESSEE shall execute, acknowledge and deliver to LESSOR any and all reasonable instruments that may be necessary or proper to effect such subordination or to confirm or evidence the same.

22.2. If all or any portion of LESSOR'S estate in the Premises shall be sold or conveyed to any person, firm or corporation upon the exercise of any remedy provided for in any mortgage or by law or equity, such person, firm or corporation and each person, firm or corporation thereafter succeeding to its interest in the Premises (a) shall not be liable for any act or omission of LESSOR under this Lease occurring prior to such sale or conveyance, (b) shall not be subject to any offset, defense or counterclaim accruing prior to such sale or conveyance, (c) shall not be bound by any payment prior to such sale or conveyance of Basic Rent, Additional Rent or other payments for more than one month in advance (except prepayments in the nature of security for the performance by LESSEE of its obligations hereunder), and (d) shall be liable for the keeping, observance and performance of the other covenants, agreements, terms, provisions and conditions to be kept, observed and performed by LESSOR under this Lease only during the period such person, firm or corporation shall hold such interest.

22.3. In the event of an act or omission by LESSOR which would give LESSEE the right to terminate this Lease or to claim a partial or total eviction, LESSEE will not exercise any such right until it has given written notice of such act or omission, or, in the case of the Demised Premises or any part thereof becoming untenantable as the result of damage from fire or other casualty, written notice of the occurrence of such damage, to the holder of any Underlying Encumbrance whose name and address shall previously have been furnished to LESSEE in writing, by delivering such notice of such act, omission or damage addressed to such holder at said address or if such holder hereafter furnishes another address to LESSEE in writing at the last address of such holder so furnished to LESSEE, and, unless otherwise provided herein, until a reasonable period for remedying such act, omission or damage shall have elapsed following such giving of such notice, provided any such holder, with reasonable diligence, shall, following the giving of such notice, have commenced and continued to remedy such act, omission or damage or to cause the same to be remedied.

22.4. If, in connection with obtaining financing for the Premises or refinancing any mortgage encumbering the Premises, the prospective lender requests reasonable modifications to this Lease as a condition precedent to such financing or refinancing, then LESSEE hereby covenants and agrees not to unreasonably withhold, delay or condition its consent to such modifications, provided such modifications do not increase the Basic Rent or Additional Rent, do not reduce the length of the Term, do not materially and adversely affect the leasehold interest created by this Lease and do not materially and adversely affect the manner in which LESSEE'S operations are conducted at the Demised Premises.

ARTICLE 23
LESSEE'S REMOVAL

23.1. Upon the expiration or earlier termination of this Lease, LESSEE shall surrender the Demised Premises to LESSOR in the condition same is required to be maintained under

Article 7 of this Lease and broom clean. Any personal property which shall remain in any part of the Demised Premises after the expiration or earlier termination of this Lease shall be deemed to have been abandoned, and either may be retained by LESSOR as its property or may be disposed of in such manner as LESSOR may see fit; provided, however, that, notwithstanding the foregoing, LESSEE will, upon request of LESSOR made not later than thirty (30) days after the expiration or earlier termination of this Lease, promptly remove from the Demised Premises any such personal property.

23.2. If, at any time during the last three (3) months of the Term, LESSEE shall not occupy any part of the Demised Premises in connection with the conduct of its business, LESSOR may elect, at its option, to enter such part of the Demised Premises to alter and/or redecorate such part of the Demised Premises, and LESSEE hereby irrevocably grants to LESSOR a license to enter such part of the Demised Premises in connection with such alterations and/or redecorations. LESSOR'S exercise of such right shall not relieve LESSEE from any of its obligation under this Lease.

23.3. If LESSEE holds over possession of the Demised Premises beyond the Termination Date, such holding over shall not be deemed to extend the Term or renew this Lease but such holding over shall continue upon the terms, covenants and conditions of this Lease except that LESSEE agrees that the charge for use and occupancy of the Demised Premises for each calendar month or portion thereof that LESSEE holds over (even if such part shall be one day) shall be a liquidated sum equal to one-twelfth (1/12th) of one and one-half (1.5) times the Basic Rent and Additional Rent required to be paid by LESSEE during the calendar year preceding the Termination Date. The parties recognize and agree that the damage to LESSOR resulting from any failure by LESSEE to timely surrender possession of the Demised Premises will be extremely substantial, will exceed the amount of the monthly Basic Rent and Additional Rent payable hereunder and will be impossible to accurately measure. If the Demised Premises are not surrendered upon the expiration of this Lease, LESSEE shall indemnify, defend and hold harmless LESSOR against any and all losses and liabilities resulting therefrom, including, without limitation, any claims made by any succeeding tenant founded upon such delay. Nothing contained in this Lease shall be construed as a consent by LESSOR to the occupancy or possession by LESSEE of the Demised Premises beyond the Termination Date, and LESSOR, upon said Termination Date, shall be entitled to the benefit of all legal remedies that now may be in force or may be hereafter enacted relating to the immediate repossession of the Demised Premises. The provisions of this Article shall survive the expiration or sooner termination of this Lease.

ARTICLE 24
BROKERS

LESSEE and LESSOR each represents to the other that no real estate broker or sales representative participated in this transaction or has any interest herein. LESSEE and LESSOR each agrees to indemnify and hold harmless the other and their respective directors, officers, employees and partners, from and against any threatened or asserted claims, liabilities, losses or judgments (including reasonable attorneys' fees and disbursements) by any broker or sales representative other than as named above arising out of or in connection with this Lease. The provisions of this Article shall survive the expiration or sooner termination of this Lease.

ARTICLE 25
NOTICES

All notices, demands, requests, consents, approvals, offers, statements and other instruments or communications required or permitted to be given hereunder shall be in writing, shall be either hand delivered by respectable priority overnight delivery service, or mailed by first class registered or certified mail, postage prepaid, addressed to the address for such party set forth above, or to such other address as either party shall designate to the other in writing, and shall be deemed to have been given when delivered, or three (3) days after being mailed. Notwithstanding the foregoing, any notice changing the address of a party shall not be deemed given until received by the party to whom it was addressed.

ARTICLE 26
NATURE OF LESSOR'S OBLIGATIONS

Anything in the Lease to the contrary notwithstanding, no recourse or relief shall be had under any rule of law, statute or constitution or by any enforcement of any assessments or penalties, or otherwise or based on or in respect of this Lease (whether by breach of any obligation, monetary or non-monetary), against LESSOR, it being expressly understood that all obligations of LESSOR under or relating to this Lease are solely obligations payable out of the Premises and are compensable solely therefrom. It is expressly understood that all such liability is and is being expressly waived and released as a condition of and as a condition for the execution of this Lease, and LESSEE expressly waives and releases all such liability as a condition of, and as a consideration for, the execution of this Lease by LESSOR.

ARTICLE 27
SECURITY DEPOSIT

27.1. (a) Concurrently with the execution of this Lease, LESSEE shall deposit with LESSOR an additional sum of $12,000 together with payment of $5,306, received and acknowledged by LESSOR for a total sum of $17,306 the same to be held by LESSOR as security for the full and faithful performance by LESSEE of the terms and conditions by it to be observed and performed hereunder. If any Basic Rent, Additional Rent or other sum payable by LESSEE to LESSOR becomes overdue and remains unpaid, or should LESSOR make any payments on behalf of LESSEE, or should LESSEE fail to perform any of the terms and conditions of this Lease, then LESSOR, at its option, and without prejudice to any other remedy which LESSOR may have on account thereof, shall appropriate and apply said deposit, or so much thereof as may be required to compensate or reimburse LESSOR, as the case may be, toward the payment of Basic Rent, Additional Rent or other such sum payable hereunder, or loss or damage sustained by LESSOR due to the breach or failure to perform on the part of LESSEE, and upon demand, LESSEE shall restore such security to the original sum deposited.

(b) LESSEE hereby agrees that the security deposit shall equal $17,306 at all times during the Term, and LESSEE agrees to deposit with LESSOR such additional sum as may be required to satisfy such requirement within thirty (30) days after any increase in the Basic Rent.

27.2. Conditioned upon the full compliance by LESSEE of all of the terms of this Lease, and the prompt payment of all sums due hereunder, as and when they fall due, said deposit shall be returned in full to LESSEE within thirty (30) days after the end of the Term.

27.3. In the event of bankruptcy or other debtor-creditor proceeding against LESSEE, such security deposit shall be deemed to be applied first to the payment of rent and other charges due LESSOR for all periods prior to filing of such proceedings.

27.4. In the event of any transfer of title to the Premises, or any assignment of LESSOR'S interest under this Lease, LESSOR shall have the right to transfer the security deposit to said transferee or assignee and, provided that the transferee or assignee assumes in writing the obligations of LESSOR under this Lease, LESSOR shall thereupon be released by LESSEE from all liability for the return of such security deposit. In such event, LESSEE agrees to look to the new lessor for the return of the security deposit. It is hereby agreed that the provisions of this Section shall apply to every transfer or assignment made of the security deposit to a new lessor.

ARTICLE 28
RULES AND REGULATIONS

LESSOR shall have the right to adopt at any time during the Term such rules and regulations with respect to the Premises as it deems reasonably necessary for the safety, care and cleanliness of the Premises, the preservation of good order therein and the general convenience of all the tenants, and LESSEE and LESSEE'S Visitors shall comply with such rules and regulations after twenty (20) days' written notice thereof from LESSOR (such rules and regulations, as the same may be amended pursuant to this Section, are collectively referred to as the "Rules and Regulations"). LESSOR may make, at its sole discretion, reasonable amendments thereto from time to time, and LESSEE and LESSEE'S Visitors shall comply with such amended Rules and Regulations after twenty (20) days' written notice thereof from LESSOR. All Rules and Regulations shall apply to all tenants occupying space within the Building, and will not materially interfere with the use and enjoyment of the Demised Premises by LESSEE. In the event there is a conflict between the provisions of this Lease and the Rules and Regulations, the provisions of this Lease shall govern.

ARTICLE 29
MISCELLANEOUS PROVISIONS

29.1. This Lease may not be amended, modified or terminated, nor may any obligation hereunder be waived, orally, and no such amendment, modification, termination or waiver, shall be effective unless in writing and signed by the party against whom enforcement thereof is sought. No waiver by LESSOR of any obligation of LESSEE hereunder shall be deemed to constitute a waiver of the future performance of such obligation by LESSEE. If any provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this

Lease and any other application of such provision shall not be affected thereby. This Lease shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, except as provided in Article 15. Upon due performance of the covenants and agreements to be performed by LESSEE under this Lease, LESSOR covenants that LESSEE shall and may at all times peaceably and quietly have, hold and enjoy the Demised Premises during the Term. The table of contents and the article headings are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. Schedules A and B annexed hereto are incorporated into this Lease. This Lease will be simultaneously executed in several counterparts, each of which when so executed and delivered, shall constitute an original, fully enforceable counterpart for all purposes. This Lease shall be governed by and construed in accordance with the laws of the State of New Jersey.

29.2. No act or thing done by LESSOR or LESSOR'S agents during the Term shall be deemed an acceptance of a surrender of the Demised Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by LESSOR. No employee of LESSOR or LESSOR'S agents shall have any authority to accept the keys to the Demised Premises prior to the Termination Date and the delivery of keys to any employee of LESSOR or LESSOR'S agents shall not operate as an acceptance of a termination of this Lease or an acceptance of a surrender of the Demised Premises.

29.3. LESSOR'S failure during the Term to prepare and deliver any of the statements, notices or bills set forth in this Lease shall not in any way cause LESSOR to forfeit or surrender its rights to collect any amount that may have become due and owing to it during the Term.

29.4. The submission of this Lease to LESSEE for examination does not constitute an offer to lease the Demised Premises on the terms set forth herein, and this Lease shall become effective as a lease agreement only upon the execution and delivery of this Lease by LESSOR and LESSEE.

29.5. (a) LESSOR hereby reserves the right to relocate the portion of the Demised Premises which is warehouse space to other warehouse space of comparable size within the first floor of Building (the "New Space") at any time during the Term. If LESSOR elects to relocate LESSEE, LESSOR agrees to (i) reimburse LESSEE for all reasonable expenses incurred by LESSEE in connection with its move to the New Space within ten (10) business days after receipt of a reasonably detailed statement describing each expense.

(b) LESSEE agrees to relocate to the New Space on or before the later to occur of (i) sixty (60) days after the date of LESSOR'S notice to LESSEE electing to relocate LESSEE or (ii) ten (10) days after the date of LESSOR'S notice to LESSEE stating that the New Space is ready for LESSEE'S occupancy.

(c) LESSOR and LESSEE hereby agree, within twenty (20) days after LESSEE takes possession of the New Space, to promptly amend those provisions of this Lease which are affected by the relocation and the change, if any, in the rentable area.

(d) LESSOR and LESSEE hereby agree further that all of the terms and conditions of this Lease, as amended pursuant to Section 29.5(c), shall remain in full force and effect and shall apply to the New Space.

29.6. If either LESSOR or LESSEE shall institute an action or proceeding against the other relating to any of the terms, covenants, conditions or provisions of this Lease, or a default herein, the unsuccessful party in such action or proceeding shall reimburse the successful party for reasonable attorneys' fees or other costs and expenses incurred therein by the successful party, including fees, costs and expenses incurred in any applicable proceeding.

20.7. LESSOR, at its sole cost and expense, shall install in the lobby of the Building a directory board indicating the floor upon which the Demised Premises are located.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

LESSOR: **VITAMIN REALTY ASSOCIATES, L.L.C.**

By: /s/ Eric Friedman
Eric Friedman,
Member

LESSEE: **GLOWPOINT, INC.**

By: /s/ Edwin F. Heinen
Edwin F. Heinen,
CFO

SCHEDULE B

The basic yearly rental for the period shall be $214,058.40 for the term period January 1, 2007 through December 31, 2010, payable as follows:

$17,838.20 in 36 consecutive monthly payments beginning January 1, 2008 with the final payment on December 1, 2010.

Additional rent in accordance with this LEASE AGREEMENT.

EXHIBIT 10.46

GLOWPOINT, INC.

NOTICE OF RESTRICTED STOCK AWARD

Grantee’s Name and Address: ________________________
____
____

You have been granted shares of Common Stock of the Company for your service as _____________________, subject to the terms and conditions of this Notice of Restricted Stock Award (the “Notice”) and the Restricted Stock Award Agreement (the “Agreement”) attached hereto, as follows (the “Award”). Defined terms used in this Notice but not defined herein shall have the same meanings given in the Agreement.

Award Number RS- ________________________
Date of Award ________________________
Vesting Commencement Date ________________________
Total Number of Shares of Common Stock Awarded ________________________
Aggregate Current Fair Market Value of Shares ________________________

Vesting Schedule:

Subject to the Grantee’s maintenance of his status as _____________________ and other limitations set forth in this Notice and the Agreement, the Shares will “vest” in accordance with the following schedule:

> [_______ of the Total Number of Shares of Common Stock Awarded shall vest on ____________, and ________ of the Total Number of Shares of Common Stock Awarded shall vest on each of the [first, second and third} anniversaries of the Vesting Commencement Date thereafter.]

Vesting shall cease upon the date of termination of the Grantee’s status as _________________ for any reason, including death or disability. For purposes of this Notice and the Agreement, the term “vest” shall mean, with respect to any Shares, that such Shares shall remain subject to other restrictions on transfer set forth in the Agreement. Shares that have not vested are deemed “Restricted Shares.” If the Grantee would become vested in a fraction of a Restricted Share, such Restricted Share shall not vest until the Grantee becomes vested in the entire Share. Notwithstanding the foregoing, the Shares subject to this Notice will be subject to the provisions of the Agreement relating to the release of forfeiture provisions in the event of a Corporate Transaction or Change of Control.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Award is to be governed by the terms and conditions of this Notice and the Agreement.

GLOWPOINT, INC.

By: ________________________________
Title:________________________________

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE SHARES SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S STATUS AS ____________________ (NOT THROUGH THE ACT OF BEING ELECTED TO THE COMPANY'S BOARD OF DIRECTORS, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE OR THE AGREEMENT SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO CONTINUATION OF THE GRANTEE'S STATUS AS ____________________, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE.

The Grantee acknowledges receipt of a copy of the Agreement and represents that he is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice and fully understands all provisions of this Notice and the Agreement. The Grantee hereby agrees that all disputes arising out of or relating to this Notice and the Agreement shall be resolved in accordance with Section 16 of the Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated in this Notice.

Dated: ____________________ Signed: ____________________________

GLOWPOINT, INC.

RESTRICTED STOCK AWARD AGREEMENT

1. Issuance of Shares. Glowpoint, Inc., a Delaware corporation (the "Company"), hereby issues to the Grantee (the "Grantee") named in the Notice of Restricted Stock Award (the "Notice"), the Total Number of Shares of Common Stock Awarded set forth in the Notice (the "Shares"), subject to the Notice and this Restricted Stock Award Agreement (this "Agreement"). All Shares issued hereunder will be deemed issued to the Grantee as fully paid and nonassessable shares, and the Grantee will have the right to vote the Shares at meetings of the Company's stockholders. The Company shall pay any applicable stock transfer taxes imposed upon the issuance of the Shares to the Grantee hereunder. Defined terms used in this Agreement but not defined herein shall have the same meanings given in the Notice.

2. Consideration. The Shares have been issued to the Grantee in consideration for his service to the Company as _____________________, which consideration has a value of $___ per share, the closing price of the Company's Common Stock in the Pink Sheets on the Date of Award. The Grantee agrees to pay upon receipt of the Notice the par value of $.0001 for each Share issued in the total amount of $_____.

3. Transfer Restrictions. The Shares issued to the Grantee hereunder may not be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Grantee prior to the date when the Shares become vested pursuant to the Vesting Schedule set forth in the Notice. Any attempt to transfer Restricted Shares in violation of this Section 3 will be null and void and will be disregarded.

4. Escrow of Stock. For purposes of facilitating the enforcement of the provisions of this Agreement, the Grantee agrees, immediately upon receipt of the certificate(s) for the Restricted Shares, to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached hereto as Exhibit A, executed in blank by the Grantee and the Grantee's spouse (if required for transfer) with respect to each such stock certificate, to the Secretary or Assistant Secretary of the Company, or their designee, to hold in escrow for so long as such Restricted Shares have not vested pursuant to the Vesting Schedule set forth in the Notice, with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Agreement in accordance with the terms hereof. The Grantee hereby acknowledges that the appointment of the Secretary or Assistant Secretary of the Company (or their designee) as the escrow holder hereunder with the stated authorities is a material inducement to the Company to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. The Grantee agrees that such escrow holder shall not be liable to any party hereto (or to any other party) for any actions or omissions unless such escrow holder is grossly negligent or engages in willful misconduct relative thereto. The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Upon the vesting of Restricted Shares, the escrow holder will, without further order or instruction, transmit to the

Grantee the certificate evidencing such Shares, subject, however, to satisfaction of any withholding obligations provided in Section 6 below.

5. Distributions. The Company shall disburse to the Grantee all regular cash dividends with respect to the Shares and Additional Securities (whether vested or not).

6. Section 83(b) Election and Withholding of Taxes. The Grantee shall provide the Administrator with a copy of any timely election made pursuant to Section 83(b) of the Internal Revenue Code or similar provision of state law (collectively, an "83(b) Election"), a form of which is attached hereto as Exhibit B. If the Grantee makes a timely 83(b) Election, the Grantee shall immediately pay the Company the amount necessary to satisfy any applicable foreign, federal, state, and local income and employment tax withholding obligations. If the Grantee does not make a timely 83(b) Election, the Grantee shall, as Restricted Shares shall vest or at the time withholding is otherwise required by any applicable law, pay the Company the amount necessary to satisfy any applicable foreign, federal, state, and local income and employment tax withholding obligations. The Grantee hereby represents that he understands (a) the contents and requirements of the 83(b) Election, (b) the application of Section 83(b) to the receipt of the Shares by the Grantee pursuant to this Agreement, (c) the nature of the election to be made by the Grantee under Section 83(b), and (d) the effect and requirements of the 83(b) Election under relevant state and local tax laws. The Grantee further represents that if he intends to file an election pursuant to Section 83(b) with the Internal Revenue Service within thirty (30) days following the date of this Agreement, he will submit a copy of such election to the Company and with his federal tax return for the calendar year in which the date of this Agreement falls.

7. Additional Securities. Any securities or cash received (other than a regular cash dividend) as the result of ownership of the Restricted Shares (the "Additional Securities"), including, but not by way of limitation, warrants, options and securities received as a stock dividend or stock split, or as a result of a recapitalization or reorganization or other similar change in the Company's capital structure, shall be retained in escrow in the same manner and subject to the same conditions and restrictions as the Restricted Shares with respect to which they were issued, including, without limitation, the Vesting Schedule set forth in the Notice. The Grantee shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but the Grantee may not direct the Company to sell any such warrant or option. If Additional Securities consist of a convertible security, the Grantee may exercise any conversion right, and any securities so acquired shall constitute Additional Securities. In the event of any change in certificates evidencing the Shares or the Additional Securities by reason of any recapitalization, reorganization or other transaction that results in the creation of Additional Securities, the escrow holder is authorized to deliver to the issuer the certificates evidencing the Shares or the Additional Securities in exchange for the certificates of the replacement securities.

8. Stop-Transfer Notices. In order to ensure compliance with the restrictions on transfer set forth in this Agreement or the Notice, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

9. Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

10. Restrictive Legends. The Grantee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR GLOWPOINT, INC. SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.”

11. Lock-Up Agreement.

(a) Agreement. The Grantee, if requested by the Company and the lead underwriter of any public offering of the Common Stock or other securities of the Company (the “Lead Underwriter”), hereby irrevocably agrees not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of any interest in any Common Stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during the 180-day period following the effective date of a registration statement of the Company filed under the Securities Act of 1933, as amended, or such shorter period of time as the Lead Underwriter shall specify. The Grantee further agrees to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agrees that the Company may impose stop-transfer instructions with respect to such Common Stock subject until the end of such period. The Company and the Grantee acknowledge that each Lead Underwriter of a public offering of the Company’s stock, during the period of such offering and for the 180-day period thereafter, is an intended beneficiary of this Section 11.

(b) No Amendment Without Consent of Underwriter. During the period from identification as a Lead Underwriter in connection with any public offering of the Company’s Common Stock until the earlier of (i) the expiration of the lock-up period specified in Section 11(a) in connection with such offering or (ii) the abandonment of such offering by the Company and the Lead Underwriter, the provisions of this Section 11 may not be amended or waived except with the consent of the Lead Underwriter.

12. Registration of the Shares. If at any time the Company proposes to file a registration statement under the Securities Act with respect to an underwritten offering of Common Stock

(except on Form S-4 or Form S-8 or any successor forms thereto), for its own account, then the Company shall give written notice of such proposed filing to the Grantee at least 15 days in advance of the anticipated filing date (the "Piggyback Notice"). The Piggyback Notice shall offer the Grantee the opportunity to register such amount of Shares as each such holder may request (a "Piggyback Registration"), subject in all events to the agreement of the underwriter or underwriters of the offering contemplated by such registration statement that such Shares can be included in such registration statement without adversely affecting such offering. Any reduction in the number of securities to be so offered shall be (i) first, pro-rata among all security holders who are exercising "piggyback" registration rights, based on the number of registrable securities originally proposed to be sold by each of them, and (ii) second, pro-rata among all security holders who are exercising "demand" registration rights pursuant to a registration rights agreement with the company, based on the number of registrable securities originally proposed to be sold by each of them**.**

13. Grantee’s Representations. In the event the Shares issuable pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended, at the time of initial issuance to the Grantee, the Grantee shall, if required by the Company, concurrently with the receipt of the Shares, deliver to the Company his Investment Representation Statement in the form attached hereto as Exhibit B.

14. Entire Agreement: Governing Law. The Notice and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee’s interest except by means of a writing signed by the Company and the Grantee. These agreements are to be construed in accordance with and governed by the internal laws of the State of New York without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of New York to the rights and duties of the parties. Should any provision of the Notice or this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

15. Headings. The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Agreement for construction or interpretation.

16. Dispute Resolution. The provisions of this Section 16 shall be the exclusive means of resolving disputes arising out of or relating to the Notice and this Agreement. The Company, the Grantee, and the Grantee’s assignees (the “parties”) shall attempt in good faith to resolve any disputes arising out of or relating to the Notice and this Agreement by negotiation between individuals who have authority to settle the controversy. Negotiations shall be commenced by either party by notice of a written statement of the party’s position and the name and title of the individual who will represent the party. Within thirty (30) days of the written notification, the parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to resolve the dispute. If the dispute has not been resolved by negotiation, the parties agree that any suit, action, or proceeding arising out of or relating to the Notice or this Agreement shall be brought in the United States District Court for the Southern District of New York (or should such court lack jurisdiction to hear such action, suit or

proceeding, in a New York state court in the County of New York) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 16 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

17. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail (if the parties are within the United States) or upon deposit for delivery by an internationally recognized express mail courier service (for international delivery of notice), with postage and fees prepaid, addressed to the other party at its address as shown beneath its signature in the Notice, or to such other address as such party may designate in writing from time to time to the other party.

18. Corporate Transactions/Changes in Control

(a) Acceleration of Award Upon Corporate Transaction. In the event of any Corporate Transaction, the Award shall automatically become fully vested and exercisable and be released from any restrictions on transfer and forfeiture rights, immediately prior to the specified effective date of such Corporate Transaction, for all of the Shares at the time represented by the Award.

(b) Acceleration of Award Upon Change in Control. Following a Change in Control, the Award shall automatically become fully vested and exercisable and be released from any restrictions on transfer and repurchase or forfeiture rights, immediately upon the consummation of such Change in Control.

19. Definitions. As used herein, the following definitions shall apply:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" means the common stock of the Company.

(f) "Company" means Glowpoint, Inc., a Delaware corporation.

(g) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(h) "Corporate Transaction" means any of the following transactions:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company's subsidiary corporations);

(iii) approval by the Company's shareholders of any plan or proposal for the complete liquidation or dissolution of the Company;

(iv) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger; or

(v) acquisition by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities (whether or not in a transaction also constituting a Change in Control).

(i) "Director" means a member of the Board.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Independent Director" means, with respect to each such scheduled vesting date, the Grantee (i) attended at least 75% of the meetings of the Board held in the twelve months prior to such date and (ii) remains "independent" under the Nasdaq rules prevailing on such scheduled vesting date.

(l) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(m) "Share" means a share of the Common Stock.

(n) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

EXHIBIT A

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

[Please sign this document but do not date it. The date and information of the transferee will be completed if and when the shares are assigned.]

FOR VALUE RECEIVED, ___________________________ hereby sells, assigns and transfers unto _______________________, __________________ (____) shares of the Common Stock of Glowpoint, Inc., a Delaware corporation (the “Company”), standing in his or her name on the books of, the Company represented by Certificate No. __ herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company attorney to transfer the said stock in the books of the Company with full power of substitution.

DATED: ____________________

____

EXHIBIT B

ELECTION UNDER SECTION 83(b)

OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to the Internal Revenue Code, to include in gross income for 20__ the amount of any compensation taxable in connection with the taxpayer's receipt of the property described below:

The name, address, taxpayer identification number and taxable year of the undersigned are:

TAXPAYER'S NAME:

SPOUSE'S NAME:

TAXPAYER'S SOCIAL SECURITY NO.:

SPOUSE'S SOCIAL SECURITY NO.:

TAXABLE YEAR: Calendar Year 20__

ADDRESS:

The property which is the subject of this election is __________ shares of common stock of ___________________________, Inc.

The property was transferred to the undersigned on ____________, 20__.

The fair market value of the property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is: $_______ per share x ________ shares = $___________.

The undersigned paid $______ per share x _________ shares for the property transferred or a total of $______________.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The undersigned taxpayer is the person performing the services in connection with the transfer of said property.

The undersigned will file this election with the Internal Revenue Service office to which he files his annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed. Additionally, the undersigned will include a copy of the election with his income tax return for the taxable year in which the property is transferred. The undersigned understands that this election will also be effective as an election under applicable state law.

Dated: ____________________ ________________________________

Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: ____________________ ________________________________

Spouse of Taxpayer

EXHIBIT C

GLOWPOINT, INC.

INVESTMENT REPRESENTATION STATEMENT

GRANTEE: ________________________
COMPANY: GLOWPOINT, INC.
SECURITY: COMMON STOCK
AMOUNT: ________________________
DATE: ________________________

In connection with the receipt of the above-listed Securities, the undersigned Grantee represents to the Company the following:

The Grantee is aware of the Company’s business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. The Grantee is acquiring these Securities for investment for the Grantee’s own account only and not with a view to, or for resale in connection with, any “distribution” thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”).

The Grantee is an “accredited investor” within the meaning of Rule 501 of Regulation D of the Securities and Exchange Commission, as presently in effect.

The Grantee acknowledges and understands that the Securities constitute “restricted securities” under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon among other things, the bona fide nature of the Grantee’s investment intent as expressed herein. In this connection, the Grantee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if the Grantee’s representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. The Grantee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Grantee further acknowledges and understands that the Company is under no obligation to register the Securities. Grantee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company.

The Grantee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of “restricted securities” acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the sale of the Shares to the Grantee, the sale will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (1) the resale being made through a broker in an unsolicited “broker’s transaction” or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of sale of the Securities, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two years, the satisfaction of the conditions set forth in sections (1), (2), (3) and (4) of the paragraph immediately above.

The Grantee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. The Grantee understands that no assurances can be given that any such other registration exemption will be available in such event.

The Grantee represents that he is a resident of the State of ________________.

Signature of Grantee:

____

Date: __________________________

Schedule of Recently Reported Restricted Stock Awards

Name	Agreement Number	Date of Award	Amount of Restricted Shares Awarded
Joseph Laezza	RS-18	June 25, 2007	75,000
Michael Brandofino	RS-19	June 25, 2007	75,000
David W. Robinson	RS-20	June 25, 2007	75,000
Edwin F. Heinen	RS-21	June 25, 2007	75,000
Michael Brandofino	RS-22	May 10, 2008	100,000
Joseph Laezza	RS-23	May 10, 2008	75,000
David W. Robinson	RS-24	May 10, 2008	75,000
Edwin F. Heinen	RS-25	May 10, 2008	75,000

EXHIBIT 21.1

List of Subsidiaries

GP Communications, LLC

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Michael Brandofino, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Glowpoint, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 27, 2008

/s/ Michael Brandofino

Michael Brandofino
Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13A-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Edwin F. Heinen, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Glowpoint, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 27, 2008

/s/ Edwin F. Heinen
Edwin F. Heinen
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 (AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the periodic report of Glowpoint, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Brandofino, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and,

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: March 27, 2008

/s/ Michael Brandofino

Michael Brandofino
Chief Executive Officer and
President

The certification furnished pursuant to this Item will not be deemed “filed” for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the small business issuer specifically incorporates it by reference.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 (AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the periodic report of Glowpoint, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Edwin F. Heinen, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and,

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: March 27, 2008

/s/ Edwin F. Heinen
Edwin F. Heinen
Chief Financial Officer

The certification furnished pursuant to this Item will not be deemed “filed” for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the small business issuer specifically incorporates it by reference.