SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GLOWPOINT, INC.

Form: 10-K

Date Filed: 2005-03-31

Corporate Issuer CIK:	746210
Symbol:	GLOW
SIC Code:	4813

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

For the year ended December 31, 2004

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

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: (973) 282-2000

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

Securities registered under Section 12(g) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common stock, $.0001 par value	NASDAQ National Market

Indicate by check mark whether the Registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ 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. ☒

Indicated by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
☐ Yes ☒ No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, based upon the closing sales price of the common stock on the NASDAQ National Market of $1.44 on March 24, 2005 was $54,830,150.

The number of shares of the Registrant's common stock outstanding as of March 24, 2005 was 44,867,857.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the period ended December 31, 2004 are incorporated by reference into Part III.

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PART I

Item 1. Business

Overview

Glowpoint, Inc. (NASDAQ: GLOW) a Delaware corporation, is the leading broadcast quality, IP-based video communications service provider. We operate the Glowpoint network, a video communications service featuring broadcast quality images with telephony-like reliability, features and ease-of-use. The Glowpoint network is the industry's only carrier-grade, broadcast-quality IP (Internet Protocol) based subscriber network designed and managed exclusively for video communications. The Glowpoint network spans 14 points of presence (POPs), across 4 continents, enabling customers to connect to any videoconferencing user - no matter their service, technology and equipment - across the United States, as well as to virtually any major city around the world.

Since launching our subscription service in late 2000, we have carried over 25 million minutes of video calls for more than 600 different customers in over 5,000 locations. From 2000 to 2003, we were a division of Wire One Technologies Inc., or Wire One, a leading provider of video communication video systems 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 network service business through early 2003, we determined that separating the Glowpoint video communication business from the Wire One equipment business would 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 product offering and increasing the size of our customer base.

On September 23, 2003, we completed the sale of the videoconferencing equipment business and officially changed our corporate name from Wire One Technologies, Inc. to Glowpoint, Inc., in order to focus solely on growing the Glowpoint video communications service. Since 2003, we have been exclusively focused on significantly improving the ease-of-use, cost-effectiveness, functionalities and quality of video communication services in order to make it an integral communications tool, as easy and spontaneous as using the telephone – with the power of face-to-face communications.

Industry Overview

Videoconferencing has been a niche technology and application for over a decade. The initial rollout of videoconferencing over IP, which was intended to replace legacy Integrated Services Digital Network (ISDN) technology, was a first step towards improving the quality and reducing the cost of videoconferencing. Since it was first introduced, IP-based videoconferencing has made notable progress in lowering service and hardware costs and increasing ease-of-use functionality. IP-based videoconferencing, according to a 2003 research report issued by Frost & Sullivan, is emerging as a powerful business collaboration tool offering significant opportunities for service providers and cost savings to enterprises.

Videoconferencing services with value add-ons, such as web-based portals, centralized management and monitoring and seamless connectivity between disparate endpoints and networks will continuously expand the end-user base. While most major service providers have introduced IP-based videoconferencing services, widespread adoption of IP videoconferencing has been hindered by (1) large service providers' reluctance to fully commit to migrating to IP-based service, which would cannibalize their ISDN businesses, and (2) corporate information technology managers' fear that running video applications over the same network on which data is transmitted would slow down critical data transfer. To overcome these challenges, many IP-based service providers are continuing to improve and augment their existing services with features and services far superior to ISDN-based solutions, thus promoting the migration from ISDN to IP. In addition, industry participants have designed innovative solutions to resolve Quality of Service, or QoS, issues, including building a network that is exclusively dedicated to video communications.

Evolution of IP-Based Videoconferencing. Prior to 1996, video transmitted over IP networks was either experimental or proprietary because there were no standards for transmitting video and the networks could not support the real-time characteristics for delay and jitter that audio and video require. Beginning in 2000, a number of network service providers began capitalizing on the improvements in network data management and control by offering IP voice and video services that favorably competed with ISDN-based video offerings. Relying on several

complementary technologies built into the latest network routers, switches and last-mile technologies, several companies began offering IP-based services designed primarily for intra-company video communications. Today, IP videoconferencing is usually marketed as having four major advantages over ISDN videoconferencing services: (1) less expensive, (2) more reliable than ISDN conferencing, (3) delivery of better audio and video quality and (4) advanced services and features unavailable on ISDN based videoconferencing. IP-based videoconferencing also provides significant management benefits, including constant connection to the packet-switched network. This constant connectivity allows these systems to be remotely controlled and managed from a central location. Large-scale conferencing environments often use an IP-based product, called a gatekeeper, to control and track the usage of their videoconferencing systems, enabling improved measurement of return on investment and convenient billing mechanisms.

Market Movement to IP. Industry statistics indicate the movement to IP-based video communications has increased rapidly. A survey of resellers conducted by Wainhouse Research indicates that 20% of median reseller equipment was installed in an IP environment. Furthermore, median IP related services represent 15% of service revenue. These same resellers also reported that 38% of the group videoconferencing units they sold went into IP installations. The implication is that a significant number of less expensive group videoconferencing systems are being sold, and they are being installed in IP video deployments. Wainhouse Research found that cost is the primary IP video adoption driver. Companies tend to transition from ISDN to IP because of the lower cost of transmitting video communications over an IP-based network.

Need for Dedicated Network. Despite the fact that many corporate entities already have private networks that are theoretically capable of supporting IP video communications, most 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 (for example, 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 sounds and images, in addition to data applications, is difficult and can significantly impede overall network performance. In addition, most businesses already find it difficult to effectively maintain and manage existing applications because of the shortage of information technology and network personnel. 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. 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 opportunity to provide an IP-based video communications solution that is as scalable, dependable and, ultimately, as commonplace as voice telephony.

Services and Features

Glowpoint offers customers a comprehensive portfolio of video communications services, including video-conferencing, managed bridging conferencing services, Glowpoint enabling and “white” labeling services, professional services and managed webcasting services. Additionally, Glowpoint offers a wide array of unique features that enhance all of these service offerings by allowing customers to make broadcast quality video conferencing calls that are as easy, spontaneous and reliable as using a standard telephone.

Videoconferencing. Our videoconferencing service is focused primarily on driving revenue through our flagship “All You Can See” unlimited video calling plan subscription offering. We offer five separate unlimited video calling plans, with standard pricing ranging from $299 (256Kbps), $499 (512Kbps) to $1,099 (1280 Kbps) per month based on connectivity bandwidth. We also provide custom plans for higher bandwidth needs. Through our Network Services group, customers may also purchase and procure ISDN connectivity based on applicable needs.

Each “All You Can See” unlimited video call plan subscription comes with a regular telephone number, which allows users to make and receive calls without special codes or IP addresses. Our customers can also receive audio calls from colleagues through our video communications network. Each subscriber has a unique, easy-to-use access code that makes videoconference calling spontaneous. Much like telephone conference calls with a participant dial-in number and security code, our bridging-on-demand feature allows callers to dial into a subscribers’ pre-assigned number whether or not the participant is also on our video communications network.

All Glowpoint customers have access to a wide variety of free and "pay for use" features unique to us that make videoconferencing as easy and spontaneous to use as the telephone – with the power of face to face communications. Some of these key features include:

- direct dial video numbers
- '000' live video operators
- video call mailbox
- video call assistant
- bridging-on-demand
- video mail creator
- video presentation producer
- video meeting recorder
- video meeting companion
- Glowpoint global international rates
- billing and account codes
- call forwarding

Managed Bridging Conferencing Services. Our managed bridging conferencing services group provides multi-point video communications among three or more participants. These services include bridging-on-demand, advanced conferencing services and premium conferencing event services.

- bridging-on-demand - allows users to have spontaneous, multi-point videoconferencing meetings regardless of the video hardware that each participant is using. With a bridging-on-demand conference pass code, users can participate on a conference call at a moment's notice without reservation.

- advanced conferencing - allows users to run multi-point videoconferencing meetings with up to 20 participating locations.

- premium conferencing - allows users to run multi-point videoconferencing meetings with more than 20 participating locations

Glowpoint Enabling and White Labeling. By "Glowpoint enabling" existing IP video communication networks, customers across the United States and around the world can access our patent pending applications and advanced features that make video as easy and spontaneous as using the telephone. Additionally, Glowpoint enabled customers can connect to virtually any video user worldwide across our network. Additionally, by "white labeling" our services, our partners can deliver a completely customized, branded experience to their customers, including single invoicing and one-stop customer support.

Professional Services. Our professional services team primarily supports event-based activities and is also available to new and existing customers as an outsourced consulting group.

Managed Webcasting. Our managed webcasting service is a comprehensive, managed service that brings together videoconferencing and streaming media capabilities on a single platform, offering customers a cost-effective, outsourced solution that creates live and on-demand webcasts through standards-based videoconferencing systems (H.320 and H.323). Our webcasting service provides an outsourced solution for small, medium and large organizations that need to reach a global audience with engaging, rich-media messages and presentations in a simple and cost-effective way over the web.

Sales and Marketing

We market and sell our services to a broad base of business sectors including commercial, government, medical, legal, education and broadcasting through both direct and indirect sales channels. The divestiture of the Wire One equipment business in 2003 has allowed us to expand and diversify these distribution partners which now also include leading videoconferencing manufacturers such as Sony and Tandberg and international communication providers such as I-Vision in Australia. These relationships have not only expanded our sales distribution network and revenue streams, but have also created new, “disruptive” distribution opportunities including co-branded, Glowpoint enabling and white-labeling services. We continue to diversify our lead generation and sales efforts by integrating traditional reseller channels with aggressive internal lead generation programs and vertical category 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 offering, sales and collateral materials, and training and management tools to reduce barriers and increase our return on investment against our sales, marketing and promotional efforts.

Customers

We have a stable, growing subscriber base of over 325 customers ranging from Fortune 500 companies to federal, state and municipal government entities to business and legal services firms to non-profit organizations. Vertical market segmentation among our current customers is as follows: 33% corporate, 18% technical, 8% finance, 5% education, 9% legal, 4% medical and 18% government (local and federal) and 5% non-profit. No single customer accounts for more than 10% of our revenues or accounts receivable.

Technology

To provide customers the Glowpoint video communications service, we have contracted with numerous network providers for backbone circuits and collocation facilities. Our primary vendors are Qwest and MCI for the backbone and Equinix for collocation facilities. We have also contracted with a number of “last mile” providers in the US and abroad to deliver circuits to our customers. In the U.S., Covad Communications and New Edge are our primary DSL providers with Qwest and MCI providing T1 services. 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 (T1) or 45 Mbps (T3) lines. Products manufactured by most leading IP video communications and video networking equipment suppliers, including Sony, Polycom, Tandberg, Radvision and Cisco Systems, are compatible with our video communications service.

We employ a proprietary network architecture consisting of state-of-the-art equipment co-located at Equinix, Savvis and Switch and Data collocation centers across the country, connected by multiple dedicated high-speed DS3 circuits. The sites, each a Glowpoint POP, are connected in a ring with strategic mesh points, which virtually eliminates the risk of a single point of failure and provides industry-leading throughput, scalability and mission-critical resiliency. All equipment on the network complies with current H.323 (IP) and SIP standards.

Our network architecture was specially designed for the efficient and cost-effective delivery of feature-rich video content. The network boasts a fully deployed and sophisticated gatekeeper infrastructure that can support thousands of video endpoints with redundancy. The design enables us to provide a unique set of value-added services such as an exclusive call detail-recording (CDR) feature that allows for billing on a call-by-call basis for point-to-point, gateway and multipoint calls. Network IP providers would have to install video-specific gatekeeper technology throughout their networks to provide the additional functionality necessary to provide a similar service capability. The sheer volume of traffic carried by the major carriers would make such a project enormously expensive, and, most likely, cost prohibitive. 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, and maximize overall network performance.

With origins in videoconferencing equipment sales and service, we have a broad understanding of the unique demands placed on a network by a videoconferencing application. Large-carrier IP networks were simply not designed for videoconferencing. Unlike a standard data application, video applications immediately expose network performance limitations. This need for quality and reliability prompted us to develop a parallel network exclusively dedicated to videoconferencing applications, but designed using standard network concepts and methodologies. We

also understand that a network alone would not offer a sustainable competitive advantage. Accordingly, we developed proprietary software and a hardware-based service offering that leveraged our dedicated network architecture, and enabled us to offer a superior quality, yet easy-to-use system. In addition to the billing and reporting capabilities discussed above, other features and services include operator assistance, call forwarding, unassisted incoming and outgoing gateway calling, bridging-on-demand meeting rooms, web-based scheduling, LDAP authentication services, firewall transport, customer information center, data collection and statistical analysis tools. We developed our service to offer a unique set of network capabilities, services and features that are very difficult for competitors to match.

Glowpoint Solution

Our video communications network provides customers with a high-quality platform for video communications over IP and related applications. Our service offers subscribers substantially reduced transmission costs and superior video communications quality, remote management of all videoconferencing endpoints utilizing simple network management protocol, or SNMP, gateway services to ISDN-based video communications equipment, video streaming and store-and-forward applications from our network operations center, or NOC.

Our network allows our customers to connect to virtually everywhere across the country and around the globe and to users whether or not they are on our network. Our service is superior to other videoconferencing services because it is the only service focused on three key factors that are essential to successful video communications: network architecture, network management applications and hardware interoperability.

Network Architecture. Our network is a secure, state-of-the-art multiple protocol layer switching backbone with the critical redundancy and reliability businesses demand for their critical applications. Our network is built as a ring with mesh points to provide full redundancy on the backbone. Each Glowpoint POP is built with redundant equipment and circuits, allowing the network to achieve sub-second failover times and 99.99% availability. We operate 14 POPs, 10 in the U.S. and one each at facilities in Toronto, Canada; London, England; San Juan, Puerto Rico and Tokyo, Japan. We offer the industry's most aggressive service level agreement (SLA) with a 99.99% QoS commitment. Making a video call to a location not on our network is as simple as dialing the video number, including those video numbers using old ISDN technology. Complicated access codes are not required because the intelligence built into our network makes the complex connections invisible. We are currently the only service provider to offer unassisted incoming and outgoing gateway services. Our network supports SDSL, HDSL, Frac T1, DS3, Sonet, ATM and Gigabit Ethernet options. Our network also supports H.323, H.320, and SIP. We peer with multiple carriers so users can connect to users on any network, including the public internet.

Network Management Applications. We have developed pioneering video network management tools to provide a world-class customer experience. Some of our patent-pending applications include:

- "000" video operator service - users can simply dial "000" to connect to a live Glowpoint network operator.
- unassisted gateway calling - allows users to reach both Glowpoint network and non-Glowpoint network subscribers without any complicated dialing instructions.
- least-cost international routing - our intelligent network selects the least expensive option for international calls, resulting in cost savings, even on calls to ISDN users.
- bridging-on-demand - allows users to conduct a spontaneous conference call, including both video and audio participants.

Hardware Interoperability. We continually test H.323 and SIP compliant equipment in the network. Our certification program was designed to provide us with the opportunity to test and assess new equipment, options and configurations for use throughout the network. The program sets strict standards for equipment performance at several levels. Customers can be assured that Glowpoint certified products conform to the highest standards of H.323 compliancy as well as interoperability with other leading manufacturers of similar products. Our certification team has created a comprehensive test and evaluation methodology requiring that each manufacturer's class of H.323 video communications equipment meet or exceed performance, reliability and interoperability levels in the areas of video, audio, data, feature and capability set. Leading equipment manufacturers like Polycom, Tandberg, Sony and Radvision consult us in an effort to gather technical feedback and certification to their products.

Network Operations Center

We maintain a state-of-the-art network operations center (NOC) at our 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, provide usage information for billing, provide utilization data for capacity planning and provide value-added customer services. Only usage information and authentication packets, rather than actual video communications traffic, pass through the NOC. Technology in the NOC includes gatekeepers, routers and switches, servers, firewalls and load-balancing devices. The NOC uses redundant circuits to connect directly to our backbone.

Research and Development

As of December 31, 2004, we employed a staff of 10 software and hardware engineers who evaluate, test and develop proprietary applications. The costs of this team of engineers totaled approximately $1.4 million, $1.3 million and $1.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. To augment these resources, we engage independent consultants from time-to-time. We expect that we will continue to commit resources to research and development in the future to further develop our proprietary network solution.

Intellectual Property

During the development of various aspects of our network, we developed applications and services that previously were not available. As a result, we have developed a significant stream of intellectual property, some of which have already been submitted for U.S. patent protection. We anticipate additional submissions in the future. To date, the following intellectual property has been submitted for patent protection:

1. Glowpoint network architecture (how we built the network to support video over IP).

2. Dial 000 operator services;

3. Billing/call detail gathering and processing including the creation of a video centric invoice;

4. Automated gateway routing incoming and outgoing;

5. Video specific SLA polling and performance gathering; and

6. Service provider firewall traversal (VTS) process for video over IP.

We do not know whether any patent applications previously submitted will be approved, whether patents will be issued from patent applications which we may pursue or whether the scope of any patents issued will be sufficiently broad to protect what we consider to be proprietary technologies or processes. Competitors may successfully challenge the validity and or scope of any such patents and or our trademarks.

To distinguish our service offerings from those of our competitors, we have obtained certain trademarks and trade names for our services, and we maintain certain advertising programs with industry organizations and standards committees to promote our brands. We also protect certain details about our processes, services and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information. We expect to protect our services and processes by asserting our intellectual property rights where appropriate and prudent. We will also obtain patents, copyrights and other intellectual property rights used in connection with our business when practicable and appropriate.

Employees

As of December 31, 2004, we had 85 full-time employees. Of these employees, 20 are involved in engineering and development, 16 in customer service, 12 in providing network support, 17 in sales and marketing and 20 in corporate functions. None of our employees is represented by a labor union. We believe that our employee relations are good.

Competition

We compete primarily with providers of video communications transport services, including AT&T, MCI, Sprint and some of the regional Bell operating companies and carriers. In the future, competition may increase from new and existing telecommunications services providers, which may include certain of our network providers, many of which have greater financial resources than we do.

We compete primarily on the basis of our:

- sole focus on the video communications industry;
- breadth of service offerings;
- nationwide presence;
- technical expertise;
- knowledgeable sales, service and training personnel; and
- commitment to customer service and support.

More than just a provider of bandwidth for video communications, we have developed a comprehensive approach to significantly improve videoconferencing to the point that it has the potential to become an integral tool for business communications. We not only designed a network specifically for video communications but also have continued to develop proprietary network applications to ensure high quality, complete video communications. In addition, through our certification program, we have developed expertise in the area of hardware interoperability on a network. Our value-added services include video operators, bridging/multi-point video, seamless connectivity from IP to ISDN connections, on-line real-time billing and call management. Our services offer subscribers substantially reduced transmission costs and superior video communications quality, remote monitoring, and management of all videoconferencing subscriber locations utilizing SNMP for products that support SNMP, gateway services to ISDN-based video communications equipment, video streaming and store-and-forward applications, firewall transport services and encryption.

We believe that our ability to compete successfully will depend on a number of factors both within and outside 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 and industry and general economic conditions.

Item 2. Properties

Our headquarters are located at 225 Long Avenue, Hillside, New Jersey 07205. These premises consist of approximately 9,000 square feet of leased office space and warehouse facilities. The term of this lease expires on April 30, 2005. The base rental for the premises during the term of the lease is $162,000 per annum. On January 3, 2005, we entered into an extension of our lease for a rolling six month period from the date of notice that we want to leave the space. Effective May 1, 2005, our base rent increases to approximately $191,000 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 an office in Windham, New Hampshire that houses our finance group and a technical facility in Ventura, California that houses our Multiview Network Services group, help desk and technical personnel. We expect the Windham, New Hampshire office to be closed by May 15, 2005 and the finance group to be relocated to the corporate headquarters in Hillside, New Jersey.

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.

PART II

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

The following table presents historical trading information for our common stock for the two most recent fiscal years:

	Glowpoint Common Stock	
	High	Low
Year Ended December 31, 2003:		
First Quarter	$ 2.74	$ 1.69
Second Quarter	2.89	1.99
Third Quarter	3.65	2.57
Fourth Quarter	3.18	1.30
Year Ended December 31, 2004:		
First Quarter	3.05	1.74
Second Quarter	2.57	1.62
Third Quarter	1.79	0.90
Fourth Quarter	1.59	0.98

On March 24, 2005, the last reported sale price of our common stock was $1.44 per share as reported on the NASDAQ National Market, and 44,867,857 shares of our common stock were held by approximately 247 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.

The holders of record of our Series B preferred stock, which was issued in January 2004, are entitled to receive, out of any assets at the time legally available therefor and when and as declared by our board of directors, dividends at the rate of eight percent (8%) of the stated value per share of $24,000.00 per share per year through July 21, 2005, increasing to twelve percent (12%) on July 22, 2005, payable annually at our option in cash or, so long as we have available shares reserved for issuance, in shares of common stock. Dividends on the Series B preferred stock accrue and are payable annually. Dividends on the Series B preferred stock must be paid prior and in preference to any declaration or payment of any distribution on any outstanding shares of junior stock. On March 14, 2005, one institutional investor exchanged its 83.333 shares of Series B preferred stock for 1,333,328 shares of common stock and warrants to purchase 533,331 shares of common stock.

Other than dividends to be paid on our Series B preferred stock, 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 into which we may enter in the future.

Recent Sales of Unregistered Securities

On January 22, 2004, we issued (i) an aggregate of 203.667 of our series B preferred stock and (ii) an aggregate of 250,000 shares of restricted common stock in exchange for the cancellation and termination of all of our outstanding 8% subordinated convertible notes in the aggregate principal amount of $4,888,000. The notes were held by institutional and other accredited investors. We also reduced the exercise price of the warrants to purchase shares of our common stock issued in connection with the notes from $3.25 to $2.75. Each share of Series B preferred stock is convertible into 10,000 shares of common stock. The securities issued in this transaction were exempt from registration under the Securities Act by virtue of Section 3(a)(9) thereof.

On February 17, 2004, we issued 6,100,000 shares of our common stock and warrants to purchase 1,830,000 shares of common stock to institutional and other accredited investors. The warrant exercise price is $2.75 per share of common stock. The gross proceeds from the offering were $13.7 million and are being used for general corporate purposes. The securities issued in this transaction were exempt from registration under the Securities Act by virtue of Section 4(2) thereof.

On March 14, 2005, we issued 6,766,667 shares of common stock and warrants to purchase 2,706,667 shares of common stock to institutional and other accredited investors. The warrant exercise price is $2.40 per share of common stock. The gross proceeds from the offering were $10.15 million and are being used for general corporate purposes. The securities issued in this transaction were exempt from registration under the Securities Act by virtue of Section 4(2) thereof.

On March 14, 2005 we issued 1,333,328 shares of common stock and warrants to purchase 533,331 shares of common stock to an institutional investor in exchange for the cancellation of 83.333 shares of our Series B preferred stock. The warrant exercise price is $2.40 per share of common stock. The securities issued in this transaction were exempt from registration under the Securities Act by virtue of Section 3(a)(9) thereof.

Item 6. Selected Financial Data

The following selected consolidated financial information should be read in conjunction with "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and footnotes included elsewhere in this Form 10-K.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands, except per share data)				
Statement of Operations Information:					
Net revenues	$ 15,995	$ 10,311	$ 5,599	$ 3,480	$ 1,475
Cost of revenues	12,842	10,062	5,597	2,898	1,105
Gross margin	3,153	249	2	582	370
Operating expenses					
Research and development	1,433	1,261	1,024	583	—
Selling	8,050	5,494	3,831	1,233	409
General and administrative	8,471	6,373	5,363	10,071	3,237
Impairment losses on other long-lived assets	—	1,379	—	—	—
Amortization of goodwill	—	—	—	102	—
Total operating expenses	17,954	14,507	10,218	11,989	3,646
Loss from continuing operations	(14,801)	(14,258)	(10,216)	(11,407)	(3,276)
Other (income) expense					
Amortization of deferred financing costs	85	377	123	100	344
Interest income	(42)	(7)	(72)	(77)	(315)
Interest expense	62	1,026	432	598	78
Gain on marketable equity securities	(132)	—	—	—	—
Other income	(5,000)	—	—	—	—
Amortization of discount on subordinated debentures	3,165	1,988	39	—	—
Loss on exchange of debt	1,354	—	—	—	—
Total other (income) expenses, net	(508)	3,384	522	621	107
Loss before income taxes	(14,293)	(17,642)	(10,738)	(12,028)	(3,383)
Income tax provision	212	—	—	200	511
Net loss from continuing operations	(14,505)	(17,642)	(10,738)	(12,228)	(3,894)
Loss from discontinued AV operations	—	(1,173)	(2,696)	(396)	—
Income (loss) from discontinued VS operations	(2,908)	(3,624)	(44,844)	(1,566)	841
Income (loss) from discontinued Voice operations	—	—	(287)	(617)	521
Gain on sale of discontinued Voice operation	—	—	—	277	—
Net loss	(17,413)	(22,439)	(58,565)	(14,530)	(2,532)
Preferred stock dividends	(369)	—	—	—	—
Deemed dividends on series A convertible preferred stock	—	—	—	(4,434)	(13,723)

Net income (loss) attributable to common stockholders	$(17,782)	$(22,439)	$(58,565)	$(18,964)	$(16,255)

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	(in thousands, except per share data)				
Statement of Operations Information:					
Loss from continuing operations per share:					
Basic and diluted	$ (0.40)	$ (0.60)	$ (0.37)	$ (0.59)	$ (0.30)
Income (loss) from discontinued operations per share:					
Basic and diluted	$ (0.08)	$ (0.16)	$ (1.66)	$ (0.11)	$ 0.10
Preferred stock dividends per share:					
Basic and diluted	$ (0.01)	$ —	$ —	$ —	$ —
Deemed dividends per share:					
Basic and diluted	$ —	$ —	$ —	$ (0.21)	$ (1.07)
Net loss per share:					
Basic and diluted	$ (0.49)	$ (0.76)	$ (2.03)	$ (0.91)	$ (1.27)
Weighted average number of common shares and equivalents outstanding:					
Basic and diluted	36,390	29,456	28,792	20,880	12,817
Balance Sheet Information:					
Cash and cash equivalents	$ 4,586	$ 4,185	$ 2,762	$ 1,689	$ 1,871
Working capital	6,002	4,865	27,819	15,639	19,921
Total assets	26,810	23,987	61,502	104,499	84,372
Long-term debt (including current portion)	35	1,904	5,846	83	3,128
Series A mandatorily redeemable convertible preferred stock	—	—	—	—	10,371
Total stockholders’ equity	21,226	18,814	36,586	68,909	49,658

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 financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K. 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 statements contained herein, other than historical information, are or may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, and involve factors, risks and uncertainties that may cause our actual results in future periods to differ materially from such statements. These factors, risks and uncertainties include market acceptance and availability of new video communication services, the nonexclusive and terminable at will nature of sales agent agreements, rapid technological change affecting demand for our services, competition from other video communication service providers, and the availability of sufficient financial resources to enable us to expand our operations, as well as other risks detailed from time to time in our filings with the Securities and Exchange Commission.

Overview

We provide comprehensive feature-rich video communications services with telephone-like reliability and ease-of-use on the industry's only carrier-grade IP based subscriber network that is designed exclusively for video communications. Our network spans 14 points of presence (POPs) across three continents and carries on average over 20,000 video calls per month, enabling users to connect across the United States, as well as to virtually any business center around the world. Since launching our subscription service in late 2000, the Glowpoint network has carried over 25 million minutes of video on behalf of over 600 customers in over 5,000 locations. The growth of subscriptions was fairly steady through early 2003, when we determined that separating our video communications service from the equipment sales side of the business would open up a much larger distribution channel for our video communications service. At the time of the sale, we changed our name from Wire One Technologies, Inc. to Glowpoint, Inc. In September 2003, we completed the sale of our videoconferencing equipment business which had been central to our operations, in order to focus solely on growing our video communications services. During the next twelve months, we became a truly independent company as we were forced to reassess our business relationship with Wire One. We completely replaced the volume of our only distribution channel with billable subscriber locations driving profitable revenue. Our mission is to significantly improve the ease-of-use, cost-effectiveness, functionalities and quality of existing video communications in order to make it an integral part of business communications.

Wire One was formed on May 18, 2000 by the merger of All Communications Corporation and View Tech, Inc. From July 2000 through November 2001, we made several small acquisitions for a total of approximately $9.3 million in cash and stock. In October 2001, we sold our voice communications business for approximately $2 million and in March 2003, we sold our audio-visual business for approximately $0.8 million.

On September 23, 2003, we sold substantially all of the assets of our video solutions (VS) business to an affiliate of Gores Technology Group (Gores), a privately held international acquisition and management firm, in order to focus solely on growing our Glowpoint network service. The VS segment included our videoconferencing equipment distribution, system design and engineering, installation, operation and maintenance activities and consisted of: a headquarters and warehouse facility in Miamisburg, Ohio; a help desk operation in Camarillo, California; 24 sales offices and demonstration facilities across the United States; and a client list of approximately 3,000 active customers with an installed base of approximately 22,000 video conferencing systems. As a result, this segment is classified as a discontinued operation in the accompanying financial statements with its assets and liabilities summarized in single line items on the consolidated balance sheets and its results from operations summarized in a single line item on the consolidated statement of operations. See Note 3 for further information.

In the fourth quarter of 2003, we named a new Chief Executive Officer and President, David C. Trachtenberg. On January 6, 2004, we launched our new suite of the "All You Can See" unlimited video calling plans, in order to create a sustainable subscription based revenue stream that would drive positive gross margin. We launched the new plans to drive gross margin targets of 60-65%; we made them one year minimum subscriptions with no free trial period; we now pre-qualify each new site to align properly our connectivity costs with our subscription revenues and we discontinued our pay-as-you-go and hourly plans, thus reducing the dependency on our no-margin, low revenue legacy business. We also accomplished our mission of making video as easy and spontaneous as a phone call with the power of face-to-face communications. The introduction of "Lisa" (video call director) and our video call director suite of IP services, including video call assistant, video call mailboxes and dial 000 live operator completed this mission.

On April 20, 2004, we entered into a strategic alliance with Tandberg, Inc. a wholly owned subsidiary of Tandberg ASA (OSLO:TAA.OL), a global provider of visual communications solutions. As part of the alliance agreement, we acquired certain assets and the customer base of Tandberg-owned Network Systems LLC (successor to the NuVision Companies). Network Systems customers, primarily ISDN-based video users, have immediate access to our video bridging and webcasting services. As part of the alliance, Tandberg's corporate use of IP video communications and other telecommunications services, formerly purchased through Network Systems, is being provided exclusively by us under a multi-year agreement. In addition, we assumed current contractual commitments with AT&T, MCI and Sprint from Network Systems, which have been consolidated into new agreements with these carriers. Lastly, Tandberg named the Glowpoint Certified Program as a recognized external testing partner for its hardware and software products.

On December 7, 2004, we entered into a strategic partnership with Integrated Vision, Australia's leading video conferencing solution provider to power the continent's first dedicated IP-based network for global video communications. The agreement is our first international interconnection agreement for "Glowpoint Enabling" an existing communications network. Glowpoint enabled networks deliver patent-pending video communication applications. Integrated Vision is responsible for the sales, marketing, operations and customer support of the Glowpoint branded service in Australia.

On February 17, 2005, we entered into a memorandum of understanding outlining a strategic alliance with Sony Electronics, Inc. in which the two companies would create and launch a complete, Sony customized, user friendly video communication solution focused on broadening the use of IP-based video in and out of traditional office environments. On March 28, 2005, we entered into a sales agency agreement, a development agreement and a joint marketing agreement with Sony to implement the transactions outlined in the memorandum of understanding. The Sony service, powered by Glowpoint, will try to bring together Sony's state-of-the-art line of video conferencing systems with our patent-pending advanced IP-based video applications and network services. The two companies are also developing joint initiatives to support the growing use of IP-based video for more diverse and innovative applications, including the broadcasting production segment where Sony is a recognized leader in providing customers with advanced audio and video equipment and systems. Through a "white label" arrangement, the two companies plan on delivering a customized Sony experience that will allow subscribers to see and talk to anyone, anywhere around the world regardless of network technology and device. Additionally, as part of the alliance and to support development of the new service, Sony will install the Glowpoint powered solution into a number of their office locations in the U. S.

On March 14 2005, we announced the closing of a private placement that raised gross proceeds of $10.15 million from several unrelated institutional investors, including existing and new shareholders. Under the terms of the financing, we issue approximately 6,766,667 common shares. Additionally, we issued to the investors approximately 2,706,667 common stock purchase warrants at an exercise price of $2.40 per share. The proceeds of the financing will be used for working capital requirements. We issued shares and warrants directly to the purchasers under an effective universal shelf registration statement.

Results of Operations

The following table sets forth, for the periods indicated, information derived from our consolidated financial statements expressed as a percentage of our revenues:

	Year Ended December 31,		
	2004	2003	2002
Net revenues	100.0%	100.0%	100.0%
Cost of revenues	80.3	97.6	100.0
Gross margin	19.7	2.4	—
Operating expenses			
Research and development	9.0	12.2	18.3
Selling	50.2	53.3	68.4
General and administrative	53.0	61.8	95.8
Impairment losses on other long-lived assets	—	13.4	—
Total operating expenses	112.2	140.7	182.5
Loss from continuing operations	(92.5)	(138.3)	(182.5)
Other (income) expense			
Amortization of deferred financing costs	0.5	3.6	2.2
Interest income	(0.2)	(0.1)	(1.3)
Interest expense	0.4	10.0	7.7
Gain on marketable equity securities	(0.8)	—	—
Other income	(31.3)	—	—
Amortization of discount on subordinated debentures	19.8	19.3	0.7
Loss on exchange of debt	8.5	—	—
Total other (income) expenses, net	(3.1)	32.8	9.3
Loss before income taxes	(89.4)	(171.1)	(191.8)
Income tax provision	1.3	—	—
Net loss from continuing operations	(90.7)	(171.1)	(191.8)
Loss from discontinued AV operations	—	(11.4)	(48.2)
Loss from discontinued VS operations	(18.2)	(35.1)	(800.9)
Loss from discontinued Voice operations	—	—	(5.1)
Net loss	(108.9)	(217.6)	(1,046.0)
Preferred stock dividends	(2.3)	—	—
Net loss attributable to common stockholders	(111.2)%	(217.6)%	(1,046.0)%

Year Ended December 31, 2004 (2004 Period) Compared to Year Ended December 31, 2003 (2003 Period)

Net Revenues. Net revenues increased $5.7 million, or 55%, for the 2004 period to $16.0 million from $10.3 million for the 2003 period. Contractual revenue increased $5.0 million, or 74%, to $11.9 million in the 2004 period from $6.9 million for the 2003 period. Contractual revenue, which includes subscription and related revenue as has been reported previously plus NuVision revenue directly related to those customers that are under contract, is a new categorization resulting from the NuVision acquisition completed in the June 2004 quarter. The most significant component of this category, Glowpoint subscription and related revenue, increased $3.3 million, or 49%, in the 2004 period to $10.2 million from $6.9 million for the 2003 period. The growth in subscription and related revenue was the result of having, on average, 359 more billable subscriber locations in the 2004 period than the 2003 period. There were 1,198 average billable subscriber locations in 2004 compared to 839 in 2003, an increase of 43%. The average monthly subscription and related revenues increased 4.4% to $710 in 2004 from $680 in 2003. The second category of contractual revenue is from the NuVision customer base and totaled $1.7 million for the 2004 period. Non-contractual revenue increased 18% to $4.1 million for the 2004 period from $3.5 million for the 2003 period. Non-contractual revenue includes Glowpoint non-subscription revenue (our event-driven category of revenue) plus NuVision revenue generated by customers that are not currently under contract. The net increase in non-contractual

revenue resulted from $1.1 million in revenue for services provided to NuVision customers, partially offset by a decrease of $0.5 million in the 2004 period due to a decline in H.320 bridging revenue from the overall decline in H320 or ISDN bridging services.

Cost of Revenues. Cost of revenues increased $2.7 million, or 28%, in the 2004 period to $12.8 million from $10.1 million for the 2003 period but declined as a percentage of revenue from 97.6% in the 2003 period to 80.3% for the 2004 period. Infrastructure costs (defined as backbone-related costs of network) remained flat at $3.2 million in the 2004 and 2003 periods. Access costs (defined as costs of connecting subscriber locations to the network) increased $0.9 million, or 21%, in the 2004 period to $5.1 million from $4.2 million for the 2003 period. The growth in access costs was the result of having, on average, 359 more billable subscriber locations each costing an average of $199 per month for access to the network. There were 1,198 average billable subscriber locations in the 2004 period and 839 in the 2003 period. The average monthly access costs per subscriber location fell 16% from $421 in the 2003 period to $355 in the 2004 period. The decline in average monthly access costs per subscriber location is the result of increasing use of DSL as the means of accessing the network.

Gross Margin. Gross margins increased approximately $2.9 million in the 2004 period from $0.2 million in the 2003 period to $3.1 million for the 2004 period. As a percentage of revenue, gross margins increased in the 2004 period to 19.7% as compared to 2.4% of net revenue in the 2003 period. The major factors in the positive movement in gross margin were the leveraging of the fixed infrastructure costs over a larger base of billable subscriber locations, the pass through of the universal service tax fee that had not previously been charged to our customers in 2003, the continued impact of new customers coming on with our higher margin “All You Can See” unlimited video calling plans targeted at 60-65% margins, and improving the margins on legacy accounts through very targeted transition to our new unlimited annual subscription plans. Additionally, gross margin on the NuVision business amounted to 32% in the 2004 period which favorably impacted overall gross margin.

Research and Development. Research and development costs, which includes the costs of the personnel in this group, the equipment they use and their use of the network for development projects, increased $0.2 million in the 2004 period to $1.4 million but decreased as a percentage of revenue from 12.2% in the 2003 period to 9.0% in the 2004 period. It is expected that research and development costs will remain flat in coming quarters as we design and develop new service offerings to meet customer demand and test new products and technologies across the network without increasing current staffing levels.

Selling. Selling expenses, which include sales salaries, commissions, overhead and marketing costs, increased $2.5 million in the 2004 period to $8.0 million from $5.5 million in the 2003 period. Selling expenses as a percentage of net revenues decreased from 53.3% in the 2003 period to 50.2% in the 2004 period. The primary causes of the increases in costs for the 2004 period are the $1.5 million increase in salaries and benefits resulting from the addition of 15 employees, the $0.4 million increase in marketing costs incurred related to trade shows, new product launch activities, channel diversification activities and remaining customer trials. In addition, $0.4 million of the increase results from higher commission and bonuses associated with higher revenue levels.

General and Administrative. General and administrative expenses increased $2.1 million, to $8.5 million in the 2004 period from $6.4 million in the 2003 period. General and administrative expenses as a percentage of revenue declined from 61.8% for the 2003 period to 53.0% for the 2004 period. The primary components of the increase in costs in the 2004 period were $0.5 million in professional fees, the majority of which related to executive searches during the 2004 period for new members of the management team, $0.4 million of costs related to severance and the closing of the Company’s New Hampshire office, $0.4 million of additional provision for bad debt related to the increase in the size of our business, and $0.2 million in non-cash expense recorded in connection with the issuance of restricted stock as compensation.

Impairment Losses on Other Long-Lived Assets. In the 2003 period, as a result of our periodic evaluation of long-lived assets used in operations, we determined that fixed assets with a net book value of $1.4 million were no longer being used in our IP video network and were not generating cash flows to support their carrying values. In accordance with FASB Statement 144, these assets were written down to their fair value in October 2003.

Other (Income) Expenses. Other expenses decreased $3.9 million to $(0.5) million in the 2004 period from $3.4 million in the 2003 period. The decrease was primarily due to the $5.0 million of other income recorded in the 2004 period related to a one-time fee due from Wire One Technology, Inc resulting from their acquisition of V-

SPAN in October 2004. In addition, there was a decrease in interest expense of $0.9 million, resulting from the exchange of convertible subordinated debentures for convertible preferred stock in January 2004 and the termination of the line of credit with JPMorgan Chase in February 2004, and a gain on marketable equity securities of $0.1 million in the 2004 period as stock received in settlement of an account receivable was sold at a gain. Offsetting these items was accelerated amortization of the discount on subordinated debentures totaling $3.2 million resulting from the exchange of the subordinated debentures for preferred stock in the 2004 period. This caused a $1.2 million increase in amortization of discount on subordinated debentures between the two periods. In addition, the exchange of the subordinated debentures for preferred stock resulted in the recognition of a $1.4 million non-cash charge on the exchange of debt in 2004.

Income Taxes. In the 2004 period, we recorded a deferred tax liability representing the difference between the book and tax basis of goodwill at December 31, 2004. No provision for income taxes was made in the 2003 period.

Discontinued Operations. We treated our AV division and VS segment as discontinued operations because: (1) the operations and cash flows of this division and this segment have been eliminated from our ongoing operations as a result of disposal transactions and (2) we do not have any continuing involvement in the operations of the division or the segment. In the 2004 period, there was no income (loss) from discontinued AV operations and a $2.9 million loss from discontinued VS operations comprised of $2.0 million related to the determination of net assets and the transition cost amount of the business by an arbitrator in accordance with the asset purchase agreement and the costs of the arbitration process, $0.8 million related to the settlement of disputes with Gores and $0.1 million related to the settlement of liabilities of the VS business in excess of those previously accrued. In the 2003 period, we incurred a loss from discontinued AV operations of $1.2 million and from discontinued VS operations of $3.6 million

Net Loss. Net loss attributable to common stockholders decreased to $17.8 million or $0.49 per basic and diluted share in the 2004 period from $22.4 million or $0.76 per basic and diluted share in the 2003 period. Before giving effect to the aggregate $0.4 million in preferred stock dividends on series B convertible preferred stock in the 2004 period and no preferred stock dividends in the 2003 period, we reported a net loss of $17.4 million for the 2004 period and $22.4 million for the 2003 period.

Year Ended December 31, 2003 (2003 Period) Compared to Year Ended December 31, 2002 (2002 Period).

Net Revenues. Net revenues from continuing operations increased $4.7 million, or 84%, in the 2003 period to $10.3 million from $5.6 million for the 2002 period. Subscription and related revenue increased $4.5 million, or 195%, in the 2003 period to $6.8 million from $2.3 million for the 2002 period. Non-subscription revenue consisting of bridging, events and other one-time fees increased $0.2 million, or 6%, in the 2003 period to $3.5 million from $3.3 million for the 2002 period. The growth in subscription and related revenue was the result of having, on average, 578 more billable subscriber locations in the 2003 period than in the 2002 period and those billable subscriber locations each producing an average of $752 per month in revenue. There were 839 average billable subscriber locations in the 2003 period and 261 in the 2002 period. The average monthly subscription and related revenue per subscriber location fell 9% from $747 in the 2002 period to $680 in the 2003 period. The decline in average monthly subscription and related revenue per subscriber location is the result of the growth in the number of billable subscriber locations using the $199 per month pay as you go plan. The $0.2 million increase in non-subscription revenue resulted from the following: 1) a $0.5 million increase in H.323 bridging revenue from $0.7 million in the 2002 period to $1.2 million in the 2003 period resulting from increased billable subscriber locations; 2) a $0.2 million increase in installation revenue from $0.1 million in the 2002 period to $0.3 million in the 2003 period due to the increase in installations from 397 in the 2002 period to 730 in the 2003 period; and 3) a $0.5 million decline in H.320 bridging revenue from $2.2 million in the 2002 period to $1.7 million in the 2003 period.

Cost of Revenues. Cost of revenue increased $4.5 million, or 80%, in the 2003 period to $10.1 million from $5.6 million for the 2002 period. Infrastructure costs (defined as backbone-related costs of network) increased $1.0 million, or 45%, in the 2003 period to $3.2 million from $2.2 million for the 2002 period. This increase resulted from two factors: 1) the build-out of the network to handle the video traffic of approximately 4,000 billable subscriber locations - $0.6 million of the increase; and 2) the evolution of the network to gain long-term cost efficiencies or as a result of backbone provider issues - $0.4 million of the increase. Access costs (defined as costs of connecting subscriber locations to the network) increased $2.5 million, or 147%, in the 2003 period to $4.2 million

from $1.7 million for the 2002 period. The growth in access costs was the result of having, on average, 578 more billable subscriber locations in the 2003 period than in the 2002 period and those billable subscriber locations each costing an average of $368 per month for access to the network. There were 839 average billable subscriber locations in the 2003 period and 261 in the 2002 period. The average monthly access costs per subscriber location fell 22% from $539 in the 2002 period to $421 in the 2003 period. The decline in average monthly access costs per subscriber location is the result of the growth in the number of billable subscriber locations using the $199 per month pay-as-you-go plan and by the increasing use of DSL as the means of accessing the network. Other costs of revenue include the personnel costs related to providing the Glowpoint video communications service along with the ISDN network costs of providing H.320 bridging services. These costs increased $0.9 million, or 53%, in the 2003 period to $2.6 million from $1.7 million for the 2002 period. This increase resulted primarily from three factors: 1) increased depreciation related to increased equipment deployed in the network - $0.3 million; 2) credits recorded in the September 2002 quarter of approximately $250,000 related to refunds of previously paid infrastructure and access fees; and 3) a $0.2 million increase in installation costs from $0.1 million in the 2002 period to $0.3 million in the 2003 period due to the increase in installations from 397 in the 2002 period to 730 in the 2003 period. ISDN network costs fell $0.2 million in line with the decline in H.320 bridging revenue.

Gross Margin. Gross margins increased to approximately $0.2 million in the 2003 period from approximately $2,000 in the 2002 period. As a percentage of revenue, gross margins increased in the 2003 period to 2.4%, as compared to 0.0% of net revenues in the 2002 period. The primary cause of the increase in gross margin is the increase in revenue ($1.9 million impact assuming a 40% marginal gross margin on the additional $4.7 million in revenue). Offsetting items included the increased fixed costs incurred to continue the build out of the network ($1.0 million), the costs to re-configure portions of the network that were incurred ($0.4 million) and the impact in the September 2002 quarter of approximately $250,000 in refunds of previously paid infrastructure and access fees.

Research and Development. Research and development costs, which include the costs of the personnel in this group, the equipment they use and their use of the network for development projects, increased $0.3 million in the 2003 period to $1.3 million from $1.0 million in the 2002 period but were down as a percentage of revenue from 18.3% in the 2002 period to 12.2% of revenue in the 2003 period. The increase in expenses was primarily the result of adding two full-time employees in the 2003 period.

Selling. Selling expenses, which include sales salaries, commissions, overhead, and marketing costs, increased $1.7 million to $5.5 million in the 2003 period, from $3.8 million in the 2002 period but were down as a percentage of revenue from 68.4% in the 2002 period to 53.3% of revenue in the 2003 period. The primary component of the $1.7 million increase in costs is the $0.9 million of marketing costs incurred in the 2003 period related to the NBA draft ($0.3 million) and customer trials ($0.6 million). The remainder of the variance results from higher commissions and bonuses associated with higher revenue levels ($0.3 million), increased consulting expenses to review and re-launch our operations, product set, on-line tools and marketing, as well as to establish the webcast service infrastructure and upgrade and automate our customer service systems ($0.2 million) and increased sales overhead (rent, depreciation, telecommunications, insurance, travel and office expenses) ($0.3 million).

General and Administrative. General and administrative expenses increased $1.0 million in the 2003 period to $6.4 million from $5.4 million in the 2002 period. General and administrative expenses as a percentage of net revenues for the 2003 period declined from 91.1% in the 2002 period to 61.8% in the 2003 period. The primary components of the $1.0 million increase in costs were $0.6 million in non-cash expense recorded in connection with the issuance of restricted stock and warrants as compensation and for financing and consulting services, $0.2 million of severance, change of management and other payouts and $0.3 million of additional professional fees incurred related to the search for a new CEO, filing the proxy and holding the annual meeting in August, divestitures and other corporate activities.

Impairment Losses on Other Long-Lived Assets. In the third quarter of 2003, as a result of our periodic evaluation of long-lived assets used in operations, we determined that fixed assets with a net book of $1.4 million were no longer being used in our IP video network and generating cash flows to support their carrying values. In accordance with FASB Statement No. 144, these assets were written down to their fair value.

Other (Income) Expenses. Other expenses increased $2.9 million to $3.4 million in the 2003 period from $0.5 million in the 2002 period. The increase was primarily due to the recognition of $2.0

million in amortization of discount on the subordinated debentures issued in December 2002. The other major component of this category, interest expense, increased $0.6 million to $1.0 million. This increase was primarily due to higher interest expense

on our line of credit facility of $0.1 million and interest accrued on the subordinated debentures of $0.6 million. Amortization of deferred financing costs increased $0.3 million to $0.4 million in the 2003 period from $0.1 million in the 2002 period. In addition to normal amortization recorded in the 2003 period, additional accelerated amortization of $0.2 million was recorded to recognize the reduction in the commitment amount of the line of credit that occurred in 2003.

Income Taxes. During the 2003 period, as we had done in the 2002 period, we established a valuation allowance to offset the benefits of significant temporary tax differences due to the uncertainty of their realization. These deferred tax assets consist primarily of net operating losses carried forward in the VTI merger, reserves and allowances, and stock-based compensation. Due to the nature of the deferred tax assets, the related tax benefits, upon realization, will be credited substantially to the goodwill asset or additional paid-in capital, rather than to income tax expense.

Discontinued Operations. In the 2003 period, we treated our AV division and VS segment as discontinued operations because: 1) the operations and cash flows of this division and segment have been eliminated from our ongoing operations as a result of disposal transactions; and 2) we do not have any significant continuing involvement in the operation of the division or the segment. We incurred a loss from discontinued AV operations in the 2003 period of $1.2 million which was $1.5 million less than the $2.7 million loss incurred in the 2002 period. Loss from discontinued VS operations decreased $41.2 million in the 2003 period to $3.6 million from the $44.8 million loss incurred in the 2002 period which included $41.4 million of impairment losses on goodwill and long-lived assets. Loss from discontinued voice operations decreased $0.3 million in the 2003 period to $0 from the $0.3 million loss incurred in the 2002 period.

Net Loss. Net loss attributable to common stockholders decreased to $22.4 million, or $0.76 per basic and diluted share, from $58.6 million, or $2.03 per basic and diluted share, for the 2002 period.

Liquidity and Capital Resources

At December 31, 2004, we had working capital of $6.0 million compared to $4.9 million at December 31, 2003, an increase of approximately 22%. We had $4.6 million in cash and cash equivalents at December 31, 2004 compared to $4.2 million at December 31, 2003. The $1.1 million increase in working capital resulted primarily from the net proceeds from the February 2004 private placement of common stock of $12.4 million and net proceeds from the exercise of stock options of $0.6 million offset by the funding of the $9.1 million usage of cash in operations in the 2004 period and the purchase of $3.4 million of furniture, equipment and leasehold improvements.

In January 2004, in exchange for the cancellation and termination of notes with an aggregate face value of $4,888,000 and forfeiture of any and all rights of collection, claim or demand under the notes, we issued to the holders of the notes (i) an aggregate of 203.667 shares of Series B convertible preferred stock and (ii) an aggregate of 250,000 shares of restricted common stock; and reduced the exercise price of the warrants to purchase shares of our common stock issued pursuant to the original purchase agreement from $3.25 to $2.75. As a result of this exchange, the $3.1 million of discount on subordinated debentures as of December 31, 2003 was written off to expense in the first quarter of 2004.

In February 2004, we raised net proceeds of $12.4 million in a private placement of 6,100,000 shares of our common stock at $2.25 per share. We also issued 1,830,000 warrants to purchase shares of our common stock at an exercise price of $2.75 per share. The warrants expire on August 17, 2009. The warrants are subject to certain anti-dilution protection. In addition, we issued to our placement agent five-year warrants to purchase 427,000 shares of common stock at an exercise price of $2.71 per share.

In March 2005, we entered into a common stock purchase agreement with several unrelated institutional investors in connection with the offering of (i) an aggregate of 6,766,667 shares of our common stock and (ii) warrants to purchase up to an aggregate of 2,706,667 shares of our common stock. We received proceeds from this offering of approximately $10.15 million, less our expenses relating to the offering, which were approximately $760,500, a portion of which represents investment advisory fees totaling $710,500 to Burnham Hill Partners, our financial advisor. The warrants are exercisable for a five-year term and have an exercise price of $2.40 per share. The warrants may be exercised by cash payment of the exercise price or by “cashless exercise.”

At December 31, 2003, we had a $7.5 million working capital credit facility with JPMorgan

Chase Bank. Borrowings under this facility bear interest at the lender's base rate plus 1 1/2% per annum. At December 31, 2003, there were no outstanding borrowings under this facility. Proceeds from the sale of the VS segment were used to pay down the outstanding balance under the facility to zero. The credit facility remained in place subsequent to the closing of the VS sale transaction. In February 2004, this credit facility was terminated at our request. As a result of the termination of this credit facility, the $85,000 of unamortized deferred financing costs as of December 31, 2003 were written off to expense in the first quarter of 2004.

The following summarizes our contractual cash obligations and commercial commitments at December 31, 2004, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

Contractual Obligations	Total	2005	2006	2007	2008	2009
Purchase obligations (1)	$13,845,627	$5,458,148	$3,220,812	$2,000,000	$2,000,000	$1,166,667
Operating lease obligations	242,711	242,711	—	—	—	—
Capital lease obligations	35,373	35,373	—	—	—	—
Total	$14,123,711	$5,736,232	$3,220,812	$2,000,000	$2,000,000	$1,166,667

(1) Under agreements with providers of infrastructure and access circuitry for our network, we are obligated to make payments under commitments ranging from 0-5 years.

Future minimum rental commitments under all non-cancelable operating leases are as follows:

Year Ending December 31	
2005	$ 242,711

Future minimum lease payments under capital lease obligations at December 31, 2004 are as follows:

Total minimum payments in 2005	$ 35,373
Less amount representing interest	(401)
Total principal	34,972
Less portion due within one year	(34,972)
Long-term portion	$ —

Net cash used by operating activities for the 2004 period was $9.1 million as compared to net cash used in operations of $6.8 million during the 2003 period. The primary sources of operating cash in 2004 were the $1.0 million increase in deferred revenue, $0.5 million increase in accounts payable, $0.2 million increase in accrued expenses and the $0.2 million of proceeds from the sale of marketable equity securities. Significant uses of cash included funding the $6.2 million cash loss from operations (net of the $17.4 million net loss and the total non-cash expenses of $11.2 million), $4.1 million increase in other current assets, $0.5 million increase in accounts receivable and the $0.2 million increase in other assets.

In an effort to further develop our Glowpoint network, we employ a staff of 10 software and hardware engineers who evaluate, test and develop proprietary applications. Research and development costs, which include costs of the personnel in this group, the equipment that they use and their use of the network, totaled $1.4 million in the 2004 period. It is expected that research and development costs will remain flat in coming quarters as we design and develop new service offerings to meet customer demand, test new products and technologies across the network and develop and enhance on-line tools to make the customer/partner experience a satisfying and productive one.

Investing activities for the 2004 period included purchases of $3.4 million for network, computer and videoconferencing equipment and leasehold improvements. Our network is currently built out to handle the anticipated level of subscriptions for 2005. Although we anticipate current expansion of the network, we have no significant commitments to make capital expenditures in 2005.

Financing activities in the 2004 period included receipt of the $12.4 million of net proceeds from the February 2004 private placement of common stock and the $0.6 million of exercise proceeds related to stock options.

We believe, based on current circumstances, that we have adequate capital resources to support current operating levels for at least the next twelve months.

Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles generally accepted in the United States. Preparing financial statements in accordance with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following paragraphs include a discussion of some critical areas in which critical accounting policies apply.

Revenue Recognition

We recognize service revenue related to our network subscriber service and the multipoint video and audio bridging services as service is provided. In February, 2004, we began billing subscription fees in advance and at December 31, 2004, we had deferred approximately $811,000 of this revenue. Because 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 life of the customer relationship. At December 31, 2004, we had deferred approximately $207,000 of activation fees and approximately $175,000 of related installation costs. Revenues derived from other sources are recognized when services are provided or events occur.

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 FASB Statement 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.

Goodwill and Other Intangible Assets

We follow Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” in accounting for goodwill and other intangible assets. SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that we identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS No. 142 (See Note 6).

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R which addresses the accounting for transactions in which a company receives employee services in exchange for (a) equity instruments of the company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. It eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25 and generally requires that such transactions be accounted for using a fair-value-based method. As permitted by the current SFAS No. 123, *Accounting for Stock-Based Compensation*, we have been accounting for share-based compensation to employees using APB Opinion No. 25's intrinsic value method and, as such, we generally recognize no compensation cost for employee stock options. We are required to adopt SFAS No. 123R for the interim period beginning after June 15, 2005. Based on the current outstanding unvested number of stock options, we expect to record compensation charges totaling $2.0 million over the vesting period of the options. The adoption of this statement will have no impact on our cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchange of Nonmonetary Assets, an Amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions."* SFAS No. 153 is based on the principle that exchange of nonmonetary assets should be measured based on the fair market value of the assets exchanged. SFAS No. 153 eliminates the exception of nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary asset exchanges in fiscal periods beginning after June 15, 2005. We are currently evaluating the provisions of SFAS No. 153 and do not believe that the adoption of SFAS No. 153 will have a material impact on our consolidated financial statements.

Inflation

We do not believe inflation had a material adverse effect on the financial statements for the periods presented.

Risk Factors

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

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 2000, 2001, 2002, 2003 and 2004. 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 fall and we could have difficulty obtaining funds to continue our operations.

<u>Our success is highly dependent on the evolution of our overall market</u>.

The market for videoconferencing 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. As a result, our future growth, if any, will depend on the continued trend of businesses to migrate to IP (H.323) based standards and away from the older, less reliable Integrated Services Digital Network, or ISDN, technology. There can be no assurance that the market for our services will grow, that our services will be adopted, or that businesses will use IP (H.323) 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.

<u>We depend upon our network and facilities infrastructure</u>.

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 become direct competitors and limit or deny us access to their network, 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. While these organizations are presently focusing on the ISDN market, they may decide to enter the IP-based video communications market by providing video services over their network, in which case they would directly compete with us. If this occurs, we cannot assure you that these telecommunications carriers and other corporations would continue to provide service to us through their networks at reasonable prices, if at all. Failure to continue to be able to use such services would 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, MCI, Sprint and some of the regional Bell companies, 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 network has limited market awareness.

Our Glowpoint network 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 network and professional services. To this end, our direct marketing and indirect sales operations must increase market awareness of our network 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. In January 2004, we began the relaunch of our video communications service. Our relaunch includes the introduction of new products and services, including subscription calling plans, CustomerPoint (a customer portal that provides subscribers with online access to their account information), and PartnerPoint (a sales agent portal that provides automated sales and marketing tools for our resellers). We cannot be certain that we will be successful in our efforts to market and sell our products and services, including our relaunch of our services and products, 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 Glowpoint network and related 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 Glowpoint network is unable to meet its specifications or if it is unable to keep pace with technological changes in the videoconferencing industry, our Glowpoint network could eventually become obsolete. We may be unable to allocate the funds necessary to upgrade our network as improvements in videoconferencing networking technologies are introduced. In the event that other companies develop more technologically advanced networks, our competitive position relative to such companies would be harmed.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to interest rate risk related to our cash equivalents portfolio. The primary objective of our investment policy is to preserve principal while maximizing yields. Our cash equivalents portfolio is short-term in nature; therefore changes in interest rates will not materially impact our consolidated financial condition. However, such interest rate changes can cause fluctuations in our results of operations and cash flows.

There are no other material qualitative or quantitative market risks particular to us.

Item 8. Financial Statements and Supplemental Data

GLOWPOINT, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the
Stockholders of Glowpoint, Inc.

We have audited the accompanying consolidated balance sheets of Glowpoint, Inc. and Subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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. An audit includes 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. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Glowpoint, Inc. and Subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Boston, Massachusetts
March 14, 2005

GLOWPOINT, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,586,222	$ 4,184,897
Escrowed cash	337,153	335,188
Accounts receivable, net of allowance for doubtful accounts of $97,384 and $71,620 at December 31, 2004 and 2003, respectively	2,762,892	2,305,552
Receivable from Gores Technology Group-net	2,750,000	209,688
Other current assets	938,775	1,230,290
Total current assets	11,375,042	8,265,615
Property and equipment-net	12,591,011	13,024,055
Goodwill-net	2,547,862	2,547,862
Other assets	296,332	149,574
Total assets	$ 26,810,247	$ 23,987,106
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 2,832,569	$ 2,368,484
Accrued expenses	1,486,949	900,690
Deferred revenue	1,018,186	—
Current portion of capital lease obligations	34,972	131,182
Total current liabilities	5,372,676	3,400,356
Noncurrent liabilities:		
Deferred income taxes	212,000	—
Capital lease obligations, less current portion	—	34,972
Total noncurrent liabilities	212,000	34,972
Total liabilities	5,584,676	3,435,328
Commitments and contingencies (Note 12)		
Subordinated debentures	—	4,888,000
Discount on subordinated debentures	—	(3,149,805)
Subordinated debentures, net	—	1,738,195
Stockholders’ equity:		
Preferred stock, $.0001 par value; 5,000,000 shares authorized, 203.667 Series B shares outstanding	—	—
Common stock, $.0001 par value; 100,000,000 authorized; 37,844,240 and 30,543,672 shares outstanding, respectively	3,788	3,054
Treasury stock, 39,891 shares at cost	(239,742)	(239,742)
Deferred compensation	(1,331,379)	(1,650,607
Additional paid-in capital	157,322,778	137,449,109
Accumulated deficit	(134,529,874)	(116,748,231)

Total stockholders’ equity	21,225,571	18,813,583
Total liabilities and stockholders’ equity	$ 26,810,247	$ 23,987,106

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2004	2003	2002
Net revenues	$ 15,995,177	$ 10,310,744	$ 5,599,216
Cost of revenues	12,842,471	10,061,881	5,596,801
Gross margin	3,152,706	248,863	2,415
Operating expenses			
Research and development	1,433,013	1,261,485	1,024,060
Selling	8,049,537	5,493,905	3,830,489
General and administrative	8,471,026	6,372,677	5,363,373
Impairment losses on other long-lived assets	—	1,379,415	—
Total operating expenses	17,953,576	14,507,482	10,217,922
Loss from continuing operations	(14,800,870)	(14,258,619)	(10,215,507)
Other (income) expense			
Amortization of deferred financing costs	84,796	376,596	122,680
Interest income	(41,520)	(7,000)	(71,644)
Interest expense	61,871	1,026,469	431,792
Gain on marketable equity securities	(132,284)	—	—
Other income	(5,000,000)	—	—
Amortization of discount on subordinated debentures	3,165,036	1,987,550	39,360
Loss on exchange of debt	1,354,000	—	—
Total other (income) expenses, net	(508,101)	3,383,615	522,188
Loss before income taxes	(14,292,769)	(17,642,234)	(10,737,695)
Income tax provision	212,000	—	—
Net loss from continuing operations	(14,504,769)	(17,642,234)	(10,737,695)
Loss from discontinued AV operations	—	(1,173,067)	(2,696,223)
Loss from discontinued VS operations	(2,908,331)	(3,623,637)	(44,844,385)
Loss from discontinued Voice operations	—	—	(286,880)
Net loss	(17,413,100)	(22,438,938)	(58,565,183)
Preferred stock dividends	(368,543)	—	—
Net loss attributable to common stockholders	$(17,781,643)	$(22,438,938)	$(58,565,183)
Loss from continuing operations per share:			
Basic and diluted	$ (0.40)	$ (0.60)	$ (0.37)
Loss from discontinued operations per share:			
Basic and diluted	$ (0.08)	$ (0.16)	$ (1.66)
Preferred stock dividends per share:			
Basic and diluted	$ (0.01)	$ —	$ —
Net loss attributable to common stockholders per share:			
Basic and diluted	$ (0.49)	$ (0.76)	$ (2.03)
Weighted average number of common shares outstanding:			

Basic and diluted	36,390,112	29,455,644	28,792,217

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock						
	Shares	Amount	Treasury Stock	Deferred Compensation	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2001	25,292,189	$ 2,529	$(239,742)	$ (739,927)	$105,629,915	$ (35,744,110)	$ 68,908,665
Amortization of deferred option compensation	—	—	—	292,191	—	—	292,191
Forfeiture of deferred option compensation	—	—	—	260,742	(260,742)	—	—
Issuance of stock options for services	—	—	—	—	135,339	—	135,339
Extension of expiration date of COO stock options	—	—	—	—	206,663	—	206,663
Exercise of stock options	158,482	16	—	—	371,473	—	371,489
Exercise of warrants	54,339	5	—	—	—	—	5
Issuance of warrants for services	—	—	—	—	407,181	—	407,181
Issuance of warrants in connection with subordinated debentures	—	—	—	—	4,571,921	(39,360)	4,532,561
Issuance of shares in connection with private placement	3,426,650	343	—	—	20,257,618	—	20,257,961
Net loss for the year	—	—	—	—	—	(58,525,823)	(58,525,823)
Balance at December 31, 2002	28,931,660	2,893	(239,742)	(186,994)	131,319,368	(94,309,293)	36,586,232
Amortization of deferred option compensation	—	—	—	161,446	—	—	161,446
Forfeiture of deferred option compensation	—	—	—	25,548	(25,548)	—	—
Deferred compensation related to the issuance of restricted stock	670,000	67	—	(1,945,200)	1,945,200	—	67
Amortization of deferred compensation from the issuance of restricted stock	—	—	—	378,766	—	—	378,766
Deferred compensation related to the extension of the post- termination exercise period of stock options	—	—	—	(2,233,834)	2,233,834	—	—
Amortization of deferred compensation related to the extension of the post-termination exercise period of stock options	—	—	—	2,149,661	—	—	2,149,661
Exercise of stock options	603,012	60	—	—	630,875	—	630,935
Exercise of warrants	96,183	10	—	—	—	—	10
Issuance of warrants for services	—	—	—	—	775,151	—	775,151
Issuance of shares in lieu of interest on subordinated debentures	242,817	24	—	—	570,229	—	570,253
Net loss for the year	—	—	—	—	—	(22,438,938)	(22,438,938)
Balance at December 31, 2003	30,543,672	3,054	(239,742)	(1,650,607)	137,449,109	(116,748,231)	18,813,583
Deferred compensation related to the issuance of restricted stock	190,000	19	—	(511,500)	511,481	—	—
Amortization of deferred compensation from the issuance of restricted stock	—	—	—	857,858	—	—	857,858
Forfeiture of deferred stock compensation	(40,000)	—	—	134,000	(134,000)	—	—
Deferred compensation related to the issuance of stock options	—	—	—	(161,130)	161,130	—	—
Extension of expiration date of stock options	—	—	—	—	46,340	—	46,340
Exercise of stock options	782,012	78	—	—	569,623	—	569,701
Exchange of subordinated debentures for preferred stock, common stock & the repricing of warrants	250,000	25	—	—	6,241,975	—	6,242,000
Issuance of shares in connection with private placement	6,100,000	610	—	—	12,432,605	—	12,433,215
Issuance of shares in lieu of interest on subordinated debentures	18,556	2	—	—	44,515	—	44,517
Preferred stock dividends	—	—	—	—	—	(368,543)	(368,543)
Net loss for the year	—	—	—	—	—	(17,413,100)	(17,413,100)
Balance at December 31, 2004	37,844,240	$ 3,788	$(239,742)	$ (1,331,379)	$157,322,778	$(134,529,874)	$ 21,225,571

See accompanying notes to consolidated financial statements.

GLOWPOINT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net loss	$(17,413,100)	$(22,438,938)	$(58,565,183)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	5,473,726	4,888,970	4,984,475
Amortization of deferred financing costs	84,796	376,596	122,680
Amortization of discount on subordinated debentures	3,165,036	1,987,550	39,360
Non cash compensation	902,375	4,008,076	675,057
Loss on extinguishment of debt	1,354,000	—	—
Proceeds from sale of marketable equities	213,542	—	—
Impairment losses on goodwill	—	—	40,012,114
Impairment losses on long-lived assets	—	1,379,415	1,357,806
Deferred income taxes	212,000	—	—
Loss on disposal of equipment	—	—	28,305
Increase (decrease) in cash attributable to changes in assets and liabilities, net of effects of acquisitions:			
Escrowed cash	(1,965)	(335,188)	—
Accounts receivable	(457,340)	(1,027,661)	10,029,925
Inventory	—	—	(2,401,306)
Net assets of discontinued AV operations	—	807,067	(807,067)
Net assets of discontinued VS operations	—	6,761,095	—
Receivable from Gores Technology Group	(2,750,000)	(209,688)	—
Other current assets	(1,345,279)	(1,937,752)	(3,689,790)
Other assets	(231,554)	52,151	(90,329)
Accounts payable	464,085	(1,360,383)	(3,247,953)
Accrued expenses	217,717	219,320	(1,009,341)
Deferred revenue	1,018,186	—	(27,009)
Other current liabilities	—	—	(1,465,049)
Net cash used by operating activities	(9,093,775)	(6,829,370)	(14,053,305)
Cash flows from investing activities:			
Purchases of furniture, equipment and leasehold improvements	(3,361,402)	(2,399,297)	(4,745,933)
Proceeds from sale of furniture, equipment and leasehold improvements	—	—	15,000
Proceeds from sale of discontinued VS operation	—	16,233,312	—
Net cash provided (used) by investing activities	(3,361,402)	13,834,015	(4,730,933)
Cash flows from financing activities:			
Proceeds from common stock offering	12,433,215	—	20,257,961
Proceeds (costs) from issuance of subordinated debentures	(15,232)	(249,355)	4,571,921
Exercise of warrants and options, net	569,701	630,935	371,494
Proceeds from bank loans	—	75,545,455	78,894,947
Payments on bank loans	—	(81,390,971)	(83,677,513)
Deferred financing costs	—	(26,070)	(505,074)
Payments on capital lease obligations	(131,182)	(91,957)	(56,734)
Net cash provided (used) by financing activities	12,856,502	(5,581,963)	19,857,002

Increase in cash and cash equivalents	401,325	1,422,682	1,072,764
Cash and cash equivalents at beginning of period	4,184,897	2,762,215	1,689,451
Cash and cash equivalents at end of period	$ 4,586,222	$ 4,184,897	$ 2,762,215
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 17,355	$ 227,103	$ 182,176
Taxes	$ —	$ —	$ —

Non-cash financing and investing activities:

During the years ended December 31, 2004, 2003 and 2002, we recorded non-cash amortization of discount on subordinated debentures of $3,165,036, $1,987,550 and $39,360, respectively.

During the years ended December 31, 2004 and 2003, we issued shares of common stock in lieu of interest on subordinated debentures with values of $44,517 and $570,253, respectively.

During the year ended December 31, 2004, we exchanged convertible subordinated debentures for convertible preferred stock with a value totaling $6,242,000.

We accrued preferred stock dividends of $368,543 during the year ended December 31, 2004.

We acquired equipment with costs totaling $258,110 under capital lease arrangements during the year ended December 31, 2003.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002

Note 1—The Business

Glowpoint, Inc. (“Glowpoint” or “we” or “us”), a Delaware corporation, provides comprehensive feature-rich video communications services with telephone-like reliability and ease-of-use on the industry’s only carrier-grade, IP-based subscriber network that is designed exclusively for video communications. The network spans four continents, enabling users to connect across the United States, as well as to virtually any business center around the world. The growth of subscriptions was fairly steady through early 2003, when we determined that separating the video communications service from the equipment sales side of the business would open up a much larger distribution channel for the Glowpoint network. On September 23, 2003, Glowpoint, formerly known as Wire One Technologies, Inc. completed the sale of its video solutions (VS) business to Gores Technology Group in order to focus solely on growing our video communications services. Our mission is to significantly improve the ease-of-use, cost-effectiveness, functionality, and quality of existing video communications in order to make it an integral part of business communications.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Glowpoint and our wholly owned subsidiaries, AllComm Products Corporation (“APC”), and VTC Resources, Inc. (“VTC”). All material inter-company balances and transactions have been eliminated in consolidation.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates made. We periodically evaluate estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Revenue Recognition

We recognize service revenue related to the Glowpoint network subscriber service and the multi-point video and audio bridging services as service is provided. In February, 2004 we began billing subscription fees in advance and at December 31, 2004, we had deferred approximately $811,000 of this revenue. Customer activation fees are deferred and recognized over the life of the customer relationship. At December 31, 2004, we had deferred approximately $207,000 of activation fees and approximately $175,000 of related installation costs. 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. Our cash and cash equivalents consisted of $4.9 million and $4.5 million at December 31, 2004 and 2003.

In September 2003, as a condition to closing the sale of our videoconferencing equipment business, we set aside $335,000 in an interest-bearing escrow account. These funds, including interest thereon, are restricted as to their use until certain calculations required by the asset purchase agreement are performed and agreed between the parties or determined by independent accountants and are included in escrowed cash on the accompanying consolidated balance sheets at December 31, 2004 and 2003. On March 7, 2005, the Company announced that it had entered into a settlement agreement with Gores under which Gores released to Glowpoint the $335,000, including interest thereon that was escrowed at the closing of the asset sale.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, and uncollateralized 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.

We perform ongoing credit evaluations of our customers. No single customer accounts for more than 10% of our revenues or accounts receivable. 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 its 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.

Prepaid Commissions

Prior to the sale of the VS operation, we paid commissions to VS employees for their efforts in obtaining year-long customer subscriptions on the Glowpoint network. These costs have been recorded as prepaid commissions and are amortized to selling expenses over the term of the related customer agreement. Payments made to resellers for their efforts in obtaining customer subscriptions are treated similarly in the accompanying consolidated financial statements. At December 31, 2004 and 2003, we had deferred approximately $75,000 and $200,000, respectively, related to prepaid commissions with the balance at December 31, 2004 related entirely to commissions paid to resellers.

Property and Equipment

Property and equipment are stated at cost. Furniture and office, computer, videoconferencing, bridging and network equipment are depreciated over the estimated useful lives of the related assets, which range from three to six 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 Financial Accounting Standards Board ("FASB") Statement 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 would be 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.

Goodwill and Other Intangible Assets

We follow Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" in accounting for goodwill and other intangible assets. SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that we identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with indefinite useful lives. An intangible asset with an indefinite useful life is tested for impairment in accordance with the guidance in SFAS No. 142 (See Note 6).

Income Taxes

We use the 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 (principally certain accrued expenses, compensation expenses, depreciation expense and allowance for doubtful accounts), and are measured using the enacted tax rates that are expected to be in effect when the differences are expected to reverse.

Earnings (loss) Per Share

Basic loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding, plus the weighted average number of net shares that would be issued upon exercise of stock options and warrants using the treasury stock method and the deemed conversion of subordinated debentures using the if-converted method. Diluted loss per share for 2004, 2003 and 2002 is the same as basic loss per share, since the effects of the calculation for those years were anti-dilutive.

	Years Ended December 31,		
	2004	2003	2002
Weighted average shares outstanding	36,390,112	29,455,644	28,792,217
Effect of dilutive options and warrants	—	—	—
Weighted average shares outstanding including dilutive effect of securities	36,390,112	29,455,644	28,792,217

Weighted average options and warrants to purchase 12,829,219, 11,956,659 and 11,143,590 shares of common stock during the years ended December 31, 2004, 2003 and 2002, respectively, and subordinated debentures convertible into 2,036,667 common shares in 2003 and 2002, were not included in the computation of diluted earnings per share because we reported a net loss attributable to common stockholders for these periods and their effect would have been anti-dilutive.

Stock-Based Compensation

We periodically grant stock options to employees 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. We account for our employee stock-based compensation plans under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees”, and, accordingly, account for employee stock-based compensation utilizing the intrinsic value method. SFAS No. 123, “Accounting for Stock-Based Compensation”, establishes a fair value based method of accounting for stock-based compensation plans. We have adopted the disclosure only alternative under SFAS No. 123, which requires disclosure of the pro forma effects on earnings and earnings per share as if SFAS No. 123 had been adopted as well as certain other information.

The fair value of stock options or warrants issued in return for services rendered by any non-employees is estimated on the date of grant using the Black-Scholes pricing model and is charged to operations over the vesting period or the terms of the underlying service agreements. We adjust these estimates for any increases in market price for each of our reporting periods.

In 2002, we adopted SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure”, which (i) amends SFAS No. 123, to provide alterative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation (ii) amends the disclosure provisions of, SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity’s accounting policy decisions with respect to stock-based employee compensation and (iii) amends APB opinion No. 28, “Interim Financial Reporting,” to require disclosure about those effects in interim financial information. We continue to account for employee stock-based compensation utilizing the intrinsic value method. The additional disclosures required by SFAS No. 148 are as follows:

	Years Ended December 31,		
	2004	2003	2002
Net loss attributable to common stockholders, as reported	$(17,781,643)	$(22,438,938)	$(58,565,183)
Add: stock based employee compensation expense included in reported net loss, net of tax	25,952	2,311,107	292,191
Deduct: total stock based employee compensation expense determined under the fair value based method for all awards, net of tax	(843,262)	(5,486,945)	(6,125,125)
Pro forma net loss	$(18,598,953)	$(25,614,776)	$(64,398,117)
Net loss per share:			
Basic and diluted - as reported	$ (0.49)	$ (0.76)	$ (2.03)
Basic and diluted - pro forma	$ (0.51)	$ (0.87)	$ (2.24)

The weighted-average grant date fair value of options granted during 2004, 2003 and 2002 under the Black-Scholes option pricing model was $1.16, $1.23 and $1.90 per option, respectively.

The fair value of each option granted in 2004, 2003 and 2002 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2004	2003	2002
Risk fees interest rates	4.27%	4.00%	3.89%
Expected option lives	10 years	7.55 years	5 years
Expected volatility	94.66%	79.32%	145.41%
Expected dividend yields	None	None	None

Fair Value of Financial Instruments

Financial instruments reported in our consolidated balance sheet consist of cash, accounts receivable, accounts payable and bank loan payable, the carrying value of which approximated fair value at December 31, 2004 and 2003. The fair value of the financial instruments disclosed are not necessarily representative of the amount that could be realized or settled nor does the fair value amount consider the tax consequences of realization or settlement.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R which addresses the accounting for transactions in which a company receives employee services in exchange for (a) equity instruments of the company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. It eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25 and generally requires that such transactions be accounted for using a fair-value-based method. As permitted by the current SFAS No. 123, *Accounting for Stock-Based Compensation*, we have been accounting for share-based compensation to employees using APB Opinion No. 25's intrinsic value method and, as such, we generally recognize no compensation cost for employee stock options. We are required to adopt SFAS No. 123R for the interim period beginning after June 15, 2005. Based on the current outstanding unvested number of stock options, we expect to record compensation charges totaling $2.0 million over the vesting period of the options. The adoption of this statement will have no impact on our cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchange of Nonmonetary Assets, an Amendment of APB Opinion No. 29, "Accounting for Nonmonetary Transactions."* SFAS No. 153 is based on the principle that exchange of nonmonetary assets should be measured based on the fair market value of the assets exchanged. SFAS No. 153 eliminates the exception of nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary asset exchanges in fiscal periods beginning after June 15, 2005. We are currently evaluating the provisions of SFAS No. 153 and do not believe that the adoption of SFAS No. 153 will have a material impact on our consolidated financial statements.

Note 3—Discontinued Operations

In September 2003, we completed the sale of all of the properties, rights, interests and other tangible and intangible assets that relate in any material respect to our VS segment to Gores pursuant to the terms of the asset purchase agreement dated as of June 10, 2003. We are entitled to receive total consideration of up to $24 million for the transaction, consisting of $21 million in cash, including $19 million received at closing and a $2 million holdback, an unsecured $1 million promissory note maturing on December 31, 2004 and bearing an interest rate of 5% per annum and a $2 million earn-out based on performance of the assets over the two years following the closing. Gores held back $2 million to cover potential purchase price adjustments payable by Glowpoint arising under the asset purchase agreement. The $2 million cash holdback and the $1 million unsecured promissory note were not recorded on the consolidated balance sheet as of December 31, 2003 as Gores had not yet completed their evaluation of the acquired assets. A deferred gain on sale of the VS operation totaling $646,000 was recorded and is a component of accrued expenses on the accompanying consolidated balance sheet as of December 31, 2003. Gores will also pay Glowpoint on each of June 30, 2004 and June 30, 2005 additional payments, not to exceed an aggregate of $2 million, equal to five percent of the sum of (1) the amounts billed by Gores from the operation of the VS segment by Gores after the closing, plus (2) the annual revenues derived from the video solutions business of Pierce Technology Services, Inc. (formerly Forgent Networks, Inc.) for such year in excess of $96 million. If Gores sells substantially all of the assets of its video solutions business prior to June 30, 2005, whether by merger, sale of stock or sale of assets, for total consideration greater than $35 million, Gores will pay us $2 million less amounts previously paid. As partial consideration for the purchase of assets, Gores assumed certain liabilities related to the VS segment, including (1) all liabilities to be paid or performed after the closing date that arise from or out of the performance or non-performance by Gores after the closing date of any contracts included in the assets or entered into after June 10, 2003 and (2) our accounts payable, customer deposits, deferred revenue and accrued liabilities related to the VS segment.

The sale of our VS segment was approved by stockholders at our 2003 Annual Meeting of Stockholders held on Thursday, August 21, 2003.

The closing of the sale took place on September 23, 2003. The VS segment included our videoconferencing equipment distribution, system design and engineering, installation, operation and maintenance activities consisting of: a headquarters and warehouse facility in Miamisburg, Ohio; a help desk operation in Camarillo, California; 24 sales offices and demonstration facilities across the United States; and a client list of approximately 3,000 active customers with an installed base of approximately 22,000 video conferencing systems. As a result, this segment is classified as a discontinued operation in the accompanying financial statements, with its assets and liabilities summarized in single line items on the consolidated balance sheets and its results from operations summarized in a single line item on the consolidated statement of operations.

Pursuant to the asset purchase agreement dated as of June 10, 2003 (the “Agreement”), Gores agreed that, for a period of three years commencing on the closing date, it would not, directly or indirectly, acquire or own any equity interest in the restricted competitors listed on a schedule to the Agreement in a transaction that would result in Gores directly or indirectly marketing or selling services that are competitive with our Network Business. Our Network Business consists of the Glowpoint service as well as bridging, gateway and network design operations. On October 8, 2004, Gores announced that it signed a definitive agreement to acquire V-SPAN, Inc., a video collaboration solutions company, in a merger transaction with Wire One Technology, Inc. (“Wire One”), a videoconferencing equipment integration and service company. V-SPAN is one of the restricted competitors listed on the aforementioned schedule and we believe that all of the services offered by V-SPAN are competitive with our Network Business. The Agreement further provided that Gores may acquire any of the restricted competitors upon payment by Gores to us of a one-time fee of $5 million. On December 2, 2004, we sued Gores to collect the $5 million owed under the Agreement as a result of Gores’ acquisition of V-SPAN, Inc. on November 29, 2004.

On January 12, 2005, we announced that PricewaterhouseCoopers had rendered its decision in our arbitration proceeding with Gores. The arbitration was conducted pursuant to the asset purchase agreement governing the sale of our video solutions business. The arbitrator found 65% in our favor, allowing $4.3 million of Gores' $12.3 million in claims relating to the determination of the net assets of the business. In addition, the arbitrator determined the transition cost amount defined by the agreement to be approximately $1.0 million.

On March 7, 2005, we announced that we had entered into a settlement agreement with Gores, resolving the outstanding disputes between the companies relating to the sale of the assets of the video solutions business and Gores' acquisition of V-SPAN. Pursuant to the agreement, Gores paid us $2.75 million and released the $335,000, including interest thereon that was escrowed at the closing of the asset sale. We dismissed our lawsuit against Gores relating to the V-SPAN acquisition.

Revenues and pretax loss from discontinued VS operations are as follows:

	Years Ended December 31,		
	2004	2003	2002
Revenues	$ —	$40,253,589	$ 70,931,571
Pretax loss	$(2,908,331)	$ (3,623,637)	$(44,844,385)

In March 2003, we completed the sale of certain assets of our audio-visual ("AV") component to Columbia, Maryland-based Signal Perfection Limited for approximately $807,000, of which $250,000 was paid in cash at the close of the transaction and the balance of which was paid in full in 2003. The sale of the AV component was aimed at enabling us to focus more of our resources to the development and marketing of our Glowpoint network and to our video solutions business. As a consequence, this unit has been classified as a discontinued operation in the accompanying consolidated financial statements, with its net assets summarized in a single line item on the consolidated balance sheets and its results from operations summarized in a single line item on the consolidated statements of operations.

Revenues and pretax loss from discontinued AV operations are as follows:

	Years Ended December 31,		
	2004	2003	2002
Revenues	$ —	$ 3,876,822	$17,260,642
Pretax loss	$ —	$(1,173,067)	$ (2,696,223)

On October 24, 2001, we completed the sale of our voice communications business unit to Fairfield, New Jersey-based Phonextra, Inc. for approximately $2,017,000, half of which was paid in cash at the close of the transaction and the balance of which was paid in the form of a promissory note which was paid in 2002. The sale of our voice communications unit was aimed at enabling us to sharpen our focus on video solutions and on Glowpoint. As a consequence, this unit has been classified as a discontinued operation in the accompanying financial statements, with its results from operations summarized in a single line item on the consolidated statements of operations.

Revenues and pretax loss from discontinued voice operations are as follows:

	Years Ended December 31,		
	2004	2003	2002
Revenues	$ —	$ —	$ —
Pretax loss	$ —	$ —	$(286,880)

The pretax loss recorded in 2002 was the result of several post-closing adjustments related to the settlement of liabilities with vendors and customers for amounts in excess of those previously accrued.

Note 4—Other Current Assets

Other current assets consist of the following:

	December 31, 2004	December 31, 2003
Prepaid telecommunications costs	$ 263,770	$ 268,465
Prepaid installation costs	174,946	—
Prepaid maintenance contracts	83,911	127,640
Sales tax refunds receivable	83,250	138,603
Prepaid commissions	75,275	199,571
Prepaid insurance	70,262	137,819
Prepaid professional fees	—	163,925
Marketable equity securities	—	74,065
Other current assets	187,361	120,202
	$ 938,775	$1,230,290

Note 5—Property and Equipment

Property and equipment consist of the following:

	December 31, 2004	December 31, 2003	Estimated Useful Life
Leasehold improvements	$ 419,057	$ 389,080	5 Years
Office furniture and equipment	470,886	406,945	5 Years
Computer equipment and software	2,758,732	2,322,750	3 Years
Videoconferencing equipment	354,294	354,294	3 Years
Bridging equipment	1,244,063	1,244,063	5 Years
Network equipment	17,647,236	14,815,734	6 Years
Vehicles	220,316	220,316	5 Years
	23,114,584	19,753,182	
Less: Accumulated depreciation	(10,523,573)	(6,729,127)	
	$ 12,591,011	$13,024,055	

Depreciation expense was $3,794,446, $3,115,863 and $4,096,596 for the years ended December 31, 2004, 2003 and 2002, respectively, which includes depreciation expense of $46,929 for 2004, $32,832 for 2003 and $57,937 for 2002 on fixed assets subject to capital leases. The equipment under capital leases as of December 31, 2004 had a cost of $258,110, accumulated depreciation of $79,761 and a net book value of $178,349.

Note 6—Goodwill and Other Intangible Assets

We adopted SFAS 142 on January 1, 2002. As of this date, we completed our Step 1 analysis and determined there was no impairment of its existing goodwill. Subsequent to the completion of this initial transitional goodwill impairment test, certain events and changes in circumstances caused us to reevaluate the goodwill for possible impairment. We used a fair value approach as of September 30, 2002 to reevaluate the existing goodwill for impairment. We completed this valuation in the fourth quarter of 2002 and it resulted in an impairment of $40,012,114 of goodwill in accordance with SFAS 142, which is included in loss from discontinued VS operations in the accompanying consolidated statement of operations.

Our acquisitions to date have all been accounted for using the purchase method. For purchase business combinations completed, the net carrying amount of goodwill was $2,547,862 as of December 31, 2004. We completed our annual test of goodwill and other intangible assets for impairment in the fourth quarter of 2004 in accordance with SFAS 142 and determined that no impairment existed.

Note 7—Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2004	2003
Accrued compensation	$ 899,230	$168,109
Accrued dividends	368,543	—
Customer deposits	86,266	—
Accrued professional fees	44,648	—
Deferred gain on sale of VS operation	—	645,745
Accrued interest	—	24,791
Other	88,262	62,045
	$1,486,949	$900,690

Note 8—Bank Loan Payable and Long-Term Debt

Bank Loan Payable

In May 2002, we entered into a $25 million working capital credit facility with JPMorgan Chase Bank and incurred $505,074 in deferred financing costs. Under terms of the three-year agreement for this facility, loan availability is based on (1) 80% of eligible accounts receivable and (2) the lesser of 50% against eligible finished goods inventory or 80% against the net eligible amount of the net orderly liquidation value by category of finished goods inventory as determined by an outside appraisal firm, subject to an inventory cap of $2 million. Borrowings bear interest at the lender's base rate plus 1 1/2 % per annum. At December 31, 2003, the interest rate on the facility was 5.50%. The credit facility contains certain financial and operational covenants. For the period from July 1, 2002 through September 30, 2002 (the "2002 Third Quarter"), we were in violation of the covenant requiring us to meet a certain earnings before interest, taxes, depreciation and amortization ("EBITDA") target for the three quarters ended September 30, 2002. In November, 2002, we concluded an amendment to the credit facility to cure noncompliance with the EBITDA covenant. As compensation for this amendment, we granted 100,000 warrants with an exercise price of $1.99 to JPMorgan Chase. The fair value of these warrants was determined to be $176,203 using the Black-Scholes valuation method and this amount was charged to interest expense in 2002. For the period from October 1, 2002 through December 31, 2002 ("2002 Fourth Quarter"), we were in violation of the covenant requiring us to meet a certain EBITDA target for the four quarters ended December 31, 2002. In March 2003, we concluded an amendment to the credit facility with JPMorgan Chase Bank to cure non-compliance with the EBITDA financial covenant. As compensation for this amendment, we granted 100,000 warrants with an exercise price of $2.06 to JPMorgan Chase. The fair value of these warrants was determined to be $187,210 using the Black Scholes valuation method and this amount was charged to interest expense in 2003. Some additional highlights of the amendment include: 1) a reduction in the commitment amount of the line of credit from $25 million to $15 million; 2) revised EBITDA covenant levels for the remainder of the term of the credit agreement; and, 3) maintenance of the interest rate, loan fees and provisions of the borrowing formula at the same levels as previously negotiated. In September 2003, we signed a letter agreement with JP Morgan Chase to further reduce the commitment amount of the line of credit from $15 million to $7.5 million. In connection with these amendments, we wrote off approximately $188,000 of deferred financing costs in 2003. At December 31, 2003, there were no borrowings outstanding under the facility. In February 2004, the working capital credit facility with JPMorgan Chase was terminated at our request. As a result of the termination of this credit facility, the $85,000 of unamortized deferred financing costs as of December 31, 2003 was written off to expense in the first quarter of 2004.

Long-Term Debt

Long-term debt consists of the following:

	December 31, 2004	December 31, 2003
Bank loan payable	$ —	$ —
Capital lease obligations	34,972	166,154
	34,972	166,154
Less: current maturities	34,972	131,182
	$ —	$ 34,972

Note 9—Subordinated Debentures

In December 2002, we raised net proceeds of $4.6 million in a private placement of $4,888,000 principal amount of 8% convertible debentures. The debentures, which are convertible into 2,036,677 shares of common stock at $2.40 per share, are subordinate to our credit facility with JPMorgan Chase Bank. The debentures mature in February 2004, or 90 days following the expiration (in May 2005) or earlier termination of the credit facility, whichever is later. We have the option of paying interest quarterly on the debentures in the form of either cash or our common stock. Investors in the private placement also received five-year warrants to purchase 814,668 shares of common stock at an exercise price of $3.25 per share. The warrants are subject to customary anti-dilution adjustments. We also issued to our placement agent warrants to purchase 40,733 shares of common stock at an exercise price of $0.001 per share with an expiration date of January 31, 2003.

Costs of the offering, including the fair value of the warrants, totaled $2,519,000. This amount was recorded as a discount on subordinated debentures and is being amortized over the period from the date of issuance to the August 2005 redemption date. In addition, in accordance with EITF No. 00-27, we recorded additional discount on subordinated debentures of $2,369,000 to reflect the beneficial conversion feature of the warrants. Accordingly, all of the proceeds from this financing have been credited to stockholders' equity.

In January 2004, in exchange for the cancellation and termination of notes with an aggregate face value of $4,888,000 and forfeiture of any and all rights of collection, claim or demand under the notes, we agreed to give the holders of the notes: (i) an aggregate of 203.667 shares of series B convertible preferred stock; (ii) an aggregate of 250,000 shares of restricted common stock; and (iii) a reduction of the exercise price of the warrants issued pursuant to the original purchase agreement from $3.25 to $2.75. As a result of this exchange, the $3.1 million of discount on subordinated debentures as of December 31, 2003 was written off to expense in the first quarter of 2004.

Note 10—Stockholders' Equity

Common Stock

In February 2004, we raised net proceeds of $12.5 million in a private placement of 6,100,000 shares of our common stock at $2.25 per share. Investors in the private placement were also issued 1,830,000 common stock purchase warrants 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. We also issued to our placement agent five-year warrants to purchase 427,000 shares of common stock at an exercise price of $2.71 per share.

Preferred Stock

In December 1996, our stockholders approved an amendment to our Certificate of Incorporation to authorize the issuance of up to 1,000,000 shares of preferred stock. The authorized number of shares of preferred stock to be issued was raised to 5,000,000 shares effective with the merger with VTI. Except for the 2,450 shares of Series A preferred stock issued in June 2000 and the 203.667 shares of Series B preferred stock issued in January 2004, the rights and privileges of the preferred stock have not yet been designated.

In January 2004, in exchange for the cancellation and termination of notes with an aggregate face value of $4,888,000 and forfeiture of any and all rights of collection, claim or demand under the notes, we agreed to give the holders of the notes: (i) an aggregate of 203.667 shares of series B convertible preferred stock; (ii) an aggregate of 250,000 shares of restricted common stock; and (iii) a reduction of the exercise price of the warrants issued pursuant to the original purchase agreement from $3.25 to $2.75. As a result of this exchange, the $3.1 million of discount on subordinated debentures as of December 31, 2003 was written off to expense in the first quarter of 2004.

The Series B preferred stock ranks senior to our common stock and other junior stock and subordinate to any indebtedness we may have outstanding. The Series B preferred stock holders are entitled to receive dividends at the rate of eight percent (8%) of the stated value per share of $24,000 per share per year through July 21, 2005, increasing to twelve percent (12%) on July 22, 2005, payable annually at our option in cash or shares of common stock. We must obtain the affirmative vote of the holders of at least 75% of the outstanding shares of Series B preferred stock in order to issue any securities ranking senior to or on a parity with the Series B preferred stock. Other than as described in the preceding sentence or as required by Delaware law, the Series B preferred stock has no voting rights. If we liquidate, dissolve or wind up our affairs, the holders of the Series B preferred stock are entitled to receive a liquidation preference equal to the stated value per share plus accrued and unpaid dividends. The Series B preferred stock is convertible into our common stock at the conversion price of $2.40 per share of common stock. Upon a change of control, the holders of the Series B preferred stock can require that we redeem their shares at the stated value per share plus accrued and unpaid dividends. We also have the option to redeem the outstanding shares of Series B preferred stock at a price per share equal to 110% of the stated value plus accrued and unpaid dividends.

Note 11—Stock Options

Glowpoint 2000 Stock Incentive Plan

In September 2000, we adopted and approved the Glowpoint 2000 Stock Incentive Plan (the "2000 Plan") and reserved up to 3,000,000 shares of common stock for issuance thereunder. In May 2002, our shareholders approved an amendment to the 2000 Plan increasing the amount of shares available under the plan to 4,400,000. The 2000 Plan permits the grant of incentive stock options ("ISOs") to employees or employees of its subsidiaries. Non-qualified stock options ("NQSOs") may be granted to employees, directors and consultants. We issued 1,593,400 options during 2004 with exercise prices ranging from $1.00 to $2.75 and vesting periods ranging to four years. We had issued options totaling 704,986 and 1,640,505 in 2003 and 2002, respectively. As of December 31, 2004, options to purchase a total of 3,124,020 shares were outstanding and 846,219 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 ISO's 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. Under the 2000 Plan, no individual will be granted ISO's corresponding to shares with an aggregate exercise price in excess of $100,000 in any calendar year less the aggregate exercise price of shares under other company stock options granted to that individual that vest in such calendar year. The 2000 Plan will terminate in 2010.

1996 Stock Option Plan

In December 1996, the Board of Directors adopted a Stock Option Plan (the "1996 Plan") and reserved up to 500,000 shares of common stock for issuance thereunder. In June 1998, our shareholders approved an amendment to the 1996 Plan increasing the amount of shares available under the plan to 2,475,000. The 1996 Plan provides for the granting of options to officers, directors, employees and advisors. The exercise price of incentive stock options ("ISOs") issued to employees who are less than 10% stockholders shall not be less than the fair market

value of the underlying shares 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 exercise price of restricted stock options shall not be less than the par value of the shares to which the option relates. Options are not exercisable for a period of one year from the date of grant. Under the 1996 Plan, no individual will be granted ISO's corresponding to shares with an aggregate exercise price in excess of $100,000 in any calendar year less the aggregate exercise price of shares under other stock options granted to that individual that vest in such calendar year. The 1996 Plan will terminate in 2006. No options were granted under the 1996 Plan in 2004, 2003 and 2002. As of December 31, 2004, options to purchase a total of 66,825 shares were outstanding and no shares remained available for future issuance under the 1996 Plan.

VTI Stock Option Plans

As part of the merger with VTI, 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. VTI had authorized an aggregate of 1,161,000 shares of common stock to be available under all the current option plans. 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 2004, 2003 and 2002. As of December 31, 2004, options to purchase a total of 223,225 shares were outstanding and no shares remained available for future issuance.

We have also issued stock options outside of our qualified plans. At December 31, 2004, the total of these options outstanding was 1,532,893.

A summary of options issued under our plans and other options outstanding as of December 31, 2004, and changes during fiscal 2002, 2003 and 2004 are presented below:

	Fixed Options	Range of Price	Weighted Average Exercise Price
Options outstanding, December 31, 2001	6,282,942	$ .30 –12.75	$ 3.44
Granted	1,640,505	$ 1.00 –5.48	2.10
Exercised	(158,482)	$ .76 –4.40	2.36
Forfeited	(755,544)	$ .53 –9.85	4.14
Options outstanding, December 31, 2002	7,009,421	$ .30 – 12.75	$ 3.08
Granted (1)	704,986	$ 1.13 –4.75	3.08
Exercised	(603,012)	$ .30 –2.75	1.05
Forfeited	(1,318,622)	$ 1.00 –9.85	3.79
Options outstanding, December 31, 2003	5,792,773	$ .53 – 12.75	$ 3.12
Granted	1,593,400	$ 1.00–2.75	1.30
Exercised	(782,012)	$ .53 -3.90	074
Forfeited	(1,657,198)	$ 1.00 -12.75	3.77
Options outstanding, December 31, 2004	4,946,963	$ .57– 9.85	$ 2.70
Shares of common stock available for future grant under company plans.	846,219		

(1) In January 2003, we granted a terminated employee 3,250 stock options at an exercise price of $1.13, which was below the fair market value of our stock on the date of the grant. This was done to correct an oversight in not granting the options while he was an employee. We did not record compensation cost related to the grant of these options as the impact was deemed to be immaterial to the consolidated financial statements.

Additional information as of December 31, 2004 with respect to all outstanding options is as follows:

	Outstanding			Exercisable	
Range of Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (In Years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$0.57 – 0.63	13,750	0.03	$ 0.57	13,750	$ 0.57
0.64 – 2.20	1,960,863	8.65	$ 1.36	710,296	$ 1.55
2.33 – 3.00	125,500	7.73	$ 2.73	125,500	$ 2.73
3.03 – 4.00	2,468,375	4.47	$ 3.37	2,299,719	$ 3.37
4.06 – 5.50	294,725	5.96	$ 4.97	294,725	$ 4.97
5.73 – 9.85	83,750	0.23	$ 6.82	83,750	$ 6.82
$0.57 – 9.85	4,946,963	6.21	$ 2.70	3,527,740	$ 3.18

We have elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its entire employee stock-based compensation plans. Accordingly, at the date of grant no compensation cost was recognized in the accompanying financial statements for stock options issued to employees because the exercise price of each option equals or exceeds the fair value of the underlying common stock as of the grant date for each stock option.

Non-cash compensation expense recognized in our Statement of Operations totaled $902,375, $4,008,076 and $675,057 in 2004, 2003 and 2002, respectively. During the year ended December 31, 2004, we recorded amortization of deferred compensation from the issuance of restricted stock of $857,858. In addition, we recorded a non-cash interest charge of $44,517 related to shares of common stock issued to subordinated debenture holders in lieu of cash interest payments.

During the year ended December 31, 2003, we recorded non-cash charges totaling $2,149,661 related to the extension of the post-termination exercise period of stock options of former employees. We recorded a non-cash interest charge of $570,253 related to shares of common stock issued to subordinated debenture holders in lieu of cash interest payments. Non-cash charges totaling $560,740 were recorded related to the issuance of 100,000 warrants to our current investment advisory firm and the re-pricing of 220,000 warrants previously issued to our prior investment advisory firm and its assigns. In addition, a non-cash charge of $378,766 was recorded to recognize the value of restricted stock issued to employees, directors and consultants as compensation and for consulting services that had vested during 2004. In addition to this charge, we recorded a $187,210 non-cash charge to interest expense for the Black-Scholes value of 100,000 warrants issued to JP Morgan Chase Bank as compensation for amending our credit agreement. The remaining $161,446 of non-cash compensation related to amortization of deferred employee stock option compensation which originated in the fourth quarter of 2000.

During the year ended December 31, 2002, we recorded a non-cash charge of $206,663 related to a one-year extension of certain stock options originally granted to our COO in 1997 and that were scheduled to expire in December 2002. The amount of the charge was calculated in accordance with FASB Interpretation No. 44 “Accounting for Certain Transactions involving Stock Compensation” which specifies that extending the maximum contractual life of an award results in a new measurement of compensation cost at the date of modification and that any intrinsic value at the modification date in excess of the amount measured at the original measurement date must be recognized as compensation cost immediately if the award is vested. The expiration date of the 123,750 fully-vested options with an exercise price of $0.53 per share was extended for one year on December 9, 2002. The market price of our common stock on that day was $2.20 per share. In addition to this charge, we recorded a $176,203 non-cash charge to interest expense for the Black-Scholes value of 100,000 warrants issued to JP Morgan Chase Bank as compensation for amending our credit agreement. The remaining $292,191 of non-cash compensation related to amortization of deferred employee stock option compensation which originated in the fourth quarter of 2000.

Also, during 2002, we entered into a severance and consulting arrangement with our former president. Under the terms of the severance arrangement, we granted the former president options to purchase 84,000 shares of our common stock at an exercise price of $1.13 per share, which vests 50% upon the date of grant and 50% on July 31, 2003. We valued these shares using the Black-Scholes pricing model and recorded an $86,736 non-cash charge to restructuring for the vested portion of these shares. Under the terms of the consulting arrangement, we granted an additional 50,000 options to purchase shares of our common stock at an exercise price of $3.00 per share, which vests 5,000 shares per month until July 31, 2003. We also valued these shares using the Black-Scholes pricing model and recorded a $48,603 non-cash charge to prepaid professional fees for the vested portion of these shares.

During the years ended December 31, 2004, 2003 and 2002, we received $569,701, $630,935 and $371,489 respectively from the exercise of stock options.

At December 31, 2004, we had outstanding warrants which can be converted into 7,486,023 shares of common stock, with exercise prices ranging from $1.00 to $10.50 and expiration dates ranging from June 6, 2005 to August 17, 2009. At December 31, 2004 these warrants have a weighted average exercise price of $5.43 and a weighted average remaining contractual life of 2.56 years. For the 2,257,000 warrants that were granted in 2004, the weighted average grant date fair value as determined by the Black-scholes option pricing model was $1.95.

Additional information as of December 31, 2004 with respect to all outstanding warrants is as follows:

	Outstanding		
Range of Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (In Years)**	**Weighted Average Exercise Price**
$1.00 – 2.50	567,781	2.26	$ 2.09
2.71 – 2.75	3,071,668	4.12	$ 2.74
4.90 – 7.50	2,077,725	1.47	$ 6.23
9.00 – 10.50	1,768,849	1.22	$ 10.23
$1.00 – 10.50	7,486,023	2.56	$ 5.43

Note 12—Commitments and Contingencies

Employment Agreements

Our board of directors has approved employment agreements for a number of our executive officers as follows:

President and Chief Executive Officer—We entered into an agreement with David Trachtenberg to serve as President and Chief Executive Officer having a three-year term commencing October 15, 2003. Under the agreement, Mr. Trachtenberg is entitled, in years 1, 2, and 3, respectively, to annual base compensation of $315,000, $345,000 and $375,000. Mr. Trachtenberg is also entitled to annual incentive compensation in an amount equivalent to fifty percent (50%) of his then annual base salary subject to the achievement of goals and metrics established by Mr. Trachtenberg and the Compensation Committee of the board of directors, with such goals and metrics being updated on an annual basis. The agreement provided for an award of 360,000 shares of restricted common stock, the fair value of which was determined to be $1,116,000. Compensation expense will be recorded evenly over the life of the employment agreement. Compensation expense of $372,000 and $77,500 was recorded during the years ended December 31, 2004 and 2003. Such restricted stock will be forfeited if Mr. Trachtenberg's employment is terminated for any reason with risk of forfeiture lapsing with respect to 120,000 shares on each anniversary of the commencement of his employment. In addition, Mr. Trachtenberg is also entitled to reimbursement for the costs of a car to conduct company business and for parking his car in New York City. Under the agreement, we must secure and pay the premium on a $2,000,000 life insurance policy payable to Mr. Trachtenberg's designated beneficiary. Either we or Mr. Trachtenberg may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Trachtenberg is terminated without cause or resigns for good reason or if he dies, he is entitled to one year of his then annual base salary, one year of his then annual incentive compensation, one year of continued reimbursement for his car and parking expenses and one year of accelerated vesting on the restricted stock granted under the employment agreement. If Mr. Trachtenberg'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 Chief Financial Officer—We entered into an agreement with Rod Dorsey to serve as Executive Vice President - Finance and Chief Financial Officer having a three-year term commencing December 7, 2004. Under the agreement, Mr. Dorsey is entitled to annual base compensation of $245,000 with this annual salary to be reviewed from time to time in accordance with our established procedures. Mr. Dorsey is also entitled to annual incentive compensation in an amount equivalent to forty percent (40%) of his then annual base salary subject to the achievement of goals and metrics established by the President and CEO with such goals and metrics being updated on an annual basis. The agreement also provided for a grant of an option to purchase 125,000 shares of common stock under the 2000 Plan, vesting in three equal annual installments. Either we or Mr. Dorsey may terminate his employment at any time, for any reason or no reason at all; however, if Mr. Dorsey is terminated without cause or resigns for good reason or if he dies, he is entitled to six 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 stock options granted under the employment agreement. If Mr. Dorsey'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 Chief Technology Officer—We entered into an agreement with Michael Brandofino to serve as Vice President and Chief Technology Officer having a three-year term commencing January 1, 2001. Under the agreement, Mr. Brandofino is entitled, in years 1, 2, and 3 respectively, to annual base compensation of $165,000, $195,000 and $225,000 and to a discretionary bonus. The agreement provides for a grant of an option to purchase 100,000 shares of common stock under the 2000 Plan, vesting in three equal annual installments. On April 24, 2002, Mr. Brandofino was named Executive Vice President and Chief Technology Officer and his agreement was amended to extend the term of the agreement by one year with annual base compensation of $235,000 in year 4. In addition, Mr. Brandofino was granted an additional option to purchase 15,000 shares of common stock under the 2000 Plan, vesting in three equal installments. On July 30, 2002, the agreement was amended to reduce the annual base compensation to $185,250 for the remainder of year 2 and to $213,750 and $223,250 in years 3 and 4, respectively. Effective January 1, 2003, the agreement was further amended to reduce annual base compensation to $185,250 through December 31, 2003. Effective September 23, 2003, the agreement was further amended to reset base compensation for the period October 1, 2003 through December 31, 2003 at the annual rate of $225,000 and for the period January 1, 2004 through December 31, 2004 at the annual rate of $245,000. The agreement also provided for a one-time guaranteed bonus of $35,000, payable on October 1, 2003 and a grant of an option to purchase 100,000 shares of common stock under the 2000 Plan, vesting 50% on each of December 31, 2003 and 2004. In addition, Mr. Brandofino's agreement stipulates that if we enter into a sale agreement during the term of the agreement and Mr. Brandofino 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. Effective July 1, 2004, the agreement was further amended to establish annual base compensation of $245,000, $260,000 and $275,000 for the three years of the agreement. Mr. Brandofino is also entitled to annual incentive compensation in an amount equivalent to forty percent (40%) of his then annual base salary subject to the achievement of goals and metrics established by the President and CEO, with such goals and metrics being updated on an annual basis. The agreement also provides for a grant of an option to purchase 100,000 shares of common stock under the 2000 Plan, with 25% vesting immediately and the remaining options vesting in three equal annual installments at the anniversary date of the agreement. 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 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.

Executive Vice President—The Company entered into an agreement with Christopher Zigmont to serve as Executive Vice President - Finance and Chief Financial Officer having a three-year term commencing January 1, 2001. Under the agreement, Mr. Zigmont is entitled, in years 1, 2, and 3 respectively, to annual base compensation of $175,000, $200,000 and $225,000 and to a discretionary bonus. The agreement provides for a grant of an option to purchase 150,000 shares of common stock under the 2000 Plan, vesting in three equal annual installments. On July 30, 2002, the agreement was amended to reduce the annual base compensation to $190,000 for the remainder of year 2 and to $213,750 in year 3. Effective January 1, 2003, the agreement was further amended to reduce annual base compensation to $190,000 for the remaining term. Mr. Zigmont continues to serve under the terms and at the annual base compensation of his expired amended employment agreement. Effective July 1, 2004, the agreement was further amended to increase annual base compensation to $215,000 for so long as Mr. Zigmont remains employed by us. Under the agreement, Mr. Zigmont is entitled to annual incentive compensation for 2004 in an amount equivalent to forty percent (40%) of his then annual base salary subject to the achievement of goals and metrics established by the President and CEO. The agreement also provides for a one-time guaranteed bonus of $50,000, payable on December 31, 2004 and a grant of an option to purchase 100,000 shares of our common stock under the 2000 Plan, vesting 50% on execution of the agreement and 50% on December 31, 2004. The post-termination exercise period for all options held by Mr. Zigmont was extended to twenty-four (24) months. Mr. Zigmont is to be employed as Executive Vice President and Chief Financial Officer through December 31, 2004 (or until a new Chief Financial Officer is hired), commencing as of the date of this agreement (it being understood that the Employment Period may be extended to continue on an “at will” basis following December 31, 2004, where either we or Mr. Zigmont may terminate his employment at any time, for any reason or no reason at all so long as they comply with the terms of the agreement). If Mr. Zigmont is terminated without cause, or resigns for good reason, or dies, he is be entitled to severance equal to seven and one-half (7 1/2) months’ salary at his then current rate of compensation as well as the continuation of benefits under the agreement. Such severance will be paid either as a lump sum or as salary continuation, at our discretion. In December 2004 we decided that Mr. Zigmont's employment will terminate in the first half of 2005 and accordingly, approximately $150,000 in severance and benefits costs were accrued at December 31, 2004.

Operating Leases

We lease several facilities under operating leases expiring through 2005. 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, 2004, 2003 and 2002 were approximately $304,000, $1,030,000 and $1,837,000, respectively. These amounts are inclusive of rent expense that was related to our discontinued VS and AV operations.

Future minimum rental commitments under all non-cancelable leases are as follows:

Year Ending December 31	
2005	$ 242,711

Capital Lease Obligations

We lease certain equipment under non-cancelable lease agreements. These leases are accounted for as capital leases. The equipment under the capital leases as of December 31, 2004 had a cost of $258,110, accumulated depreciation of $79,761 and a net book value of $178,349.

Future minimum lease payments under capital lease obligations at December 31, 2004 are as follows:

Total minimum payments in 2005	$ 35,373
Less amount representing interest	(401)
Total principal	34,972
Less portion due within one year	(34,972)
Long-term portion	$ —

Legal Matters

We are not currently defending any suit or claim.

Note 13—Restructuring Charge

During the year ended December 31, 2002, in accordance with Emerging Issues Task Force (EITF) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring),” we recorded a restructuring charge of $960,000, of which $700,000 related to the discontinued VS operation. We recognized this charge in the period in which (a) management having the appropriate level of authority to involuntarily terminate employees approved and committed us to a plan of termination and established the benefits that current employees will receive upon termination, (b) the benefit arrangement was communicated to employees and the communication of the benefit arrangement included sufficient detail to enable employees to determine the type and amount of benefits they would receive if they were terminated, (c) the plan of termination specifically identified the number of employees to be terminated, their job classifications or functions, and their locations and (d) the plan of termination indicated that significant changes to the plan of termination are not likely.

The significant components of the restructuring charge recorded as part of general and administrative expense are as follows:

Employee termination costs	$ 500,000
Facility exit costs	460,000
Restructuring costs related to discontinued VS operation	(700,000)
	$ 260,000

The employee termination costs relate to 84 of our employees and officers terminated following the implementation of a cost savings plan. The facility exit costs relate to the closing or downsizing of 19 sales offices.

The following table summarizes the activity against the restructuring charge:

Restructuring charge	$ 260,000
Cash paid	(135,000)
Non-cash expenses	(125,000)
Accrual balance at December 31, 2004	$ —

Note 14—Income Taxes

The income tax provision consists of the following:

	Years Ended December 31,		
	2004	2003	2002
Current:			
Federal	$ —	$ —	$ —
State	—	—	—
Total current	$ —	$ —	$ —
Deferred:			
Federal	$(4,299,322)	$(6,923,914)	$ (8,750,051)
State	(758,704)	(1,221,867)	(1,544,127)
Valuation allowance	5,270,026	8,145,781	10,294,178
Total deferred	$ 212,000	$ —	$ —
Income tax provision	$ 212,000	$ —	$ —

Our effective tax rate differs from the statutory federal tax rate as shown in the following table:

	Years Ended December 31,		
	2004	2003	2002
U.S. federal income taxes at the statutory rate	$(5,848,375)	$(7,629,239)	$(19,898,840)
State taxes, net of federal effects	(1,032,066)	(1,346,336)	(3,511,560)
Goodwill amortization/write-off	—	—	12,946,542
Nondeductible financing costs	1,266,015	795,020	—
Nondeductible loss on extinguishment of debt	541,600	—	—
Valuation allowance	5,270,026	8,145,781	10,294,178
Stock-based compensation	—	—	82,680

Other	14,800	34,774	87,000
	$ 212,000	$ —	$ —

The tax effects of the temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2004 and 2003 are presented below:

	December 31,	
	2004	2003
Deferred tax assets:		
Tax benefit of operating loss carry forward	$ 32,582,223	$ 28,534,935
Reserves and allowances	178,000	28,800
Goodwill	250,889	—
Fixed asset impairment charge	—	551,600
Stock based compensation	2,005,426	1,662,283
Other	198,692	202,092
Total deferred tax assets	$ 35,215,230	$ 30,979,710
Deferred tax liabilities:		
Depreciation	361,542	1,254,415
Goodwill	212,000	141,633
Total deferred tax liabilities	573,542	1,396,048
Sub-total	34,641,688	29,583,662
Valuation allowance	(34,853,688)	(29,583,662)
Net deferred tax liabilities	$ 212,000	$ —

During the periods presented, we maintained a valuation allowance to offset the benefits of significant temporary tax differences due to the uncertainty of their realization. These deferred tax assets consist primarily of net operating losses, including losses of approximately $19.0 million carried forward in the VTI merger, reserves and allowances, and stock based compensation. If the tax benefits currently offset by valuation allowances are subsequently realized, approximately $7.2 million will be credited to goodwill because these tax benefits relate to VTI operations prior to the merger. In addition, approximately $3.2 million will be credited to additional paid-in capital because these tax benefits relate to the exercise of non-qualified stock options and disqualifying dispositions of incentive stock options.

We and our subsidiaries file federal returns on a consolidated basis and separate state tax returns. At December 31, 2004, we have net operating loss (NOL) carry-forwards of approximately $88 million and $80 million for federal and state income tax purposes, respectively. The federal NOL's have a carryover period of 20 years and are available to offset future taxable income, if any, through 2024. The utilization of approximately $18 million in tax loss carry forwards is limited to approximately $2.6 million each year as a result of an "ownership change" (as defined by Section 382 of the Internal Revenue Code of 1986, as amended), which occurred in 2000.

Note 15—Valuation Accounts and Reserves

The following table summarizes the activity in the allowance for doubtful accounts:

	Years Ended December 31,		
	2004	2003	2002
Allowance for doubtful accounts:			
Beginning balance	$ 71,620	$ 285,000	$ 605,000
Charged to cost and expenses	508,207	794,172	1,502,914
Deductions (1)	(482,443)	(753,552)	(1,822,914)
Transferred with sale of VS operation	—	(254,000)	—

Ending balance	$ 97,384	$ 71,620	$ 285,000

(1) Represents the amount of accounts written off.

Note 16—Pension Plan

On March 1, 1998 we adopted a 401(k) retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan covered substantially all employees who met minimum age and service requirements. The 401(k) plan was non-contributory on our part. Effective with the merger with VTI, we assumed the 401(k) Plan of VTI, combined its assets with those of the existing plan and began making contributions to the plan. Employer contributions to the 401(k) plan for the years ended December 31, 2004, 2003 and 2002 were approximately $26,000, $77,000 and $115,000, respectively.

Note 17—Related Parties

We receive financial and tax services from an accounting firm in which one of our directors, Dean Hiltzik, is a partner. For the years ended December 31, 2004, 2003 and 2002, we incurred fees for these services of approximately $23,000, $24,000 and $33,000, respectively. We also entered into a consulting agreement with Mr. Hiltzik, dated January 2, 2001, for the provision of tax and financial services for one year. Mr. Hiltzik received an immediately vested option to purchase 30,000 shares of common stock at an exercise price of $3.94 per share pursuant to that agreement.

Note 18—Quarterly Financial Data (Unaudited)

The following is a summary of our unaudited quarterly results of operations for 2004 and 2003.

		2004	2003
1st Quarter			
	Net revenues	$ 3,224,950	$ 2,226,858
	Gross margin	485,197	(67,429)
	Loss from continuing operations	(3,558,703)	(2,588,771)
	Net loss	(8,214,036)	(4,649,267)
	Net loss attributable to common stockholders	(8,287,959)	(4,649,267)
	Net loss per share - basic and diluted	(0.25)	(0.16)
2nd Quarter			
	Net revenues	$ 4,126,449	$ 2,674,630
	Gross margin	830,855	70,310
	Loss from continuing operations	(3,247,666)	(2,981,822)
	Net loss	(3,133,377)	(4,899,707)
	Net loss attributable to common stockholders	(3,230,869)	(4,899,707)
	Net loss per share - basic and diluted	(0.09)	(0.17)
3rd Quarter			
	Net revenues	$ 4,384,643	$ 2,581,476
	Gross margin	950,081	93,185
	Loss from continuing operations	(3,489,752)	(4,400,922)
	Net loss	(3,556,429)	(7,630,319)
	Net loss attributable to common stockholders	(3,654,993)	(7,630,319)
	Net loss per share - basic and diluted	(0.10)	(0.26)
4th Quarter			
	Net revenues	$ 4,259,135	$ 2,827,781
	Gross margin	886,573	153,092
	Loss from continuing operations	(4,504,749)	(4,286,809)
	Net loss	(2,509,258)	(5,259,350)
	Net loss attributable to common stockholders	(2,607,822)	(5,259,350)
	Net loss per share - basic and diluted	(0.07)	(0.18)

Net loss per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net loss per share figures in 2004 and 2003 does not equal the total computed for these years.

Note 19—Subsequent Events

In March 2005, we entered into a common stock purchase agreement with several unrelated institutional investors in connection with the offering of (i) an aggregate of 6,766,667 shares of our common stock and (ii) warrants to purchase up to an aggregate of 2,706,667 shares of our common stock. We received proceeds from the sale of these shares and warrants equal to approximately $10.15 million, less our expenses relating to the sale, which were approximately $760,500, a portion of which represents investment advisory fees totaling $710,500 to Burnham Hill Partners, our financial advisor. The warrants that were issued are exercisable for a five-year term and have an exercise price of $2.40 per share. The warrants may be exercised by cash payment of the exercise price or by “cashless exercise.”

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

None.

Item 9A. Controls and Procedures

(a) As of the end of the period covered by this annual report, our management concluded its evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As of the end of the period, our President and Chief Executive Officer and our Chief Financial Officer concluded that we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

(b) During the evaluation referred to in Item 9A(a) above, we have identified no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information called for by this item with respect to directors and executive officers is incorporated herein by reference to the information contained in the section captioned “Election of Directors” in our definitive Proxy Statement for the period ended December 31, 2004, which Proxy Statement will be filed with the Securities and Exchange Commission on or before the end of April 2005.

The information with respect to our audit committee and our audit committee financial expert is incorporated herein by reference to the information contained in the section captioned “Election of Directors - Board of Directors, Board Committees and Meetings” in the Proxy Statement. The information with respect to our code of ethics is incorporated herein by reference to the information contained in the section captioned “Election of Directors - Code of Business Conduct and Ethics” in the Proxy Statement.

Item 11. Executive Compensation

The information called for by this item is incorporated herein by reference to the information contained in the section captioned “Executive Compensation and Other Matters - Executive Compensation” in the Proxy Statement.

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

The information called for by this item is incorporated herein by reference to the information contained in the section captioned “Stock Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

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, 2004. 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. Specifically, we issued most of these options to Richard Reiss, our chairman, in connection with his employment agreement. We issued the remainder of these options to two consultants and two directors as compensation for services.

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	3,414,070	$ 2.46	846,219
Equity compensation plans not approved by security holders	1,532,893	$ 3.24	—
Total	4,946,963	$ 2.70	846,219

Item 13. Certain Relationships and Related Transactions

The information called for by this item is incorporated herein by reference to the information contained in the sections captioned “Executive Compensation and Other Matters - Employment Agreements” and “Certain Relationships and Related Transactions” in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information called for by this item is incorporated herein by reference to the information contained in the section captioned “Ratification of Appointment of Independent Auditors” in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements: See Index to Consolidated Financial Statements under Item 8 on page 22 of this report.

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 51 of this Form 10-K, which immediately precedes such exhibits, and is incorporated herein 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. (17)
3.3	Certificate of Designations, Preferences and Rights of Series B Preferred Stock. (17)
3.4	Amended and Restated Bylaws. (17)
4.1	Specimen common stock Certificate. (17)
10.1	Glowpoint, Inc. 2000 Stock Incentive Plan. (3)
10.2	Placement Agent Agreement, dated January 2, 2002, between Registrant and H.C. Wainwright & Co., Inc. (4)
10.3	Form of Purchase Agreement for the purchase and sale of common stock and warrants to purchase Common Stock, dated January 10, 2002, between Registrant and the purchaser's party thereto. (4)
10.4	Form of Warrant to purchase Common Stock, dated January 10, 2002. (5)
10.5	Lease Agreement for premises located at 225 Long Avenue, Hillside, New Jersey, dated March 20, 1997, between Registrant and Vitamin Realty Associates, L.L.C. (6)
10.6	First Amendment to Lease Agreement, dated as of December 1997, between Registrant and Vitamin Realty Associates, L.L.C. (1)
10.7	Second Amendment to Lease Agreement, dated as of December 20,1999, between Registrant and Vitamin Realty Associates, L.L.C. (1)
10.8	Third Amendment to Lease Agreement, dated as of June 1, 2000, between Registrant and Vitamin Realty Associates, L.L.C. (12)
10.9	Fourth Amendment to Lease Agreement, dated as of August 29, 2000, between Registrant and Vitamin Realty Associates, L.L.C. (3)
10.10	Fifth Amendment to Lease Agreement, dated as of May 1, 2001, between Registrant and Vitamin Realty Associates, L.L.C. (12)
10.11	Sixth Amendment to Lease Agreement, dated as of May 1, 2002, between Registrant and Vitamin Realty Associates, L.L.C. (12)
10.12	Warrant to Purchase common stock of Registrant issued to JPMorgan Chase Bank on November 13, 2002. (13)
10.13	Form of Warrant to Purchase Shares of common stock of Registrant. (7)
10.14	Registration Rights Agreement dated as of December 17, 2002, between Registrant and the Purchasers set forth therein. (7)
10.15	Note and Warrant Purchase Agreement dated as of December 17, 2002, between Registrant and the Purchasers set forth therein. (7)
10.16	Consulting Agreement with Kelly Harman dated January 21, 2003. (8)
10.17	Asset Purchase Agreement, dated March 7, 2003, between Registrant and Signal Perfection Limited. (12)

10.18	Asset Purchase Agreement, dated as of June 10, 2003, between Registrant and Gores Technology Group. (9)
10.19	Employment Agreement with David C. Trachtenberg dated as of October 3, 2003. (10)
10.20	Restricted Stock Award to David C. Trachtenberg dated as of October 4, 2003. (10)
10.21	Restricted Stock Award Agreement with Karen Basian dated November 4, 2003, and with James Kuster, Michael Sternberg and Michael Toporek, each dated August 22, 2003. (10)

10.22	Warrant to Purchase Shares of common stock of Glowpoint, Inc. (11)
10.23	Common Stock Purchase Agreement between Registrant and the Purchasers Listed on Exhibit A. (11)
10.24	Placement Agent Agreement, dated August 4, 2003, between Registrant and Burham Hill Partners, as amended as of January 29, 2004. (17)
10.25	Restricted Stock Award Agreement with Dean Hiltzik, dated February 27, 2004. (17)
10.26	Amendment to Consulting Agreement with Kelly Harman, dated January 1, 2004. (17)
10.27	Employment Agreement with Joseph Laezza, dated as of March 11, 2004. (17)
10.28	Employment Agreement with Stuart Gold, dated as of March 11, 2004. (17)
10.29	Restricted Stock Award Agreement with Joseph Laezza, dated March 29, 2004. (17)
10.30	Restricted Stock Award Agreement with Stuart Gold, dated March 29, 2004. (17)
10.31	Form of Class A Warrant to Purchase common stock of Registrant. (14)
10.32	Form of Class B Warrant to Purchase common stock of Registrant. (14)
10.33	Form of Warrant to Purchase Common Stock, dated August 8, 2001. (15)
10.34	Form of Warrant to Purchase Common Stock, dated August 8, 2001. (15)
10.35	Form of Warrant to Purchase Common Stock, dated June 14, 2000. (16)
10.36	Warrant to Purchase common stock issued to JPMorgan Chase on March 6, 2003. (12)
10.37	Termination Agreement with Leo Flotron dated September 23, 2003. (10)
10.38	Restricted Stock Award Agreement with James Spanfeller, dated June 23, 2004. (18)
10.39	Amended and Restated Employment Agreement with Michael Brandofino, dated July 1, 2004. (18)
10.40	Employment Agreement with Christopher Zigmont, dated July 1, 2004. (18)
10.41	Employment Agreement with Rod Dorsey, dated December 7, 2004. (19)
10.42	Second Amended and Restated Employment Agreement with Richard Reiss, dated December 31, 2004. (20)
10.43	Form of Common Stock Purchase Agreement, dated March 14, 2005. (21)
10.44	Form of Warrant to Purchase Common Stock, dated March 14, 2005. (21)
10.45	Form of Exchange Agreement, dated March 14, 2005. (22)
10.46	Sales Agent Agreement between Glowpoint, Inc. and Sony Electronics, Inc., dated March 28, 2005. (22)
10.47	Development Agreement between Glowpoint, Inc. and Sony Electronics, Inc., dated March 28, 2005. (22)
10.48	Joint Marketing Agreement between Glowpoint, Inc. and Sony Electronics, Inc., dated March 28, 2005. (22)
10.49	Settlement and Release Agreement between Glowpoint, Inc. and Gores Technology Group, dated March 4, 2005. (22)

21.1	Subsidiaries of Glowpoint, Inc. (2)
23.1	Consent of BDO Seidman, LLP. (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)

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(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 Registration Statement on Form S-1 (Registration No. 333-42518), and incorporated herein by reference.

(3) 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.

(4) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 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 January 15, 2002, and incorporated herein by reference.

(6) Filed as an exhibit to Registrant's Registration Statement on Form SB-2 (Registration No. 333-21069), and incorporated herein by reference.

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

(8) Filed as an exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-103227), and incorporated herein by reference.

(9) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2003, and incorporated herein by reference.

(10) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the fiscal year quarter ended September 30, 2003, and incorporated herein by reference.

(11) 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.

(12) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and incorporated herein by reference.

(13) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002, and incorporated herein by reference.

(14) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001, and incorporated herein by reference.

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

(16) 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.

(17) 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.

(18) 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.

(19) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2004, and incorporated herein by reference.

(20) Filed as an exhibit to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2005, 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 March 14, 2005, and incorporated herein by reference.

(22) Filed herewith.

Signatures

Pursuant to the requirements 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.

GLOWPOINT, INC..

Date: March 31, 2005

By: /s/ David C. Trachtenberg

David C. Trachtenberg
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Trachtenberg and Gerard E. Dorsey jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her 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 31st day of March 2005 in the capacities indicated.

Signature	Title
/s/ David Trachtenberg David Trachtenberg	Chief Executive Officer (Principal Executive Officer)
/s/ Gerard E. Dorsey Gerard E. Dorsey	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Richard Reiss Richard Reiss	Chairman
/s/ Karen Basian Karen Basian	Director
/s/ Dean Hiltzik Dean Hiltzik	Director
/s/ James Spanfeller James Spanfeller	Director
/s/ Michael Toporek Michael Toporek	Director

Exhibit 10.45

EXCHANGE AGREEMENT

This Exchange Agreement ("Agreement") is dated as of March 14, 2005, by and among Glowpoint, Inc., a Delaware corporation (the "Company"), and the holders of certain Company securities whose signatures appear on the signature page attached hereto (the "Holders").

Recitals:

WHEREAS, each Holder currently holds shares of the Company's Series B convertible preferred stock (collectively, the "Preferred Shares"); and

WHEREAS, subject to the terms and conditions set forth herein, the Company and the Holders desire to cancel and terminate the Preferred Shares and forfeit any and all rights of collection, claim or demand under the Preferred Shares (such cancellation, termination and forfeitures are collectively, the "Share Cancellation") in exchange for: (i) the receipt of shares of restricted common stock of the Company, par value $.0001 per share (the "Common Stock"); and (ii) the receipt of warrants to purchase shares of the Common Stock at an exercise price of $2.40 (the "Warrants," and, together with the Common Stock, the "Exchange Consideration").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby agreed and acknowledged, the parties hereby agree as follows:

AGREEMENT:

1. Securities Exchange.

(a) Upon the following terms and subject to the conditions contained herein, the Holders agree to the Share Cancellation in exchange for the Exchange Consideration. In consideration of and in express reliance upon the representations, warranties, convenants, terms and conditions of this Agreement, each Holder agrees to the Share Cancellation and the Company agrees to issue and deliver the Exchange Consideration.

(b) The closing under this Agreement (the "Closing") shall take place at the offices of Morrison &Foerster LLP, 1290 Avenue of the Americas, New York, NY 10104-0050 upon the satisfaction of each of the conditions set forth in Sections 4 and 5 hereof (the "Closing Date").

(c) At the Closing, the Company shall issue to the Holders (i) 16,000 shares of Common Stock and (ii) Warrants to purchase 6400 shares of Common Stock for each Preferred Share exchanged by such Holder in the amounts set forth on Exhibit A hereto. The Warrants shall be exercisable until March 14, 2010 and shall have an exercise price equal to

$2.40 (the "Warrant Price"). At the Closing, the Holders shall deliver to the Company for cancellation the Preferred Shares.

(d) The shares of Common Stock and the Warrants are sometimes collectively referred to herein as the "Securities".

2. Representations, Warranties and Covenants of the Holders Each of the Holders hereby makes the following representations and warranties to the Company, and covenants for the benefit of the Company, with respect solely to itself and not with respect to any other Holder:

(a) If a Holder is an entity, such Holder is a corporation, limited liability company or partnership duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization.

(b) This Agreement has been duly authorized, validly executed and delivered by each Holder and is a valid and binding agreement and obligation of each Holder enforceable against such Holder in accordance with its terms, subject to limitations on enforcement by general principles of equity and by bankruptcy or other laws affecting the enforcement of creditors' rights generally, and each Holder has full power and authority to execute and deliver the Agreement and the other agreements and documents contemplated hereby and to perform its obligations hereunder and thereunder.

(c) Each Holder has received and carefully reviewed copies of the Public Documents (as hereinafter defined). Each Holder understands that no Federal, state, local or foreign governmental body or regulatory authority has made any finding or determination relating to the fairness of an investment in any of the Securities and that no Federal, state, local or foreign governmental body or regulatory authority has recommended or endorsed, or will recommend or endorse, any investment in any of the Securities. Each Holder, in making the decision to agree to the Share Cancellation and accept the Exchange Consideration, has relied upon independent investigation made by it and has not relied on any information or representations made by third parties.

(d) Each Holder understands that the Securities are being offered and sold to it in reliance on specific provisions of Federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of each Holder set forth herein for purposes of qualifying for exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act") and applicable state securities laws.

(e) Each Holder is an "accredited investor" as defined under Rule 501 of Regulation D promulgated under the Securities Act.

(f) Each Holder is and will be acquiring the Securities for such Holder's own account, and not with a view to any resale or distribution in whole or in part, in violation of the Securities Act or any applicable securities laws.

(g) The offer and sale of the Securities is intended to be exempt from registration under the Securities Act, by virtue of Section 3(a)(9) and/or 4(2) thereof. Each

Holder understands that the Securities purchased hereunder have not been, and may never be, registered under the Securities Act and that none of the Securities can be sold or transferred unless they are first registered under the Securities Act and such state and other securities laws as may be applicable or the Company receives an opinion of counsel reasonably acceptable to the Company that an exemption from registration under the Securities Act is available (and then the Securities may be sold or transferred only in compliance with such exemption and all applicable state and other securities laws).

3. Representations, Warranties and Covenants of the Company. The Company represents and warrants to each Holder, and covenants for the benefit of each Holder, as follows:

(a) The Company has been duly incorporated and is validly existing and in good standing under the laws of the state of Delaware, with full corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to register or qualify would not have a Material Adverse Effect. For purposes of this Agreement, "Material Adverse Effect"shall mean any effect on the business, results of operations, prospects, assets or financial condition of the Company that is material and adverse to the Company and its subsidiaries and affiliates, taken as a whole and/or any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company from entering into and performing any of its obligations under this Agreement in any material respect; provided, however, that the foregoing shall not include operating losses of the Company in the amounts contemplated by the Commission Documents.

(b) The Company has made available to the Holders copies of the Company's Annual Report on Form 10-K, as amended, for fiscal year ended December 31, 2003, including the accompanying financial statements (the "Form 10-K"), and the Company's Forms 10-Q, as amended, for the fiscal quarters ended March 31, 2004, June 30, 2004 or September 30, 2004 (the Forms 10-Q and Form 10-K, the "Public Documents"). The Public Documents at the time of their filing did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. As used herein, "Commission Documents" means all reports, schedules, forms, statements and other documents filed by the Company with the Commission after December 31, 2003 pursuant to the reporting requirements of the Exchange Act, including material filed pursuant to Section 13(a) or 15(d) of the Exchange Act.

(c) The Securities have been duly authorized by all necessary corporate action and, when paid for or issued in accordance with the terms hereof, the Securities shall be validly issued and outstanding, fully paid and nonassessable, free and clear of all liens, encumbrances and rights of refusal of any kind.

(d) This Agreement has been duly authorized, validly executed and delivered on behalf of the Company and is a valid and binding agreement and obligation of the Company enforceable against the Company in accordance with its terms, subject to limitations on enforcement by general principles of equity and by bankruptcy or other laws affecting the enforcement of creditors' rights generally, and the Company has full power and authority to execute and deliver the Agreement and the other agreements and documents contemplated hereby and to perform its obligations hereunder and thereunder.

(e) The execution and delivery of the Agreement and the consummation of the transactions contemplated by this Agreement by the Company, will not (i) conflict with or result in a breach of or a default under any of the terms or provisions of, (A) the Company's certificate of incorporation or by-laws, or (B) of any material provision of any indenture, mortgage, deed of trust or other material agreement or instrument to which the Company is a party or by which it or any of its material properties or assets is bound, (ii) result in a violation of any provision of any law, statute, rule, regulation, or any existing applicable decree, judgment or order by any court, Federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company, or any of its material properties or assets or (iii) result in the creation or imposition of any material lien, charge or encumbrance upon any material property or assets of the Company or any of its subsidiaries pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of their property or any of them is subject except in the case of clauses (i)(B), (ii) or (iii) for any such conflicts, breaches, or defaults or any liens, charges, or encumbrances which would not have a Material Adverse Effect.

(f) The delivery and issuance of the Securities in accordance with the terms of and in reliance on the accuracy of each Holder's representations and warranties set forth in this Agreement will be exempt from the registration requirements of the Securities Act.

(g) No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of the Company is required in connection with the valid execution and delivery of this Agreement or the offer, sale or issuance of the Securities or the consummation of any other transaction contemplated by this Agreement (other than any filings which may be required to be made by the Company with the Secretary of State of Delaware, the Commission, or The Nasdaq National Market or pursuant to any state or "blue sky" securities laws subsequent to the Closing).

(h) There is no action, suit, claim, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company which questions the validity of this Agreement or the transactions contemplated hereby or any action taken or to be taken pursuant thereto. Except as disclosed in the Commission Documents, there is no action, suit, claim, investigation or proceeding pending or, to the knowledge of the Company, threatened, against or involving the Company or any subsidiary, or any of their respective properties or assets which, if adversely determined, is reasonably likely to result in a Material Adverse Effect.

(i) To the Company's knowledge, neither this Agreement nor the Schedules hereto contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein or therein, in the light of the circumstances under which they were made herein or therein, not misleading.

(j) The authorized capital stock of the Company and the shares thereof issued and outstanding as of March 10, 2005 are set forth on Schedule 3(j) attached hereto. All of the outstanding shares of the Company's Common Stock have been duly and validly authorized, and are fully paid and non-assessable. Except as set forth in this Agreement or on Schedule 3(j) attached hereto, as of March 10, 2005, no shares of Common Stock are entitled to preemptive rights and (other than (A) any option or right to purchase shares of the Company's Common Stock issued pursuant to the Company's 2000 Stock Incentive Plan, as amended, (B) any warrants issued under existing agreements as set forth on Schedule 3(j) attached hereto or (C) warrants issued pursuant to license, license option or other collaboration agreements as set forth on Schedule 3(j) attached hereto) there are no registration rights or outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company. The Company is not a party to, and its executive officers have no knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of the Company. The offer and sale of all capital stock, convertible securities, rights, warrants, or options of the Company issued prior to the Closing complied with all applicable federal and state securities laws, or no stockholder has a right of rescission or damages with respect thereto which is reasonably likely to have a Material Adverse Effect. The Company has furnished or made available to the Holders true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof (the "Certificate"), and the Company's Bylaws as in effect on the date hereof (the "Bylaws").

(k) Prior to registration of the Exchange Shares under the Securities Act, all such certificates shall bear the restrictive legend specified in Section 6 of this Agreement. The Company warrants that the Securities shall be freely transferable on the books and records of the Company as and to the extent provided in this Agreement. Nothing in this Section 3(k) shall affect in any way the Holders' obligations and agreements set forth in Section 6 to comply with all applicable prospectus delivery requirements, if any, upon the resale of the Exchange Shares. If a Holder provides the Company with an opinion of counsel, in form, substance and scope reasonably acceptable to the Company, to the effect that a public sale, assignment or transfer of the Exchange Shares may be made without registration under the Securities Act or the Holders provide the Company with reasonable assurances that the Securities can be sold pursuant to Rule 144 without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold, the Company shall permit the transfer and promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by the Holders and without any restrictive legend. The Company acknowledges that a breach by it of its obligations under this Section 3(k) will cause irreparable harm to the Holders by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 3(k) will be inadequate and agrees, in the event of a breach or the Holders' reasonable perception of a threatened breach by the Company of the provisions of this Section 3(k), that the Holders shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

(l) The Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and delivery of the Exchange Consideration hereunder. Neither the Company nor anyone acting on its behalf, directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Exchange Consideration, or similar securities to, or solicit offers with respect thereto from, or enter into any preliminary conversations or negotiations relating thereto with, any person, or has taken or will take any action so as to bring the issuance and sale of any of the Securities under the registration provisions of the Securities Act and applicable state securities laws. Neither the Company nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Securities.

4. **<u>Conditions Precedent to the Obligation of the Company to Issue the Exchange Consideration</u>**. The obligation hereunder of the Company to issue and deliver the Exchange Consideration to each Holder is subject to the satisfaction or waiver, at or before the Closing Date, of each of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) Each Holder shall have executed and delivered the Agreement.

(b) Each Holder shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Agreement to be performed, satisfied or complied with by such Holder at or prior to the Closing Date.

(c) The representations and warranties of each Holder shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

5. **<u>Conditions Precedent to the Obligation of the Holders to Accept the Exchange Consideration</u>**. The obligation hereunder of each Holder to accept the Exchange Consideration is subject to the satisfaction or waiver, at or before the Closing Date, of each of the conditions set forth below. These conditions are for each Holder's sole benefit and may be waived by each Holder at any time in its sole discretion.

(a) The Company shall have executed and delivered the Agreement.

(b) The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(c) Each of the representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that speak as of a particular date, which shall be true and correct in all material respects as of such date.

(d) No statute, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement at or prior to the Closing Date.

(e) As of the Closing Date, no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company, or any of its properties, which questions the validity of the Agreement or the transactions contemplated thereby or any action taken or to be taken pursuant thereto. As of the Closing Date, no action, suit, claim or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company, or any of its properties, which, if adversely determined, is reasonably likely to result in a Material Adverse Effect.

(f) No Material Adverse Effect shall have occurred at or before the Closing Date.

(g) The Company shall have delivered on the Closing Date to the Holders a secretary's certificate, dated as of the Closing Date, as to (i) the resolutions of the board of directors of the Company authorizing the transactions contemplated by this Agreement, (ii) the Certificate, (iii) the Bylaws, each as in effect at the Closing, and (iv) the authority and incumbency of the officers of the Company executing this Agreement and the Warrants.

6. Legend. Each certificate representing the Securities shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" 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." The Company agrees to reissue certificates representing any of the Securities, without the legend set forth above if at such time, prior to making any transfer of any such Securities, such holder thereof shall give written notice to the Company describing the manner and terms of such transfer and removal as the Company may reasonably request. Such proposed transfer will not be effected until: (a) the Company has either (i) received an opinion of counsel that the registration of the Exchange Securities is not required in connection with such proposed transfer; or (ii) filed a registration statement under the Securities Act covering such proposed disposition has been filed by the Company with the Commission, which registration statement has become effective under the Securities Act; and (b) the Company has received an opinion of counsel that either: (i) the registration or qualification under the securities or "blue sky" laws of any state is not required in connection with such proposed disposition, or (ii) compliance with applicable state securities or "blue sky" laws has been effected. The Company will use reasonable efforts to respond to any such notice from a holder within five (5) business days. In the case of any proposed transfer under this Section 6, the Company will use reasonable efforts to comply with any such applicable state securities or "blue sky" laws, but shall in no event be required, in connection therewith, to qualify to do business in any state where it is not then qualified or to take any action that would subject it to tax or to the general service of process in any state where it is not then subject. The restrictions on transfer contained in this Section 6 shall be in addition to, and not by way of limitation of, any other restrictions on transfer contained in any other section of this Agreement.

7. Fees and Expenses. Each party shall pay the fees and expenses of its advisors, counsel, accountants and other experts, if any, and all other expenses, incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

8. Piggyback Registration Rights.

(a) The Company shall notify the Holders in writing at least twenty (20) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganization or other transactions under Rule 145 of the Securities Act) and will afford each Holder an opportunity to include in such registration statement all or any part of the Exchange Shares held by such Holder. Each Holder desiring to include in any such registration statement all or any part of such Holder’s shares of restricted Common Stock received in the Exchange Offer or shares of Common Stock underlying the Warrants (collectively, the “Registrable Shares”) shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Shares such Holder wishes to include in such registration statement.

(b) If the registration is for a firm commitment underwritten registered public offering, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 8(a) above. In such event, the right of any Holder to registration shall be conditioned upon the Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Shares in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other holders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for the underwriting by the Company. Notwithstanding any other provision of this Section 8, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may limit the number of shares to be included in the registration and underwriting. The number of Registrable Shares held by the Holders to be included in such offering shall be reduced to zero before any reduction in any securities to be offered by the Company on its own behalf. The Company shall so advise the Holders, and the number of Registrable Shares held by the Holders that may be included in the registration and underwriting shall be allocated among the Holders and any other selling shareholders on a pro rata basis. If any Holder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the managing underwriter prior to the execution of the applicable underwriting agreement by the Holder. Any shares of Registrable Shares excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(c) All expenses incurred in connection with a registration pursuant to this Section 8 (excluding underwriters’and brokers’ discounts and commissions relating to shares sold by the Holders), including, without limitation, all federal and “blue sky” registration, filing and qualification fees, printers’ and accounting fees, and fees and disbursements of counsel for the Company shall be borne by the Company.

(d) In connection with any registration statement under this Section 8 in which the Holders are participating, the Company agrees to indemnify, to the extent permitted by law, each of the Holders against all losses, claims, damages, liabilities and expenses caused by any untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such Holder expressly for use therein or by such Holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such Holder with a sufficient number of copies of the same.

(e) In connection with any registration statement under this Section 8 in which a Holder is participating, each such Holder shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, shall indemnify the Company, its directors and officers and each person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such Holder; provided that the obligation to indemnify shall be individual, not joint and several, for each Holder and shall be limited to the net amount of proceeds received by such Holder from the sale of securities pursuant to such registration statement.

(f) Any person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any person's right to indemnification hereunder to the extent such failure has not prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party who is not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

9. <u>Indemnification</u>.

(a) The Company hereby agrees to indemnify and hold harmless each Holder and its officers, directors, shareholders, employees, agents and attorneys against any and all losses, claims, damages, liabilities and reasonable expenses (collectively "<u>Claims</u>") incurred by each such person in connection with defending or investigating any such Claims, whether or not resulting in any liability to such person, to which any such indemnified party may become subject, insofar as such Claims arise out of or are based upon any breach of any representation or warranty or agreement made by the Company in this Agreement.

(b) Each Holder severally but not jointly hereby agrees to indemnify and hold harmless the Company and its officers, directors, shareholders, employees, agents and attorneys against any and all Claims incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person, to which any such indemnified party may become subject under the Securities Act, or under any other statute, at common law or otherwise, insofar as such Claims arise out of or are based upon any breach of any representation, warranty or agreement made by a Holder in this Agreement.

10. Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without giving effect to the rules governing the conflicts of laws. Each of the parties consents to the exclusive jurisdiction of the Federal courts whose districts encompass any part of the County of New York located in the City of New York in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions. Each party waives its right to a trial by jury. Each party to this Agreement irrevocably consents to the service of process in any such proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such party at its address set forth herein. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, express overnight courier, registered first class mail, or telecopier (provided that any notice sent by telecopier shall be confirmed by other means pursuant to this Section 11), initially to the address set forth below, and thereafter at such other address, notice of which is given in accordance with the provisions of this Section.

(a) if to the Company:

Glowpoint, Inc.
225 Long Avenue
Hillside, New Jersey 07205
Attention: Chief Executive Officer & President
Tel. No.: (973) 282-2000
Fax No.: (973) 391-9776

with a copy to:
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104
Attention: Michael J.W. Rennock
Tel. No.: (212) 468-8000
Fax No.: (212) 468-7999

(b) if to the Holders:

At the address of such Holder set forth on Exhibit A
to this Agreement.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when receipt is acknowledged, if telecopied; or when actually received or refused if sent by other means.

12. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior and/or contemporaneous oral or written proposals or agreements relating thereto all of which are merged herein. This Agreement may not be amended or any provision hereof waived in whole or in part, except by a written amendment signed by both of the parties.

13. Counterparts. This Agreement may be executed by facsimile signature and in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement was duly executed on the date first written above.

GLOWPOINT, INC.

By:_______________________________________
Gerard E. Dorsey
CFO and Executive Vice President, Finance

HOLDER:

By:______________________________________
Name:
Title:

HOLDER:

By:______________________________________
Name:
Title:

HOLDER:

By:______________________________________
Name:
Title:

EXHIBIT A

HOLDERS

Names and Addresses of Holders	Shares of Series B Preferred Stock Exchanged	Number of Shares of Restricted Common Stock	Number of Warrants

Schedule 3(j)

Capitalization

1) As of March 10, 2005, the Company had 100,000,000 shares of common stock authorized and 38,101,190 outstanding and 5,000,000 shares of preferred stock authorized and 203.667 outstanding.

2) As of March 10, 2005, there were outstanding warrants to acquire approximately 7,486,023 shares of common stock, and there were outstanding options to acquire an aggregate of approximately 4,913,922 shares of common stock.

3) The Company is not a party to any agreement or understanding restricting the voting or transfer of any shares of the capital stock of the Company.

Exhibit 10.46

SALES AGENT AGREEMENT

Between

GLOWPOINT, INC.

And

SONY ELECTRONICS INC.

March 28, 2005

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GLOWPOINT SALES AGENT AGREEMENT

This AGREEMENT is made between GlowPoint Inc., a Delaware corporation ("**GlowPoint**"), having offices at 225 Long Avenue, Hillside, New Jersey 07205, and Sony Electronics Inc., a Delaware corporation ("**Sales Agent**"), having an office at 1 Sony Drive, Park Ridge, New Jersey 07656. Each of GlowPoint and Sales Agent is referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

1. GlowPoint desires to have Sales Agent assist GlowPoint in marketing certain Services (as hereinafter defined) to Customers (hereinafter "**Customers**") anywhere in the world (the "**Territory**"); and

2. Sales Agent desires to market the Services to Customers in the Territory, and represents that it has the necessary marketing capabilities to do so in a manner that reflects favorably on the quality image of GlowPoint, Sales Agent and the Services;

NOW, THEREFORE, the Parties agree as follows:

1.0 <u>APPOINTMENT</u>

1.1 GlowPoint appoints Sales Agent, and Sales Agent accepts such appointment, to be an authorized GlowPoint Sales Agent in the Territory set forth in <u>Appendix 1</u> (as amended from time to time) for the limited purpose of marketing the Services set forth in <u>Appendix 1</u> (the "**Services**") to Customers in accordance with the terms and conditions of this Agreement. The Parties may mutually agree to add services to or delete services from <u>Appendix 1</u>.

1.2 Sales Agent shall notify GlowPoint in writing of the names of any unaffiliated subcontractor that Sales Agent may use to sell the Services prior to any sales of Services or solicitation of orders by such subcontractor. Sales Agent shall obtain from each such subcontractor a written agreement that provides that (i) such subcontractor shall be bound by all of the applicable obligations in this Agreement; (ii) such subcontractor has no contract with GlowPoint and GlowPoint is not liable for and does not guarantee the performance of any duty that the Sales Agent may be obligated to perform for such subcontractor, including, but not limited to, the payment of compensation; and (iii) GlowPoint shall have no liability whatsoever to such subcontractor for any direct or indirect damages of any nature or kind (including, without limitation, lost commissions) resulting from or relating to GlowPoint's performance or nonperformance of any obligation under this Agreement. GlowPoint is not liable for and does not guarantee the performance of any duty that Sales Agent may be obligated to its subcontractors to perform, including the payment of compensation, and Sales Agent will so inform its subcontractors.

1.3 The relationship of the Parties under this Agreement shall be, and shall at all times remain, one of independent contractors and not that of employer and employee, franchisor and franchisee or joint venturers. This Agreement does not establish or constitute Sales Agent as GlowPoint's representative or agent for any purpose other than the solicitation of orders for Services permitted hereunder. Sales Agent is not authorized to accept contractually orders or make contracts in GlowPoint's name, or to transact any business in the name of GlowPoint, or to assume or create any obligation or responsibility binding upon GlowPoint in any matter whatsoever, unless Sales Agent has prior specific written consent from an authorized officer of the rank of Vice President or above of GlowPoint.

1.4 All persons furnished by Sales Agent for the solicitation of orders for the Services shall be considered solely Sales Agent's employees, and Sales Agent shall be solely responsible for payment of all its employees' unemployment, Social Security and other payroll taxes, including contributions from Sales Agent when required by law.

2.0 SALES AGENT'S RESPONSIBILITIES

2.1 Sales Agent agrees to devote its reasonable commercial efforts to promote and market the Services to Customers in the Territory.

2.2 Sales Agent shall maintain a staff of adequately trained and competent sales personnel that have completed the training program described in Section 3.2. Such personnel shall be made aware of, and obligated to comply with, the restrictions on use of GlowPoint's Information as set forth in Section 8.0 of this Agreement.

2.3 Sales Agent shall be responsible for assisting GlowPoint in providing support to Customers of the Services solicited by Sales Agent. Said responsibilities shall include, but are not limited to, soliciting orders and contracts, completing order and registration forms, obtaining Customer credit information, transmitting completed contracts, orders and credit information received by Sales Agent to GlowPoint and assisting GlowPoint to resolve Customer complaints. If requested by GlowPoint, Sales Agent shall reasonably assist GlowPoint in collecting overdue amounts from Customers.

2.4 Sales Agent shall submit all Customer contracts and orders to purchase the Services to GlowPoint for review and acceptance by GlowPoint. Sales Agent is authorized to receive, but is not authorized to "accept" (i.e., contractually bind GlowPoint to) Customer offers to purchase the Services.

2.5 Sales Agent shall report promptly to GlowPoint all known or suspected defects in the Services or safety problems and keep GlowPoint informed of Customer complaints with respect to the Services.

2.6 Sales Agent shall comply with all applicable requirements of federal, state and local laws, ordinances, administrative rules and regulations relating to Sales Agent's performance of its obligations under this Agreement.

2.7 All costs and expenses incurred by Sales Agent in performing its services under this Agreement, including by way of example only, rentals, salaries, telephone, traveling and living expenses (including, without limitation, those incurred by Sales Agent's employees in connection with any GlowPoint training session) and other marketing and sales expenses shall be borne by Sales Agent and shall not be reimbursed by GlowPoint.

2.8 Sales Agent shall not use any materials referencing GlowPoint or the Services that have not been mutually approved by GlowPoint and Sales Agent for such purpose.

2.9 SALES AGENT SHALL MAKE NO REPRESENTATIONS OR WARRANTIES RELATING TO THE SERVICES EXCEPT AS SET FORTH IN WRITTEN SALES LITERATURE MUTUALLY AGREED TO BY SALES AGENT AND GLOWPOINT, OR AS SET FORTH IN THE FORM OR FORMS OF ORDERS MUTUALLY AGREED TO BY SALES AGENT AND GLOWPOINT, OR AS OTHERWISE EXPRESSLY AGREED IN WRITING BY THE PARTIES. ALL PRICES QUOTED FOR THE SERVICES WILL BE PRICES AS PROVIDED BY GLOWPOINT. TERMS AND CONDITIONS FOR THE SERVICES MARKETED UNDER THIS AGREEMENT ARE THOSE PROVIDED BY GLOWPOINT. SALES AGENT MUST AT ALL TIMES ADHERE TO AND REPRESENT ACCURATELY THE PROVISIONING PARAMETERS ESTABLISHED BY GLOWPOINT FOR THE SERVICES, INCLUDING, BUT NOT LIMITED TO, THE PRICING AND TIME INTERVALS RELATED TO PROVISIONING THE SERVICES.

2.10 SALES AGENT SHALL IDENTIFY ITSELF AS AN AUTHORIZED SALES AGENT OF GLOWPOINT ONLY WITH RESPECT TO THE SERVICES, AND SHALL OTHERWISE IDENTIFY ITSELF AS AN INDEPENDENT BUSINESS. NEITHER GLOWPOINT NOR SALES AGENT SHALL MAKE ANY EXPRESS OR IMPLIED AGREEMENTS, GUARANTEES OR REPRESENTATIONS, OR INCUR ANY DEBT IN THE NAME OF OR ON BEHALF OF THE OTHER.

2.11 Sales Agent represents that it is not by law or agreement with others prohibited from entering into this Agreement with GlowPoint.

2.12 Sales Agent shall be responsible for the compatibility of any non-GlowPoint software or hardware furnished separately by Sales Agent to any Customer with the Services provided under this Agreement. This Section 2.12 shall not apply to any of the developmental services provided by GlowPoint to Sales Agent under that certain Development Agreement dated as of March 28, 2005 (the "Development Agreement") between GlowPoint and Sales Agent.

2.13 Sales Agent represents that it will not use deceptive, illegal, misleading or unethical practices and that it will not make any false or misleading representations with regard to GlowPoint or the Services.

2.14 Sales Agent is responsible for submitting timely payment to GlowPoint for services used directly by Sales Agent. GlowPoint reserves the right to deduct monies owed to GlowPoint by Sales Agent from any monies owed to Sales Agent by GlowPoint for sales compensation as described in Appendix 2.

3.0 GLOWPOINT'S RESPONSIBILITIES

3.1 GlowPoint will compensate Sales Agent for marketing the Services in accordance with the commission schedule set forth on Appendix 2. Appendix 2 contains separate compensation tables for connectivity Services and usage services. This compensation may be amended by mutual agreement of the Parties. In addition, if the Parties agree to add a service to Appendix 1, then Appendix 2 will be simultaneously revised to reflect any new compensation associated with marketing such Service. Further, if the Parties agree to remove a Service from Appendix 1, then the compensation associated with marketing such Service shall be deleted from Appendix 2 upon the effective date of removal; provided that Sales Agent shall be entitled to any compensation earned prior to the effective date of removal. Appendix 2 also contains the pricing terms and commissions for usage services. Appendix 3 contains the current pricing terms for GlowPoint's customized Road Warrior subscription plans.

3.2 GlowPoint shall be solely responsible for creating and delivering training to Sales Agent with respect to the Services. Training shall be done at such locations and at such times as are mutually agreed to by the Parties. GlowPoint shall train Sales Agent's staff in the following areas: (1) an overview of the Sony and GlowPoint relationship; (2) Services features, functionality and pricing; (3) the lead referral process; (4) use of PartnerPoint for lead qualification, quoting and ordering; (5) sales support and other GlowPoint reference contacts; and (6) the demonstration process. GlowPoint will also provide electronic versions of sales and marketing materials, including demonstration CDs, sales and marketing materials and other tools described in the Joint Marketing Agreement dated as of March 28, 2005 (the "Joint Marketing Agreement") between GlowPoint and Sales Agent.

3.3 GlowPoint shall provide and maintain the PartnerPoint Website at www.glowpoint.com/partnerpoint for Sales Agent to access for sales, marketing and technical information with respect to the Services.

3.4 GlowPoint shall review all Customer contracts and orders for the Services submitted by Sales Agent. GlowPoint reserves the right to reject, for any or no reason, any Customer contract or order solicited by Sales Agent and presented to GlowPoint for acceptance.

3.5 GlowPoint shall be responsible for providing to Customers all standard documents for the Services, such as User Identification, passwords and instructional materials, if any.

3.6 GlowPoint shall be solely responsible for providing, maintaining, billing and collecting for the Services. Title to and risk of loss for and performance of the Services shall remain solely with GlowPoint.

3.7 GlowPoint may terminate a Customer's service agreement at any time in its sole discretion. GlowPoint is not obligated to renew any Customer's service agreement that has expired or terminated. GlowPoint agrees to provide Sales Agent reasonable advance notice of any such termination or non-renewal.

3.8 GlowPoint shall provide and maintain a help desk for Sales Agent and for Customers to contact for technical information and support, as well as trouble reporting and resolution, with respect to the Services.

3.9 GlowPoint shall comply with all applicable requirements of federal, state and local laws, ordinances, administrative rules and regulations relating to GlowPoint's performance of its obligations under this Agreement.

4.0 <u>COORDINATION OF CUSTOMER SALES CONTACTS</u>

4.1 To avoid customer confusion and channel conflict and to maximize the effectiveness of GlowPoint's overall marketing efforts, GlowPoint and Sales Agent agree to coordinate their respective marketing of the Services to Customers, consistent with the terms of the Joint Marketing Agreement.

4.2 Sales Agent acknowledges that the provision of the Services to federal government accounts will be considered "custom" services. Compensation for business from such governmental entities will be negotiated between Sales Agent and GlowPoint.

4.3 In recognition of the support to be provided to Sales Agent, including, but not limited to, training and access to GlowPoint proprietary information, Sales Agent shall not, for a period of three (3) months following termination or expiration of this Agreement, engage in the marketing or sale to any of the Customers to whom Sales Agent sold any Service during the term of this Agreement any service which is competitive with any such Service. Similarly, for a period of three (3) months following termination or expiration of this Agreement, GlowPoint shall not engage in the marketing or sale to any of the Customers to whom Sales Agent sold any Service during the term of this Agreement any videoconferencing equipment or hardware which is competitive with products sold by Sales Agent.

5.0 <u>TERM AND TERMINATION</u>

5.1 This Agreement shall be effective as of the later of the dates appearing with the authorized signatures set forth below (the "**Effective Date**") and, unless terminated earlier as provided herein, continue for a period of one (1) year. Thereafter, this Agreement may be renewed for additional one year terms upon the written agreement of the Parties. Each Party agrees to use commercially reasonable efforts to notify the other Party at least sixty (60) days prior to the expiration of this Agreement of its intention to renew or not renew this Agreement.

5.2 Either Party may terminate this Agreement effective immediately by written notice if it is discovered that the other Party has: intentionally or in a willful, wanton or reckless manner made any material, false representation, report or claim relative hereto; violated the other Party's copyright or trademark; become insolvent, invoked as a debtor any laws relating to the relief of debtors' or creditors' rights, or has had such laws invoked against it; become involved in any liquidation or termination of business; been adjudicated bankrupt; been involved in an assignment for the benefit of its creditors; or engaged in any deceptive trade practices under the laws of any jurisdiction.

5.3 Either Party may terminate this Agreement on thirty (30) days' written notice if the other Party has failed to perform or abide by any of its obligations under this Agreement, unless such default or breach has been cured within thirty (30) days after the date of such notice.

5.4 Upon termination or non-renewal of this Agreement, Sales Agent shall immediately:

5.4.1 discontinue any and all use of Marks, including but not limited to such use in advertising or business material of Sales Agent;

5.4.2 remove and return to GlowPoint, or destroy at GlowPoint's request, any and all promotional material supplied without charge by GlowPoint;

5.4.3 return or destroy (and provide GlowPoint with evidence of such destruction) all GlowPoint Information;

5.4.4 cease representing itself, in any manner, as a Sales Agent of GlowPoint; and

5.4.5 notify and arrange for all publishers and others who may identify, list or publish Sales Agent's name as a Sales Agent for the Services (including, but not limited to, publishers of telephone directories, yellow pages and business directories) to discontinue such listings.

5.5 Except as provided in Appendix 2 and Appendix 3 upon termination of the Agreement, Sales Agent will receive no further compensation from GlowPoint, and Sales Agent waives all rights to such compensation except as follows: if Sales Agent declines to renew this Agreement pursuant to Section 5.1 or terminates this Agreement other than pursuant to Sections 5.2, 5.3 or 6.0, if Sales Agent has submitted a Customer order prior to termination, Sales Agent will be eligible for a commission on such order for a period of three (3) months if (a) GlowPoint completes installation of the Service (b) GlowPoint receives payment from such Customer and (c) such Customer does not terminate its Service within 90 days of the date of installation. If GlowPoint declines to renew this Agreement pursuant to Section 5.1 or terminates this Agreement other than pursuant to Sections 5.2 or 5.3 or if Sales Agent terminates this Agreement pursuant to Sections 5.2, 5.3 or 6.0, Sales Agent shall be entitled to commissions for all existing Customer contracts for the longer of (i) the remaining terms of such Customer contracts and (ii) one (1) year. If GlowPoint terminates this Agreement pursuant to Sections 5.2 or 5.3, Sales Agent shall cease to be eligible for commissions from and after the date of such termination.

6.0 ASSIGNMENT

Sales Agent shall not assign any right or interest under this Agreement, or delegate any work or other obligation to be performed or owed by Sales Agent under this Agreement other than to an affiliate without the prior written consent of GlowPoint. GlowPoint may assign this Agreement, in whole or in part, to any affiliate, successor-in-interest or successor provider of any of the Services; provided, however, that in the event any such permitted assignment by GlowPoint would result in the assumption of this Agreement by a "Competitor"of Sales Agent, GlowPoint shall give written notice of such assignment to Sales Agent and Sales Agent may, within the ninety (90) days following receipt of such notice, elect to terminate this Agreement, with no further obligations on the part of Sales Agent, GlowPoint or the assignee, except as may be provided in Section 5.5. For purposes of this Section 6.0, a "Competitor" of Sales Agent shall mean any person or entity primarily engaged in the manufacture and sale of video conferencing equipment. Any attempted assignment or delegation in contravention of the above provisions shall be void and ineffective.

7.0 INDEMNIFICATION

7.1 Indemnification by Sales Agent. Sales Agent will, at all times defend, indemnify and hold harmless GlowPoint, its affiliates, distributors and all officers, directors, shareholders, successors and assigns of each of the foregoing (collectively, the "**GlowPoint Indemnified Parties**") from and against, and pay and reimburse the GlowPoint Indemnified Parties for, any and all liabilities, obligations, losses, damages, out-of-pocket costs or expenses (including interest, penalties and reasonable attorney's fees and expense incurred in the investigation or defense of any of the same or in asserting any of their respective rights hereunder) arising out of or relating to claims of third parties with respect to: (a) any alleged act or omission of Sales Agent, its employees, subcontractors or agents in the performance of the activities contemplated hereby or any failure by Sales Agent to abide by any of the covenants set forth herein; (b) Sales Agent's failure to comply with all applicable laws, including any breach of laws made by GlowPoint on account of its reliance on Sales Agent's representations or information; and (c) Sales Agent's gross negligence or willful misconduct under this Agreement.

7.2 Indemnification by GlowPoint. GlowPoint will, at all times defend, indemnify and hold harmless Sales Agent, its affiliates, distributors and all officers, directors, shareholders, successors and assigns of each of the foregoing (collectively, the "**SA Indemnified Parties**") from any and all claims, liabilities, damages, fines, assessments, penalties, and expenses (including reasonable attorneys' fees and expenses) arising out of or relating to claims of third parties with respect to: (a) any alleged act or omission of GlowPoint, its employees, subcontractors or agents in the performance of the activities contemplated hereby or any failure by GlowPoint to abide by any of the covenants set forth herein, (b) GlowPoint's failure to comply with all applicable laws, including any breach of laws made by Sales Agent on account of its reliance on Glow Point's representations or information; (c) any failure to provide the Services or any defects or persistent interruptions in the Services; and (d) Glowpoint's gross negligence or willful misconduct under this Agreement.

7.3 If a third Party asserts any claim against a GlowPoint or SA Indemnified Party for which the other Party is responsible under Section 7.1 or Section 7.2, (a) the Party seeking indemnification shall give the other Party written notice promptly after the Party seeking indemnification has actual knowledge of such claim and shall permit the indemnifying Party (at the indemnifying Party's expense) to assume the defense of any claim or any litigation resulting therefrom; provided that the failure by the Party seeking indemnification to give such notice shall not relieve the indemnifying Party of its indemnification obligations under this Agreement except to the extent that such failure results in a failure of actual notice to the indemnifying Party and, as a result, the indemnifying Party is materially damaged; (b) counsel selected by the indemnifying Party to conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party; and (c) any Indemnified Party may participate in such defense at its sole expense. Without the Indemnified Party's express written consent, the indemnifying Party shall not, in the defense of any such claim or litigation, consent to the entry of any judgment or enter into any settlement that provides for injunctive or other non-monetary relief affecting any Indemnified Party or that does not include as an unconditional term thereof a release from all liability with respect to such claim or litigation to all Indemnified Parties by the claimant or plaintiff.

8.0 CONFIDENTIALITY

Any disclosure of information by one Party to the other Party under or pursuant to this Agreement and the transactions contemplated hereby are subject to the terms of and governed by the Confidentiality and Non-Disclosure Agreement between the parties dated January 25, 2005 (the "Confidentiality Agreement"). The Parties agree that the terms of the Confidentiality Agreement shall apply to this Agreement and the transactions contemplated hereby for a period of two (2) years following the termination or expiration of this Agreement.

9.0 LIMITATION OF LIABILITY

9.1 EXCEPT FOR (i) THE INDEMNITY PROVISIONS SET FORTH IN SECTION 7.0, (ii) PAYMENT OF FEES OR CHARGES ARISING UNDER THIS AGREEMENT, AND (iii) LIABILITY FOR GROSS NEGLIGENCE OR WILFUL MISCONDUCT RESULTING IN DEATH, PERSONAL INJURY OR PROPERTY DAMAGE, EACH PARTY'S ENTIRE LIABILITY FOR ANY CLAIM, LOSS, DAMAGE, OR EXPENSE FROM ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, SHALL BE LIMITED TO DIRECT, PROVEN DAMAGES IN AN AMOUNT NOT TO EXCEED THE AGGREGATE AMOUNT OF ANY COMMISSIONS TO WHICH SALES AGENT IS ENTITLED UNDER THIS AGREEMENT.

9.2 NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, OR ANY OTHER INDIRECT LOSS OR DAMAGE, INCLUDING LOST PROFITS OR LOST REVENUES, ARISING OUT OF THIS AGREEMENT OR ANY OBLIGATION RESULTING THEREFROM, OR THE USE OR PERFORMANCE OF ANY SERVICE, WHETHER IN AN ACTION FOR OR ARISING OUT OF ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THIS CLAUSE SHALL SURVIVE FAILURE OF AN EXCLUSIVE REMEDY.

9.3 Except pursuant to the indemnity provisions set forth in Section 7.0, GlowPoint shall have no liability to Sales Agent for any damages, loss, cost or expense, including without limitation any commissions that might have been earned hereunder, resulting from GlowPoint's inability or failure to provide Services to any Customer or for any delays in the provision of Services to any Customer or in the event of GlowPoint's termination or breach of any Customer Service Contract or in the event of any discontinuation of the Services.

10.0 FORCE MAJEURE

Neither Party shall be held responsible for any delay or failure in performance to the extent that such delay or failure is caused by fires, embargoes, floods, wars, the elements, labor disputes, government requirements, acts of God, inability to secure raw materials or transportation facilities, acts or omissions of carriers or suppliers or other cause beyond its control whether or not similar to the foregoing and not resulting from its fault or negligence; provided, however, that performance of each Party's obligations hereunder shall not be excused by reason of an act of a

government authority in the exercise of its enforcement powers against a Party for the alleged violation of any law, rule or regulation.

11.0 SURVIVAL OF OBLIGATIONS

Sections 5.0, 7.0, 8.0, 9.0, 11.0, 13.0, 15.0 and 17.0 shall survive the termination, cancellation or expiration of this Agreement.

12.0 RELEASES VOID

Neither Party shall require releases or waivers of any personal rights from representatives of the other in connection with visits to its premises and both Parties agree that no such releases or waivers shall be pleaded by them in any action or proceeding.

13.0 NOTICES

All notices and other communications required or permitted to be given under this Agreement shall be in writing and will be delivered personally, or mailed by registered or certified mail, return receipt requested, postage prepaid, or sent by reputable overnight courier service, or by telex, telecopy or other form of rapid transmission, confirmed by mailing as described above, addressed as follows:

If to Sony:	Sony Electronics Inc. 1 Sony Drive Park Ridge, NJ 07656 Attention: Vice President, Conferencing Solutions Facsimile #: (408) 955-5173
With a copy to:	Sony Electronics Inc. 16530 Via Esprillo, MZ 7300 San Diego, CA 92127 Attention: General Counsel, Law Department Facsimile #: (858) 942-7597
If to Provider:	Glowpoint, Inc. 225 Long Avenue Hillside, NJ 07205 Attention: Sherry Harmon Facsimile #: (973) 923-3352

Any notice so addressed and delivered personally will be deemed given upon receipt. Any notice so addressed and mailed will be deemed given upon deposit in the United States mails, or if sent by overnight courier service, on the next business day, or if sent by rapid transmission followed promptly by mailing, upon receipt of such transmission. Either party may change its address by giving the other notice thereof in the manner provided in this Paragraph.

14.0 NON-WAIVER

No course of dealing, course of performance or failure of either Party strictly to enforce any term, right or condition of this Agreement shall be construed as a waiver of any term, right or condition.

15.0 CHOICE OF LAW; DISPUTE RESOLUTION

This Agreement shall be deemed to have been made in, and shall be construed pursuant to the laws of, the State of New York without regard to conflicts of laws provisions thereof. Any waivers or amendments shall be effective only if made in writing. The Parties shall attempt in good faith to resolve any controversy or claim arising out of or related to this Agreement promptly by negotiations between senior executives of the Parties who have authority to settle the controversy (but who do not have direct responsibility for the administration of this Agreement). The disputing Party will give the other Party written notice of the dispute. Within twenty (20) days after receipt of such notice, the receiving Party shall submit to the other a written response. Such disputing Party notice and such receiving Party response will include: (i) a statement of its position and a summary of the evidence and arguments supporting its position; and, (ii) the name and title of the executive who will represent it in the negotiations. Such executives will meet at a mutually acceptable time and place within thirty (30) days of the date of the disputing Party's notice and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the dispute has not been resolved within sixty (60) days of the disputing Party's notice, or if either Party will not meet within thirty (30) days, either Party may initiate mediation of the dispute in accordance with the Center for Public Resources' model procedure for mediation of business disputes. If the dispute is not resolved pursuant to such mediation procedure within sixty (60) days of the initiation thereof, or if either Party will not participate in such mediation, then either Party may initiate litigation by giving thirty (30) days prior notice to the other Party. Notwithstanding the foregoing, either Party may initiate litigation immediately with respect to any matter arising out of or in connection with the terms and conditions of this Agreement for which equitable relief is sought. All dates specified in this Section may be extended by the mutual written agreement of the Parties. **THE PARTIES HEREBY WAIVE TRIAL BY JURY IN CONNECTION WITH ANY ACTION OR SUIT ARISING UNDER THIS AGREEMENT OR OTHERWISE ARISING FROM THE RELATIONSHIP BETWEEN THE PARTIES HEREUNDER.**

16.0 HEADINGS

All headings contained in this Agreement are inserted for convenience only and are not intended to affect the meaning or interpretation of this Agreement or any clause.

17.0 SEVERABILITY

If any paragraph, or clause thereof, of these terms and conditions shall be held to be invalid or unenforceable in any jurisdiction in which these terms and conditions apply, then for such jurisdiction the meaning of such paragraph or clause shall be construed so as to render it enforceable to the extent feasible; and if no feasible interpretation would save such paragraph or clause, it shall be severed from these terms and conditions and the remainder shall remain in full force and effect, unless leaving the remainder in full force and effect would make the Agreement unjust.

18.0 ENTIRE AGREEMENT

This Agreement, the Joint Marketing Agreement, the Development Agreement and the Confidentiality Agreement supersede all prior oral or written understandings between the Parties (including, without limitation, any prior agreement related to any of the Services) and constitute the entire agreement between them concerning the subject matter of this Agreement and shall not be contradicted, explained or supplemented by any course of dealing between GlowPoint or any of its affiliates and Sales Agent or any of its affiliates. There are no understandings or representations, express or implied, not expressly set forth in this Agreement, the Joint Marketing Agreement, the Development Agreement and the Confidentiality Agreement. This Agreement shall not be modified or amended except by a writing signed by the Parties. In the event that there is a conflict between any term of this Agreement and any term of any Appendix hereto, then the term in the Appendix shall take precedence with respect to the subject matter of the Appendix and the term in the Agreement shall take precedence with respect to all other matters.

19.0 NO THIRD-PARTY BENEFICIARIES

The terms and provisions of this Agreement are intended solely for the benefit of each Party hereto and their respective successors and permitted assigns, and the parties do not intend to confer third-party beneficiary rights upon any other person; provided, however, that the provisions contained in Section 7.0 shall inure to the benefit of the Glowpoint Indemnified Parties and the SA Indemnified Parties and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Sales Agent Agreement to be signed by their duly authorized representatives.

GLOWPOINT, INC.

By: **/s/ David C. Trachtenberg**

Name: **David C. Trachtenberg**

Title: **CEO and President**

Date: **March 28, 2005**

SONY ELECTRONICS INC:

By: **/s/ Michael McCausland**

Name: **Michael McCausland**

Title: **GM Visual Communications**

Date: **March 30, 2005**

Instructions to complete this Signature Page: Sales Agent must fill-in the blank after “SALES AGENT” with its full legal name. An authorized officer of Sales Agent must sign in **BLUE** ink after the “By” line. Print the authorized officer’s name after “Name.” Print the authorized officer’s full title after “Title.” Date the Agreement on the “Date” line. Sales Agent must return two (2) fully completed original signature pages to GlowPoint. This Agreement will not be effective until countersigned by GlowPoint.

Exhibit 10.47

DEVELOPMENT AGREEMENT

This DEVELOPMENT AGREEMENT dated as of March 28, 2005, is by and between SONY ELECTRONICS INC., with offices at 1 Sony Drive, Park Ridge, New Jersey 07656-8003 (“Sony”), and GLOWPOINT, INC., with an office at 225 Long Avenue, Hillside, New Jersey 07205 (“Provider”).

WITNESSETH:

WHEREAS, Sony wishes to engage Provider on a non-exclusive basis to perform certain services, including the creation and delivery of certain deliverables, as more particularly described in this Agreement (the “Services”), and Provider desires to accept association with Sony in such capacity.

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinabove and hereinafter set forth, the parties hereby agree as follows:

1. SERVICES/SCHEDULE

Provider shall perform the Services described in Exhibit A attached to this Agreement and made a part hereof for Sony in accordance with the terms and conditions hereof. The implementation schedule and milestones for the Services are set forth in Exhibit B hereto.

2. COMPENSATION

A. As full and complete consideration for the performance of the Services, Sony shall pay Provider such fees and reimburse such expenses as are set forth on Exhibit C attached to this Agreement and made a part hereof. Sony will have no obligation to pay any invoice submitted more than ninety (90) days from when such invoice should have been issued. Any fees payable on a per diem/per hour basis are only for those days/hours actually worked by Provider. Payment of such fees is subject to performance of the Services covered thereby to the reasonable satisfaction of Sony. Provider represents to Sony that such fees are at least as favorable as those charged to other clients of Provider for the performance of services similar to the Services. Provider will furnish Sony such evidence of reimbursable expenses as Sony may reasonably request as a condition for their payment.

B. If Provider determines that it has any inquiries, problems or believes there are errors or discrepancies with respect to any amounts due to it pursuant to this Agreement, then Provider shall give Sony notice thereof within ninety (90) days of the date that the Services which gave rise to the inquiry, problem and/or discrepancy, etc. were performed. Provider’s failure to give Sony such notice will constitute a waiver of any and all right which Provider may have to any adjustment, charge or reimbursement by reason thereof.

C. Provider shall maintain complete and accurate accounting records concerning the performance of the Services and will retain such records for a period of two (2) years following termination or expiration of this Agreement. Sony will have the right, upon giving Provider reasonable notice, to audit, at any time during the term hereof and throughout such period, Provider's records relating to the costs, expenses, and disbursements made or incurred in connection with the performance of the Services.

3. KEY PERSONNEL

A. Provider represents and warrants that Provider's employees and permitted subcontractors assigned by Provider to perform the Services are qualified to do so.

B. Provider shall not remove (other than by discharge) any of the employees or permitted subcontractors referred to in Paragraph 3A from the performance of the Services without giving Sony notice thereof. Sony may request in writing the removal of any of Provider's employees or permitted subcontractors performing the Services who interact directly with Sony employees and/or customers whom Sony, in good faith, determines is unqualified or not suitable to perform the Services. Provider shall have thirty (30) days to resolve any issues related to employees or permitted subcontractors whose removal Sony has requested. The extent of removal shall be at Provider's sole discretion but will at a minimum consist of the restriction of the identified employee or permitted subcontractors from interacting with Sony employees and/or customers.

4. REPRESENTATIONS AND WARRANTIES

A. Provider represents and warrants to Sony that it has the experience and knowledge to perform the Services; that the performance of the Services shall not violate any proprietary rights of third parties, including, without limitation, patents, copyrights or trade secrets; and, that the performance of the Services will not violate any applicable law, rule, regulation or contractual obligations or confidential relationships which Provider may have to or with any third party, or violate the privacy of any third party from whom Provider may obtain any information in connection therewith.

B. Provider represents and warrants that any deliverable and computer media furnished to Sony as part of the Services shall be free from computer viruses, and any undocumented and unauthorized methods for terminating or disrupting the operation of, or gaining access to, the deliverable, computer systems or other computing resources or data, or other code features which result in or cause, in whole or in part, directly or indirectly, damage, loss, or disruption to all or any part of the computer systems or other computing resources and that same will not incorporate any termination logic or any means to repossess such deliverable. For these purposes, "Termination logic" means computer code that uses the internal clock of the computer to test for the date and/or time (e.g., Friday the 13th), use count, execution key, or any related techniques as a trigger to render inoperable or otherwise disable the deliverable or any related computer system.

C. EXCEPT FOR ANY EXPRESS WARRANTIES CONTAINED IN THIS AGREEMENT, PROVIDER MAKES NO OTHER WARRANTIES TO SONY

WHATSOEVER, AND PROVIDER HEREBY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, RELATING TO ITS PERFORMANCE OF THE SERVICES.

5. CONFIDENTIALITY

A. Any disclosures of information by one party to the other party under this Agreement or pursuant to the transactions contemplated hereby shall be governed by the Confidentiality and Non-Disclosure Agreement between the parties dated January 25, 2005 (the "Confidentiality Agreement"). The terms of the Confidentiality Agreement will apply hereto and the transactions contemplated hereby for a period of two (2) years following the termination or expiration hereof.

B. If, as part of the Services or otherwise, Provider receives Personal Information (as such term is defined in Exhibit D attached to this Agreement and made a part hereof), Provider shall comply with the terms and conditions of such Exhibit D with respect to such Personal Information.

6. OWNERSHIP

A. All deliverables required by the Services and all tangible and intangible property, work products, inventions and discoveries which are conceived/developed/created/obtained by Provider specifically in connection with the performance of the Services (the "Work Product"), including, without limitation, all technical notes, schematics, software source and object code, prototypes, breadboards, computer models, artwork, literature, methods, processes and photographs, shall, as between Sony and Provider, be owned by Provider, and all right, title and interest therein, including, without limitation, patents and copyrights, will vest exclusively in Provider. Provider hereby grants to Sony an unlimited, worldwide, non-exclusive, perpetual, fully paid-up license to use the Work Product.

B. All products, engineering data, business plans and information, specifications, drawings, or other property furnished by Sony to Provider in connection with the performance of the Services shall, as between Sony and Provider, remain the exclusive property of Sony. Such Sony property will be used by Provider for no purpose other than the performance of the Services. If requested by Sony, Provider will sign and deliver a written itemized receipt or loan agreement for all such property and be responsible for its safekeeping. Upon the termination or expiration of this Agreement, Provider will immediately return such property to Sony.

7. TERM, TERMINATION AND CANCELLATION

A. This Agreement shall commence on the date first above written and thereafter remain in effect, unless and until terminated as set forth in this Paragraph, until all duties and obligations of the parties hereunder have been discharged.

B. Either party may terminate this Agreement by giving the other party notice of the other's failure to observe and perform any of the terms and conditions hereof on its part to be so observed and performed which is not cured within thirty (30) days.

8. NOTICES

All notices and other communications required or permitted to be given under this Agreement shall be in writing and will be delivered personally, or mailed by registered or certified mail, return receipt requested, postage prepaid, or sent by reputable overnight courier service or by telex, telecopy or other form of rapid transmission, confirmed by mailing as described above, addressed as follows:

If to Sony:	Sony Electronics Inc. 1 Sony Drive Park Ridge, NJ 07656 Attention: Vice President, Conferencing Solutions Facsimile #: (408) 955-5173
With a copy to:	Sony Electronics Inc. 16530 Via Esprillo, MZ 7300 San Diego, CA 92127 Attention: General Counsel, Law Department Facsimile #: (858) 942-7597
If to Provider:	Glowpoint, Inc. 225 Long Avenue Hillside, NJ 07205 Attention: Sherry Harmon Facsimile #: (973) 923-3352

Any notice so addressed and delivered personally will be deemed given upon receipt. Any notice so addressed and mailed will be deemed given upon deposit in the United States mails, or if sent by overnight courier service, on the next business day, or if sent by rapid transmission followed promptly by mailing, upon receipt of such transmission. Either party may change its address by giving the other notice thereof in the manner provided in this Paragraph.

9. INDEPENDENT CONTRACTOR

In performing the Services, Provider represents and warrants to Sony that it will act in the capacity of an independent contractor and not as an employee or agent of Sony and will not represent that Provider is an agent or legal representative of Sony for any purpose whatsoever. Provider further represents and warrants to Sony that it has a properly executed and current Form I-9 for each employee who will provide the Services and that any such employee on visa status is in full compliance with such visa status and that, where applicable, Provider has a valid Labor Condition Application on file covering each and every Sony location where the Services are to be performed. Provider also represents and warrants to Sony that it will be solely responsible for the employment and remuneration of Provider's employees and any claims with respect thereto, and will be solely responsible for the withholding and payment of all federal, state, and local income taxes as well as all FICA and FUTA taxes applicable to Provider, or such employees. Provider acknowledges that as an independent contractor, neither Provider nor any of such employees will be eligible for any Sony employee benefits, including, but not limited to, vacation, medical, dental, or pension benefits.

10. LIMITATION OF LIABILITY

EXCEPT FOR (I) PAYMENT OF FEES OR CHARGES ARISING UNDER THIS AGREEMENT AND (II) LIABILITY FOR GROSS NEGLIGENCE OR WILFUL MISCONDUCT RESULTING IN DEATH, PERSONAL INJURY OR PROPERTY DAMAGE, EACH PARTY'S ENTIRE LIABILITY FOR ANY CLAIM, LOSS, DAMAGE OR EXPENSE FROM ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, SHALL BE LIMITED TO DIRECT, PROVEN DAMAGES IN AN AMOUNT NOT TO EXCEED THE AGGREGATE AMOUNT OF ANY COMMISSIONS TO WHICH SONY IS ENTITLED UNDER THE SALES AGENT AGREEMENT BETWEEN THE PARTIES DATED THE DATE HEREOF (THE "SALES AGENT AGREEMENT").

NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTIAL, CONSEQUENTAL, OR ANY OTHER INDIRECT LOSS OR DAMAGE, INCLUDING LOST PROFITS OR LOST REVENUES, ARISING OUT OF THIS AGREEMENT OR ANY OBLIGATION RESULTING THEREFROM, OR THE USE OR PERFORMANCE OF ANY SERVICE, WHETHER IN AN ACTION FOR OR ARISING OUT OF ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THIS CLAUSE SHALL SURVIVE FAILURE OF AN EXCLUSIVE REMEDY.

11. GENERAL

A. If, at any time, Provider or Provider's employees are performing the Services on Sony's premises, they shall observe the working hours, working rules and security procedures established therefor by Sony.

B. Provider shall comply with all federal, state, and local statutes, ordinances, and regulations applicable to the carrying on of Provider's business and the performance of the Services.

C. No right or interest in this Agreement shall be assigned or subcontracted by Provider without the prior written consent of Sony, and no delegation of the performance of the Services or other obligations owed by Provider to Sony shall be made without such consent of Sony, which consents may be withheld for any or no reason.

D. No course of dealing, course of performance or failure of either Party strictly to enforce any term, right or condition of this Agreement shall be construed as a waiver of any term, right or condition.

E. If any paragraph, or clause thereof, of these terms and conditions shall be held to be invalid or unenforceable in any jurisdiction in which these terms and conditions apply, then for such jurisdiction the meaning of such paragraph or clause shall be construed so as to render it enforceable to the extent feasible; and if no feasible interpretation would save such paragraph or clause, it shall be severed from these terms and conditions and the remainder shall remain in full force and effect, unless leaving the remainder in full force and effect would make the Agreement unjust.

F. This Agreement shall be deemed to have been made in, and shall be construed pursuant to the laws of, the State of New York without regard to conflicts of laws provisions thereof. Any waivers or amendments of the terms and conditions hereof will be effective only if made in writing. The parties will attempt in good faith to resolve any controversy or claim arising out of or related to this Agreement promptly by negotiations between senior executives of the parties who have authority to settle the controversy (but who do not have direct responsibility for the administration hereof). The disputing party will give the other party written notice of the dispute. Within twenty (20) days after receipt of such notice, the receiving party shall submit to the other a written response. Such disputing party notice and such receiving party response will include: (i) a statement of its position and a summary of the evidence and arguments supporting its position; and, (ii) the name and title of the executive who will represent it in the negotiations. Such executives will meet at a mutually acceptable time and place within thirty (30) days of the date of the disputing party’s notice and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the dispute has not been resolved within sixty (60) days of the disputing party’s notice, or if either party will not meet within thirty (30) days, either party may initiate mediation of the dispute in accordance with the Center for Public Resources’ model procedure for mediation of business disputes. If the dispute is not resolved pursuant to such mediation procedure within sixty (60) days of the initiation thereof, or if either party will not participate in such mediation, then either party may initiate litigation by giving thirty (30) days prior notice to the other party. Notwithstanding the foregoing, either party may initiate litigation immediately with respect to any matter arising out of or in connection with the terms and conditions of this Agreement for which equitable relief is sought. All dates specified in this Section may be extended by the mutual written agreement of the parties. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN CONNECTION WITH ANY ACTION OR SUIT ARISING UNDER THIS AGREEMENT OR OTHERWISE ARISING FROM THE RELATIONSHIP BETWEEN THE PARTIES HEREUNDER.

G. Except as specifically provided in this Agreement, the rights and remedies of the parties set forth herein shall be cumulative and in addition to any rights and remedies available to them at law and/or in equity therefor.

H. This Agreement, the Confidentiality Agreement, the Sales Agent Agreement and the Joint Marketing Agreement between the parties dated the date hereof supersede all prior oral or written understandings between the parties (including, without limitation, any prior agreement related to any of the Services) and constitute the entire agreement between them concerning the subject matter of this Agreement and shall not be contradicted, explained or supplemented by any course of dealing between the parties or any of their affiliates. There are no understandings or representations, express or implied, not expressly set forth in this Agreement, the Joint Marketing Agreement, the Sales Agent Agreement and the Confidentiality Agreement. This Agreement may not be modified or amended except by a writing signed by the parties. If there is a conflict between any term or condition of this Agreement and any term or condition of any Appendix hereto, then the term or condition in the Appendix will take precedence with respect to the subject matter of the Appendix and the term or condition in the Agreement will take precedence with respect to all other matters.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Agreement as of the Effective Date.

Provider: GLOWPOINT, INC.	Sony: SONY ELECTRONICS INC.
By: /s/ David C. Trachtenberg	By: /s/ Michael McCausland
Title: CEO and President	Title: GM Visual Communications

Exhibit 10.48

JOINT MARKETING AGREEMENT

This JOINT MARKETING AGREEMENT, dated as of March 28, 2005, is by and between SONY ELECTRONICS INC., with offices at 1 Sony Drive, Park Ridge, New Jersey 07656-8003 ("Sony"), and GLOWPOINT, INC., with an office at 225 Long Avenue, Hillside, New Jersey 07205 ("Glowpoint").

WITNESSETH:

WHEREAS, Glowpoint and Sony have entered into a Sales Agent Agreement dated the date hereof (the "Sales Agent Agreement") pursuant to which Sony has agreed to market and sell certain customized services (the "Services") of Glowpoint; and,

WHEREAS, Glowpoint and Sony desire to engage in certain joint marketing activities and other joint initiatives with respect to the Services in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and premises hereinabove and hereinafter set forth, the parties hereby agree as follows:

1. <u>Coordination</u>.

In order to coordinate the joint marketing efforts contemplated by this Agreement, Sony and Glowpoint shall schedule periodic marketing and planning sessions. Such sessions will be held at least quarterly and will include representatives from the videoconferencing related marketing teams of Sony and Glowpoint. Sony and Glowpoint will jointly determine a quarterly budget relating to all such joint marketing efforts, subject in each case to approval by David Trachtenberg of GlowPoint and Michael McCausland of Sony.

2. <u>Term</u>.

The term of this Agreement shall commence on the date first above written hereof and, unless terminated earlier as provided herein, continue for a period of one (1) year.

3. <u>Events and Conferences</u>.

Sony shall demonstrate the customized Services at various events and conferences, and will offer Glowpoint the opportunity to participate as a co-exhibitor in such events and conferences. If Sony and Glowpoint are co-exhibitors at an event or conference where the customized Services are being demonstrated, Sony and Glowpoint will share equally the cost of the Glowpoint circuit and connectivity for the event. If Glowpoint is not participating in the event, Glowpoint will provide the Glowpoint circuit and custom connectivity to Sony at a discount off of Glowpoint's retail rate. Glowpoint will participate with Sony as a co-exhibitor at the NAB conference in Las Vegas from April 16 to April 21, 2005 and the BEA educational extension of NAB, and at InfoComm in Las Vegas in June 2005.

4. Trademarks, Logos, etc.

A. Sony shall grant Glowpoint permission to use certain Sony designated trademarks, insignia and symbols (the "Sony Marks") in connection with the Services to create and market the customized version of Glowpoint's IP videoconferencing services as contemplated by the Development Agreement between the parties dated the date hereof (the "Development Agreement"), provided that such use conforms to this Agreement and Sony's standards and guidelines, as may be revised from time to time by Sony giving Glowpoint notice thereof; provided, further that Sony reserves the right to withdraw this grant with respect to any or all of the Sony Marks immediately upon giving Glowpoint notice thereof in the event that Sony discontinues the use of any such Sony Marks to identify the Services. Glowpoint shall not do business under any of the Sony Marks or derivatives or variations thereof. The Sony Marks may only be used by Glowpoint to advertise and promote the Services or as otherwise agreed to in writing by Sony, and may not be used to identify and/or distinguish Glowpoint.

B. Glowpoint will submit all Glowpoint-initiated advertisements or promotions, including without limitation, any materials appearing on websites, using the Sony Marks or any reference thereto that have not been provided by Sony in writing for such purpose to Sony for prepublication review and written approval by Sony with respect to, but not limited to, context, style, appearance, composition, timing and media (i.e., form of transmission). At all times, Glowpoint will strictly adhere to the trademark usage guidelines provided by Sony. Glowpoint may not use, include or refer to any Sony Mark or any name of Sony or its affiliated companies or any abbreviation, contraction or simulation thereof in any unsolicited email or facsimile.

C. Glowpoint will not alter or remove any of the Sony Marks applied to the Services without the prior written approval of Sony. Nothing in this Agreement will create in Glowpoint any rights in the Sony Marks.

D. Glowpoint shall grant Sony permission to use certain Glowpoint designated trademarks, insignia and symbols set forth in Exhibit A (the "Glowpoint Marks") in connection with the Services to market and communicate the customized version of Glowpoint's IP videoconferencing services as contemplated by the Development Agreement, provided that such use conforms to this Agreement and Glowpoint's standards and guidelines, as may be revised from time to time by Glowpoint giving Sony notice thereof; provided, further that Glowpoint reserves the right to withdraw this grant with respect to any or all of the Glowpoint Marks immediately upon giving Sony notice thereof in the event that Glowpoint discontinues the use of any such Glowpoint Marks to identify the Services. Sony shall not do business under any of the Glowpoint Marks or derivatives or variations thereof. The Glowpoint Marks may only be used by Sony to advertise and promote the Services or as otherwise agreed to in writing by Glowpoint, and may not be used to identify and/or distinguish Sony.

E. Sony will submit all Sony-initiated advertisements or promotions, including, without limitation, any materials appearing on websites, using the Glowpoint Marks or any reference thereto that have not been provided by Glowpoint in writing for such purpose to Glowpoint for prepublication review and written approval by Glowpoint with respect to, but not limited to, context, style, appearance, composition, timing and media (i.e., form of transmission). At all times, Sony will strictly adhere to the trademark usage guidelines provided by Glowpoint. Sony may not use, include or refer to any Glowpoint Mark or any name of Glowpoint or its affiliated companies or any abbreviation, contraction or simulation thereof in any unsolicited email or facsimile.

F. Sony will not alter or remove any of the Glowpoint Marks applied to the Services without the prior written approval of Glowpoint. Nothing in this Agreement will create in Sony any rights in the Glowpoint Marks.

G. Sony will not use any advertising that uses the Glowpoint Marks including, without limitation, any materials appearing on websites, which shows and identifies items marketed by Sony for non-Glowpoint companies, unless such items are clearly separated from and not associated with the Glowpoint Marks. Sony will not use the Glowpoint Marks in any way to imply Glowpoint's endorsement of non-Glowpoint products and/or services.

5. <u>Marketing Materials and Related Activities</u>.

A. Glowpoint shall make available to Sony, for purposes of marketing the Services, electronic versions of customer contracts, order forms, promotional materials, sales literature and sales aids. Glowpoint will also make available to Sony customer communications materials, in electronic format, for branding and delivery to customers. Sony will not alter, amend or otherwise revise the materials referred to in this Paragraph 5A without prior written approval by Glowpoint.

B. Glowpoint shall provide and maintain its PartnerPoint website at <u>www.glowpoint.com/partnerpoint</u>, or other Sony specific content location communicated to Sony by Glowpoint, for Sony to access for sales, marketing and technical information with respect to the marketing of the Services.

C. Sony shall make those Sony locations where it has established a demonstration room for its videoconferencing products that are actually running the Services available to Glowpoint for purposes of allowing Glowpoint to demonstrate the Services to potential customers.

D. Sony and Glowpoint shall endeavor to come up with an appropriate co-brand for the Services. Until Sony and Glowpoint have reached agreement on the appropriate brand for the Services, the parties may refer to the Services as "Sony powered by GlowPoint.

E. Upon the expiration or termination of this Agreement, Glowpoint shall cease providing and supporting the Services and shall transition the customers that have subscribed for the Services to a Glowpoint-branded solution.

6. <u>Executive TL-50 Program</u>.

A. Glowpoint shall support Sony in providing the customized Services for Sony's planned Executive TL-50 external seeding program at no more than 63 sites (unless mutually agreed to by the parties) in which Sony's resellers, system integrators and corporate customers will participate. The following considerations will apply to the program:

- Potential new Glowpoint customers only; Glowpoint will have the ability to participate in selection
- Qualifies for SDSL/512k Unlimited Plan
- Six (6) months free subscription service
- Ability to "convert" to subscription plan after the demonstration period, prior to the end of month six, or disconnect
- No installation charge; early termination charge if disconnect prior to six (6) months
- Includes Video Mailbox during the demonstration period
- All non-subscription charges, i.e. international gateway, billed directly to customer at Glowpoint's retail rates
- Participants agree to:
    - First call/training
    - Welcome call from Glowpoint CEO
    - Provide feedback online or through video focus groups
    - Potential to participate in video interviews with Forbes.com
- Standard Glowpoint installation only; any custom or requested inside wiring shall be at expense of customer
- Glowpoint is not responsible for the installation or customer support of Sony's hardware, i.e. the TL-50
- Glowpoint shall provide the terms of the demonstration agreement relating to the TL-50

Glowpoint agrees to warehouse and ship the Sony TL-50 units as directed by Sony. Title to the TL-50 units and risk of loss with respect to such units shall at all times, as between Sony and Glowpoint, remain with Sony. Sony shall be responsible for the payment or reimbursement to Glowpoint of all shipping charges with respect to the TL-50 units.

B. If Sony determines in its sole discretion to equip its senior executive officers with TL-50 videoconferencing systems running any of the customized Services, the customized Services shall be provided by Glowpoint to such senior executive officers at the non-retail rates set forth in <u>Appendix 2</u> to the Sales Agent Agreement. The monthly subscription rate will be determined by the provisioning solution agreed to by

the parties.

7. Mutual Covenant as to Advertisements.

Glowpoint and Sony acknowledge that their joint marketing efforts contemplated by this Agreement shall at all times comply with all applicable laws, rules and regulations and will not contain any material which is obscene, threatening, fraudulent, harassing, libelous, infringing of third party intellectual property rights, otherwise illegal or, in the reasonable judgement of the party required to display the advertisement, offensive.

8. Intellectual Property Rights.

Each party acknowledges that nothing contained in this Agreement transfers to the other party any right, title or proprietary interest (including without limitation any intellectual property rights), in any part of the marketing efforts contemplated by this Agreement or any proprietary information (including without limitation any trademarks, service marks, trade names, or logos, trade secrets, knowhow, inventions, patents (including any applications, extensions, continuations, renewals and re-issues thereof), copyrights, designs and industrial designs).

9. Confidentiality.

Any disclosures of information by one party to the other party under this Agreement or pursuant to the transactions contemplated hereby shall be governed by the Confidentiality and Non-Disclosure Agreement between the parties dated January 25, 2005 (the "Confidentiality Agreement"). The terms of the Confidentiality Agreement will apply hereto and the transactions contemplated hereby for a period of two (2) years following the termination or expiration hereof.

10. LIMITATION OF LIABILITY.

EXCEPT FOR (I) PAYMENT OF FEES OR CHARGES ARISING UNDER THIS AGREEMENT, AND (II) LIABILITY FOR GROSS NEGLIGENCE OR WILFUL MISCONDUCT RESULTING IN DEATH, PERSONAL INJURY OR PROPERTY DAMAGE, EACH PARTY'S ENTIRE LIABILITY FOR ANY CLAIM, LOSS, DAMAGE OR EXPENSE FROM ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, SHALL BE LIMITED TO DIRECT, PROVEN DAMAGES IN AN AMOUNT NOT TO EXCEED THE AGGREGATE AMOUNT OF ANY COMMISSIONS TO WHICH SONY IS ENTITLED UNDER THE SALES AGENT AGREEMENT.

NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTIAL, CONSEQUENTAL, OR ANY OTHER INDIRECT LOSS OR DAMAGE, INCLUDING LOST PROFITS OR LOST REVENUES, ARISING OUT OF THIS AGREEMENT OR ANY OBLIGATION RESULTING

THEREFROM, OR THE USE OR PERFORMANCE OF ANY SERVICE, WHETHER IN AN ACTION FOR OR ARISING OUT OF ANY CAUSE WHATSOEVER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT INCLUDING NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THIS CLAUSE SHALL SURVIVE FAILURE OF AN EXCLUSIVE REMEDY.

11. <u>Miscellaneous</u>.

(a) This Agreement may not be transferred or assigned by either party, whether voluntarily or by operation of law, without the prior written consent of the other, which consent may be withheld in such party’s sole discretion. This Agreement shall inure to the benefit of and be binding upon all permitted successors and assigns.

(b) This Agreement shall be deemed to have been made in, and shall be construed pursuant to the laws of, the State of New York without regard to conflicts of laws provisions thereof. Any waivers or amendments of the terms and conditions hereof will be effective only if made in writing. The parties will attempt in good faith to resolve any controversy or claim arising out of or related to this Agreement promptly by negotiations between senior executives of the parties who have authority to settle the controversy (but who do not have direct responsibility for the administration hereof). The disputing party will give the other party written notice of the dispute. Within twenty (20) days after receipt of such notice, the receiving party shall submit to the other a written response. Such disputing party notice and such receiving party response will include: (i) a statement of its position and a summary of the evidence and arguments supporting its position; and, (ii) the name and title of the executive who will represent it in the negotiations. Such executives will meet at a mutually acceptable time and place within thirty (30) days of the date of the disputing party’s notice and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute. If the dispute has not been resolved within sixty (60) days of the disputing party’s notice, or if either party will not meet within thirty (30) days, either party may initiate mediation of the dispute in accordance with the Center for Public Resources’ model procedure for mediation of business disputes. If the dispute is not resolved pursuant to such mediation procedure within sixty (60) days of the initiation thereof, or if either party will not participate in such mediation, then either party may initiate litigation by giving thirty (30) days prior notice to the other party. Notwithstanding the foregoing, either party may initiate litigation immediately with respect to any matter arising out of or in connection with the terms and conditions of this Agreement for which equitable relief is sought. All dates specified in this Section may be extended by the mutual written agreement of the parties. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN CONNECTION WITH ANY ACTION OR SUIT ARISING UNDER THIS AGREEMENT OR OTHERWISE ARISING FROM THE RELATIONSHIP BETWEEN THE PARTIES HEREUNDER.

(c) This Agreement may be executed in counterparts, each of which shall constitute an original and both of which together shall be deemed to be one and the same instrument.

(d) All notices and other communications required or permitted to be given under this Agreement shall be in writing and will be delivered personally, or mailed by registered or certified mail, return receipt requested, postage prepaid, or sent by reputable overnight courier service, or by telex, telecopy or other form of rapid transmission, confirmed by mailing as described above, addressed as follows:

If to Sony:	Sony Electronics Inc. 1 Sony Drive Park Ridge, NJ 07656 Attention: Vice President, Conferencing Solutions Facsimile #: (408) 955-5173
With a copy to:	Sony Electronics Inc. 16530 Via Esprillo, MZ 7300 San Diego, CA 92127 Attention: General Counsel, Law Department Facsimile #: (858) 942-7597
If to Provider:	Glowpoint, Inc. 225 Long Avenue Hillside, NJ 07205 Attention: Sherry Harmon Facsimile #: (973) 923-3352

Any notice so addressed and delivered personally will be deemed given upon receipt. Any notice so addressed and mailed will be deemed given upon deposit in the United States mails, or if sent by overnight courier service, on the next business day, or if sent by rapid transmission followed promptly by mailing, upon receipt of such transmission. Either party may change its address by giving the other notice thereof in the manner provided in this Paragraph.

(e) This Agreement, the Confidentiality Agreement, the Sales Agent Agreement and the Development Agreement supersede all prior oral or written understandings between the parties (including, without limitation, any prior agreement related to any of the Services) and constitute the entire agreement between them concerning the subject matter of this Agreement and shall not be contradicted, explained or supplemented by any course of dealing between the parties or any of their affiliates. There are no understandings or representations, express or implied, not expressly set forth in this Agreement, the Development Agreement, the Sales Agent Agreement and the Confidentiality Agreement. This Agreement may not be modified or amended except by a writing signed by the parties. If there is a conflict between any term or condition of this Agreement and any term or condition of any Appendix hereto, then the term or condition in the Appendix will take precedence with respect to the subject matter of the Appendix and the term or condition in the Agreement will take precedence with respect to all other matters.

(f) If any paragraph, or clause thereof, of these terms and conditions shall be held to be invalid or unenforceable in any jurisdiction in which these terms and conditions apply, then for such jurisdiction the meaning of such paragraph or clause shall be construed so as to render it enforceable to the extent feasible; and if no feasible interpretation would save such paragraph or clause, it shall be severed from these terms and conditions and the remainder shall remain in full force and effect, unless leaving the remainder in full force and effect would make the Agreement unjust.

(g) The Section headings contained in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement.

(h) No course of dealing, course of performance or failure of either party strictly to enforce any term, right or condition of this Agreement shall be construed as a waiver of any term, right or condition.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives.

GLOWPOINT, INC.	**SONY ELECTRONICS INC:**
By: /s/ David C. Trachtenberg	**By: /s/ Michael McCausland**
Name: David C. Trachtenberg	**Name: Michael McCausland**
Title: CEO and President	**Title: GM Visual Communications**
Date: March 28, 2005	**Date: March 30, 2005**

EXHIBIT 10.49

SETTLEMENT AGREEMENT AND RELEASE AS OF JANUARY 26, 2005

A. **Effective Date.** This Settlement Agreement and Release (hereinafter referred to as the "Agreement") is made effective as of January 26, 2005.

B. **Parties.** The parties to this Agreement are as follows:

a. Glowpoint, Inc., a Delaware corporation ("Glowpoint");

b. Gores Technology Group, a California corporation ("Gores");

c. Wire One Communications, Inc. a Delaware corporation ("Wire One");

The above parties are collectively referred to herein as the "Settling Parties" or the "Parties." With the intent of being legally bound, the Settling Parties hereby agree as follows:

RECITALS

WHEREAS, Glowpoint (then known as Wire One Technologies, Inc.) and Gores entered into an Asset Purchase Agreement (the "APA") dated as of June 10, 2003.

WHEREAS, Gores assigned its rights under the APA to Gores Holding Corp., a Delaware corporation, which corporation changed its name to Wire One Technology, Inc., a Delaware corporation, upon closing of the APA; and Wire One Communications, Inc. is the successor entity to Wire One Technology, Inc. by merger filed with the Delaware Secretary of State on November 19, 2004.

WHEREAS, in connection with the closing of the transactions under the APA, Gores Holding Corp. and Glowpoint entered into a Transition Services Agreement (the "TSA") dated as of September 23, 2003.

WHEREAS, pursuant to Section 2.2(a) of the APA, Gores Holding Corp. executed and delivered in favor of Glowpoint that certain Promissory Note, dated September 23, 2003, in the principal amount of one million dollars ($1,000,000), with a maturity date of December 31, 2004 (the "Note").

WHEREAS, in connection with the closing of the transactions under the APA, Gores Holding Corp. and Glowpoint entered into an Escrow Agreement (the "Escrow Agreement"), dated as of September 23, 2003, pursuant to which Gores Holding Corp. deposited with a third party escrow agent $335,000 of the Cash Payment (as defined in Section 2.2(a) of the APA) by Gores to Glowpoint (the "Escrow Fund") to be held pending determination of certain "Transition Cost Amounts" pursuant to Section 5.14 of the APA.

WHEREAS, pursuant to Section 2.2(a) of the APA, Gores is to pay to Glowpoint $2,000,000 at such time certain purchase price adjustments were determined pursuant to Section 2.3 of the APA (the "Holdback Amount").

WHEREAS, certain disputes have arisen with respect to the Parties' rights and obligations pursuant to the APA, the TSA, the Note and otherwise.

WHEREAS, Glowpoint filed a lawsuit in the United States District Court for the Southern District of New York, entitled *Glowpoint, Inc. v. Gores Technology Group*, Civil Action No. 04-cv-09430 (S.D.N.Y.) (the "Action"), seeking to recover $5 million from Gores for alleged breaches of Section 5.9 of the APA (the "Buyer Non-Compete Provision").

WHEREAS, Glowpoint has made one or more written requests that Gores and/or Wire One reimburse Glowpoint for certain costs and expenses incurred by Glowpoint prior to the date hereof with respect to the business and assets sold to Gores under the APA (the "Unreimbursed Transition Costs").

WHEREAS, in resolution of certain disputes between the Parties under Sections 2.3 and 5.14 of the APA, on or about January 10, 2005, an arbitrator determined that the Net Assets at the Measurement Date were $9,647,171 (resulting in a “final cash adjustment” amount of approximately $4.340 million due to Gores from Glowpoint) and that the Transition Cost Amount was $1,046,350, and awarded Glowpoint certain costs of the arbitration to be paid by Gores (the “Arbitration Award”).

WHEREAS, the Parties now desire to fully compromise and settle the disputes described herein, while leaving certain continuing rights and obligations under the APA and TSA in force.

NOW THEREFORE, in consideration of the promises, covenants and agreements hereinafter set forth and the exchange of consideration, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

SETTLEMENT TERMS

1. **Payment.** Upon the delivery by (a) Glowpoint to counsel of record for Gores, as identified below, of a Notice of Dismissal of the Action, as provided for in paragraph 2 hereof; and (b) each of the Parties to counsel of record for the other Parties, as identified below, a counterpart original of this Agreement executed by such Party; Gores shall then (i) immediately cause Wire One to execute an instruction (the “Escrow Release Instruction” described in Exhibit “A” attached hereto) to the Escrow Agent under the Escrow Agreement to release the Escrow Fund, together with all accrued interest thereon, to the order of Glowpoint; and (ii) as promptly as possible but in any event within three business days cause an amount in immediately available funds equal to the sum of $2.75 million (the “Settlement Monies”) to be paid to Glowpoint by making payment of the Settlement Monies by wire transfer to the Client Trust Account of Glowpoint’s counsel of record, pursuant to wire transfer instructions provided by such counsel attached hereto as Exhibit “B”.

2. **Dismissal.** Glowpoint shall deliver to counsel for Gores a duplicate original Notice of Dismissal, dismissing the Action in its entirety, with prejudice, with each party to bear its own fees and costs; substantially in the form of Exhibit “C” hereto. Within one business day after counsel’s receipt of the Settlement Monies and the delivery of the Escrow Release Instruction referred to in paragraph 1 above, Glowpoint shall file the original Notice of Dismissal with the Clerk of the Court for the United States District Court for the Southern District of New York. Immediately upon the filing of the Notice of Dismissal, Glowpoint shall be entitled to receipt of the Settlement Monies from its counsel.

3. **No Admissions Regarding Liability.** Although this Agreement resolves the disputes described herein between the Parties, it does not constitute an admission by either Party of any of the claims or matters alleged in the Action or otherwise, or an admission of any violation of federal, state or local law, ordinance or regulation or of any liability or wrongdoing whatsoever. Neither this Agreement nor anything in this Agreement nor any information related to the negotiation of this Agreement shall be construed to be or shall be admissible in any suit, action or other proceeding as evidence of liability or wrongdoing by any Party hereto. This Agreement may be introduced, however, in any suit or action to enforce this Agreement or the rights or obligations of any Party hereunder.

4. **Releases.** In consideration hereof:

a. Glowpoint hereby relieves, releases and forever discharges Gores, and its respective members, partners, shareholders, employees, agents, subsidiaries, affiliates, successors, assigns, personal representatives, predecessors, affiliated organizations and attorneys including, without limitation, Wire One, and the respective heirs, executors, trustees, administrators, successors and assigns of any such persons and entities, and each of them, of and from the following claims, causes of action, debts and liabilities:

(i) The matters, facts or claims alleged or set forth in Glowpoint's Complaint, dated December 1, 2004, filed in the Action;

(ii) Any rights or claims Glowpoint had, has, claims to have or may have to payment by Gores or Wire One under the Buyer Non-compete Provision;

(iii) Any rights Glowpoint had, has, claims to have or may have to payment by Gores or Wire One of any amount under the Note or of the Holdback Amount;

(iv) Any rights Glowpoint had, has, claims to have or may have to payment by Gores or Wire One arising under the Arbitration Award, including without limitation the arbitrator fees of approximately $42,000;

(v) Any rights Glowpoint had, has, claims to have or may have to payment by Gores or Wire One of the Unreimbursed Transition Costs or any other cost or expense paid by Glowpoint prior to and including January 26, 2005 for the account of Gores or Wire One or with respect to the business and assets sold to Gores under the APA;

(vi) Any rights Glowpoint had, has, claims to have or may have to repayment by Gores or Wire One of accounts receivable owing to Glowpoint but collected by Gores or Wire One prior to and including January 26, 2005, whether pursuant to applicable provisions of the TSA or otherwise;

(vii) Any rights Glowpoint had, has, claims to have or may have to payment by Gores or Wire One of amounts due under the TSA; and

(viii) Any rights Glowpoint had, has, claims to have or may have to interest on any of the foregoing amounts.

b. Gores and Wire One hereby relieve, release and forever discharge Glowpoint, and its respective members, partners, shareholders, employees, agents, subsidiaries, affiliates, successors, assigns, personal representatives, predecessors, affiliated organizations and attorneys, and the respective heirs, executors, trustees, administrators, successors and assigns of any such persons and entities, and each of them, of and from the following claims, causes of action, debts and liabilities:

(i) The matters, facts or claims alleged or set forth in Glowpoint's Complaint, dated December 1, 2004, filed in the Action;

(ii) Any rights Gores or Wire One had, has, claims to have or may have to payment by Glowpoint arising under the Arbitration Award, including the "Final Cash Adjustment" amount due of approximately $4.340 Million and the "Transition Cost Amount" due of approximately $1.046 Million;

(iii) Any rights Gores or Wire One had, has, claims to have or may have to payment by Glowpoint of any interest under Section 2.3(d) of the APA or otherwise on the excess of the "Final Cash Adjustment" component of the Arbitration Award over the Holdback Amount;

(iv) Any rights Gores or Wire One had, has, claims to have or may have to payment by Glowpoint to Wire One, its employees, sales agents or other persons or entities for sales commissions relating to or arising out of the sale of the Glowpoint service by Wire One, its employees, sales agents or any of such other persons or entities, pursuant to the Sales Agency Agreement between Glowpoint and Wire One Technology, Inc. dated as of November 6, 2003 (which agreement has been terminated) or otherwise;

(v) Any rights Gores or Wire One had, has, claims to have or may have to repayment by Glowpoint of accounts receivable owing to Gores or Wire One but collected by Glowpoint prior to and including January 26, 2005, whether pursuant to applicable provisions of the TSA or otherwise;

(vi) Any rights Gores or Wire One had, has, claims to have or may have to payment by Glowpoint of amounts due under the TSA; and

(vii) Any rights Gores or Wire One had, has, claims to have or may have to interest on any of the foregoing amounts.

c. Notwithstanding the foregoing, nothing contained in this Agreement, including in the releases provided for in subparagraphs 4.a. and b. of this Agreement, constitutes a release of (i) any continuing obligation(s) owing by one party to any other party pursuant to this Agreement; (ii) any other provision of the APA other than those expressly set forth in the releases provided for in subparagraphs 4.a. and b. of this Agreement; or (iii) those provisions of Schedules A and B of the TSA with respect to “Inbound cash processing” requiring each party to reimburse the other for certain cash collections, except as expressly set forth in subparagraphs 4.a.(vi) and 4.b.(v) or any other agreement.

5. **Further Acts.** The Parties hereto covenant and agree to execute and deliver such additional documents and do all such acts and things in a timely fashion as may be reasonably necessary or requisite to carry out the full intent and meaning of this Agreement including, but not limited to, executing and delivering such additional documents and doing all such acts and things as may be reasonably necessary or requisite to effectuate the dismissal of the Action with prejudice and to implement the other terms of this Agreement.

6. **Representations, Warranties and Covenants.** The Parties, and each of them, represent and warrant to each other and agree with each other, as follows:

a) Each Party has carefully read and reviewed this Agreement (including the exhibits hereto) and understands it fully, and each Party has reviewed the terms of this Agreement with an attorney of the Party's choice prior to executing this Agreement;

b) Each Party specifically does not rely upon any statement, representation, legal opinion, accounting opinion or promise of any other Party or of any person representing them in executing this Agreement, or in making the settlement provided for herein, except as expressly stated in this Agreement;

c) Each Party has made such investigation of the law and the facts pertaining to this settlement and this Agreement, and of all the matters pertaining thereto, as it deems necessary. This Agreement has been read by, the contents hereof are known and understood by, and it is signed freely by, each person executing this Agreement;

d) This Agreement is the result of protracted, arm's-length negotiations between the Parties;

e) Each Party hereto agrees that it will not, either directly or indirectly, take any action that would interfere with the performance of this Agreement by any other party hereto, or which would adversely affect any of the rights provided for herein;

f) Each person executing this Agreement warrants that he has the authority to execute this Agreement on behalf of the Party on whose behalf said person is purporting to execute it and each corporate Party hereto represents and warrants that the execution and delivery of this Agreement has been duly authorized and approved; and

g) This Agreement is intended to be final and binding between and among, and to inure to the benefit of the Parties, including their heirs, executors, personal representatives, attorneys, successors and assigns, and is further intended to be effective as a full and final accord and satisfaction between and among the Parties regardless of any claims of fraud, misrepresentation, concealment of fact, mistake of fact or law, breach of fiduciary duty or any other claims or circumstances which have occurred as of the date first set forth herein above. Each Party relies on the finality of this Agreement as a material factor inducing that Party's execution of this Agreement;

7. **No Assignment.** Each of the Settling Parties warrants and represents to the other Settling Party as of the date of this Agreement that it has not heretofore assigned, encumbered, hypothecated or transferred, or purported to assign, encumber, hypothecate or transfer, to any other person or entity in any manner, including by way of subrogation, any claim, demand, right or cause of action released herein or relating thereto. Each of the Settling Parties agrees to indemnify and hold the other Settling Parties harmless against any such claim, demand, right or suit, including attorneys' fees and costs, if any, incurred as a result of any breach of these representations and warranties.

8. **No Waiver.** No breach of this Agreement or of any provision herein can be waived except by an express written waiver executed by the Settling Party waiving such breach, which waiver shall be effective only as to that Settling Party who executed the waiver. Waiver of any one breach shall not be deemed a waiver of any other breach of the same or other provisions of this Agreement. This Agreement may be amended, altered, modified or otherwise changed in any respect or particular only by a writing duly executed by all the Parties hereto or by their authorized representatives.

9. **Headings.** Section, paragraph and other headings contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or otherwise describe the scope or intent of this Agreement or any provision hereof and shall not effect in any way the meaning or interpretation of this Agreement.

10. **Integration.** This Agreement constitutes a single integrated written contract expressing the entire agreement of the Parties relative to the subject matter hereof. All prior negotiations and agreements have been and are merged and integrated into, and are superseded by, this Agreement.

11. **Severability.** The Parties each covenant and agree that in the event that any provision of this Agreement should be held by a court of competent jurisdiction to be void, voidable, illegal or unenforceable in any respect, the remaining portions and provisions hereof shall nevertheless remain in full force and effect as if such void, voidable or unenforceable provisions had never been contained herein.

12. **Governing Law.** This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware.

13. **Counterparts.** This Agreement may be executed and delivered in two or more counterparts, each of which, when so executed and delivered, shall be an original.

14. **Fees and Costs.** If suit, action or arbitration is brought to enforce or interpret any provision of this Agreement, or the rights or obligations of any Party hereto, the prevailing Party shall be entitled to recover, as an element of such Party’s costs of suit and not as damages, all reasonable costs and expenses incurred or sustained by such prevailing party in connection with such suit or action or arbitration, including, without limitation, attorneys’ fees and costs.

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15. **Comment.** The Parties hereto agree that, other than the press release attached hereto as Exhibit “D”, the Parties (including, without limitation, their respective agents, attorneys and other representatives) will make no press release, public announcement or other comment of any kind whatsoever with respect to the Action, the disputes between Glowpoint, on the one hand, and Gores and/or Wire One, on the other hand, or with respect to this Agreement, any matters related in any way to this Agreement or to any of the matters addressed herein or otherwise arising between Glowpoint, on the one hand, and Gores and/or Wire One, on the other hand; provided, however, that any Party may make any public disclosure of this Agreement or any of the foregoing matters it is required to disclose by applicable law or by any listing or trading agreement concerning its publicly traded securities. The Parties hereto further agree that, in the event they or any of their agents, attorneys or other representatives should receive any inquiries from the press or any media of any type regarding the matters resolved by this Agreement, the response given will be “no comment.”

16. **Gender.** The terms “he” “she” and “it” are used herein without regard to gender or status as a natural person and entity and, as such, are used interchangeably. No Party is intended to be or is either included or excluded from any reference by virtue of the use of one or the other of the terms “he” “she” or “it.”

17. **Cooperative Drafting.** Each Party has cooperated in the drafting and preparation of this Agreement, such that this Agreement shall not be construed against any Party on the basis that the Party was the drafter.

IN WITNESS WHEREOF, the parties hereto each have approved and executed this Agreement effective as of the date first set forth herein above.

AGREED AS SET FORTH ABOVE:

Gores Technology Group

Dated: March 4, 2005

By: /s/ Alec Glores
Its: Chairman and CEO

Wire One Communications, Inc.

Dated: March 4, 2005

By: /s/ Brent Bradley
Its: Vice President and Assistant Secretary

Glowpoint, Inc.

Dated: March 4, 2005

By: /s/ David C. Trachtenberg
Its: CEO and President

APPROVED AS TO FORM AND CONTENT:

Dated: March 4, 2005

/s/ Mark G. Krum
Mark G. Krum,
Attorney for Gores Technology Group and Wire One Communications, Inc.

Dated: March 4, 2005

/s/ Charles L. Kerr
Charles L. Kerr,
Attorney for Glowpoint, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Glowpoint, Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-114179, 333-114207, 333-103227, 333-74484, 333-69430, 333-69432, 333-66310, 333-63068) and Form S-8 (Nos. 333-90920, 333-66948, 333-96321, 333-62135, 333-39501, 333-30389, 333-20617) of our report dated March 14, 2005, relating to the consolidated financial statements, which appears in this Annual Report on Form 10-K.

BDO Seidman, LLP
Boston, MA

March 31, 2005

Exhibit 31.1

CERTIFICATION

I, David C. Trachtenberg, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers 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)) for the registrant and have:

   - 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   - evaluated the effectiveness of the registrant'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

   - disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 31, 2005

By: /s/ David C. Trachtenberg

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Gerard E. Dorsey, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers 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)) for the registrant and have:

   - 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   - evaluated the effectiveness of the registrant'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

   - disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: March 31, 2005

By: /s/ Gerard E. Dorsey

Chief Financial Officer and Executive
Vice President of Finance

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of Glowpoint, Inc. (the "Company") on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, David C. Trachtenberg, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 31, 2005.

By: /s/ David C. Trachtenberg

Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION

In connection with the periodic report of Glowpoint, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission (the “Report”), I, Gerard E. Dorsey, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: March 31, 2005.

By: /s/ Gerard E. Dorsey

Chief Financial Officer and Executive
Vice President of Finance