

GLOWPOINT, INC.
Form 10-K
March 05, 2015

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

FORM 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-35376

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.)

1776 Lincoln Street, Suite 1300, Denver, CO

80203

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (303) 640-3838

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on which
registered

Common Stock, \$0.0001 par value

NYSE MKT

Securities registered pursuant to Section 12(g) of the Exchange Act: None.

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2014, the last business day of the Registrant’s most recently completed second fiscal quarter, was approximately \$28,371,450.

The number of shares of the Registrant’s common stock outstanding as of March 2, 2015 was 35,773,357.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K.

GLOWPOINT, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K (this “Report”) contains statements that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and its rules and regulations (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, and its rules and regulations (the “Exchange Act”). These forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations and intentions of Glowpoint, Inc. (“Glowpoint” or “we” or “us” or the “Company”). All statements other than statements of current or historical fact contained in this Report, including statements regarding Glowpoint’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” and similar expressions, as they relate to Glowpoint, are intended to identify forward-looking statements. These statements are based on Glowpoint’s current plans, and Glowpoint’s actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this Report may turn out to be inaccurate. Glowpoint has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. There are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors that are discussed under the section entitled “Risk Factors”. Glowpoint undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to Glowpoint or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Report. Forward-looking statements in this Report include, among other things: our corporate objectives for 2015; our ability to meet commercial commitments; our expectations and estimates relating to customer attrition, future revenues, expenses and cash flows; estimated 2015 principal payments on our debt arrangements; our ability to service debt obligations and fund operations; our intention to retain any earnings to finance development; our ability to raise capital in our ATM Offering, in private placements or otherwise; our beliefs about inflation; our beliefs about employee relations; statements about businesses increasingly seeking out managed services and hosted, cloud-based infrastructure to support and power their user community and video technologies; our beliefs about the service offerings of our competitors and our ability to differentiate Glowpoint’s services; our growth strategies, including strategies around growing market share; beliefs about the strength of our intellectual property, including patents and pending patents; and our plans to seek acquisition opportunities that complement and expand Glowpoint’s current business.

PART I

Item 1. Business

Overview

Glowpoint, Inc. (“Glowpoint” or “we” or “us” or the “Company”) is a provider of video collaboration services and network solutions. Our scalable services are designed to provide both high-touch and self-service models to help customers adopt video as a more efficient and effective mode of business collaboration. Our customers include Fortune 1000 companies, along with small and medium enterprises in a variety of industries. We market our services globally through a multi-channel sales approach that includes direct sales and channel partners.

The Company was formed as a Delaware corporation in May 2000. In October 2012, the Company acquired Affinity VideoNet, Inc. (“Affinity”), a service provider for public videoconference suites and managed videoconferencing. On December 31, 2014, the Company merged Affinity, its wholly owned subsidiary, into the Company. The Company operates in one segment and therefore segment information is not presented.

Our Services

Video Collaboration Services

We provide a wide range of video collaboration services, from “self-service” to highly-managed, to address the spectrum of user needs and business use cases, and to drive adoption of video throughout the enterprise. We deliver our video collaboration solutions from our cloud-based service platform or as a service layer on top of our customers’ video infrastructure. We provide our customers with the following suite of services to meet their videoconferencing needs:

Managed Videoconferencing is a “high-touch” concierge-based offering where Glowpoint sets up and manages customer videoconferences. We offer managed videoconferencing both as a cloud-based service, with videoconferences hosted in the

Glowpoint Cloud, as described below under the heading “Intellectual Property”, and as an on-premise solution leveraging the customer’s existing video infrastructure. Managed Videoconferencing is available globally and works effectively across multiple networks and video devices, including desktop and mobile devices. Despite a trend to move towards “self-service,” customers remain highly reliant on scheduling, event support and conference management. Our managed videoconferencing services are offered to our customers on either a usage basis or on a monthly subscription. These services include:

Scheduling: Customers can schedule their videoconference using Microsoft Outlook®, Cisco TelePresence Management Suite®, or through Glowpoint’s CustomerPoint® web portal.

Call Launching: Once the videoconference is scheduled, it automatically launches at the designated time. Glowpoint will “bridge” the videoconference by calling the selected video endpoints at the time of the scheduled call and make sure they are properly connected. Automated launching creates cost efficiencies for both customers and Glowpoint and provides a desired evolution path that aligns with the market trend towards increasing self-service models.

Conference Monitoring & Support: Glowpoint’s systems will monitor the video meeting to make sure everything remains properly connected and operable during a conference. If an incident occurs during a meeting, a conference producer can reconnect and/or fix issues per standard practices or as requested by the customer.

Conference Reports: Customer administrators can generate reports through our portal to show videoconference details, statistics and success rate.

JoinMyVideo™ is an on-demand video meeting room (“VMR”) service that allows users to join from web browsers, desktops, mobile apps, and commonly used videoconferencing systems. We introduced JoinMyVideo™ in the first quarter of 2015 to meet customers’ needs to use video communications in a mobile environment, as discussed further under the heading “Market Need”. With JoinMyVideo™, users are able to manage the participants in the video meeting, allowing up to 24 participants to join the meeting. JoinMyVideo™ is a cloud-based software-as-a-service (“SaaS”) solution, so the customer has no infrastructure to buy and maintain. JoinMyVideo™ is offered to our customers on a monthly subscription basis.

Hybrid Videoconferencing helps enterprises migrate from managed videoconferencing to VMRs by bringing together attributes of both services. Users can schedule their VMR, add endpoints, and send invitations to participants through an online portal. At the scheduled time, the VMR is launched connecting the scheduled endpoints and allowing self-service users to join from video systems and desktop and mobile video apps. We introduced our Hybrid Video Conferencing service in the first quarter of 2015 as we believe that merging these connection capabilities is powerful and accommodates all types of users and meetings.

Video Meeting Suites provide remote access to videoconferencing for everyday business meetings and events, allowing our customers to conduct meetings and events in over 4,000 physical meeting suites across 1,300 cities without investing in video devices or infrastructure. We have partnered with the owners of these videoconference centers and arrange for our customers to hold videoconferences at convenient locations across the world based on the customers’ needs. Our primary service includes the scheduling and management of a highly orchestrated business-class meeting for a professional meeting experience. As part of the extended offering beyond the physical office suite, we also enable participants who elect to use a mobile device to join a video conference from anywhere in the world. These services are largely usage-based. We also offer our customers monthly subscription rates based on a fixed number of concurrent users.

Webcasting events enable our customers to stream live video feeds to up to thousands of viewers through their browsers and mobile devices. Enterprises often use this service on a quarterly basis for earnings calls and town hall events.

Remote Service Management

Our Remote Service Management provides an overlay to enterprise information technology (“IT”) and channel partner support organizations and provide 24/7 support and management of customer video environments. Our services are aligned with globally recognized set of best practices, Information Technology Infrastructure Library (“ITIL”), to standardize processes and communicate through a consistent set of terms with our customers and partners. We leverage a best-in-class IT service management (“ITSM”) provider, ServiceNow Inc., to systematically provide Remote Service Management, as well as enable Glowpoint to integrate with an enterprise’s systems and workflows.

We offer three tiers of Service Management options, ranging from automated monitoring to end-to-end management to complement the needs of the IT support organizations, as described below:

Resolve - Total Support is our most comprehensive management and support service and targets enterprises that want to completely

offload day-to-day operations of their video environment. We provide:

24x7 Support Desk: Around-the-clock access to our expert staff via phone and email for support inquiries.

Incident Management: Systematic management of incidents from service request to closure. All incidents are tracked and visible from our online ITSM portal.

Problem Management: Root cause analysis and coordination to prevent and quickly repair incidents.

Change Management: Management of maintenance contracts for infrastructure and endpoints to ensure systems are up to date, operating at peak performance, and have coverage from the manufacturer.

Site Certifications: Baseline testing of endpoints to make sure they're configured for optimal performance.

Service Level Agreements: Performance guarantees with our SLA/SLO backed services.

Helpdesk provides level 1 support and allows enterprise IT to scale and expand the reach of support to end users. We complement the existing staff by taking the initial service request from the end users and providing incident management. We provide:

24x7 Support Desk: Around-the-clock access to our expert staff via phone and email for support inquiries.

Incident Management: Systematic management of minor incidents, general service inquiries, and an initial assessment for major and critical incidents. We escalate major incidents to the appropriate and responsible parties.

Proactive Monitoring is a remote and automated monitoring service that detects events and alerts customers' IT when a service impacting event is discovered. The service is provided in conjunction with either Resolve or Helpdesk. We provide:

Event Management: 24/7 monitoring of our customers' infrastructure and endpoints with email alerts when events are detected.

Automated Video Room Sweeps ("AVRS"): Our custom developed service accesses our customers' endpoints every night, measures audio & video quality, and verifies firmware.

Network Services

Glowpoint's network services provide our customers around the world with network solutions that ensure reliable, high-quality and secure traffic of video, data and internet. Network services are offered to our customers on a monthly subscription. Our network services business carries variable costs associated with the purchasing and reselling of this connectivity. We offer our customers the following networking solutions that can be tailored to each customer's needs:

Cloud Connect: Video™ allows our customers to outsource the management of their video traffic to us and provides the customer's office locations with a secure, dedicated video network connection to the Glowpoint Cloud for video communications.

Cloud Connect: Converge™ provides customized Multiprotocol Label Switching ("MPLS") solutions for customers who require a converged network. A converged network is an efficient network solution that combines the customer's voice, video, data, and also Internet traffic over one or more common access circuits. Glowpoint fully manages and prioritizes traffic to ensure that video and other business critical applications run smoothly.

• Cloud Connect: Cross Connect™ allows the customer to leverage their existing carrier for the extension of a Layer 2 private line to Glowpoint's data center.

Professional and Other Services

Our Professional Services include onsite support, or dispatch, as well as configuration or customization of equipment or software on behalf of a customer. On a limited basis, we also resell video equipment to our customers.

Sales and Marketing

We currently sell our services through a direct sales force and indirect sales channels. As of December 31, 2014, we had 18 full-time employees engaged in sales and marketing. Our sales/account management team is responsible for developing relationships and expanding opportunities within our existing customer base as well as targeting our services to other large and medium-sized corporations. We partner with agents and wholesale channels to expand the size and reach of these efforts. The customers we target have a proven need for business communication services in diverse vertical markets, such as computer software, professional services, business services, manufacturing and financial services. Our channel sales allow us to extend our reach to businesses of all sizes and geographies. The efforts of our channel sales group focus on partnering with resellers, such as system integrators and service providers, to leverage their customer bases and distribution channels. We private label or co-brand our services for these partners depending on their requirements.

We primarily focus our marketing efforts on direct marketing programs aimed at our target buyer personas (e.g., IT decision makers) within our target verticals. We seek to generate qualified leads for our sales team, educate and retain existing customers, generate brand awareness through proactive public relations including social media and drive service enhancements using research and customer feedback.

Market Need

Many enterprises have become dependent on video communications for increased productivity and reduced operating costs, thus making video communications part of their core business practices. With the technology advancements over the past few years, including browser-based and mobile video, the options for video collaboration solutions and services are greater than ever before. The growing combinations of hardware, software, and networks challenge enterprise IT with finding the right fit for their business objectives. Enterprises must consider and account for maintaining a return on investment with the existing technology deployment while preventing technology obsolescence, implementation and integration, user adoption, analytics, and management and support. As a result, businesses are increasingly seeking an outsourced partner for managed services and hosted, cloud-based infrastructure to mitigate risk, reduce operational costs, and increase user satisfaction by delivering a higher caliber support level to their business.

We believe that many customers cannot fully support quality video communications on their existing infrastructure and network. Enterprises have reduced or curtailed investments in immersive telepresence (“ITP”) video conferencing systems, now preferring cloud-based solutions and personal or smaller group video systems. Enabling desktops and mobility remains a primary enterprise objective. As demand for ITP systems and related services decreases, and the demand for mobility and personal video services increases, we will continue to evolve our solutions to align with and attempt to satisfy this market demand.

Glowpoint provides enterprises with the ability to simplify the video experience, which increases adoption and user participation. Glowpoint’s unique and wide range of video collaboration services provides a service for every user and meeting type within the enterprise. Our ITSM platform delivers the right tools, automation, and analytics to partners to enable a successful video deployment.

Competition

We primarily compete with managed services companies, videoconferencing equipment resellers and Tier 1 telecommunication providers, including British Telecom, AT&T, Verizon, Telus, Citrix, York Telecom, SPS, Whitlock, and AVI-SPL. The market has attracted start-up and venture capital-backed companies that offer hosted videoconference bridging solutions, including Blue Jeans Networks, Vidyo and Zoom. Lastly, the technology and software providers, including Cisco, LifeSize, Microsoft (Lync/Skype for Business) and Polycom, are delivering competitive cloud-based video conferencing and calling services. The Company’s competitors offer services similar to ours both on a bundled and un-bundled basis, creating a highly competitive environment with pressure on pricing of

such services. Competitor solutions also create opportunities for integration and support services for Glowpoint.

We believe Glowpoint differentiates itself based on its full suite of cloud and managed video collaboration services in combination with the ITSM platform for support automation. We believe our services are unique based on our intellectual property, user interfaces and capabilities that Glowpoint has built over the years.

Customers

Our customers include Fortune 1000 companies, along with small and medium enterprises in a variety of industries. Market segments that account for 5% or more of our revenue for 2014, listed in order of approximate contribution to revenue, were as follows: consulting, 32%; insurance, 9%; broadcast/media, 8%, banking and finance, 8%; and engineering and construction, 7%. Our largest customer, a channel partner, represented a total of approximately 11% of our revenue for the fiscal year ended

December 31, 2014, and 7% of our outstanding accounts receivable at December 31, 2014. This customer has notified the Company that it intends to terminate the services provided by the Company on or before June 30, 2015. Two additional customers accounted for 15% and 13% of our outstanding accounts receivable at December 31, 2014. Any further reduction in the use of our services or the business failure by another of our major customers and/or wholesale channel partners could have a material adverse effect on our business and results of operations.

Intellectual Property

Glowpoint has invested in research and development, engineering and application development in the process of building our managed service and cloud platforms. Some of this development has led to issued patents and a number of patent applications, as described below, along with ongoing recognition in the industry as having unique tools and applications to enable their video applications.

Cloud Architecture

The Glowpoint Cloud is based on a Service Oriented Architecture (“SOA”) framework that enables us to create unique unified communication service offerings. Glowpoint’s cloud based-video services can be delivered as a software and infrastructure service in a hosted environment or can support a hybrid with a mix of public and private clouds.

Videoconferencing has traditionally presented challenges for the user by presenting a complex maze of systems and networks that must be navigated through and closely managed. Although most of the business-quality video systems today are “standards-based,” there are inherent interoperability problems between different vendors’ video equipment, resulting in communication islands. Glowpoint’s suite of cloud and managed video services can be accessed and utilized by customers regardless of the technology and network they are using. Customers who purchase a Cisco, Polycom, Avaya, or LifeSize (Logitech) system, or use any other third-party video communications software such as Lync, WebEx or even WebRTC, may all take advantage of the Glowpoint Cloud regardless of their choice of network. We have built the Glowpoint Cloud to support all standard video signaling protocols, including SIP, H.323 and Integrated Services Digital Network (“ISDN”) using infrastructure from a variety of manufacturers.

The Glowpoint Cloud combines years of best practices, experience and technology development into a video collaboration platform that provides instant connectivity, self-serve and managed help desk resources, and the ease of use that makes video collaboration seamless and effortless. Beyond the technology and applications, the Glowpoint Cloud is built around security protocols to enable enterprises and organizations of any size to communicate with other desired video users in a secure, high-quality and reliable fashion.

Video Service Platform

In January 2015, Glowpoint launched our next generation Video Service Platform to provide enterprise customers with a cloud-based system for managing video collaboration. The Platform leverages industry leading IT service management provider, ServiceNow Inc., and this Video Service Platform is currently available to Glowpoint’s channel partners and enterprise customers. The Video Service Platform’s scalability and multi-tenant design allows Glowpoint and its channel partners to seamlessly activate thousands of existing and new enterprise customers. It is completely web-based and accessible from any device. The Video Service Platform automates and streamlines critical functions and workflows needed by IT organizations for managing enterprise video collaboration environments, including incident management, change management, and reporting/analytics for continuous improvement. Other benefits provided to enterprise IT include:

- Better transparency into the performance of the enterprise collaboration environment via business intelligence metrics, reporting and management dashboards;
- Greater scale with self-service support; giving end users an easy interface for submitting/tracking tickets;

- Deeper expertise for managing video collaboration with access to Glowpoint's Remote Service Management services and knowledge base;
- More efficiencies gained by automating manual tasks and workflows including escalations, updates/notifications, and provisioning; and
- Access to internationally recognized best practices for service management (ITIL).

Patents and Patents-Pending

The development of our “video as a service” applications and network architecture has resulted in a significant amount of proprietary information and technology including real-time metering and billing for video calls and intelligent call routing. We believe that our patented and patent-pending proprietary technology provides an important barrier for competitive offerings of similar video communications services.

We have been awarded six patents:

U.S. Patent No. 7,200,213 was awarded in April 2007 for our live video operator assistance feature. Our “Live Operator” technology provides customers with the ability to obtain live, face-to-face assistance and has widespread application, from general video call assistance to “video concierge” services. This patent is an essential component of providing “expert on demand” and telepresence “white glove” business class support services. This patent expires November 17, 2024.

U.S. Patent No. 7,664,098 was awarded in February 2010 for our real-time metering and billing for Internet Protocol (“IP”) based calls. Our “Call Detail Records” patent for IP-based calls provides the ability to meter and bill an end-user on a transactional basis, just as traditional telephone calls are billed. This unique capability is a vital development as more and more telepresence and video conferencing calling traffic is distributed over disparate IP-based networks – rather than ISDN – as B2B calling is becoming much more common for video users. This patent expires August 4, 2026.

U.S. Patent No. 7,916,717 was awarded in March 2011 for our Systems and Method for Automated Routing of Incoming and Outgoing Video Calls between IP and ISDN networks. This technology ensures the simple and seamless migration from ISDN to IP for the purpose of connecting IP users with ISDN systems around the world. This automated call routing capability has been leveraged to provide a least cost routing and gateway method to customers. This patent expires September 16, 2028.

U.S. Patent No. 8,259,152 was awarded in September 2012 for our Video Call Distributor, which includes systems and methods for distributing high quality real time video calls over an IP Packet-Based Wide Area Network, leveraging existing routing rules and logic of a call management system. This patent expires July 3, 2031.

U.S. Patent No. 8,576,270 was awarded in November 2013 for our Intelligent Call Management and Redirection systems and methods. These systems and methods can be used to detect the status of a specified video endpoint. Pre-defined rules can be configured so that a call that is not completed for any reason can be transferred to another destination such as a video mail service or an automated or live operator service. This patent expires January 14, 2030.

U.S. Patent No. 8,933,983 was awarded in January 2015 for our Intelligent Call Management and Redirection systems and methods. This new patent relates to a method for routing packet-based network video calls using an Intelligent Call Policy Management (“ICPM”) system that can detect the status of a specified video endpoint and refuse to connect a video call based on the video endpoint’s status. This patent expires October 11, 2025.

Research and Development

Glowpoint incurred research and development expenses of \$1,019,000 in 2014 and \$662,000 in 2013 related to the development of new service offerings and features and enhancements to our existing services.

Employees

As of December 31, 2014, we had approximately 126 employees. Of these employees, 78 are involved in customer support and operations, 18 in sales and marketing, 16 in corporate functions and 14 in engineering and development. None of our employees are represented by a labor union. We believe that our employee relations are good.

Available Information

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We are subject to the reporting requirements of the Exchange Act. The Exchange Act requires us to file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Copies of these periodic reports, proxy statements and other information can be read and copied on official business days during the hours of 10 a.m. to 3 p.m. at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information that we file electronically with the SEC.

In addition, we make available, free of charge, on our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d)

of the Exchange Act as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC. You may review these documents on our website at www.glowpoint.com. Our website and the information contained on or connected to our website is not incorporated by reference herein, and our web address is included as an inactive textual reference only.

Item 1A. Risk Factors

Glowpoint's business faces numerous risks, including those set forth below or those described elsewhere in this Report or in our other filings with the SEC. The risks described below are not the only risks that we face, nor are they necessarily listed in order of significance. Other risks and uncertainties may also affect our business. Any of these risks may have a material adverse effect on Glowpoint's business, financial condition, results of operations and cash flow. When making an investment decision with respect to our common stock, you should also refer to the other information contained or incorporated by reference in this Report, including our consolidated financial statements and the related notes.

Risks Related to Our Business

Our business activities may require additional financing that might not be obtainable on acceptable terms, if at all, which could have a material adverse effect on our financial condition, liquidity and our ability to operate going forward.

Although there can be no assurance, our management believes that based on our current projections, the Company has sufficient capital resources to finance our operational requirements through at least the next twelve months following the filing of this Report with the SEC. Our capital requirements continue to depend on numerous factors, including the timing and amount of revenue, the expense to deliver our services, capital improvements and the cost involved in protecting our proprietary rights. If we are unable to increase our revenue or achieve profitability, or if unforeseen events occur that would require additional funding, we may need to raise capital or incur additional debt to fund our operations. We would expect to seek such capital through sales of additional equity or debt securities and/or loans from financial institutions, but there can be no assurance that funds will be available to us on acceptable terms, if at all, and any sales of such securities may be dilutive to investors. Failure to obtain financing or obtaining financing on unfavorable terms could result in a decrease in our stock price and could have a material adverse effect on future operating prospects, or require us to significantly reduce operations.

We may not be able to generate sufficient cash to service all of our indebtedness and our other ongoing liquidity needs, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness obligations and to fund our planned capital expenditures, acquisitions and other ongoing liquidity needs depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors some of which are beyond our control. There can be no assurance that we will maintain a level of cash flow from operating activities or that future borrowings will be available to us under our loan agreements or otherwise in an amount sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our loan agreements restrict our ability to dispose of assets and use the proceeds from the disposition. Accordingly, we may not be able to consummate those dispositions or to obtain any proceeds on terms acceptable to

us or at all, and any such proceeds may not be adequate to meet any debt service obligations then due.

We may fail to comply with covenants contained in our agreements with our lenders.

Our loan agreement with our senior lender, which was recently amended in February 2015, contains various covenants that limit our ability to engage in specific types of transactions, including covenants that limit our ability to:

- incur or guarantee additional debt;
- incur or assume certain liens;
- make certain loans, advances or investments;
- pay dividends;
- make certain acquisitions or dispositions;
- make certain capital expenditures;
- prepay subordinated debt;
- issue certain equity securities;

- enter into transactions with affiliates; and
- make certain increases in management compensation.

In addition, we are required to comply with certain financial covenants, including a fixed charge coverage ratio covenant and a debt to Adjusted EBITDA ratio covenant, that are tested on a quarterly basis. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Item 7 of this Report for a description of Adjusted EBITDA.

If the Company were to violate any of its covenants under its senior loan agreement or its other debt arrangements, any such violations could cause an acceleration of the indebtedness under such loan agreements. In the event that our lenders accelerate the repayment of the indebtedness under any loan agreement, we may not have sufficient assets to repay the indebtedness.

We have refinanced our indebtedness in the past but there is no assurance we will be able to refinance all or any portion of our indebtedness in the future. If we were unable to repay or otherwise refinance the indebtedness under the loan agreements upon acceleration or when otherwise due, our lenders could proceed against the collateral granted to them to secure our obligations under the loan agreements, which could force us into bankruptcy or liquidation.

We have a history of substantial net losses and we may incur future net losses.

While we generated net income for fiscal years 2012 and 2011, we reported a substantial loss from operations in fiscal years 2014 and 2013 and in each fiscal year from our inception in 2000 through 2010. 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. If we do not achieve profitability in the future, the value of our common stock may be adversely impacted and we could have difficulty obtaining capital to continue our operations.

Our success is highly dependent on the evolution of our overall market and on general economic conditions.

The market for video communication services is evolving rapidly. Although certain industry analysts project significant growth for this market, their projections may not be realized. Our future growth depends on acceptance and adoption of video communications. There can be no assurance that the market for our services will grow, that our services will be adopted or that businesses will purchase our suite of managed video services. 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 achieve profitability. Additionally, current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

We rely on a limited number of customers for a significant portion of our revenue, and the loss of any one of those customers, or several of our smaller customers, could materially harm our business.

A significant portion of our revenue is generated from a limited number of customers. For the year ended December 31, 2014, Our largest customer, a channel partner, represented a total of approximately 11% of our revenue for the fiscal year ended December 31, 2014, and 7% of our outstanding accounts receivable at December 31, 2014. This customer has notified the Company that it intends to terminate the services provided by the Company on or before June 30, 2015. With the expected eventual loss of this customer and the discontinuation of services provided to certain other customers, the composition of our significant customers will vary from period to period, we expect that most of our revenue will continue, for the foreseeable future, to come from a relatively small number of customers. Consequently, our financial results may fluctuate significantly from period-to-period based on the actions of one or more significant customers. A customer may take actions that affect us for reasons that we cannot anticipate or control, such as reasons related to the customer’s financial condition, changes in the customer’s business strategy or

operations, changes in technology and the introduction of alternative competing products, or as the result of the perceived quality or cost-effectiveness of our products. Our agreements with these customers may be canceled if we materially breach the agreement or for other reasons outside of our control such as insolvency or financial hardship that may result in a customer filing for chapter 11 bankruptcy court protection against unsecured creditors. In addition, our customers may seek to renegotiate the terms of current agreements or renewals. The loss of or a reduction in sales or anticipated sales to our most significant or several of our smaller customers could have a material adverse effect on our business, financial condition and results of operations.

We operate 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 and includes large, well-financed participants. With respect to our video collaboration services, we primarily compete with managed services companies and videoconferencing equipment resellers and audio/visual integrators, including Citrix, York Telecom, Providea, BCS Global and AVI-SPL. Additionally, the market has

attracted start-up and venture capital-backed companies that offer hosted videoconference bridging solutions, including Blue Jeans Networks. With respect to our network services, we primarily compete with telecommunications carriers, including British Telecom/BT Conferencing, AT&T, Verizon and Telus. 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.

There is limited market awareness of Glowpoint's services.

Our future success will be dependent in significant part on our ability to generate demand for our video collaboration services. To this end, our direct marketing and indirect sales operations must increase market awareness of our service offerings 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 take time to achieve full productivity. We cannot be certain that our new hires will become as productive as necessary or that we will be able to hire enough qualified individuals or retain existing employees in the future. We cannot be certain that we will be successful in our efforts to market and sell our products and services, and if we are not successful in building market awareness and generating increased sales, future results of operations will be adversely affected.

As we expand our managed services offerings, any system failures or interruptions may cause loss of customers.

Our success depends, in part, on the seamless, uninterrupted operation of our managed service offerings. As we continue to expand these services, and as the complexity and volume continue to increase, we will face increasing demands and challenges in managing them. Any prolonged failure of these services or other systems or hardware that cause significant interruptions to our operations could seriously damage our reputation and result in customer attrition and financial loss.

We depend upon our network providers and facilities infrastructure.

Our success depends upon our ability to implement, expand and adapt our 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 ensure 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.

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

To an extent, our success depends upon our ability to deliver reliable, high-speed access to our channels' and customers' 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 accessor 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. 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 service offering and hosted infrastructure, or at one or more of our partners' data centers, could substantially and adversely impact our business. We cannot ensure that we will not experience failures or shutdowns relating to individual facilities or even catastrophic failure of the entire network or hosted infrastructure. 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 and results of operations.

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

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

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satisfactory performance by our telecommunications carriers. If they fail to so perform, it may have a material adverse effect on our business.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

In the ordinary course of providing video communications services, we transmit sensitive and proprietary information of our customers. We are dependent on the proper function, availability and security of our information systems, including without limitation those systems utilized in our operations. We have undertaken measures to protect the safety and security of our information systems and the data maintained within those systems, and on an annual basis, we test the adequacy of our security measures. As part of our efforts, we may be required to expend significant capital to protect against the threat of security breaches or to alleviate problems caused by breaches, including unauthorized access to proprietary customer data stored in our information systems and the introduction of computer malware to our systems. However, there can be no assurance our safety and security measures will detect and prevent security breaches in a timely manner or otherwise prevent damage or interruption of our systems and operations. We may be vulnerable to losses associated with the improper functioning, security breach or unavailability of our information systems. We may be held liable to our affiliates and customers, which could result in reputational damage, litigation, or negative publicity.

We may experience material disconnections and/or reductions in the prices of our services and may not be able to replace the loss of revenues.

Historically, we have experienced both significant disconnections of services and also reductions in the prices of our services. In order to realize anticipated revenues and cash flows, we endeavor to obtain long-term commitments from new customers, as well as expand our relationships with current customers. The disconnection of services by our significant customers or by several of our smaller customers could have a material adverse effect on our business, financial condition and results of operations. Service contract durations and termination liabilities are defined within the terms and conditions of our agreements with our customers. Termination of services in our existing agreements require a minimum of 30 days' notice and are subject to early termination penalties equal to the amount of accrued and unpaid charges including the remaining term length multiplied by any fixed monthly fees. The standard form of service agreement with Glowpoint includes an auto-renewal clause at the end of each term if the customer does not choose to terminate service at that time. Certain customers and partners negotiate master agreements with custom termination liabilities that differ from our standard form of service agreement.

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

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

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

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

In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to: pay substantial damages; cease the development, use or sale of services that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue the use or incorporation of infringing technology; or obtain licenses to the infringing intellectual property. We cannot ensure that we would be successful in such

development or acquisition or that such licenses would be available upon reasonable terms. Any such development, acquisition or license could require the expenditure of substantial time and other resources and could have a negative effect on our business and financial results.

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

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

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

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

We are exposed to the credit and other counterparty risk of our customers in the ordinary course of our business.

Our customers have varying degrees of creditworthiness and we may not always be able to fully anticipate or detect deterioration in their creditworthiness and overall financial condition, which could expose us to an increased risk of nonpayment under our contracts with them. In the event that a material customer or customers default on their payment obligations to us, discontinue buying services from us or use their buying power with us to reduce our revenue, this could materially adversely affect our financial condition, results of operations or cash flows.

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

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

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

Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. We review these rules and regulations periodically and, when we believe our services are subject to sales and use taxes in a particular state, voluntarily engage state tax authorities in order to determine how to comply with their rules and regulations. Vendors of services, like us, are typically held responsible by taxing authorities for the collection and payment of any applicable sales and similar taxes. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our services, we may be liable for past taxes in addition to taxes going forward. Liability for past taxes may also include very substantial interest and penalty charges. Our client contracts provide that our clients must pay all applicable sales and similar taxes. Nevertheless, clients may be reluctant to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. If we are required to collect and pay back taxes and the associated interest and penalties, and if our clients fail or refuse to reimburse us for all or a portion of these amounts, we will have incurred unplanned expenses that may be substantial. Moreover, imposition of such taxes on our services going forward will effectively increase the cost of such services to our clients and may adversely affect our ability to retain existing clients or to gain new clients in the areas in which such taxes are imposed. We may also become subject to tax audits or similar procedures in states where we already pay

sales and use taxes. The assessment of taxes, interest, and penalties as a result of audits, litigation, or otherwise could be materially adverse to our current and future results of operations and financial condition.

If we are unable to integrate acquired businesses into ours effectively, our operating results may be adversely affected.

We plan to seek acquisition opportunities in the future that complement and expand our current business. We may not be able to successfully integrate acquired businesses and, where desired, their service portfolios, into ours, and therefore we may not be able to realize the intended benefits from an acquisition. If we fail to successfully integrate acquisitions, or service portfolios, or if they fail to perform as we anticipate, our existing businesses and our revenue and operating results could be adversely affected. If the due diligence of the operations of acquired businesses performed by us and by third parties on our behalf is inadequate or flawed, or if we later discover unforeseen financial or business liabilities, acquired businesses and their assets may not perform as expected. Additionally, acquisitions could result in difficulties assimilating acquired operations and, where deemed desirable, transitioning overlapping services to be a single service offering and the diversion of capital and management's attention away from other business issues and opportunities. We may fail to retain employees acquired through acquisitions, which may negatively impact the integration efforts. For all the reasons set forth above, the failure to integrate acquired businesses effectively may adversely impact our business, financial condition and results of operations.

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

We rely on other companies to supply some components of our network infrastructure and the means to access our network. Certain 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 ensure that, on an ongoing basis, we will be able to obtain third-party services cost-effectively and on the scale and within the time frames that we require, if 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 failure to properly manage the distribution of our services could result in a loss of revenues.

We currently sell our services both directly to customers and through channel partners. Successfully managing the interaction of our direct and indirect sales channels to reach various potential customers for our services is a complex process. Each sales channel has distinct risks and costs, and therefore, our failure to implement the most advantageous balance in the sales model for our services could adversely affect our revenue and profitability.

We incur significant accounting and administrative costs as a publicly traded corporation that impact our financial condition.

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

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in our annual report on Form 10-K our assessment of the effectiveness of our internal controls over financial reporting. Although we believe that we currently have adequate internal control procedures in place, we cannot be certain that our internal controls over financial reporting will remain effective. If we cannot adequately maintain the effectiveness of our internal controls over financial reporting, we may be subject to liability and/or sanctions or investigation by regulatory authorities, such as the SEC. Any such action could adversely affect our financial results and the market price of our common stock.

Risks Relating To Our Securities

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

Our common stock is thinly traded, and it is therefore susceptible to wide price swings. Our common stock is traded on the NYSE MKT under the symbol "GLOW." Thinly traded stocks are more susceptible to significant and sudden price changes and

the liquidity of our common stock depends upon the presence in the marketplace of willing buyers and sellers. We cannot ensure that you will be able to find a buyer for your shares. We cannot ensure that an organized public market for our securities will develop or that there will be any private demand for our common stock. We could also fail to satisfy the standards for continued exchange listing, such as standards having to do with a minimum share price, the minimum number of public shareholders or the aggregate market value of publicly held shares. Any holder of our securities should regard them as a long-term investment and should be prepared to bear the economic risk of an investment in our securities for an indefinite period.

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

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

Future operating results may vary from quarter to quarter, and we may fail to meet the expectations of securities analysts and investors at any given time.

We have experienced, and may continue to experience, significant quarterly fluctuations in operating results. Factors that cause fluctuation in our results of operations include growth or lack of growth in revenues and our ability to control expenses relative to our revenues. Accordingly, it is possible that in one or more future quarters our operating results will be adversely affected and fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock may decline.

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

Resale into the public market of a significant number of shares issued in prior financings could depress the trading price of our common stock and make it more difficult for our stockholders to sell equity securities in the future. In addition, to the extent other restricted shares become freely available for sale, whether through an effective registration statement or under Rule 144 of the Securities Act, or if we issue additional shares that might be or become freely available for sale, our stock price could decrease.

On September 16, 2014, the Company entered into an At Market Issuance Sales Agreement, with MLV & Co. LLC (“MLV”), under which the Company may, at its discretion, sell its common stock with a sales value of up to a maximum of \$8,000,000 through at-the-market sales on the NYSE MKT (the “ATM Offering”). The common stock is being sold at market prices at the time of the sale, and, as a result, prices may vary. Through December 31, 2014, the Company sold 325,000 shares in the ATM Offering at a weighted-average selling price of \$1.28 per share.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are located at 1776 Lincoln Street, Suite 1300, in Denver, Colorado 80203. These premises consist of approximately 9,500 square feet of leased office space for which base rent is approximately \$212,000 per year. In addition to our

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headquarters, we lease facilities in Oxnard, California that house our bridging services group, help desk and technical personnel in approximately 3,400 square feet, the base rent of which is approximately \$80,000 per year.

For the year ended December 31, 2014 and through February 2015, the Company leased office space in New Jersey on a month-to-month basis. Effective March 1, 2015, the Company terminated this lease and no longer leases office space in New Jersey.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

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

Glowpoint's securities trade on the NYSE MKT under the symbol "GLOW."

The following table sets forth high and low closing sale prices per share for our common stock for each quarter of 2013 and 2014, based upon information obtained from the NYSE MKT. All reported sales prices reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

	Glowpoint Common Stock	
	High	Low
Year Ended December 31, 2013		
First Quarter	\$2.02	\$1.43
Second Quarter	1.42	0.68
Third Quarter	1.71	0.73
Fourth Quarter	1.52	1.30
Year Ended December 31, 2014		
First Quarter	\$1.92	\$1.31
Second Quarter	1.78	1.35
Third Quarter	1.59	1.27
Fourth Quarter	1.32	1.08

On March 2, 2015, the closing sale price of our common stock was \$0.98 per share as reported on the NYSE MKT, and 35,773,357 shares of our common stock were held by approximately 132 holders of record. American Stock Transfer & Trust Company, LLC of Brooklyn, New York is the transfer agent and registrar of our common stock.

Dividends

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

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth as of December 31, 2014 information regarding our common stock that may be issued under the Company's equity compensation plans:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflecting in Column (a)) (c)
Equity compensation plans approved by security holders	1,350,491	\$2.02	4,400,000
Equity compensation plans not approved by security holders	—	\$—	—
Total	1,350,491	\$2.02	4,400,000

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Glowpoint and Affiliated Purchasers

There were no purchases of any of the Company's equity securities by Glowpoint or any affiliated purchaser during the fourth quarter of 2014.

Item 6. Selected Financial Data

A smaller reporting company is not required to provide the information required by this Item.

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

The following discussion should be read in conjunction with our consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2014 and 2013 and the related notes attached hereto. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future development plans, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future.

Business

Glowpoint, Inc. ("Glowpoint" or "we" or "us" or the "Company") is a provider of video collaboration services and network solutions. Our services enable our customers to use videoconferencing as an efficient and effective method of communication for their business meetings. Our customers include Fortune 1000 companies, along with small and medium enterprises in a variety of industries. We market our services globally through a multi-channel sales approach that includes direct sales and channel partners.

During 2014, we experienced a 4% decline in total revenue as compared to 2013, as discussed further below. Our business and revenue trends are affected by the current dynamic and competitive environment for video communications and network services.

Our primary corporate objectives in 2015 are as follows:

• focus our sales and marketing efforts on growing awareness and adoption of our next-generation video collaboration solutions, including JoinMyVideo and our Hybrid Videoconferencing service;

• expanding our global distribution through a select group of channel partners, in order to further our reach and accelerate customer awareness and adoption of our services;

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continue to invest in key elements of our service platform to better meet the needs of our existing and new customers; and

identify and complete acquisitions that complement and expand our current business while leveraging our new service delivery platform.

Results of Operations

Year Ended December 31, 2014 (“2014”) versus Year Ended December 31, 2013 (“2013”)

Revenue. Total revenue decreased \$1,298,000 (or 4%) in 2014 to \$32,156,000 from \$33,454,000 in 2013. This decrease is mainly attributable to: (i) a decrease of \$721,000 in video collaboration services, (ii) a decrease of \$529,000 in professional and other services, and (iii) a decrease of \$48,000 in network services.

	Year Ended December 31, (in thousands)				
	2014	% of Revenue	2013	% of Revenue	
Revenue					
Video collaboration services	\$18,891	59	% \$19,612	59	%
Network services	12,000	37	% 12,048	36	%
Professional and other services	1,265	4	% 1,794	5	%
Total revenue	\$32,156	100	% \$33,454	100	%

The following are the changes in the components of our reported revenue from 2013 to 2014:

Revenue for video collaboration services decreased \$721,000 (or 4%) to \$18,891,000 in 2014, from \$19,612,000 in 2013. This decrease is mainly attributable to lower revenue for managed videoconferencing services due to net attrition of customers. We expect net attrition of customers for our video collaboration services may continue in 2015 given the following: (i) the current dynamic and competitive environment for video communications, (ii) the expected loss in 2015 of our largest customer as discussed above under the heading “Customers”, and (iii) the transition of customers from our “legacy” service offerings to our new service offerings as discussed above under the headings “Our Services” and “Market Need”.

Revenue for network services decreased \$48,000 (or less than 1%) to \$12,000,000 in 2014 from \$12,048,000 in 2013. We generated increased revenue from sales of converged (data and video) network solutions to certain customers in 2014 which was offset by generally lower demand and loss of revenue from our legacy network services. We expect that future network services revenue may be negatively affected by potential customer attrition given the competitive environment and pressure on pricing that currently exists in the network services business.

Revenue for professional and other services decreased \$529,000 (or 29%) to \$1,265,000 in 2014 from \$1,794,000 in 2013. This decrease is mainly attributable to lower equipment sales and a decline in professional support services. We expect revenue for professional and other services to decline in 2015 as we view these services as non-core to our business and we remained focused on growing sales in video collaboration and network services.

Cost of revenue (exclusive of depreciation and amortization). Cost of revenue, exclusive of depreciation and amortization, includes all internal and external costs related to the delivery of revenue. Cost of revenue also includes the cost for taxes which have been billed to customers. Cost of revenue decreased to \$18,294,000 in 2014 from \$19,504,000 in 2013. Cost of revenue, as a percentage of total revenue, was 57% and 58% for 2014 and 2013, respectively. The \$1,210,000 decrease in cost of revenue from 2013 to 2014 is mainly attributable to: (i) the corresponding decrease in revenue from 2013 to 2014 and (ii) a 1% improvement in our cost of revenue as a percentage of total revenue for 2014 as compared to 2013. The improvement in our cost of revenue as a percentage of revenue is mainly the result of reduced external costs to deliver revenue related to videoconference meeting suites and

lower infrastructure and overhead costs.

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Research and Development. Research and development expenses include internal and external costs related to the development of new service offerings and features and enhancements to our existing services. Research and development increased \$357,000 to \$1,019,000 in 2014 from \$662,000 in 2013, mainly attributable to an increase in personnel costs due to higher headcount.

Sales and Marketing. Sales and marketing expenses decreased \$505,000 to \$3,307,000 in 2014 from \$3,812,000 in 2013. This decrease is mainly attributable to lower personnel costs and lower third-party marketing expenditures.

General and Administrative. General and administrative expenses include direct corporate expenses related to costs of personnel in the various corporate support categories, including executive, legal, finance, human resources and information technology. General and administrative expenses decreased \$1,735,000 to \$5,643,000 in 2014 from \$7,378,000 in 2013. This decrease is mainly attributable to the following: (i) a decrease in severance charges of \$676,000 as the employment of our former chief executive officer, chief financial officer, and general counsel was terminated in 2013, (ii) a decrease in stock-based compensation expense of \$603,000, and (iii) a decrease in costs related to the 2012 Affinity acquisition of \$259,000.

Impairment Charges. Impairment charges increased to \$1,662,000 to \$2,342,000 in 2014 from \$680,000 in 2013. This increase is mainly attributable to a \$1,696,000 impairment charge we recorded in 2014 related to the intangible assets recorded in connection with the acquisition of Affinity (see Note 5 to our consolidated financial statements for further discussion).

Depreciation and Amortization