GLOWPOINT INC
Form 10-K
March 16, 2011

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

FORM 10-K

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

For the year ended December 31, 2010

OR

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

For the transition period from ________ to __________

Commission file number: 0-25940

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

Delaware (State or other jurisdiction of incorporation or organization)	77-0312442 (I.R.S. Employer Identification No.)
430 Mountain Avenue, Suite 301, Murray Hill, NJ (Address of principal executive offices)	07974 (Zip Code)

Registrant's telephone number, including area code: (973) 855-3411

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

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

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Securities Exchange Act of 1934.¨ Yes ý No

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

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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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2010, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $26,661,000.

The number of shares of the Registrant's common stock outstanding as of March 14, 2011 was approximately 21,453,604.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2011 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

Overview

Glowpoint, Inc. ("Glowpoint" or "we" or "us" or the "Company"), a Delaware corporation, is a leading provider of cloud-based managed video services for the global business community. We are the only "pure play" service provider in the video space and our hosted services are securely accessible via any network (private or public) and are technology agnostic. We provide IT managed services and hosted infrastructure delivered through unique user applications and world class experiences. The Company pursues its recurring revenue business model by currently supporting thousands of video endpoints and telepresence systems and delivering service to more than 500 different enterprises in over 35 countries around the globe. Glowpoint's managed services enable the integration of video into any unified communications environment and the Company has become a recognized leader in the rapidly growing market for global managed video and business-to-business ("B2B") services and solutions.

Glowpoint also provides wholesale programs and private-labeled (branded) resale options for hardware manufacturers, network operators, and system integrators seeking to offer video services as a value-added addition to their collaboration and communications offerings. Today, the Company maintains multiple strategic partnerships that are core to its global sales strategy.

A critical differentiator of Glowpoint is that our solutions are hardware agnostic (e.g., the video equipment may be manufactured by Cisco, Polycom, Life Size or Avaya) and network neutral (i.e., connectivity may be via native Internet or network provided by AT&T, Verizon, TATA Communications, British Telecom, or others), supporting all recognized video standards across any IP network. As such, regardless of the video conferencing or telepresence equipment purchased or the network connecting it, Glowpoint's services may be applied.

Glowpoint's core value proposition for customers includes the enablement of integration into the unified communications environment allowing wide adoption and usage of video communications, increasing return on investment and lowering total cost of ownership. Glowpoint provides an alternative to capital intensive, premise-based infrastructure, which customers typically have had to purchase for the video environment to function, as well as the tools and services to enable wide adoption of the video communications throughout their business. Glowpoint has become the recognized leader of managed video and global video exchange services that provide businesses and service providers a way to link together their "islands of video" across third party private networks and enable organizations to drive wide adoption.

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Glowpoint is a respected leading managed service provider. The Company launched as an independent pure play provider in 2004, well ahead of the market, and our track record and quality-of-service has earned us various awards and credits. We have been recognized in the industry for focusing on providing an innovative customer experience through our use of IP-based video functionality and innovation. Industry awards and recognition over the last few years include: Excellence in Globalization Award (Frost and Sullivan); Top Ten Managed Service Provider (MSP mentor); Best US Managed Conferencing Services Provider (Telepresence and Videoconferencing Insight Newsletter); PACE Award for contributions to the advancement of video communications (Telespan); and Growth Company of the Year, Finalist (New Jersey Technology Council). We are also widely followed and discussed in market research by the leading industry and research analysts, such as Gartner, Forrester, Frost and Sullivan, and Wainhouse Research.

As the video conferencing, telepresence, and unified communications industries continue to mature, Glowpoint believes it has established itself as the “go-to” provider for organizations and other service providers to support their unified communication needs.

The company operates in one segment and therefore segment information is not presented.

Industry Overview. The video communications industry continues to transform. When Glowpoint was initially launched, video conferencing was a niche industry with unproven technology and questionable quality. We set out to capitalize on that by offering a high-quality, IP-based, reliable service. Today, video communications, especially in the form of telepresence, is becoming a more mainstream, mission critical technology. “Telepresence” provides an experience that represents what Glowpoint has been delivering since soon after its launch - high quality, easy to use video communications where the technology does not interfere with the purpose of the meeting. The most popular representation of telepresence is a specially designed room configured to support a “true to life” meeting environment. Everything from multiple monitors, special furniture, strategic camera placement and sound panels are deployed to create an immersive experience so that participants feel as though they are all sitting in the same physical room even though they may be continents apart. Entrance into the telepresence market by Cisco Systems and others, and the consolidation of some traditional video conferencing equipment manufacturers (e.g., Cisco’s acquisition of Tandberg and Logitech’s acquisition of Life Size Communications) have, we believe, validated our business plan and brought new energy and interest to the video communications industry.

Currently, we view the video communications industry segregated into four categories, each of which is a potential partner and/or customer for Glowpoint’s managed video services:

- Video conferencing, Telepresence, and Unified Communications Equipment Manufacturers;
- Network operators and Service providers;
- Managed Service/Conferencing Services Providers; and
- Video and Telepresence Equipment Resellers and Systems Integrators.

Video conferencing, Telepresence, and Unified Communications Equipment Manufacturers. Manufacturers of video conferencing and telepresence equipment focus on selling video endpoint, room, and infrastructure equipment. With the introduction of HD and telepresence, the manufacturers are recognizing that, as part of offering these more complex solutions, there is increased demand for services to not only enable adoption, but to expand the use and applications beyond internal use. Additionally, alternatives to purchasing your own infrastructure and using a cloud based hosted model are becoming increasingly popular among businesses that are interested in managing total cost of ownership and allowing the services provider to deal with interoperability and technology advancements for them. As such, the need to partner with experienced service providers like Glowpoint, who make it seamless for customers to buy and use the manufacturer’s products and address their full complement of needs. Glowpoint’s managed services and cloud based open video platform provide purchasers of this equipment these critical options.

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Network operators and Service providers. Network operators and service providers play a critical role in video communications because of the need to transport video calls over high-quality IP bandwidth. With the emergence of more scalable, and sophisticated IP network capabilities for video conferencing and telepresence, the network operators are now aggressively offering services that include intelligent virtual private networks (VPNs) on which customers may support data, voice and video applications simultaneously. This is often referred to as a "converged network" or "convergence." Recently, more IP-based video communications applications and managed services have emerged as an integral part of converged network offerings. Although in its infancy, we believe that trend will continue as the demand and requirements for video communications continue to grow. Glowpoint services and hosted cloud infrastructure are accessible across any provider’s network. So, carriers can be a trusted and comprehensive provider for their video communications customers by partnering and peering with Glowpoint, offering the Glowpoint service cloud as part of their network service offerings. This strategy has the added benefit of increasing the demand for network bandwidth, thereby increasing the carrier’s network sale.

Managed Service/Conferencing Services Providers. A number of companies, including some equipment resellers, network providers and audio conferencing service providers, offer video conferencing services almost exclusively focused on multi-point conferencing (i.e., bringing multiple locations into one video call). These service providers are heavily dependent on the legacy Integrated Services Digital Network (ISDN) as the network transport for these multi-point conferences – we understand as much as 80-90% of their multi-point revenue is derived from ISDN. Glowpoint, on the other hand, offers both multi-point conferencing services as well as a full range of managed video services that are primarily IP-based. IP-based services offer more flexibility, higher quality and, because there are no long distance usage charges, at lower and more predictable costs.

Video and Telepresence Equipment Resellers and Systems Integrators. Video and telepresence equipment resellers and systems integrators, who typically derive nearly all their revenue from one-time equipment and integration services, are facing growing margin pressures as well as increased competition related to video conferencing equipment sales. We believe they may need to transform their business models, possibly to generate recurring revenue. To do so, these providers may attempt to either reproduce the features, experience and services provided by Glowpoint or to become a reseller or wholesale partner of Glowpoint's services themselves. While some video conferencing equipment resellers have chosen to compete with Glowpoint’s offerings, others have chosen to partner with and resell Glowpoint’s services to increase their speed to market and transform their businesses.

Market Need. The complexity of video communications is increasing, while usage of video is becoming more critical in the mix of unified communications. Many enterprises have become dependent on video communications for increased productivity while also reducing operating costs, and have made it part of their core business practices. These same enterprises have difficulty (and incur considerable cost) in effectively maintaining and managing their existing video communication deployments because of the shortage of experienced information technology and network personnel. Many enterprises also recognize that supporting video communications inside their organization distracts their core support organization from other critical business applications and requires a different skill set than normal business IT support. As a result, businesses are increasingly seeking out managed services and hosted, cloud-based infrastructure to support and power their user community and their video technologies. In fact, isolating and extending the video applications from other business applications and existing communications infrastructure has become an increasingly important capability for larger organizations. With the rapid advancements in video technologies, it has become increasingly expensive and difficult for enterprises to maintain the infrastructure required to power these technologies. We believe that many customers cannot fully support quality video communications on their existing infrastructure and network. Many businesses are reluctant to run a video application over the same network that supports their enterprise data and other applications. Among other concerns, the video communications applications would be required to share bandwidth with data applications (e.g., CRM applications, financial applications, e-mail and file transfers) on a common network. We view the network, however, as a means to access video applications and infrastructure. Therefore, we believe there is a greater market need to provide access to current and next generation infrastructure across those networks. Glowpoint's "video in the cloud" approach allows enterprises of all sizes to connect via any network connection to power their video deployments.

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The surge in deployment of Voice over IP (VoIP) is an example of a technology that had been technically feasible for years, but did not gain popularity until it was easy to use. VoIP service providers developed features and services to make VoIP simple to adopt and use. Now companies can simply “plug” their VoIP networks into the cloud for these services.

Glowpoint provides enterprises with the ability to simplify the video experience with a full suite of open video services largely unavailable from anyone else at this time. Glowpoint’s unique features and services, such as seamless and secure business-to-business video calling, a comprehensive video exchange directory of businesses, live on-demand video operator services, on demand virtual video rooms, video mailboxes, seamless video calling to off-net locations anywhere in the world and other video application services, are available to customers by simply “plugging” their video systems into the Glowpoint service cloud.

Market Size. According to many industry analysts, the video communications industry is anticipated to grow to billions of dollars annually in the coming years. Gartner Research, for example, predicts the video conferencing products and services market worldwide – which includes equipment, network and managed services – will reach $8.6 billion by 2013, with the market for services totaling approximately $3.8 billion. In that same report, the services business (where Glowpoint competes) has been growing at a 38% CAGR, while our managed services have realized in excess of 50% growth over that past two years.

Glowpoint Services and Features

Today's telepresence and video conferencing environments have become a key part of a complete unified business communications strategy. For organizations that are already using video, and for those exploring its benefits for the first time, Open Video™ is a unique platform that can help them achieve a successful video collaboration program.

Traditionally, video has presented challenges by presenting a complex maze of systems and networks that must be navigated through and closely managed - and most of the systems today are proprietary in nature, which makes them closed off to the rest of the world. Glowpoint’s managed services can be accessed and utilized by customers regardless of the technology and network they are using. Customers who purchase a Cisco, Polycom, LifeSize or any other HD video solution, for example, may all take advantage of the Glowpoint VNOC solution regardless of their choice of network. Glowpoint’s core services are offered as part of our Open Video technology platform to generate monthly recurring revenue for the Company.

Open Video is the world’s first and only environment that offers telepresence, video and unified collaboration users a way to meet and communicate across the varying hardware/software platforms and carrier networks in a secure, open fashion. Open Video combines years of best practices, experience and technology development into 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, Open Video is built around security protocols to ensure that enterprises and organizations of any size can communicate to any other desired video users in a secure, high-quality and reliable fashion.

OV Connect

Open Video enables customers to connect to the Open Video Platform for managed services, collaboration and B2B services via a myriad of access technologies. The “Open Video Cloud” has peering arrangements with MPLS carriers, Ethernet exchanges, the public Internet, and cross connects at co-location facilities. Glowpoint supports convergence of voice, data and video using the customer’s existing network connection or a dedicated private network if required.

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OV Collaborate

OV Collaborate is designed to offer scalable, pre-scheduled and “ad-hoc” conferencing resources using Glowpoint’s cloud-based infrastructure or a client’s own infrastructure. OV Collaborate offers a way to connect any device to a call with dedicated conference producers available to manage video event based services as needed.

• Managed (Scheduled) Video Conferencing
• Automated (Reservation-less) Video Conferencing
• Event Management
• Web Streaming Events

OV Manage

Glowpoint is recognized as a video communications expert and industry leader in delivering high quality managed services for any video environment. We continue to be well positioned to support high-touch, fully managed environments as well as self-use support environments. Our global managed service offering includes the following:

• Room Certification, Proactive Monitoring and “Room Sweeps“
• Single Point of Contact for all video needs and user community
• Scheduling Portal, Applications, and Services
• Conference Production and Monitoring
• Help Desk Support
• Training, Stewardship Reporting and Service Reviews
• Advanced Network Monitoring

Professional Services

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

Broadcast and Event Services

We have bundled certain components of our managed services to offer video communication solutions for broadcast/media content acquisition and event services. Customers have used our managed video services during events to cost-effectively acquire video content for broadcasters, cable companies and other media enterprises, especially in the sports, news and entertainment industries. While it includes our core managed video services, IP-based broadcasting and event services require more project management and dedicated operational and engineering personnel than our standard subscription services. Rather than using an expensive satellite feed, companies can acquire broadcast-quality standard definition footage at a fraction of the cost from Glowpoint over a dedicated IP connection. Since 2002, we have provided this service to ESPN during the professional football and basketball drafts. ESPN has used our service for interviews from team locations with coaches, players and analysts during their coverage. In 2007, we launched a High Definition (HD) content acquisition solution that we branded TeamCamHD and RemoteCamHD. This offering provides two-way HD video communication for content acquisition from remote locations. Glowpoint now provides a full suite of HD solutions for the broadcast, entertainment and media industry and is considered a high-quality alternative to the traditional means of acquiring content in many applications, including interviews and even full motion video.

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Wholesale Private Labeling; Technology Hosting and Management Services

All of Glowpoint’s unique features and services have been designed so that the entire suite can be “private labeled” by other service providers or companies who want to integrate video communications into their existing products quickly and cost effectively. Glowpoint will provide all of the video infrastructure and support, including customer portals and billing applications, as a private label service for a third party. This means that our services are branded with the other company’s name, logo and other information, our live operators answer calls using the other company’s name, and the other company’s end user customers view the service as provided by that other company even though it is actually “powered by Glowpoint.” Glowpoint has been involved in a number of private label opportunities, branding various services for multiple strategic global partners. For example, Polycom, a leading video conferencing equipment manufacturer, has branded Glowpoint’s services as their own Polycom managed video services for sale by Polycom salespeople. Global network provider TATA Communications private labels Glowpoint managed services to support their global Cisco Telepresence clients. And AVI/SPL, one of the largest audio/visual integrators in the world, has also branded Glowpoint’s managed video services as their own. Many other strategic global companies in the unified communications industry have recognized Glowpoint’s value to their own sales and marketing efforts.

Intellectual Property

At the core of Glowpoint’s service offerings is our unique and differentiating intellectual property. Glowpoint has heavily invested in R&D, engineering, and application development in the process of building and perfecting our managed service and cloud platforms. Some of this development has led to awarded patents and a number of patent applications, as described below, along with ongoing recognition in the industry and enterprise communities as having the most unique tools and applications to enable their video applications. We believe any competition faces significant barriers to building and providing such services, making our intellectual property a key differentiator in the competitive landscape.

Cloud Architecture

Glowpoint's Video Cloud is based on a Service Oriented Architecture (“SOA”) that enables us to quickly create unique and differentiated unified communication services by integrating best of breed technology available in the market. The SOA architecture is a foundation framework that abstracts the physical layer from the service application to enable the virtualization of resources to leverage cost efficient hardware and deliver innovative services to customers. This allows Glowpoint to enable the consumption of services using purpose built mobile applications, web, and traditional methods. Glowpoint's video cloud services can be delivered as a software and infrastructure service in a pure hosted environment or can support a hybrid with a mix of public and private cloud. Our SOA architecture implementation provides our customers and partners the freedom to choose exactly how they consume our services.

Applications and Development

Built on top of our core cloud SOA architecture, Glowpoint has a portfolio of proven applications that provide customers and partners access to services with business logic that represents years of industry experience. These include conference scheduling, customer care, B2B directory, and even billing. Our internal applications also rely on this infrastructure to provide services that are positioned to scale well into the future. Glowpoint has built our open video cloud to be technically simple to access from anywhere on the globe and to support (Session Initiated Protocol) SIP, H.323 and ISDN technologies using infrastructure from ACME Packet, Polycom, Cisco, Radvision, etc. – and service peering with content delivery (such as Akamai) and network peering partners (such as Equinix). Glowpoint has developed integration to Microsoft Exchange and IBM Same time to enable the use of native scheduling and a number of upcoming releases for mobile applications developed from Apple IOS and Android support the ability for “click to call.”

Diverse and unmatched expertise

On top of our cloud architecture and robust application suite sits a group of dedicated and experienced video service professionals. Our people are experts in providing world class production, management, remediation and professional services. And by using the same tools and applications available directly to our customers, they represent a simple solution often referred to as the "easy button" for customers.

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Patents and Patents-Pending

The development of our “video as a service” applications and network architecture have resulted in a significant amount of intellectual property – from real-time metering and billing for video calls to intelligent call routing. In 2007, we received our first patent; in 2009, we were awarded a second patent. A number of other applications have been filed with the United States Patent and Trademark Office and are in various stages of the patent process, which include some rejections to which we have responded in due course. We have also abandoned certain patent applications, determining that the likelihood of an award and the cost to obtain it versus the value of the potential award did not justify proceeding any further. While there can be no assurance that a patent will be awarded, we believe that our patented and patent-pending proprietary technology provides an important barrier for competitive offerings of similar video communications services. We are unique and, given our proprietary technology, believe we are especially well positioned to partner with telecommunications carriers, equipment manufacturers, resellers and other companies focused on integrating innovative and high-quality video solutions into their product mix.

As mentioned above, we were awarded U.S. Patent No. 7,200,213 in April 2007 for our live video operator assistance feature and awarded U.S. Patent No. 7,664,098 in February 2010 for our real-time metering and billing for IP-based calls. Our patented “Live Operator” technology provides customers the ability to obtain live, face-to-face assistance and has widespread application, from general video call assistance to “video concierge” services. This patent is an essential component of providing “expert on demand” and telepresence “white glove” (our VNOC) services. Our “Call Detail Records” (CDR) 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. In addition, U.S. Patent No. 7,916,717 will issue on March 29, 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, routing the call to the most inexpensive gateway exit point off the Glowpoint network before entering the PSTN/ISDN network. We believe these patents help solidify our position as the leader in developing solutions that make video communications a critical business application for our customers and help drive wider adoption and acceptance.

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

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

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

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

Sales and Marketing

We market and sell our services to a broad range of businesses in many industries through both direct and indirect sales channels. Our strategic relationships with video conferencing equipment manufacturers, unified communication providers, global integration service providers, equipment resellers, and network operators have expanded our indirect sales channels. The global demand for visual communications has also increased our opportunities for regional partnerships in the world, including in the emerging markets of Asia/Pacific, Middle East, and Central/Latin Americas. Many of the complex solutions sought in today's market, especially telepresence and unified communications solutions, have created new and unique opportunities for the sale of Glowpoint services. We continue to diversify our lead generation and sales efforts by integrating these indirect sales channels with aggressive internal lead generation programs and vertical industry focused marketing and promotional efforts. Regardless of the sales or distribution channel, our goal is to provide world-class service, sales and collateral materials, training, and management tools to reduce barriers to buying, and increase our return on sales, marketing and promotional investments.

Historically, one of our main sales challenges was that visual communications was not generally perceived as a critical application for most companies. Technology developments in the visual communications industry, improvements in network offerings, and changes in human behavior, driven by such global conditions as the recent economic downturn, security and health concerns, have positioned visual communications to play a mission critical role in business practices. These changes, we believe, will result in increased demand for hosted and managed video services. Recognizing this, Glowpoint has and will continue to adapt its service offerings and strategic relationships to address the unique needs of our customers, especially for telepresence and unified communications.

Purchasers of telepresence rooms and today's other complex video products demand that the technology is reliable and functions properly in order to maximize their investment, while increasingly seeking B2B collaboration capabilities. Glowpoint markets and sells its OV Managed services and TEN directly to enterprise customers and to equipment manufacturers and integrators, who purchase our OV Managed services on a wholesale basis. We will continue to invest in sales and marketing to support our direct and indirect business models.

We continue to market and sell to new markets and markets that we've created, where video communications can play a critical role in business practices. An example of a market we created for our services is the broadcast/media sector, where we recognized a match between the need for cost effective content acquisition and the capability of video communications technology and managed services. To support this market opportunity, we introduced a highly managed service that is used to acquire video content for broadcasters, cable companies and other media enterprises, especially in the sports, news and entertainment industries. Rather than utilizing an expensive satellite feed, companies can acquire broadcast-quality standard definition (SD) and high definition (HD) content over a managed IP network connection at a fraction of the cost. The initial SD use of Glowpoint in the broadcast sector was in 2002, when we provided this service to ESPN during the professional football and basketball drafts. ESPN has used it for interviews from team locations with coaches, players and analysts during their coverage of the drafts every year since

2002. In 2007, we launched a High Definition (HD) content acquisition solution that we branded TeamCamHD and RemoteCamHD, which has been used to acquire HD content that is then distributed to key media outlets. In early 2010, we announced the availability of our professional event services for the broadcast industry in HD as well.

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Glowpoint continues to focus on its indirect sales channel to foster greater growth, which has resulted in the indirect sales channel contributing the highest amount of new sales on average in 2010. Approximately 70% of new sales were realized through these channels in 2010, which include the "white label" branding of services. We will continue to focus sales and marketing efforts on these relationships so that they become a significant and consistent contributor to our growth going forward.

Customers

We have a stable, growing customer base of more than 500 customers ranging from Fortune 100 companies and federal, state, and municipal governmental entities to businesses and service professionals (e.g., accountants and lawyers) and non-profit organizations. Our top ten market segments at the end of 2010, listed in order of approximate contribution to revenue, were: consulting, 13%; broadcast/media, 11%; banking and finance, 9%; engineering and construction, 8%; manufacturing, 7%; governmental entities (local, state and federal), 6%; legal and law enforcement, 6%. One major customer represents approximately 19.5% of our revenue.

Employees

As of December 31, 2010, we had approximately 109 full-time employees. Of these employees, 14 are involved in network and service engineering and development, 61 in customer service and operations, 17 in sales and marketing, and 17 in corporate functions. None of our employees are represented by a labor union. We believe that our employee relations are good.

Competition

For the sale of our managed services, we mainly compete against select telecommunications carriers and video conferencing equipment resellers and integrators. These carrier competitors, which include British Telecom (BT)/BT Conferencing, AT&T, Verizon and Global Crossing, mainly compete on the basis of offering network and a converged solution of data, voice and video. Other competitors have evolved from the audio/visual integration industry or video conferencing equipment resale industry, including York Telecom, Iformata Communications and BCS Global. Glowpoint differentiates itself based on its full suite of superior video managed services and cloud based hosted infrastructure, combined with a primary focus on video and resulting superior expertise, flexibility, and responsiveness to customer demands. These services are unique based on our intellectual property, user interfaces, quality, and capabilities that Glowpoint has built over the years. Glowpoint has partnered with a number of would-be competitors with the intent of selling our managed video services to be delivered over their networks or as a complement to their offerings. Glowpoint-enabling a third party network is one way Glowpoint may reduce the threat of competition. We do not believe that the competitive offerings currently available in the market offer the full range and scope of the managed services that Glowpoint offers.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and its rules and regulations (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 inspected and copied at:

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

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

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

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

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

Item 1A. Risk Factors

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

Risks Relating To Our Securities

We may need future capital for working capital or to fund our capital improvements and product development. If we are able to raise additional capital, it may dilute our existing stockholders, if not, it may restrict our ability to operate our business.

Our capital requirements continue to be significant and depend, and will continue to depend, on numerous factors, including the timing of revenues, the expense involved in development of our systems and products, realizing cost reductions on our technology, capital improvements and the cost involved in protecting our proprietary rights. To date, we have funded those requirements from private placements, most recently in March and September 2010 (the "2010 Private Placements" as discussed in Note 17) and March and August 2009 (the "2009 Private Placements" as discussed in Note 16). If additional working capital is required, it may not be sufficient to fund our future operations and may dilute our existing stockholders or restrict our ability to run our business.

We may need to raise additional capital to fund our operations.

For the year ended December 31, 2010, we incurred a net loss attributable to common stockholders of $3,597,000, of which $934,000 was related to a non-cash loss on redemption of preferred stock incurred in connection with the 2010 Private Placements, and we had a negative cash flow from operations of $1,444,000. At December 31, 2010, we had $2,035,000 of cash, negative working capital of $526,000 and an accumulated deficit of $165,068,000. Based on the Company's October 2010 cost reduction plan, the 2010 Private Placements, our new Revolving Loan Facility, the elimination of dividends until January 2013, along with our cash flow projection, the Company believes that it has, and will have, sufficient cash flow to fund its operations through at least March 31, 2012. There can be no assurances, however, that we will be able to raise additional capital as may be needed or upon acceptable terms, nor that current economic conditions will not negatively impact us. If the current economic conditions negatively impact us and we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company.

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

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

We may be required to issue more shares of common stock upon adjustment of the conversion price of our outstanding preferred stock or the exercise price of our outstanding warrants, resulting in dilution of our existing stockholders.

The conversion or exercise of any of our outstanding A-2 Preferred Stock, options and warrants will dilute the ownership interests of our stockholders. If we sell common stock or common stock equivalents at a price per share that is below the then-applicable conversion price of our outstanding Series A-2 Preferred Stock and/or below the then-applicable exercise price of certain of our outstanding warrants, then the conversion price or exercise price, as the case may be, of such securities may adjust downward and, as a result, the amount of shares of common stock issuable upon conversion or exercise of such securities would increase. In this event, we may be required to issue more shares of common stock than previously anticipated which would result in further dilution of our existing stockholders.

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

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

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

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

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

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.

It is possible that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. If this happens, the trading price of our common stock may decline.

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

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

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

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

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

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share, subject to certain exceptions. Our common stock is presently subject to these regulations which impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock", unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the 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.

Risks Related to Our Business

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

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

Our success is highly dependent on the evolution of our overall market 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, that customers will desire higher quality, 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 become or remain profitable. Additionally, current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

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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. Although we evaluate the creditworthiness of each of our customers, 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 lower 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, could materially and adversely affect our business development and therefore, our business, prospects, results of operations and financial condition.

We may have difficulty managing our growth.

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

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

Sales and use taxes and regulatory fees are supposed to be, or are routinely, collected from customers and remitted to the applicable authorities in certain circumstances. Historically, we were not properly collecting and remitting all such taxes and regulatory fees and, as a result, we have accrued a liability. All of our tax positions are subject to audit. While we believe all of our estimates and assumptions are reasonable and will be sustained upon audit, actual liabilities and credits may differ. If so, it may impact our financial condition, negatively if we underestimated our liability or positively if we overestimated our liability.

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

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

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

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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 depend upon our network providers and facilities infrastructure.

Our success depends upon our ability to implement, expand and adapt our national network infrastructure and support services to accommodate an increasing amount of video traffic and evolving customer requirements at an acceptable cost. This has required and will continue to require that we enter into agreements with providers of infrastructure capacity, equipment, facilities and support services on an ongoing basis. We cannot 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.

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.

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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 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 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, service offering 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.

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

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

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

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

There is limited market awareness of our Glowpoint managed video services.

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

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

Our success depends, in part, on the seamless, uninterrupted operation of our Glowpoint managed service offering. 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 may be unable to adequately respond to rapid changes in technology.

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

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

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

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, 2010, one major customer represented approximately 19.5% of our revenue. Although 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, 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 cancelled if we materially breach the agreement or for other reasons outside of our control. 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.

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. In addition, our reliance upon indirect selling methods may reduce visibility of demand and pricing issues. 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.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are located at 430 Mountain Avenue, Murray Hill, New Jersey 07974. These premises consist of approximately 22,000 square feet of leased office space. Our lease currently expires on January 31, 2014. The base rent for the premises is currently approximately $344,000 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 Murray Hill premises house our corporate functions and our network operations center. In addition to our headquarters, we lease technical facilities (i) in Ventura, California that houses our Bridging Services group, help desk and technical personnel in approximately 3,500 square feet, the base rent of which is approximately $58,000 per annum, and (ii) in Conshohocken, Pennsylvania that houses our Dedicated Support Services Group in approximately 3,600 square feet, the base rent of which is approximately $88,000 per annum. We believe our current facilities are suitable and adequate for our business needs and growth prospects.

Item 3. Legal Proceedings

Not Applicable.

Item 4. (Removed and Reserved)

None.

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PART II

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

Glowpoint's securities are traded on the Over-The-Counter Bulletin Board ("OTCBB") under the symbol "GLOW.OB." In the future, if we satisfy the listing criteria, we may apply for listing on a national exchange, though there is no assurance that we will be accepted for listing and, if accepted for listing, an active market for our securities will develop in the future.

On January 10, 2011, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Amended and Restated Certificate of Incorporation (the "Certificate of Amendment"), effecting a reverse stock split of the Company's common stock, par value $0.0001 per share, at a ratio of one-for-four. The reverse stock split was effective on January 14, 2011. The Company's stockholders approved the Certificate of Amendment on June 17, 2010, and the Company's Board of Directors authorized the implementation of the reverse stock split on December 17, 2010.

As a result of the reverse stock split, every four shares of the Company's issued and outstanding common stock were combined into one share of common stock. Any fractional shares that resulted from the reverse stock split were paid in cash to the stockholder. The reverse stock split reduced the number of the Company's outstanding shares of common stock from 85,414,000 to approximately 21,354,000, on the date of effectiveness of such split.

The share amounts of common and treasury stock, warrants and options shown in the accompanying consolidated financial statements have been adjusted to reflect the reverse stock split, at a ratio of one-for-four. The exercise price for all options and warrants and the conversion price for preferred stock in the accompanying consolidated financial statements have been adjusted to reflect the reverse stock split by multiplying the original exercise or conversion price by four.

The following table sets forth high and low closing sale prices per share for our common stock for each quarter of 2009 and 2010, based upon information obtained from the OTCBB. 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, 2009		
First Quarter	$1.80	$1.04
Second Quarter	1.80	1.12
Third Quarter	2.52	1.28
Fourth Quarter	2.76	1.92
Year Ended December 31, 2010		
First Quarter	$3.08	$2.24
Second Quarter	2.80	1.92
Third Quarter	2.32	1.60
Fourth Quarter	2.80	1.80

On March 14, 2011, the closing sale price of our common stock was $2.20 per share as reported on the OTCBB, and 21,453,604 shares of our common stock were held by approximately 2,621 holders of record. American Stock Transfer & Trust Company of Brooklyn, New York is the transfer agent and registrar of our common stock.

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Dividends

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

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

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

Purchases of Equity Securities by Glowpoint and Affiliated Purchasers

There were no purchases of any Glowpoint securities by Glowpoint or any affiliated purchaser during the fourth quarter of 2010.

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, 2010. The securities issued under equity compensation plans not approved by security holders consist entirely of options issued with respect to individual compensation arrangements for officers, directors and consultants.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflecting in Column (a))
Equity compensation plans approved by security holders	1,254,644	$ 3.14	433,095
Equity compensation plans not approved by security holders	5,000	15.76	—
Total	1,259,644	$ 3.19	433,095

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Item 6. Selected Financial Data

The following summary of selected consolidated financial information, with respect to the years ended December 31, 2010 and 2009 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and footnotes included elsewhere in this document. The historical results presented below are not necessarily indicative of future results (000's omitted), except per share amounts.

Consolidated Statement of Operations Information:	Year Ended December 31,	
Revenue:	2010	2009
Managed services combined	$10,480	$7,433
OV Connect and other services	17,070	17,822
Total revenue	27,550	25,255
Operating expenses:		
Network and infrastructure	11,389	11,005
Global managed services	8,226	7,476
Sales and marketing	4,142	3,193
General and administrative	5,330	4,392
Depreciation and amortization	1,078	1,056
Sales taxes and regulatory fees	—	(2,500)
Total operating expenses	30,165	24,622
Income (loss) from continuing operations	(2,615)	633
Interest and other expense:		
Interest (income) expense, net	126	(543)
Amortization of deferred financing costs	34	—
Loss on extinguishment of debt	—	254
Expense for increase in estimated fair value of derivative financial instruments	—	1,848
Total interest and other expense, net	160	1,559
Net loss from continuing operations	(2,775)	(926)
Income from discontinued operations	112	379
Net loss	(2,663)	(547)
Loss on redemption of preferred stock	(934)	(64)
Net loss attributable to common stockholders	$(3,597)	$(611)
Net loss attributable to common stockholders per share:		
Continuing operations	$(0.20)	$(0.08)
Discontinued operations	$0.01	$0.03
Basic and diluted	$(0.19)	$(0.05)
Weighted average number of common shares:		
Basic and diluted	19,127	13,235

Balance Sheet Information:	As of December 31,	
	2010	2009
Cash	$2,035	$587
Working capital deficit	526	1,365
Total assets	8,364	6,911

Long-term debt	—	—
Total stockholders’ equity	$2,705	$1,153

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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, 2010 and 2009 and the related consolidated statements of operations, stockholders’ equity and cash flows for the years ended December 31, 2010 and 2009 and the notes attached hereto. All statements contained herein that are not historical facts, including, but not limited to, statements regarding anticipated future capital requirements, our future development plans, our ability to obtain debt, equity or other financing, and our ability to generate cash from operations, are based on current expectations. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future. The Company operates in one segment and therefore segment information is not presented.

Overview

Glowpoint, Inc. ("Glowpoint" or "we" or "us" or the “Company”), a Delaware corporation, is a leading provider of cloud-based managed video services for the global business community. We are the only “pure play” service provider in the video space. Our hosted services are securely accessible via any network (private or public) and are technology agnostic IT managed services and hosted infrastructure delivered with world class user applications and experiences. The Company pursues its recurring revenue business model by currently supporting thousands of video endpoints and telepresence systems and delivering service to more than 500 different enterprises in over 35 countries around the globe. Glowpoint’s managed services enable the integration of video into any unified communications environment and the company has become a recognized leader in the rapidly growing market for global managed video and business-to-business (B2B) services and solutions.

Glowpoint also provides wholesale programs and private-labeled (branded) resale options for hardware manufacturers, network operators, and system integrators seeking to offer video services as a value-added addition to their collaboration and communications offerings. Today, the Company maintains multiple strategic partnerships that are core to its global sales strategy.

Glowpoint’s services, which are accessible globally, enable two-way interactive video communications through our “in the cloud” service support and hosted infrastructure. Glowpoint’s service cloud is fully equipped with multi-tenant infrastructure, technology platforms, and applications, much of which is proprietary. Customers simply plug into the Glowpoint service cloud to gain access to video infrastructure, systems, applications, and unmatched video expertise. In this regard, our services are analogous to the “software as a service” industry or other cloud-based services.

Glowpoint’s core service offerings are designed to enable integration of video into enterprise Unified Communications environments by delivery through Glowpoint’s Open Video™ cloud-based, shared infrastructure model, which offers conferencing scalability and security for large enterprises and small and medium sized businesses around the world. Open Video is the world’s first and only environment that offers telepresence, video and unified collaboration users a way to meet and communicate across various hardware/software platforms and carrier networks in a secure, open fashion – removing all barriers to video collaboration and communications. Open Video includes three service categories:

- OV Connect - enables customers to connect to other video users through peering arrangements with MPLS carriers, Ethernet exchanges, the public Internet, and cross connects at co-location facilities. Glowpoint supports the convergence of voice, data and video using the customer’s existing network connection or a dedicated private network if required.

OV Collaborate - offers comprehensive conferencing services, including scalable, pre-scheduled and "ad-hoc" confer-encing resources, using hosted infrastructure in the cloud or a client's infrastructure. In addition to connecting virtually any device to a call, our conference producers can manage, record, and stream video events to the Internet.

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- OV Manage - includes the video operations (VNOC) management system that provides a complete solution for end-to-end management of immersive and non-immersive telepresence rooms. OV Manage offers flexible options, including a complete cloud-based infrastructure that offers customers the opportunity to purchase only the endpoints themselves, as well as packages that cater to customers who elect to purchase their own video infrastructure.

Other services provided by Glowpoint include:

- Professional Services - provides a complement to our core managed service offerings and may be applied toward a branding program or even a video deployment evaluation by an enterprise. Today, Glowpoint has branded its video services for Polycom, the world's leading video equipment manufacturer, for AVI-SPL, one of the largest integrators in the world, for TATA Communications, a global telecommunications carrier, and for a host of others who offer Glowpoint's managed services to their client base.

- Broadcast Solutions - provides IP-based broadcast solutions for leading sports broadcasters, sports leagues, news outlets, cable stations, and collegiate conferences. Glowpoint's "always-on," managed service and exclusive video-network exchange service reduces transport costs and program operations by up to 80 percent as compared to traditional satellite feeds and associated operations. Glowpoint enables ultra-clean HD- and SD-interactive broadcasts, provides real-time communications and two-up capability for live-to-air and live-to-web broadcasts, all delivered through proactively maintained flexible solutions.

After a strategic review we determined that our Integrated Services Digital Network ("ISDN") resale services no longer fit into our strategic plan. In September 2010, we entered into an agreement with an independent telecommunications service provider to transfer our customers receiving this service to them, and prospectively we will receive a 15% recurring referral fee for those revenues. The transfer will be completed in the second quarter of 2011 (see Note 8).

Critical Accounting Policies

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

Revenue Recognition

We recognize subscription revenue when the related services have been performed. Revenue billed in advance is deferred until the revenue has been earned. Other service revenue, including amounts related to surcharges charged by our carriers, related to the Glowpoint managed network service and the multi-point video and audio conferencing services are recognized as service is provided. As the non-refundable, upfront activation fees charged to the subscribers do not meet the criteria as a separate unit of accounting, they are deferred and recognized over the 12 to 24 month period estimated life of the customer relationship. Revenue related to integration services is recognized at the time the services are performed, and presented as required by ASC Topic 605 "Revenue Recognition." Revenues derived from other sources are recognized when services are provided or events occur.

Allowance for Doubtful Accounts

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

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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 as required by ASC topic 360 “Property, Plant and Equipment.” 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. No impairment losses were recorded through December 31, 2010.

Capitalized Software Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal-use software. All software development costs have been appropriately accounted for as required by ASC Topic 350.40 “Intangible – Goodwill and Other – Internal-Use Software.” Capitalized software costs are included in “Property and Equipment” on our consolidated balance sheets and are amortized over three to four years. Software costs that do not meet capitalization criteria are expensed as incurred.

Reverse Stock Split – Reclassifications

On January 10, 2011, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Amended and Restated Certificate of Incorporation (the "Certificate of Amendment"), effecting a reverse stock split of the Company's common stock, par value $0.0001 per share, at a ratio of one-for-four. The reverse stock split was effective on January 14, 2011. The Company's stockholders approved the Certificate of Amendment on June 17, 2010, and the Company's Board of Directors authorized the implementation of the reverse stock split on December 17, 2010.

As a result of the reverse stock split, every four shares of the Company's issued and outstanding common stock were combined into one share of common stock. Any fractional shares resulting from the reverse stock split were paid in cash to the stockholder. The reverse stock split reduced the number of the Company's shares of common stock as shown in the consolidated balance sheets as follows:

	December 31, 2010		December 31, 2009	
	Adjusted to reflect reverse stock split	Pre-split	Adjusted to reflect reverse stock split	Pre-split
Authorized shares	150,000,000	150,000,000	150,000,000	150,000,000
Shares issued	21,353,604	85,414,416	16,632,772	66,531,087
Shares outstanding	21,353,604	85,414,416	16,241,549	64,966,196

The share amounts of common and treasury stock, warrants and options shown in the accompanying consolidated financial statements have been adjusted to reflect the reverse stock split, at a ratio of one-for-four for all periods presented. The exercise price for all options and warrants and the conversion price for preferred stock in the accompanying consolidated financial statements have been adjusted to reflect the reverse stock split by multiplying the original exercise or conversion price by four.

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Results of Operations

Revenue - Revenue increased $2,295,000, or 9.1%, in the year ended December 31, 2010 (the “2010 Year”) to $27,550,000 from $25,255,000 in the year ended December 31, 2009 (the “2009 Year”). The following are the changes in the components of our revenue:

- Managed services combined, which represents subscription OV Managed video services generally tied to contracts of 12 months or more and OV Collaborate usage based bridging services, which enables customers to have video meetings with multiple locations on the screen at one time, are 38.0% of total current revenue and increased 41% in the 2010 Year.

- OV Connect, which represents network sales and related services generally tied to contracts of 12 months or more, and other services, which represent non-recurring services (e.g., the professional football draft event) or professional services to develop custom solutions, accounts for 62.0% of total current revenue.

	Year Ended December 31,			
		(in thousands)		
Revenue	2010	2009	Increase (Decrease)	% Change
Managed services combined	$ 10,480	$ 7,433	$ 3,047	41.0 %
OV Connect and other services	17,070	17,822	(752)	(4.2)
Total revenue	$ 27,550	$ 25,255	$ 2,295	9.1 %

Network and Infrastructure – Network and infrastructure expenses increased by 3.5% in the 2010 Year. Network and infrastructure expenses include all external costs, exclusive of depreciation and amortization, related to the Glowpoint network and hosting facilities for our cloud-based infrastructure. The network is for high-quality, two-way video transport built and managed by Glowpoint exclusively and dedicated to IP-based video communications globally. This operating expense category also includes the cost for taxes which have been billed to customers.

Although the expenses for network and infrastructure increased this period as a result of costs incurred in consolidating our network, we continue to re-engineer our network and infrastructure for increased optimization and efficiency. We expect these efforts will reduce these expenses as a percentage of total revenues over time.

Global Managed Services – Global managed services expenses increased 10.0% in the 2010 Year. Global managed services expenses include all costs for delivering and servicing our managed services, such as delivering customer service, internal costs of maintaining the network and infrastructure, and the development and implementation of operating support systems and associated hardware enhancements. The primary components of the increases, representing 85.2% of the increase in the 2010 Year, were salaries, benefits and other costs related to the enhancement of our services to encompass global 24/7 staffing and the establishment of a new support center in Conshohocken, PA.

Sales and Marketing - Sales and marketing expenses increased 29.7% in the 2010 Year as Glowpoint continues to focus on its indirect sales channel to foster greater growth. Approximately 70% of new sales continue to be realized through these channels in 2010. The primary components of the increases, representing 79.8% of the increase in the 2010 Year, were increased salaries, benefits and other costs related to hiring additional sales related employees and consultants. Several advertising and marketing programs, representing 17.1% of the increase in the 2010 Year, were initiated to increase our visibility in the marketplace.

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General and Administrative - General and administrative expenses, which include direct corporate expenses related to costs of personnel in the various corporate support categories, including executive, finance, human resources and information technology, increased 21.4% in the 2010 Year. Severance costs represented 70.9% or $665,000 of the increase in the 2010 Year.

Depreciation and Amortization – Depreciation and amortization expenses increased 2.1% in the 2010 Year due to purchases of property and equipment exceeding the retirements of these assets.

Sales Taxes and Regulatory Fees –Based on our historical experience in collecting and remitting sales taxes and regulatory fees, we adjusted the accrued sales taxes and regulatory fees liability at December 31, 2009 to amounts that reflect settlements with taxing authorities and amounts that we believe are probable and can be reasonably estimated. This resulted in $2,500,000 of income in the 2009 Year. There were no sales taxes and regulatory fee adjustments in the 2010 Year.

Loss from Continuing Operations – Loss from continuing operations increased by $3,248,000 in the 2010 Year. The primary drivers of the loss increase were the $2,500,000 of income from the change in estimates for accrued sales taxes and regulatory fees in the 2009 Year and $665,000 of severance costs in the 2010 Year. Increases in costs for managed services associated with 24/7 global support, increases in sales and marketing costs from hiring new professionals, and charges associated with network and infrastructure consolidation costs were partially offset by increases in higher margin managed services revenues.

Interest and Other Expense (Income) – Interest and other expense (income) in the 2010 Year principally reflected $126,000 of interest charges from vendors and $34,000 of the amortization of financing charges related to the 2010 Private Placements. Other expense in the 2009 Year of $1,559,000 consisted of $1,848,000 for an increase in the fair value of derivative financial instruments, which did not exist in the 2010 Year, $254,000 for the loss on the extinguishment of the remaining Senior Secured Notes and interest expense of $241,000. These costs were partially offset by $784,000 of interest income from the change in estimates for accrued sales taxes and regulatory fees partially offset by interest from vendors and the Senior Secured Notes.

Income Taxes - As a result of our losses, we recorded no provision for incomes taxes in the 2010 Year and 2009 Year. Any deferred tax asset that would be related to our losses has been fully reserved under a valuation allowance, reflecting the uncertainties as to realization evidenced by our historical results and restrictions on the usage of the net operating loss carry forwards.

Net Loss from Continuing Operations – Loss from continuing operations increased by 199.7% in the 2010 Year due to the reasons noted above.

Income from Discontinued Operations – Income from discontinued operations declined by 70.4% in the 2010 Year. The transfer of our ISDN resale business is anticipated to be completed in the 2nd quarter of 2011.

Net Loss - Net loss increased by $2,116,000, or 386.8%, to $2,663,000 in the 2010 Year.

Loss on Redemption of Preferred Stock – Our loss on the redemption of Preferred Stock resulted from the 2010 Private Placements and was $934,000 in the 2010 Year. In connection with the 2009 Private Placements we had a loss on the redemption of Preferred Stock of $64,000 in the 2009 Year. For loss per share calculations this loss, though charged to Additional Paid in Capital, increases the net loss attributable to common stockholders.

Net Loss Attributable to Common Stockholders - Net loss attributable to common stockholders was $3,597,000 or $0.19 per basic and diluted share in the 2010 Year. For the 2009 Year, the net loss attributable to common stockholders was $611,000, or $0.05 per basic and diluted share.

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Liquidity and Capital Resources

For the year ended December 31, 2010, we incurred a net loss attributable to common stockholders of $3,597,000, of which $934,000 was related to a non-cash loss on redemption of preferred stock incurred in connection with the 2010 Private Placements (as discussed in Note 17), and we had a negative cash flow from operating activities of $1,444,000. At December 31, 2010, we had $2,035,000 of cash, negative working capital of $526,000 and an accumulated deficit of $165,068,000. In October 2010, we implemented a plan to reduce operating costs. We have historically been able to raise capital in private placements, most recently $3,000,000 in March 2010 and $1,000,000 in September 2010, as needed to fund operations and provide growth capital. In June 2010, the Company entered into a Revolving Loan Facility (as discussed in Note 7) pursuant to which the Company may borrow up to $5,000,000 for working capital purposes and under which we had unused borrowing availability of $1,600,000 as of December 31, 2010. The Revolving Loan Facility matures in June 2012. In addition to our financing activity, we also recently amended the terms of our Series A-2 Preferred Stock and Series B Preferred Stock to eliminate any dividends until January 2013 and have reached settlements regarding a majority of the liability for which we had accrued sales and use taxes and regulatory fees. Based on the October 2010 cost reduction plan, the 2010 Private Placements, our new Revolving Loan Facility, the elimination of dividends until January 2013, along with our cash flow projection, the Company believes that it has, and will have, sufficient cash flow to fund its operations through at least March 31, 2012. There can be no assurances, however, that we will be able to raise additional capital as may be needed or upon acceptable terms, nor that current economic conditions will not negatively impact us. If the current economic conditions negatively impact us and we are unable to raise additional capital that may be needed on terms acceptable to us, it could have a material adverse effect on the Company.

Private Placement Transactions

Capital Raises

Over the last two years, with the most recent transaction occurring in September 2010, the Company entered into several private placement transactions raising (i) gross proceeds of $4,000,000 by selling shares of the Company's perpetual Series B preferred stock ("Series B Preferred Stock") and (ii) gross proceeds of $1,800,000 by selling additional shares of convertible preferred stock which ultimately became shares of the Company's Series A-2 convertible preferred stock ("Series A-2 Preferred Stock"). In connection with those transactions the Company also exchanged shares of its previously issued preferred stock for ultimately, shares of Series A-2 Preferred Stock and Series B Preferred Stock.

The effect of these transactions over the two-year period was to raise $5,800,000 for the Company while reducing our common stock and common stock equivalents by 7,933,000 shares or 23.4% and our liquidation preference by $10,478,000 or 36.9%.

Reduction of Fully Diluted Common Shares and Liquidation Preference

The Company's equity following these transactions consists of (i) common stock, (ii) Series B Preferred Stock which is not convertible into common stock, (iii) Series A-2 Preferred Stock, which is convertible into common stock, (iv) options to acquire common stock, and (v) warrants to acquire common stock. The following is a summary of the activity of the Company's shares of common stock and common stock equivalents and liquidation preference as of January 1, 2009 and December 31, 2010 and the two years ended December 31, 2010 (in thousands):

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	January 1, 2009	2009 Private Placements	2010 Private Placements	Cancellation of Treasury Stock	Other (Note 1)	December 31, 2010
Fully Diluted Common Shares						
Common Shares Outstanding	12,094	4,343	4,624	(391)	684	21,354
Series B Preferred Stock	—	—	—	—	—	—
Senior Secured Notes	866	(866)	—	—	—	—
Options	1,243	—	—	—	17	1,260
Warrants	10,229	(8,936)	295	—	(876)	712
Series A-2 Preferred Stock	9,475	1,797	(8,624)	—	—	2,648
Total	33,907	(3,662)	(3,705)	(391)	(175)	25,974
Liquidation Preference						
Series B Preferred Stock	$—	$—	$10,000	$—	$—	$10,000
Series A-2 Preferred Stock	28,423	5,392	(25,870)	—	—	7,945
Total	$28,423	$5,392	$(15,870)	$—	$—	$17,945

Note 1 – Includes issuances of restricted stock and options to employees and consultants, expiration of warrants and cashless exercise of warrants.

Cash flows

At December 31, 2010, we had a working capital deficit of $526,000, compared to a working capital deficit of $1,365,000 at December 31, 2009, a decrease of $839,000. We had $2,035,000 in cash at December 31, 2010, compared to $587,000 at December 31, 2009, an increase of $1,448,000.

Net cash used in operating activities was $1,444,000 for the 2010 Year. The primary components of the use of funds were $732,000 from the net loss excluding non-cash charges, payments of $767,000 to reduce accounts payable, accrued expenses and sales taxes and regulatory fees, a $105,000 increase in accounts receivable and other assets and a $82,000 decrease in customer deposits and deferred revenue partially offset by a $242,000 decrease in the assets of the discontinued operations.

Cash used in investing activities in the 2010 Year for the purchase of property, equipment and leasehold improvements was $1,620,000 partially reduced by the proceeds from the sale of equipment for $61,000. The capital expenditures were focused on improvement to the Glowpoint infrastructure and the leasehold improvements to our new facility in Murray Hill, NJ.

Cash provided by financing activities in the 2010 Year was comprised of $4,000,000 received from the sale of our preferred stock, $750,000 of proceeds from our Revolving Loan Facility and $8,000 received from the exercise of stock options, partially offset by $307,000 of costs related to the 2010 Private Placements.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2010.

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Recent Accounting Pronouncements

In October 2009, the Financial Standards Accounting Board ("FASB") issued Accounting Standards Update 2009-13 ("ASU 2009-13") which supersedes certain guidance in Accounting Standards Codification ("ASC") 605-25, "Revenue Recognition — Multiple Element Arrangements." This topic requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. This topic is effective for annual reporting periods beginning after June 15, 2010. The adoption of ASU 2009-13 did not have a material impact on the Company's condensed consolidated results of operations and financial condition.

Item 8. Financial Statements and Supplemental Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Glowpoint has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2010, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Glowpoint has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2010 and have concluded that no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

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

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Glowpoint's management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2010.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management was not subject to attestation by our registered public accounting firm.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Glowpoint will file with the Commission a definitive proxy statement pursuant to Regulation 14A no later than 120 days after December 31, 2010. The information required by this Item will appear in that definitive proxy statement and is incorporated by reference herein.

Item 11. Executive Compensation

Glowpoint will file with the SEC a definitive proxy statement pursuant to Regulation 14A no later than 120 days after December 31, 2010. The information required by this Item will appear in that definitive proxy statement and is incorporated by reference herein.

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

Glowpoint will file with the SEC a definitive proxy statement pursuant to Regulation 14A no later than 120 days after December 31, 2010. The information required by this Item will appear in that definitive proxy statement and is incorporated by reference herein.

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

Glowpoint will file with the SEC a definitive proxy statement pursuant to Regulation 14A no later than 120 days after December 31, 2010. The information required by this Item will appear in that definitive proxy statement and is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

Glowpoint will file with the SEC a definitive proxy statement pursuant to Regulation 14A no later than 120 days after December 31, 2010. The information required by this Item will appear in that definitive proxy statement and is incorporated by reference herein.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements:

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 31 of this Form 10-K, which immediately precedes such exhibits, and is incorporated by reference.

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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. (3)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Glowpoint, Inc. increasing its authorized common stock to 150,000,000 shares from 100,000,000 shares. (9)
	Amended and Restated Bylaws. (3)
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Glowpoint, Inc. effecting a one-for-four reverse stock split of the common stock of Glowpoint, Inc. (26)
3.5	Amendment to Amended and Restated Bylaws. (11)
4.1	Specimen Common Stock Certificate. (7)
4.2	Certificate of Designations, Preferences and Rights of Series D Preferred Stock. (9)
4.3	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Glowpoint. (14)
4.4	Form of Series A-3 Warrant dated November 25, 2008. (14)
4.5	Form of Amendment to Warrants to Purchase Shares of Common Stock of Glowpoint, dated as of November 25, 2008. (14)
4.6	Certificate of Designations, Preferences and Rights of Series A-1 Preferred Stock of Glowpoint. (16)
4.7	Certificate of Designations, Preferences and Rights of Series A-2 Preferred Stock of Glowpoint. (18)
4.8	Form of Amendment to Series A-3 Warrant dated March 16, 2009. (16)
4.9	Form of Amendment to Series A-3 Warrant dated August 10, 2009. (18)
4.10	Certificate of Designations, Preferences and Rights of Series B Preferred Stock of Glowpoint. (19)
10.1	Glowpoint, Inc. 2000 Stock Incentive Plan. (2)
10.2	Employment Agreement with Joseph Laezza, dated as of March 11, 2004. (3)
10.3	Employment Agreement with David W. Robinson, dated May 1, 2006 (4)
10.4	Employment Agreement with Edwin F. Heinen, dated January 30, 2007. (5)
10.5	Employment Agreement Amendment with Edwin F. Heinen, dated April 24, 2007. (6)
10.6	Employment Agreement Amendment with David W. Robinson, dated April 24, 2007. (6)
10.7	Employment Agreement Amendment with Joseph Laezza, dated May 15, 2007. (6)
10.8	Glowpoint, Inc. 2007 Stock Incentive Plan. (8)
10.9	Employment Agreement Amendment with David W. Robinson, dated September 20, 2007. (9)
10.10	Exchange Agreement, dated September 21, 2007, between Glowpoint and the Holders set forth therein. (9)
10.11	Letter Agreement, dated as of December 18, 2007, amending the amended Registration Rights Agreement, dated as of September 21, 2007, between Glowpoint and the Purchasers set forth therein. (10)
10.12	Lease Agreement for premises located at 225 Long Avenue, Hillside, New Jersey, dated as of December 31, 2007, between Glowpoint and Vitamin Realty Associates, L.L.C. (12)
10.13	Employment Agreement Amendment with David W. Robinson dated April 30, 2008. (13)
10.14	Form of Series A Convertible Stock Purchase Agreement, dated as of November 25, 2008, between Glowpoint and the purchasers set forth therein. (14)
10.15	Form of Registration Rights Agreement, dated as of November 25, 2008, between Glowpoint and the purchasers set forth therein. (14)
10.16	Form of Note Exchange Agreement, dated November 25, 2008, between Glowpoint and the holders set forth therein. (14)
10.17	Form of Series C Preferred Consent and Exchange Agreement, dated November 25, 2008, between Glowpoint and the holders set forth therein. (14)
10.18	Employment Agreement Amendment with Joseph Laezza, dated November 24, 2008. (14)
10.19	Employment Agreement Amendment with Edwin F. Heinen, dated November 24, 2008. (14)

10.20	Form of Note Exchange Agreement, dated December 31, 2008, between Glowpoint and the holders set for the therein. (15)

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10.21	Form of Series A-1 Convertible Stock Purchase Agreement, dated as of March 16, 2009, between Glowpoint and the purchasers set forth therein. (16)
10.22	Amendment No. 1 to Registration Rights Agreement, dated February 19, 2009. (16)
10.23	Form of Note Exchange Agreement, dated March 16, 2009, between Glowpoint and the holders set forth therein. (16)
10.24	Form of Securities Purchase Agreement, dated March 16, 2009, between Glowpoint and the holder set forth therein. (16)
10.25	Form of Series A Preferred Consent and Exchange Agreement, dated March 16, 2009, between Glowpoint and the holders set forth therein. (16)
10.26	Employment Agreement Amendment with Joseph Laezza, dated March 12, 2009. (16)
10.27	Employment Agreement Amendment with Edwin F. Heinen, dated March 12, 2009. (16)
10.28	Employment Agreement Amendment with David W. Robinson, dated March 12, 2009. (16)
10.29	Form of Series A-1 Preferred Consent and Exchange Agreement, dated August 11, 2009, between Glowpoint and the holders set forth therein. (18)
10.30	Form of Warrant Exchange Agreement, dated August 11, 2009, between Glowpoint and the holders set forth therein. (18)
10.31	Form of Registration Rights Agreement, dated August 11, 2009, between Glowpoint and the holders set forth therein. (18)
10.32	Form of Series B Stock Purchase Agreement, dated as of March 29, 2010, between Glowpoint and the purchasers set forth therein. (19)
10.33	Form of Series A-2 Preferred Exchange Agreement, dated March 29, 2010, between Glowpoint and the holders set forth therein. (19)
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