

GLOWPOINT, INC.

Form 10-Q

August 09, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period  
 ended June 30, 2018.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 001-35376

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.)

1776 Lincoln Street, Suite 1300, Denver, CO, 80203  
(Address of Principal Executive Offices, including Zip Code)

(303) 640-3838  
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock as of August 6, 2018 was 47,908,000.



GLOWPOINT, INC.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q (this “Report”) contains statements that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and its rules and regulations (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended, and its rules and regulations (the “Exchange Act”). These forward-looking statements include, but are not limited to, statements about the plans, objectives, expectations, and intentions of Glowpoint, Inc. (“Glowpoint” or “we” or “us” or the “Company”). All statements other than statements of current or historical fact contained in this Report, including statements regarding Glowpoint’s future financial position, business strategy, budgets, projected costs, and plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” and similar expressions, as they relate to Glowpoint, are intended to identify forward-looking statements. These statements are based on Glowpoint’s current plans, and Glowpoint’s actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this Report may turn out to be inaccurate. Glowpoint has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties, and assumptions. There are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors that are discussed under the section entitled “Part I. Item 1A. Risk Factors” and in our consolidated financial statements and the footnotes thereto for the fiscal year ended December 31, 2017, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission on March 7, 2018, as well as under “Part II. Item 1A. Risk Factors” in this Report. Glowpoint undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to Glowpoint or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Report. Forward-looking statements in this Report include, among other things: our expectations and estimates relating to customer attrition, sales cycles, future revenues, expenses and cash flows; evolution of our customer solutions and our service platforms; our anticipated capital expenditures; our ability to fund operations; expectations regarding adjustments to our cost of revenue and other operating expenses; our ability to raise capital through sales of additional equity securities; our ability to continue as a going concern; and adequacy of our internal controls. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- customer acceptance and demand for our video collaboration services and network applications;
- the quality and reliability of our services;
- the prices for our services;
- customer renewal rates;
- risks related to the concentration of our customers and the degree to which our sales, now or in the future, depend on certain large client relationships;
  - customer acquisition costs;
- our ability to compete effectively in the video collaboration services and network services businesses;
  - actions by our competitors, including price reductions for their competitive services,
- potential federal and state regulatory actions;
- our need for and the availability of adequate working capital;
- our ability to innovate technologically;
- our ability to satisfy the standards for continued listing on the NYSE American;

• changes in our capital structure and/or stockholder mix;  
• the costs, disruption, and diversion of management's attention associated with campaigns commenced by activist investors; and  
• our management's ability to execute its plans, strategies and objectives for future operations, including but not limited to transforming our product line to more automated / software-based solutions in order for us to service the rapidly evolving video communications market.

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

	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,678	\$ 3,946
Accounts receivable, net	1,473	1,220
Prepaid expenses and other current assets	547	715
Total current assets	4,698	5,881
Property and equipment, net	1,027	1,159
Goodwill	5,575	7,750
Intangibles, net	562	626
Other assets	8	8
Total assets	\$ 11,870	\$ 15,424
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 1,194
Accounts payable	303	337
Accrued expenses and other liabilities	447	1,003
Accrued sales taxes and regulatory fees	204	259
Total current liabilities	954	2,793
Long term debt, net of current portion	—	369
Total liabilities	954	3,162
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Preferred stock Series A-2, convertible; \$.0001 par value; \$7,500 stated value; 7,500 shares authorized, 32 shares issued and outstanding and liquidation preference of \$237 at June 30, 2018 and December 31, 2017	—	—
Preferred stock Series B, convertible; \$.0001 par value; \$1,000 stated value; 2,800 shares authorized, 375 shares issued and outstanding and liquidation preference of \$375 at June 30, 2018 and 450 shares issued and outstanding and liquidation preference of \$450 at December 31, 2017	—	—
Preferred stock Series C, convertible; \$.0001 par value; \$1,000 stated value; 1,750 shares authorized, 1,275 shares issued and outstanding and liquidation preference of \$1,275 at June 30, 2018 and none at December 31, 2017	—	—
Common stock, \$.0001 par value; 150,000,000 shares authorized; 47,318,000 issued and 46,485,000 outstanding at June 30, 2018 and 45,161,000 issued and 44,510,000 outstanding at December 31, 2017	5	5
Treasury stock, 833,000 and 651,000 shares at June 30, 2018 and December 31, 2017, respectively	(404 )	(352 )
Additional paid-in capital	184,794	183,114
Accumulated deficit	(173,479 )	(170,505 )
Total stockholders' equity	10,916	12,262
Total liabilities and stockholders' equity	\$ 11,870	\$ 15,424

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$3,293	\$3,856	\$6,767	\$7,936
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)	1,930	2,261	4,077	4,709
Research and development	225	292	475	579
Sales and marketing	43	160	220	300
General and administrative	1,064	862	1,962	1,878
Impairment charges	1,525	—	2,175	—
Depreciation and amortization	185	460	417	919
Total operating expenses	4,972	4,035	9,326	8,385
Loss from operations	(1,679 )	(179 )	(2,559 )	(449 )
Interest and other expense, net	(10 )	(384 )	(415 )	(755 )
Loss before income taxes	(1,689 )	(563 )	(2,974 )	(1,204 )
Income tax expense	—	(27		