GLOWPOINT INC
Form S-3
April 02, 2004
As filed with the Securities and Exchange Commission on April 2, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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 Number)

225 Long Avenue
Hillside, New Jersey 07205
(973) 282-2000
(Address, including zip code, and telephone number, including area code of Registrant's principal executive offices)

David C. Trachtenberg
President and Chief Executive Officer
Glowpoint, Inc.
225 Long Avenue
Hillside, New Jersey 07205
(973) 282-2000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Michael J.W. Rennock, Esq.
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104
(212) 468-8000

Approximate Date of Commencement of Proposed Sale of the Securities to the Public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (3)	Proposed Maximum Aggregate Offering Price (3)	Amount of Registration Fee
Common Stock, $.0001 par value(1)	7,930,000	$1.95	$15,463,500	$1,959.23
Common Stock, $.0001 par value(2)	527,000	$1.95	$ 1,027,650	$ 130.20
Total	8,457,000		$16,491,150	$2,089.43

(1) Represents (i) the 6,100,000 shares of common stock and (ii) the 1,830,000 shares of common stock issuable upon exercise of warrants issued under the Common Stock Purchase Agreement, dated as of February 17, 2004. Pursuant to Rule 416 under the Securities Act of 1933, this registration statement shall be deemed to cover any additional securities issuable pursuant to the anti-dilution provisions of such warrants from stock splits, stock dividends or similar transactions.

(2) Represents shares of common stock issuable upon exercise of outstanding warrants with piggyback rights on this offering. Pursuant to Rule 416, this registration statement shall be deemed to cover any additional securities issuable pursuant to the anti-dilution provisions of these warrants from stock splits, stock dividends or similar transactions.

(3) Estimated solely for the purpose of computing the registration fee, based on the average of the high and low sales prices of the common stock as reported by the Nasdaq National Market on March 30, 2004 in accordance with Rule 457 under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission makes the registration statement that includes this prospectus effective.

PRELIMINARY PROSPECTUS — SUBJECT TO COMPLETION,
DATED APRIL 2, 2004

8,457,000 Shares

Common Stock

This prospectus relates to 8,457,000 shares of our common stock which may be sold from time to time by the selling stockholders listed beginning on page 6 including their transferees, pledgees or donees or their successors.

The shares are being registered to permit the selling stockholders to sell the shares from time to time in the public arket. The stockholders may sell the common stock through ordinary brokerage transactions, directly to market makers of our shares or through any other means described in the section "Plan of Distribution" beginning on page 21.

Our common stock is quoted on the Nasdaq National Market under the symbol "GLOW". On March 30, 2004, the last reported sale price for the common stock on the Nasdaq National Market was $1.98 per share.

Investment in our common stock involves risks. See "Risk Factors" beginning on page 2 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April   , 2004.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY BE ACCURATE ONLY ON THE DATE OF THIS DOCUMENT.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may", "will", "expects", "plans", "anticipates", "estimates", "potential", or "continue" or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained in this prospectus and in the incorporated documents are reasonable, we cannot assure you that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including but not limited to the risk factors set forth herein and for the reasons described elsewhere in this prospectus. These factors, risks and uncertainties include market acceptance and availability of new video communications services; the nonexclusive and terminable-at-will nature of our sales agent agreements; rapid technological change affecting demand for our services; competition from other video communications service providers; and the availability of sufficient financial resources to enable us to expand our operations. All forward-looking statements and reasons why results may differ included in this prospectus are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results might differ.

ABOUT GLOWPOINT

Glowpoint, Inc., a Delaware corporation, provides comprehensive feature-rich video communications services with telephone-like reliability and ease-of-use on the industry's only carrier-grade, IP-based subscriber network that is designed exclusively for video communications. Our network spans 14 points of presence, or POPs, across three continents, enabling users to connect across the United States, as well as to virtually any business center around the world. Since launching our subscription service in late 2000, we have carried approximately 13 million minutes of video calls on behalf of over 270 customers. The growth of subscriptions was fairly steady through early 2003, when we determined that separating the video communications service from the equipment sales side of the business would open up a much larger distribution channel for our video communications service. On September 23, 2003, we completed the sale of our videoconferencing equipment business, which had previously been central to our operations, in order to focus solely on growing our video communications service. Our mission is to significantly improve the ease-of-use, cost-effectiveness, functionalities and quality of existing video communications in order to make it an integral part of business communications.

General Information

Our corporate offices are located at 225 Long Avenue, Hillside, New Jersey 07205. Our main telephone number is (973) 282-2000. Our principal website is www.glowpoint.com. Information contained on our website does not constitute part of this shelf registration statement.

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RISK FACTORS

You should carefully consider the risks described below in evaluating Glowpoint and our business. If any of the following risks actually occur, our business could be harmed. This could cause the price of our stock to decline. This offering memorandum contains, in addition to historical information, forward-looking statements, including statements about future plans, objectives, and intentions, that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause or contribute to these differences include those discussed below and elsewhere in this offering memorandum.

Risks Related to this Offering

We do not pay cash dividends.

We have never paid dividends on our common stock and do not presently intend to pay any dividends on our common stock in the foreseeable future. Under the terms of our Series B preferred stock, we are obligated to pay cumulative preferential dividends at a rate of 8% per annum of the stated value of $24,000 per share commencing on January 22, 2004, and at a rate of 12% per annum commencing on July 22, 2005, payable in cash or common stock annually to holders of Series B preferred stock, and are limited in our ability to pay dividends to holders of our common stock.

Sales of our common stock may cause our stock price to decline.

The sale of our shares by the selling security holders under the registration statement to be filed in connection with this offering, or even the potential of such sale, may have an adverse effect on the price of our common stock. The sale of shares of our common stock in the future may also have an adverse effect on the price of our common stock. If our stockholders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock could fall. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

The exercise of outstanding options and or warrants could result in substantial numbers of additional shares being issued, which will dilute your potential ownership interest and may cause our stock price to decline.

As of March 15, 2004, there were outstanding warrants to acquire an aggregate of approximately 5,654,481 shares of common stock, and there were outstanding options to acquire an aggregate of approximately 5,820,739 shares of common stock. If exercised, these securities will dilute your percentage ownership of common stock. Certain of these securities, unlike our common stock, provide for anti-dilution protection upon the occurrence of stock splits, redemptions, mergers, reclassifications, reorganizations and other similar corporate transactions, and, in some cases, major corporate announcements. If one or more of these events occurs, the number of shares of common stock that may be acquired upon conversion or exercise would increase.

During the respective terms of the warrants and options granted or to be granted under our stock option plans or outside the plans, the holders thereof are given an opportunity to benefit from a rise in the market price of the common stock, with a resultant dilution of the interests of existing stockholders. The existence of these warrants and options could make it more difficult for us to obtain additional financing while such securities are outstanding. The holders may be expected to exercise their rights to acquire common stock and sell at a time when we would, in all likelihood, be able to obtain needed capital through a new offering of securities on terms more favorable than those provided by these warrants and options.

Our common stock ranks junior to our outstanding shares of Series B preferred stock.

We currently have outstanding 203.667 shares of Series B preferred stock. These shares have an aggregate liquidation preference of $4.89 million. The common stock to be sold in this offering will rank junior to the Series B preferred stock in the event of our liquidation.

We may issue additional shares and dilute your potential ownership interest.

Some events over which you have no control could result in the issuance of additional shares of our common stock, which would dilute your ownership percentage. We may issue additional shares of common stock or preferred stock:

- to raise additional capital or finance acquisitions;
- upon the exercise or conversion of outstanding options, warrants and shares of convertible preferred stock; and/or
- in lieu of cash payment of dividends.

The market price of our stock may be adversely affected by market volatility.

The market price of our common stock is likely to be volatile and could fluctuate widely in response to many factors, including:

- potential acquisitions or divestitures;
- developments with respect to patents or proprietary rights;
- announcements of technological innovations by us or our competitors;
- announcements of new products, services, customers or new contracts by us or our competitors;
- economic developments in the telecommunications or multimedia industries as a whole;
- actual or anticipated variations in our operating results due to the level of development expenses and other factors;
- changes in financial estimates by securities analysts and whether our earnings meet or exceed such estimates;
- new accounting standards;
- general economic, political and market conditions and other factors; and
- the occurrence of any of the risks described in these "Risk Factors."

In the past, following periods of volatility in the market price of the securities of companies in many industries, securities class action litigation has often been instituted against those companies. If we face such litigation in the future, it would result in substantial costs and a diversion of management attention and resources, which would negatively impact our business.

Our anti-takeover defense provisions may deter potential acquirors and may depress our stock price.

Our certificate of incorporation and bylaws contain provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of our company. These provisions provide for a classified board of directors and allow us to issue preferred stock with rights senior to those of our common stock and impose various procedural and other requirements that could make it more difficult for our stockholders to effect corporate actions.

Risks Related to Our Business

A small number of resellers and sales channels account for a significant portion of our sales.

We rely on a small number of resellers and sales channels for a significant portion of our sales for our Glowpoint network. Our reseller and sales agent agreements are nonexclusive and terminable at will. The nonexclusive and terminable at will nature of our reseller and sales agent agreements would allow our key resellers and sales agent to enter into similar agreements with our competitors or to terminate our agreements altogether without notice. Reduced or discontinued sales of our Glowpoint network by a reseller or other sales channel could have a material effect on our revenues and 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 2000, 2001, 2002 and 2003. We cannot assure you that we will achieve revenue growth or profitability or generate positive cash flow on a quarterly or annual basis in the future, or at all. If we do not become profitable in the future, the value of our common stock may fall and we could have difficulty obtaining funds to continue our operations.

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

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

We depend upon our network and facilities infrastructure.

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

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

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

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

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

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catastrophic failure of the entire network. Any damage to or failure of our systems or service providers could result in reductions in, or terminations of, services supplied to our customers, which could have a material adverse effect on our business. In addition, we rely on MCI for a portion of our network, and, although we have backup network access with other providers, MCI's recent financial difficulties could undermine its performance and have a material effect on our network.

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

We rely upon the ability and willingness of certain telecommunications carriers and other corporations to provide us with reliable high-speed telecommunications service through their networks, including MCI. While these organizations are presently focusing on the ISDN market, they may decide to enter the IP-based video communications market by providing video services over their Internet network, in which case they would directly compete with us. If this occurs, we cannot assure you that these telecommunications carriers and other corporations would continue to provide service to us through their networks at reasonable prices, if at all. Failure to continue to be able to use such services would have a material adverse effect on our business.

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

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

The sale of our Video Solutions business exposes us to contingent liabilities.

In connection with the sale of our Video Solutions business to an affiliate of Gores Technology Group, or Gores, in September 2003, we undertook to indemnify Gores for any losses from breaches of our representations or warranties that occur within 18 months after the closing date of the sale. Our indemnification obligations are limited by an overall cap of forty percent of the purchase price, without giving effect to any post-closing earnout consideration, or $9.2 million. For example, an indemnification claim by Gores might result if we were inaccurate in any of our representations about the assets comprising our Video Solutions business. Although we know of no breaches of our representations or warranties, the payment of any such indemnification obligations would adversely impact our cash resources and our ability to pursue other opportunities.

Our business is now entirely dependent on the success of our video network business, which historically only represented a small percentage of our annual revenues.

The Video Solutions business we sold pursuant to an asset sale in September 2003 represented 90 to 95 percent of our annual revenues in each of the past two years. Our business following the asset sale is less diversified, leaving us entirely dependent on the performance of our video network business, which primarily represents contributions from our Glowpoint network and is now our main operating unit. Our video network business has a limited operating history and has only represented a small percentage of our periodic and historical revenues to date. If we fail to effectively market, sell and implement our Glowpoint network or if the videoconferencing industry does not respond as favorably as anticipated to our Glowpoint network, our business will be materially adversely affected.

Our success following the sale of our Video Solutions business depends on the success of our new business model.

Since the sale of our Video Solutions business, we have a very different strategic focus requiring us to devote substantially all of our efforts and resources on building out, marketing and servicing our

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Glowpoint network. Internal changes resulting from the business restructuring announced by us during 2002 are substantially complete, but many factors may negatively impact our ability to implement our strategic focus, including our ability or possible inability to manage the implementation and development of our Glowpoint network business, sustain the productivity of our workforce and retain key employees, manage operating expenses and quickly respond to and recover from unforeseen events in the future. Our business, results of operations or financial condition could be materially adversely effected if are unable to retain key employees, manage our operating expenses or quickly respond to and recover from unforeseen events associated with any future restructuring efforts.

Our Glowpoint network has limited market awareness.

Our Glowpoint network was introduced in December 2000 and, until the sale of our Video Solutions business, was only a small part of our operations. Our future success will be dependent in significant part on our ability to generate demand for our Glowpoint network and professional services. To this end, our direct marketing and indirect sales operations must increase market awareness of our network to generate increased revenue. Our products and services require a sophisticated sales effort targeted at the senior management of our prospective customers All new hires will require training and will take time to achieve full productivity. We cannot be certain that our new hires will become as productive as necessary or that we will be able to hire enough qualified individuals or retain existing employees in the future. In January 2004, we began the relaunch of our video communications service. Our relaunch includes the introduction of new products and services, including subscription calling plans, CustomerPoint, a customer portal that provides subscribers with online access to their account information, and PartnerPoint, a sales agent portal that provides automated sales and marketing tools for our resellers. We cannot be certain that we will be successful in our efforts to market and sell our products and services, including our relaunch of our services and products, and if we are not successful in building market awareness and generating increased sales, future results of operations will be adversely effected.

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

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

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

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

USE OF PROCEEDS

The selling stockholders will receive all of the proceeds from the sale of the securities sold pursuant to this prospectus, although we may receive as much as approximately $6,440,000 upon exercise of the outstanding warrants, if the warrants are exercised in full and the purchase price is paid in cash. The proceeds from the exercise of warrants would be used for working capital purposes. See "Selling Stockholders" for a list of those persons and entities receiving proceeds from the sales of these shares.

SELLING STOCKHOLDERS

The following table sets forth (i) the names of the selling stockholders, (ii) the number of shares of common stock owned beneficially by each of them as of March 30, 2004, (iii) the number of shares which may be offered pursuant to this prospectus and (iv) the number of shares and percentage of class to be owned by each selling stockholder after this offering. The selling stockholders may sell all, some or none of their shares in this offering. See "Plan of Distribution." Pursuant to various agreements with some of the selling stockholders, we have filed a registration statement, of which this prospectus forms a part, in order to permit those stockholders to sell to the public the shares of common stock that they acquired or may acquire in connection with our private placement of common stock and warrants to purchase common stock conducted in February 2004. Holders of certain other warrants may exercise their rights to exercise their warrants and sell to the public the common stock issuable upon such exercise under this registration statement. The following information is based upon information provided by the selling stockholders. Except as otherwise set forth in the footnotes to the table, none of the selling stockholders has held any position or office or has had any other material relationship with us or any of our affiliates within the past three years other than as a result of his or her ownership of shares of equity securities. Because the selling stockholders may offer all, some or none of their common stock, no definitive estimate as to the number of shares that will be held by the selling stockholders after this offering can be provided.

Except as set forth in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws, where applicable. A person is considered the beneficial owner of any securities as of a given date that can be acquired within 60 days of such date through the exercise of any option, warrant or other right. Shares of common stock subject to options, warrants or other rights which are currently exercisable or exercisable within 60 days are considered outstanding for computing the ownership percentage of the person holding such options, warrants or other rights, but are not considered outstanding for computing the ownership percentage of any other person.

The "Common Shares Beneficially Owned after Offering" column assumes the sale of all shares offered. The "Percentage of Common Shares Beneficially Owned after Offering" column is based on 37,357,583 shares of common stock outstanding as of March 30, 2004.

Name of Selling Stockholder	Shares of Common Stock Beneficially Owned Prior to Offering	Shares of Common Stock Offered by this Prospectus	Shares of Common Stock Beneficially Owned After Offering	Percentage of Shares of Common Stock Beneficially Owned After Offering
Jason Adelman (1)	525,332	90,000	435,332	1.2%
Alpha Capital AG (2)	83,200	83,200	—	*
Alfred J. Anzalone Family Limited Partnership (3)	13,000	13,000	—	*
Matthew Balk (4)	139,539	35,200	104,339	*
Frederic M. Bauthier (5)	32,500	32,500	—	*

Bear Stearns f/b/o Rosen Capital LP M/P/P Plan (6)	14,300	14,300	—	*
Thomas Beard (7)	13,000	13,000	—	*
Hilary Bergman (8)	24,400	24,400	—	*
Harvey Bibicoff (9)	101,500	52,000	49,500	*

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Name of Selling Stockholder	Shares of Common Stock Beneficially Owned Prior to Offering	Shares of Common Stock Offered by this Prospectus	Shares of Common Stock Beneficially Owned After Offering	Percentage of Shares of Common Stock Beneficially Owned After Offering
Philip C. Bird (10)	19,500	19,500	—	*
Bristol Investment Fund, Ltd. (11)	325,000	325,000	—	*
Dana Paul Bowler (12)	19,500	19,500	—	*
Burnham Hill Holdings LLC (13)	300,000	300,000	—	*
Sean Callahan (14)	30,000	17,000	—	
Capital Ventures International (15)	390,000	390,000	—	*
Castle Creek Technology Partners LLC (16)	390,000	390,000	—	*
CD Investment Partners (17)	234,000	234,000	—	*
Christopher P. Choma (18)	13,000	13,000	—	*
Howard Commander (19)	26,000	26,000	—	*
Thomas Contino (20)	11,700	11,700	—	*
Cranshire Capital LP (21)	260,000	260,000	—	*
Crescent International Ltd. (22)	145,600	145,600	—	*
Louis Cristan Kathy Cristan JTWROS (23)	13,000	13,000	—	*
Robert J. Cymbala (24)	14,300	14,300	—	*
Deephaven Small Cap Growth Fund LLC (25)	325,000	325,000	—	*
Dana E. Ennis (26)	26,000	13,000	—	*
Harry Falterbauer (27)	40,300	40,300	—	*
Fenmore Holdings LLC (28)	88,400	88,400	—	*
Neal J. Fiore (29)	26,000	26,000	—	*
Fiserv Securities Inc. A/C/F Sean M. Callahan (30)	30,000	13,000	—	*
James R. & Diane R. Fisher TTEEs FBO James R. & Diana R. Fisher Living Trust (31)	19,500	19,500	—	*
Rodd Friedman (32)	28,600	28,600	—	*
Mark Ford (33)	1,520	1,520	—	
	26,000	26,000	—	*

David P. Garmus Carmen M. Garmus TTEEs FBO Garmus Living Trust (34)				
Oscar Garza (35)	14,300	14,300	—	*
John J. Gebhardt (36)	14,300			