

WIRE ONE TECHNOLOGIES INC  
Form DEF 14A  
July 18, 2003

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## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

#### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  
Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement	Confidential, for Use of the
Definitive Proxy Statement	Commission Only (as Permitted
Definitive Additional	by Rule 14a-6(e)(2))
Materials	
Soliciting Material pursuant	
to	
Rule 14a-11(c) or Rule	
14a-12	

## Wire One Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules  
14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction  
applies:

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(2) Aggregate number of securities to which transaction  
applies:

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(3) Per unit price or other underlying value of transaction computed  
pursuant to Exchange Act Rule  
0-11 (set forth the amount on which the filing fee is calculated and  
state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**WIRE ONE TECHNOLOGIES, INC.  
225 Long Avenue  
Hillside, New Jersey 07205**

July 21, 2003

Dear Stockholder:

We are pleased to invite you to the 2003 Annual Meeting of Stockholders of Wire One Technologies, Inc., which will be held at 9:00 a.m. local time, on Thursday, August 21, 2003, at the Holiday Inn, 304 Route 22 West, Springfield, New Jersey 07081.

At the meeting, you will be asked to approve the sale of substantially all of the assets of our Video Solutions business, pursuant to an asset purchase agreement between Wire One and Gores Technology Group. Gores has agreed to pay a total purchase price of \$23 million, consisting of three components. Gores will pay us at the closing of the asset sale \$20 million in cash. Gores will pay us up to an additional \$2 million, subject to adjustment, at such time as the net assets of the Video Solutions business are determined pursuant to the asset purchase agreement. In addition, at closing, Gores will deliver a promissory note to us in the amount of \$1 million. Gores will pay us up to an additional \$2 million in cash over the two years following the closing based on the annual revenues derived from the Video Solutions business.

The enclosed notice and proxy statement contain complete information about the proposed asset sale and the other matters to be considered at the annual meeting. We are also enclosing our Form 10-K for 2002.

We hope you will be able to attend the meeting in person. Whether or not you expect to attend, we urge you to complete, date, sign and return the proxy card in the enclosed envelope or submit your proxy by telephone or over the Internet, so that your shares will be represented and voted at the meeting.

Sincerely,

/s/ Richard Reiss

Richard Reiss  
Chairman and Chief Executive Officer

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**WIRE ONE TECHNOLOGIES, INC.  
225 Long Avenue  
Hillside, New Jersey 07205**

**NOTICE OF THE 2003 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD AUGUST 21, 2003**

The Annual Meeting of Stockholders of Wire One Technologies, Inc. will be held at 9:00 a.m. local time on August 21, 2003, at the Holiday Inn, 304 Route 22 West, Springfield, New Jersey 07081, for the following purposes:

1. To approve the sale of substantially all of the assets of our Video Solutions business, pursuant to an asset purchase agreement between our company and Gores Technology Group. Pursuant to the terms of the asset purchase agreement, the purchase price of \$23 million consists of three components. Gores will pay us at the closing of the asset sale \$20 million in cash. Gores will pay us up to an additional \$2 million, subject to adjustment, at such time as the net assets of the Video Solutions business are determined pursuant to the asset purchase agreement. In addition, at closing, Gores will deliver a promissory note to us in the amount of \$1 million. Gores will pay us up to an additional \$2 million in cash over the two years following the closing based on the annual revenues derived from the Video Solutions business. Details of this transaction and other important information are set forth in the accompanying proxy statement which you are urged to read carefully;
2. To approve an amendment to our certificate of incorporation to effect a change of our corporate name from [Wire One Technologies Inc.] to [Glowpoint, Inc.] immediately following consummation of the asset sale;
3. To elect two Class I Directors to the board of directors to serve a three-year term each;
4. To approve an amendment to our 2000 Stock Incentive Plan increasing the number of shares of common stock reserved for issuance thereunder from 4,400,000 to 6,500,000 shares;
5. To ratify the appointment of BDO Seidman, LLP as independent auditors for Wire One for fiscal 2003;
6. To approve an adjournment or postponement of the annual meeting, in order to solicit additional proxies, to such time and place as designated by the presiding officer of the meeting; and
7. To transact other business as may properly come before the meeting.

Stockholders of record of Wire One common stock as of the close of business on July 17, 2003 are entitled to attend and vote at the annual meeting or any adjournment or postponement thereof.

Wire One Technologies, Inc.

/s/ Richard Reiss

Richard Reiss  
Chairman and Chief Executive Officer

July 21, 2003

**WE URGE YOU TO COMPLETE, SIGN, DATE AND RETURN PROMPTLY THE ACCOMPANYING PROXY CARD OR TO VOTE BY TELEPHONE OR OVER THE INTERNET.**

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**WIRE ONE TECHNOLOGIES, INC.  
225 Long Avenue  
Hillside, New Jersey 07205**

**PROXY STATEMENT  
FOR THE 2003 ANNUAL MEETING OF STOCKHOLDERS**

The board of directors of Wire One Technologies, Inc. (referred to throughout this proxy statement as "Wire One" or "we" or "our") is soliciting proxies for our 2003 Annual Meeting of Stockholders or any adjournment or postponement thereof. The annual meeting will be held at 9:00 a.m. local time on August 21, 2003, at the Holiday Inn, 304 Route 22 West, Springfield, New Jersey 07081. This proxy statement, the accompanying proxy card and Wire One's Form 10-K for 2002 are first being mailed to stockholders on or about July 21, 2003.

At the annual meeting, stockholders will be asked to consider and vote on (1) the approval of the sale of substantially all of the assets of our Video Solutions business, pursuant to an asset purchase agreement between our company and Gores Technology Group. Pursuant to the terms of the asset purchase agreement, the purchase price of \$23 million consists of three components. Gores will pay to us at the closing of the asset sale \$20 million in cash. Gores will pay us up to an additional \$2 million, subject to adjustment, at such time as the net assets of the Video Solutions business are determined pursuant to the asset purchase agreement. In addition, at closing, Gores will deliver a promissory note to us in the amount of \$1 million. Gores will pay us up to an additional \$2 million in cash over the two years following the closing based on the annual revenues derived from the Video Solutions business. Details of this transaction and other important information are set forth in this proxy statement which you are urged to read carefully; (2) the approval of an amendment to our certificate of incorporation to effect a change of our corporate name from "Wire One Technologies Inc." to "Glowpoint, Inc." immediately following consummation of the asset sale; (3) the election of two directors each to serve a three-year term as a Class I Director; (4) the approval of an amendment to our 2000 Stock Incentive Plan increasing the number of shares of common stock reserved for issuance thereunder by 2,100,000 shares; (5) the ratification of the appointment of BDO Seidman, LLP as our independent auditors for the fiscal year ending December 31, 2003; and (6) the approval of an adjournment or postponement of the annual meeting, in order to solicit additional proxies, to such time and place as designated by the presiding officer of the meeting. At the annual meeting, stockholders may also be asked to consider and take action with respect to other matters that properly come before the meeting.

**Record Date; Quorum**

Only holders of record of Wire One's common stock, par value \$.0001 per share, at the close of business on July 17, 2003 are entitled to vote at the annual meeting. As of the record date, approximately 29,563,331 shares of common stock were issued and outstanding, each of which entitles its holder to cast one vote on each matter to be presented at the annual meeting. A quorum is present at the annual meeting if a majority of shares of common stock issued and outstanding and entitled to vote on the record date are represented in person or by proxy. If a quorum is not present, the annual meeting may be adjourned from time to time until a quorum is obtained.

**Voting Procedures**

The shares represented by the proxies received, properly dated and executed and not revoked will be voted at the annual meeting in accordance with the instructions of the stockholders. Properly executed proxies that do not contain voting instructions will be voted (1) FOR the asset sale, (2) FOR the name change, (3) FOR each of the nominees named below for election as directors, (4) FOR the approval of the amendment to our 2000 Stock Incentive Plan and (5) FOR ratification of BDO Seidman, LLP as our independent auditors for the fiscal year ending December 31, 2003, and with respect to other matters that may come before the annual meeting, at the discretion of the proxy holders.

Abstentions and broker "non-votes" will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum. An abstention is the voluntary act of not voting by a

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stockholder who is present at a meeting and entitled to vote. Abstentions are counted as a "no" vote for any proposals submitted to stockholders for a vote, excluding the election of directors. A broker "non-vote" occurs when a broker nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power for that particular item and has not received instructions from the beneficial owner. A broker "non-vote" will be treated as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote. A plurality of the votes duly cast is required for the election of directors. This means that the two nominees receiving the highest number of affirmative votes will be elected. Abstentions and "broker non-votes" are not counted for purposes of the election of directors. Because the Delaware General Corporation Law requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote on the proposal to approve the sale of our Video Solutions business, a "broker non-vote" on such proposal will have the same effect as a vote against the approval of the sale of our Video Solutions business.

Stockholders have the option to vote over the internet or by telephone. Please be aware that if you vote over the internet, you may incur costs such as telephone and access charges for which you will be responsible.

In accordance with a notice sent to eligible stockholders who share a single address, we are sending only one annual report and proxy statement to that address unless we received instructions to the contrary from any stockholder at that address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a stockholder of record residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she may contact our transfer agent, American Stock Transfer, at 1-800-937-5449, write to them at 59 Maiden Lane, New York, New York 10038 or email them at [info@amstock.com](mailto:info@amstock.com). If you are an eligible stockholder of record receiving multiple copies of our annual report and proxy statement, you can request householding by contacting us in the same manner. If you own your shares through a bank, broker or other nominee, you can request householding by contacting the nominee

#### **Solicitation and Revocation**

After you have submitted a proxy, you may change your vote at any time before the proxy is exercised by submitting a notice of revocation or a proxy bearing a later date. Regardless of whether you voted using a traditional proxy card, over the internet or by telephone, you may use any of those three methods to change your vote. Along those lines, you may change your vote either by submitting a proxy card prior to the date of the annual meeting or by voting again prior to the time at which the internet and telephone voting facilities close by following the procedures applicable to those methods of voting. In each event, the later submitted vote will be recorded and the earlier vote revoked. You may also revoke a proxy by voting in person at the annual meeting. Your attendance at the annual meeting will not by itself constitute revocation of a proxy.

Wire One will bear the cost of the solicitation of proxies from our stockholders, including the cost of preparing, assembling and mailing the proxy solicitation materials. In addition to solicitation by mail, the directors, officers and employees of Wire One and its subsidiaries may solicit proxies from stockholders by telephone or other electronic means or in person, but any such person will not be specifically compensated for such services. Wire One will cause brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of stock held of record by such persons. We will reimburse such custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in doing so. We have engaged American Stock Transfer and Trust Company to aid in the distribution of the proxy materials for reasonable out-of-pocket expenses.

#### **Stockholder Proposals**

Any stockholder who intends to present a proposal at the 2004 Annual Meeting of Stockholders must deliver the proposal to the Corporate Secretary, Wire One Technologies, Inc., 225 Long Avenue, Hillside, New Jersey 07205, no later than December 23, 2003 if such proposal is to be considered for inclusion in our proxy materials for that meeting.

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In addition, our by-laws provide that, in order for a stockholder to propose business for consideration at an annual meeting of stockholders, such stockholder must give written notice to the Corporate Secretary at our principal executive offices not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided however, that in the event the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date the annual meeting was made, whichever occurs first.

### **SUMMARY TERM SHEET RELATING TO THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF OUR VIDEO SOLUTIONS BUSINESS**

The following summary briefly describes the material terms of the proposed sale of substantially all of the assets of our Video Solutions business to Gores Technology Group. This summary highlights selected information from this proxy statement and does not contain all the information that may be important for you to consider when evaluating the proposed transaction. To understand the transaction fully and for a more complete description of the legal terms of the transaction, you should carefully read this proxy statement. The asset purchase agreement between our company and Gores dated as of June 10, 2003 is attached to this proxy statement as Annex A. You are encouraged to read the asset purchase agreement as it is the main legal document that governs the asset sale. We have included page references in this summary to direct you to a fuller discussion in the proxy statement.

You should carefully consider the risk factors beginning on page 22 in evaluating whether to approve the asset sale. These risk factors should be considered along with any additional risk factors in documents incorporated by reference in this proxy statement and any other information included or incorporated by reference herein, including in conjunction with forward-looking statements made herein.

#### **The Parties (page 12)**

The parties to the asset sale are Wire One, as seller, and Gores Technology Group, or Gores, as purchaser.

#### **The Assets to be Sold (pages 25-26)**

We have agreed to sell to Gores all of the properties, rights, interests and other tangible and intangible assets that relate in any material respect to the Video Solutions business.

#### **Reasons for the Sale of Our Video Solutions Business (pages 15-16)**

In reaching its determination to approve the asset sale, the asset purchase agreement and related agreements, our board of directors consulted with senior management and our financial and legal advisors, and considered a number of factors. We are proposing to sell our Video Solutions business to Gores because we believe that the sale and the terms of the related asset purchase agreement are in the best interests of our company and our stockholders. The board of directors has identified various benefits that are likely to result from the sale of our Video Solutions business. The board of directors believes the sale of that business will:

- allow us to devote substantially all of our energies and resources to development of our Glowpoint network, thereby focusing on network offerings instead of equipment sales, service and maintenance;
- enable us to more effectively market and sell our Glowpoint network to resellers who will no longer view us as a competitor;
- provide an improved organizational focus;
- allow us to direct our focus to the potentially better overall returns from our Glowpoint network, by reducing our expenses and increasing our cash balances;

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- meet our need for raising cash sufficient to build out, market and implement the Glowpoint network, which the board believes will yield higher profit margins than the Video Solutions business; and
- provide us with capital resources to consider and assess other opportunities that the board believes may afford a superior opportunity for growth compared to the existing Video Solutions business.

The amount of cash we receive will vary, depending on some future contingencies, and is described below under What We Will Receive and on pages 27 through 28.

#### **Proceeds from the Sale of Our Videoconferencing Services Business (page 14)**

We will retain the proceeds of the sale of our Video Solutions business. We do not intend to distribute any of the proceeds to our stockholders, but will use the proceeds, along with our other cash and cash equivalents, in connection with our future business plan.

#### **Nature of Our Business Following the Asset Sale (page 14)**

The board has determined that our strategic direction will focus on building out and marketing our Glowpoint network following the consummation of the asset sale. Although the board may explore opportunities to acquire, invest in, or develop new lines of business, to date the board has determined to focus solely on this strategic direction for our company.

#### **Terms of the Asset Purchase Agreement (pages 25-35)**

In the asset purchase agreement, the main legal document governing the rights of our company and Gores, we make certain representations and warranties and undertakes to perform or to refrain from performing certain actions. A copy of the asset purchase agreement is attached as Annex A to this proxy statement. Stockholders are urged to carefully read the document.

#### **What We Will Receive (pages 27-28)**

Gores will pay us approximately \$23 million to \$25 million for the assets of our Video Solutions business, consisting of \$20 million in cash, which may be adjusted downward if any purchase price adjustments are required, and an unsecured promissory note in the principal amount of \$1 million maturing on December 31, 2004 and bearing interest at a rate of 5% per annum. In addition, Gores will hold back an additional \$2 million to cover potential purchase price adjustments payable by us arising under the asset purchase agreement. The holdback amount will be disbursed to us, less any purchase price adjustments payable by us.

While \$2 million is to be distributed to us, we may not receive the holdback amount, or the amount we actually receive may be less than the holdback amount. In assessing the holdback amount, our board of directors did not apply a discount for the time value of money or a discount to take into account the potential risk of nonpayment in determining to approve this transaction. See Reasons for the Sale of Our Video Solutions Business on pages 15 through 16.

A purchase price adjustment will occur if the net assets to be transferred to Gores are less than \$15 million, as measured as of June 30, 2003. The initial purchase price adjustment will be made to the \$20 million that we are to receive at closing, based upon our good faith estimate to be delivered ten days after June 30, 2002 of the amount of net assets to be transferred to Gores on the closing date. To the extent that this adjustment has not already been accounted for in any adjustment of the \$20 million of cash we are to receive at closing, these adjustments will initially be taken out of the \$2 million held back specifically for this purpose. If these adjustments were to exceed \$2 million, then we would be required to pay such excess to Gores.

As of the date of this proxy statement, we do not anticipate that there will be any purchase price adjustments. Our belief that there will not be any purchase price adjustments is based on our review of the most recent information available to us which indicates that the threshold that would result in the occurrence

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of a purchase price adjustment will not be breached. Because future events are at times difficult to foresee, however, we can give no assurances that this adjustment will not occur.

Gores will pay us on each of June 30, 2004 and June 30, 2005, additional payments, not to exceed an aggregate of \$2 million, equal to 5% of the sum of (1) the amounts billed by Gores from the operation of the Video Solutions business by Gores after the closing, plus (2) the annual revenues derived from the Pierce Technology Services, Inc. (formerly Forgent Networks, Inc.) Video Solutions business for such year in excess of \$96,000,000. If Gores sells substantially all of the assets of the Video Solutions business prior to June 30, 2005, whether by merger, sale of stock or sale of assets, for total consideration greater than \$35 million, Gores will pay us \$2 million less any additional payments previously paid.

We believe that the source of the cash that Gores will use to pay the cash consideration will be from Gores' internal sources. Gores has represented to us that it has the financial capability, in the ordinary course of business and without seeking any additional third party financing, to fulfill its commitments under the asset purchase agreement.

**What Is Being Sold (pages 25-26)**

We are selling to Gores substantially all of the assets used in the operation of our Video Solutions business, which includes our videoconferencing equipment distribution, system design and engineering, installation, operation and maintenance activities. The Video Solutions business consists of: a headquarters and warehouse facility in Miamisburg, Ohio, inventory, a help desk operation in Camarillo, California, a client list of approximately 3,000 active customers with an installed base of approximately 22,000 videoconferencing systems, and contracts and work in progress.

**What Is Being Retained (pages 26-27)**

We are retaining certain assets, including the following assets:

- all cash, cash equivalents and bank accounts (other than the transition accounts);
- all of our right, title and interest in and to the assets, properties, goodwill and business of every kind and description and wherever located, directly or indirectly owned by us or to which we are directly or indirectly entitled and, in any case, necessary for the operation of, or that is primarily used in, our network business;
- all of our rights arising under the asset purchase agreement, the bill of sale, assumption agreement, real estate agreements, transition services agreement and the Glowpoint sales agency agreement, and any other document delivered under the asset purchase agreement or in connection with the transactions contemplated thereby;
- trademarks, service marks and trade names relating to our network business;
- any of our rights to tax refunds or any prepaid taxes;
- any records relating to our internal governance; and
- any of our insurance policies or any right, title or interest we have thereunder, including any prepaid insurance premiums and all insurance benefits thereunder, including rights and proceeds, arising from or relating to the operation of the Video Solutions business prior to June 30, 2003.

**Assumed Liabilities (page 27)**

As partial consideration for the purchase of the assets, Gores will assume certain liabilities related to our Video Solutions business, including:

- all liabilities to be paid or performed after the closing date that arise from or out of the performance or non-performance by Gores after the closing date of any contracts included in the assets or entered into after June 10, 2003, including under any extended warranty, customer support, upgrade or product delivery contracts for sales inventory, but not including any liabilities for any breach of such





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obligations by us or liabilities in excess of those which are required to be set forth on our closing statement related to the Video Solutions business for future performance of the obligations to customers; and

- our accounts payable, customer deposits, deferred revenue and accrued liabilities related to the Video Solutions business, but not including any liabilities in excess of those which are required to be set forth on our closing statement or any liabilities evidencing any intercompany obligation of us and our subsidiaries.

As of the date of this proxy statement, the total liabilities associated with our Video Solutions business are estimated at approximately \$13,000,000, but they may vary between now and the closing date.

**Conditions to Completion of Asset Purchase (pages 32-33)**

Each party's obligation to complete the sale of our Video Solutions business is subject to the prior satisfaction or waiver of certain conditions. If any of the closing conditions are waived, we will consider the facts and circumstances at that time and make a determination as to whether a resolicitation of proxies from our stockholders is appropriate. No determination can be made at this time as to which, if any, of the closing conditions are likely to be waived by us or Gores. The following list sets forth the material conditions that have not yet been satisfied and therefore must be satisfied or waived before completion of the sale of our Video Solutions business:

- we must obtain approval by our stockholders of the sale; and
- we must remove as of the closing all liens placed on the assets in connection with our credit agreement with JPMorgan Chase Bank.

Each party's obligations are also subject to other customary closing conditions.

**Termination and Break-Up Fee (pages 33-34)**

Notwithstanding approval by our stockholders of the asset purchase agreement and the transactions contemplated thereby, the asset purchase agreement may be terminated, and the sale of our Video Solutions business may be abandoned, at any time prior to the closing, in any of the following ways:

- by the mutual written consent of us and Gores;
- by either us or Gores if:
  - the sale of the Video Solutions business is not completed by September 30, 2003, other than as a result of the failure by the party proposing to terminate the asset purchase agreement to perform its obligations;
  - an order, decree or ruling is entered restraining, enjoining or otherwise prohibiting the completion of the sale of our Video Solutions business;
  - our stockholders fail to approve the sale of our Video Solutions business by September 30, 2003; or
  - the other party materially breaches its representations or agreements so that a closing condition would not be satisfied and the breach remains uncured 30 days following notice or the breaching party ceases to use commercially reasonable efforts to cure the breach.

In addition, Gores may terminate the asset purchase agreement if, between June 10, 2003 and closing, we make a general assignment for the benefit of creditors, or any proceeding is instituted against us seeking to adjudicate us bankrupt or insolvent, or seeking liquidation or winding up or reorganization of our debts under any law relating to bankruptcy, insolvency or reorganization.

We have agreed to pay Gores a break-up fee equal to \$1 million if the asset purchase agreement is terminated by Gores or, prior to the approval of the asset purchase agreement by our stockholders, by us if:

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- our board of directors withdraws or modifies in an adverse manner its recommendation of the sale of the Video Solutions business;
- we fail to include in this proxy statement the approval and recommendation of our board of directors for the sale of our Video Solutions business; or
- our board of directors approves any transaction or series of transactions in which a party other than Gores is entitled to purchase a substantial portion of the Video Solutions business or its assets.

### **Non-Competition and Non-Solicitation Provisions between Gores and Wire One (page 31)**

Upon the closing of the asset sale, we have agreed for a period of three years following the closing date not to compete with Gores with respect to the Video Solutions business and we have agreed for a period of one year following the closing date not to solicit any then-current employee of the Video Solutions business or any person who has been an employee of the Video Solutions business at any time within the previous six months. Gores has agreed for a period of three years following the closing date not to market or sell services which are competitive to those of our Video Network business. Each party may obtain a waiver of the non-compete provision restricting its actions for a one-time fee of \$5 million.

#### **Transition Period (pages 31-32)**

Between June 30, 2003 and the closing date, we have agreed to conduct the business of the Video Solutions business in accordance with a transition budget agreed upon by us and Gores.

#### **Additional Agreements Related to the Asset Purchase Agreement (page 35)**

In conjunction with the closing of the sale of our Video Solutions business, we will enter into a transition services agreement with Gores whereby we will provide for a fee certain transition services to Gores related to the assets acquired and liabilities assumed.

We will also enter into a Glowpoint sales agency agreement, whereby Gores will be able to market our Glowpoint network subscriber service and associated bridging and gateway services. The agreement provides that we will pay Gores a monthly commission and has a term of three years from execution.

Because we are retaining the lease for the Camarillo, California facility where part of the Video Solutions business is located, we have agreed to sublease a portion of that facility to Gores after the closing of the asset purchase agreement.

#### **The Annual Meeting**

At the annual meeting of our stockholders on August 21, 2003, the stockholders will be asked to approve the asset sale (PROPOSAL NO. 1). In addition, our stockholders will be asked to approve an amendment to our certificate of incorporation to change our corporate name from Wire One Technologies, Inc. to Glowpoint, Inc. (PROPOSAL NO. 2).

#### **Recommendation of Our Board of Directors (pages 17 and 47)**

Our board recommends that you vote FOR the asset sale (PROPOSAL NO. 1) and FOR the name change (PROPOSAL NO. 2).

#### **Opinion of the Company's Financial Advisor (pages 17-21)**

We retained Broadband Capital Management LLC to determine whether, in its view, the consideration to be received from Gores in connection with the asset sale is fair, from a financial point of view, to Wire One. Broadband delivered an opinion to the board to the effect that, as of June 9, 2003, and subject to and based on the considerations referred to in its opinion, the consideration to be provided in connection with the asset sale is fair to Wire One, from a financial point of view. The full text of this opinion is attached as Annex B to this proxy statement.

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**Tax Consequences (page 21)**

As a result of currently available U.S. federal income tax net operating loss carryforwards, we anticipate that the asset sale will not cause us to incur any U.S. federal income tax liability. Stockholders will not have any taxable gain or loss as a result of the asset sale.

**No Appraisal Rights (page 21)**

Under the Delaware General Corporation Law, holders of our common stock are not entitled to appraisal rights in connection with the asset sale.

**Regulatory Approvals (page 21)**

The asset sale is not subject to the approval of any state or federal regulatory agency or governmental body.

**QUESTIONS AND ANSWERS ABOUT THE 2003 ANNUAL MEETING**

***Q: What is the Proposal Relating to the Election of Directors that I Will Be Voting on at the Annual Meeting?***

A: You will be asked to consider and vote upon a proposal to elect the following individuals to the board of directors: James Kuster and Michael Sternberg.

***Q: What is the Proposal Relating to the Sale of the Video Solutions Business that I Will Be Voting on at the Annual Meeting?***

A: You will be asked to consider and vote upon a proposal to approve the sale by us of substantially all of the assets of our Video Solutions business pursuant to the asset purchase agreement, dated June 10, 2003, between our company and Gores Technology Group. The asset purchase agreement is attached to this proxy statement as Annex A.

***Q: Why Are We Proposing to Sell Our Video Solutions Business?***

A: We are proposing to sell our Video Solutions business because we believe the sale will:

- allow us to devote substantially all of our energies and resources to development of our Glowpoint network, thereby focusing on network offerings instead of equipment sales, service and maintenance;
- enable us to more effectively market and sell our Glowpoint network to resellers who will no longer view us as a competitor;
- provide an improved organizational focus;
- allow us to direct our focus to the potentially better overall returns from our Glowpoint network, by reducing our expenses and increasing our cash balances;
- meet our need for raising cash sufficient to build out and market the Glowpoint network, which the board believes will yield higher profit margins than the Video Solutions business; and
- provide us with capital resources to consider and assess other opportunities that the board believes may afford a superior opportunity for rapid growth and revenues compared to the existing Video Solutions business.

The amount of cash we receive will vary, depending on some future contingencies, and is described on page 4 under "What We Will Receive" and on pages 27-28.

***Q: Will Any of the Proceeds from the Sale of the Videoconferencing Services Business be Distributed to Me as a Stockholder?***

A: No. We intend to retain the proceeds and use them in connection with our future business plan.

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***Q: What is the Proposal Relating to the Ratification of the Audit Committee's Appointment of Independent Accountants That I Will Be Voting on at the Annual Meeting?***

A: You will be voting to ratify the audit committee's appointment of BDO Seidman, LLP, independent accountants, as our independent auditors for the fiscal year ending December 31, 2003.

***Q: What is the Proposal Relating to the Approval of an Adjournment Or Postponement of the Annual Meeting, in Order to Solicit Additional Proxies, to Such Time and Place as Designated by the Presiding Officer of the Meeting?***

A: You will be voting on whether to grant authority to adjourn or postpone the annual meeting, in order to solicit additional proxies, to a later time.

***Q: Who Is Soliciting My Proxy?***

A: Your board of directors.

***Q: How Does the Board Recommend that I Vote on the Matters Proposed?***

A: Your board unanimously recommends that stockholders vote FOR each of the proposals submitted at the annual meeting.

***Q: Did We Receive a Report From a Financial Advisor Concerning the Sale of the Video Solutions Business and are There Any Important Aspects of the Process of Obtaining that Report and Conclusions in the Report That You Should Consider in Referring to the Opinion of Our Financial Advisor?***

A: Yes. In arriving at its determination that the sale of our Video Solutions business is fair to, and in the best interests of our company, the board has considered a number of factors, including an opinion of our financial advisor, Broadband Capital Management LLC. There were, however, some important aspects associated with the process of obtaining the report and conclusions in the report that you should consider when considering the opinion of Broadband, including the fact that in rendering its opinion, Broadband did not adjust the \$2 million of contingent consideration to account for the time value of money or the possibility that these additional amounts will not be paid to us.

For a full description of the opinion letter that we received from Broadband, see the section titled Opinion of Financial Advisor on pages 17 through 18. To review the text of this letter, see Annex B to this proxy statement.

***Q: Can I Still Sell My Shares?***

A: Yes. Neither the asset purchase agreement nor the sale of our Video Solutions business assets will affect your right to sell or otherwise transfer your shares of our common stock.

***Q: What Will Happen If The Sale Of Our Video Solutions Business Is Not Approved?***

A: If the sale is not approved, we will not complete the proposed sale, we will retain and continue to operate the Video Solutions business and we will continue to pursue other buyers. However, the market price of our common stock could decline and our ability to grow and implement our current business strategies could be substantially limited. In the event that our board withdraws or adversely modifies its recommendation of this transaction, or we terminate the asset purchase agreement prior to closing in order to enter into a transaction to sell any substantial portion of the Video Solutions business or its assets to a third party other than Gores, we will pay Gores a break-up fee of \$1 million.

***Q: Who is Entitled to Vote at the Annual Meeting?***

A: Only holders of record of our common stock as of the close of business on July 17, 2003 will be entitled to notice of and to vote at the annual meeting.

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**Q: When and Where is the Annual Meeting?**

A: The annual meeting of our stockholders will be held at 9:00 a.m. local time, on Thursday, August 21, 2003, at the Holiday Inn, 304 Route 22 West, Springfield, New Jersey 07081.

**Q: Where Can I Vote My Shares?**

A: You can vote your shares where indicated by the instructions set forth on the proxy card, including by internet or by telephone, or you can attend and vote your shares at the annual meeting of stockholders to be held on Thursday, August 21, 2003, at the Holiday Inn, 304 Route 22 West, Springfield, New Jersey 07081.

**Q: If My Shares are Held in [Street Name] by My Broker, Will My Broker Vote My Shares for Me?**

A: Your broker may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters, and will not be counted in determining the number of shares necessary for approval. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

**Q: May I Change My Vote After I Have Mailed My Signed Proxy Card?**

A: Yes. Just send in a written revocation or a later dated, signed proxy card before the annual meeting or simply attend the annual meeting and vote in person. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting.

**Q: What Do I Need to Do Now?**

A: Please vote your shares as soon as possible so that your shares may be represented at the annual meeting. You may vote by signing and dating your proxy card and mailing it in the enclosed return envelope or by telephone or over the internet, or you may vote in person at the annual meeting. Because a vote of a majority of our outstanding shares is required to approve the sale of our Video Solutions business, your failure to vote is the same as your voting against the sale.

**Q: What are the U.S. Federal Income Tax Consequences of the Sale of Our Video Solutions Business to the Stockholders?**

A: The sale of our Video Solutions business will not result in any federal income tax consequences to our stockholders.

**Q: What are the U.S. Federal Income Tax Consequences of the Sale of the Video Solutions Business to the Company?**

A: As a result of currently available U.S. federal income tax net operating loss carryforwards, we anticipate that the asset sale will not cause us to incur any U.S. federal income tax liability.

**Q: Will Stockholders Have Appraisal Rights?**

A: No. Under Delaware law you will have no appraisal rights as a result of the sale of our Video Solutions business.

**Q: Whom Should I Call If I Have Questions?**

A: If you have questions about any of the proposals on which you are voting, you may call Chris Zigmont, our chief financial officer, at 1-603-898-0800.

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### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements made in this proxy statement are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "intends," "anticipates," "believes," "estimates," "predicts," or "continue" or other comparable terminology and include, without limitation, statements regarding completion of the asset sale, possible adjustments to purchase price and potential indemnification payments relating to the asset sale. Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. We are under no duty to update any forward-looking statements after the date of this proxy statement to conform such statements to actual results.

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## **PROPOSAL NO. 1 □ SALE OF SUBSTANTIALLY ALL OF THE ASSETS USED IN OUR VIDEO SOLUTIONS BUSINESS**

This section of the proxy statement describes certain aspects of the sale of substantially all of the assets used in our Video Solutions business. However, we recommend that you read carefully the complete asset purchase agreement for the precise legal terms of the agreement and other information that may be important to you. The asset purchase agreement is included in this proxy statement as Annex A.

### **The Companies**

#### ***Wire One Technologies, Inc.***

Wire One Technologies, Inc., a Delaware corporation, was formed in May 2000 by the merger of All Communications Corporation, a value-added integrator of video, voice and network communications solutions since 1991, into View Tech, Inc., a provider of video, voice and data communications equipment and services since 1992.

We are a leading single source provider of video communications solutions that encompass the entire video communications value chain. We operate our company in two segments: our Video Solutions business and our Video Network business.

Video Solutions business. Through our Video Solutions business, we are a leading integrator for major video communications equipment manufacturers. We integrate equipment from these manufacturers into comprehensive video and network solutions and resell them to end users and resellers. Our current customer base includes over 3,000 companies with approximately 22,000 videoconferencing endpoints. Upon completion of the sale of our Video Solutions business to Gores, we will concentrate on developing and expanding our Video Network business.

Video Network business. Our Video Network business, which primarily consists of our Glowpoint network service, provides our customers with two-way video communications with a high quality of service. We believe Glowpoint is the first subscriber network to provide such communications by utilizing a dedicated Internet Protocol backbone and broadband access. Through Glowpoint, we offer our customers a single point of contact for all their video communications requirements.

The principal executive offices of Wire One are located at 225 Long Avenue, Hillside, New Jersey 07205 and our telephone number is (973) 282-2000.

#### ***Gores Technology Group***

Gores Technology Group is a privately held international acquisition and management firm that pursues an aggressive strategy of acquiring promising high-technology organizations and managing them for growth and profitability. Gores holds a number of businesses acquired through acquisition transactions.

The principal executive offices of Gores are located at 10877 Wilshire Boulevard, Suite 1805, Los Angeles, California 90024 and its telephone number is (310) 209-3010.

### **Background of the Sale of Our Video Solutions Business**

During the summer of 2002 our board of directors began to evaluate separating the Video Solutions business from the Glowpoint network. Our board determined that the most efficient way to separate the businesses and simultaneously raise capital for the Glowpoint network was to explore the sale of the company's Video Solutions business. The board also determined to undertake this review because it believed that there were insufficient growth and profit opportunities present in the Video Solutions business relative to the Glowpoint network.

On August 1, 2002, Water Mill Partners LLC presented our management with a review of various strategic alternatives and the potential impact of each on the overall valuation of our company.

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In late August 2002, we were contacted on an unsolicited basis by a potential strategic acquiror regarding the potential acquisition of our Video Solutions business. During August and September 2002, Water Mill conducted a review of our Video Solutions business. From late August through mid-September 2002, we discussed various due diligence requirements, transaction structuring concepts and preliminary valuation ranges with the strategic acquiror. On September 4, 2002, our board of directors retained Water Mill as a financial advisor to assist us in maximizing stockholder value through a potential sale of the Video Solutions business.

On September 17, 2002, we executed a confidentiality agreement with the strategic acquiror which provided for the parties to negotiate the purchase and sale of the Video Solutions business on an exclusive basis. On September 20, 2002, we delivered certain due diligence materials to the strategic acquiror. On October 11, 2002, our management and Water Mill met with the strategic acquiror at their corporate headquarters to discuss the Video Solutions business in detail. From early October through mid-December 2002, we exchanged certain financial and operational information and engaged in additional meetings and conference calls. In December 2002, the strategic acquiror performed financial due diligence at our New Hampshire offices and performed financial and operational due diligence in our Miamisburg, Ohio facility.

We agreed on a preliminary term sheet with the strategic acquiror on December 2, 2002. The Board of Directors reviewed the term sheet on December 5, 2002 and authorized our management to continue negotiating with the strategic acquiror and to commence the drafting and negotiation of an asset purchase agreement.

On January 7, 2003, the two parties terminated discussions as the strategic acquiror decided not to move forward with the potential acquisition of the Video Solutions business.

On January 21, 2003, our board of directors at a regular meeting of the board discussed the status of the Video Solutions business transaction and authorized our management to solicit the interest of other suitable parties for the sale of the Video Solutions business. In February 2003, after completing a confidential information memorandum, Water Mill and our management identified and contacted numerous potential strategic acquirors and financial investors to gauge interest in a possible transaction involving the Video Solutions business. By March 17, 2003, we received preliminary indications of interest for the Video Solutions business from three financial buyers. After Water Mill presented each of the indications of interest to the board of directors, all of the potential financial buyers were invited in late March to continue the process. In late March, we provided each financial buyer with due diligence materials and a formal management presentation in Miamisburg, Ohio.

After the potential buyers had completed the management presentation and reviewed additional due diligence materials, they were asked to resubmit their indications of interest and propose a final offer for the Video Solutions business.

By April 28, 2003, we received final proposals from two of the potential financial buyers and the board of directors reviewed each of the final proposals received. The board assessed the overall structure of each proposal, including the representations and warranties our company was likely to be required to make, the liabilities our company would be required to retain, the amount and form of the consideration to be received and the extent of any indemnification obligations. The board determined that a proposal from one of the potential financial buyers was superior to the other proposal. On May 1, 2003, we entered into a non-binding letter of intent to negotiate a definitive asset purchase agreement with that potential financial buyer on an exclusive basis until May 18, 2003. Subsequent to May 1, 2003, representatives of our company, Water Mill and the potential financial buyer continued their due diligence efforts and began to negotiate the terms of an asset purchase agreement.

Prior to the expiration of the exclusivity period, the potential financial buyer substantially decreased its offer for the Video Solutions business. On May 19, 2003, after the expiration of the exclusivity period, our management instructed Water Mill to contact the two other parties that had submitted indications of interest to determine their continued interest and valuation level. At this time, Gores Technology Group resubmitted a proposal that was deemed to be superior to its previous proposal. On May 22, 2003, the board of directors



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met and decided to discontinue negotiations with the initial potential financial buyer and instead to enter into an exclusive, non-binding letter of intent with Gores.

On May 23, 2003, we entered into an exclusive, non-binding letter of intent with Gores to negotiate an asset purchase agreement with it. Between May 23, 2003 and June 9, 2003, there were numerous meetings and telephone discussions involving various representatives of our company, Water Mill, and our legal counsel and representatives of Gores and its legal counsel. The purpose of these discussions was to work toward agreement on all open issues, to assist Gores in completing its due diligence and to negotiate and finalize the details of the asset purchase agreement, various ancillary documents and the schedules to the asset purchase agreement and to generally continue movement towards execution of definitive agreements.

On June 6, 2003, the board met to review the status of Gores's proposal. At that meeting, Broadband Capital Management LLC gave a presentation to the board regarding its preliminary views regarding the fairness, from a financial point of view, of the potential transaction to our company.

On June 9, 2003, the board met telephonically. Wire One's legal advisors updated the board on the status of the transaction and the final negotiations with Gores. At that meeting, Broadband gave a presentation to the board regarding the fairness, from a financial point of view, of the consideration to be received by us under the proposal made by Gores as it existed on that date, and delivered an oral opinion to the effect that the consideration to be received by us, as it existed on that date, was, from a financial point of view, fair to Wire One. Broadband later confirmed its oral opinion in writing with an opinion letter dated as of June 9, 2003. See Annex B for a copy of this letter. After carefully evaluating the proposal, the board determined to accept the proposal made by Gores. In making its determination to approve the transaction the board considered the cash to be received, the liabilities to be assumed and the overall structure of the transaction and the terms of the asset purchase agreement. The board also considered the other proposal the company had received from the initial potential financial buyer, which was materially less favorable than Gores's offer with respect to these and other parameters. The board of directors also unanimously resolved to recommend that our stockholders approve and adopt the asset purchase agreement and the sale of substantially all of the assets of our Video Solutions business to Gores.

From June 9, 2003 through the execution of the definitive asset purchase agreement on June 10, 2003, Gores and its legal counsel continued their due diligence efforts. During this time we, representatives of Water Mill, and our legal counsel and Gores and its legal counsel participated by telephone in a series of negotiations finalizing the terms of the asset purchase agreement and the other related agreements. These negotiations largely covered the provisions related to the purchase price adjustment mechanism, finalizing the terms of the ancillary agreements, completing the schedules to the asset purchase agreement, and clarifying certain issues related to the assets of the Video Solutions business. The changes made to the asset purchase agreement during this time were not material and did not alter the consideration to be received from the version of the asset purchase agreement circulated to the board on June 9, 2003. The asset purchase agreement was executed on June 10, 2003 and we announced the execution of the asset purchase agreement that same day.

#### **Proceeds from the Sale of Our Video Solutions Business**

Our company will retain the proceeds of the sale of our Video Solutions business. We do not intend to distribute any of the proceeds to our stockholders, but will use the proceeds, along with our other cash and cash equivalents, in connection with our future business plan.

#### **Nature of Our Business Following the Asset Sale**

The board has determined that our strategic direction will focus on building out and marketing our Glowpoint network following the consummation of the asset sale. Although the board may explore opportunities to acquire, invest in, or develop new lines of business, to date the board has determined to focus solely on this strategic direction for our company.

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### **Reasons for the Sale of Our Video Solutions Business**

In reaching its determination to approve the asset sale, the asset purchase agreement and related agreements, our board consulted with our management and our financial and legal advisors, and considered a number of factors. We are proposing to sell our Video Solutions business to Gores because we believe that the sale and the terms of the related asset purchase agreement are in the best interests of our company and our stockholders. The board has identified various benefits that are likely to result from the sale of our Video Solutions business. The board believes the sale of that business will:

- allow us to devote substantially all of our energies and resources to development of our Glowpoint network, thereby focusing on network offerings instead of equipment, service and maintenance;
- enable us to more effectively market and sell our Glowpoint network to resellers who will no longer view us as a competitor;
- provide an improved organizational focus;
- allow us to direct our focus to the potentially better overall returns from our Glowpoint network, by reducing our expenses and increasing our cash balances;
- meet our need for raising cash sufficient to build out, market and implement the Glowpoint network, which the board believes will yield higher profit margins than the Video Solutions business; and
- provide us with capital resources to consider and assess other opportunities that the board believes may afford a superior opportunity for growth compared to the existing Video Solutions business.

The amount of cash we receive will vary, depending on some future contingencies, and is described on page 4 under What We Will Receive and on pages 27-28.

In arriving at its determination that the asset sale is in the best interests of our company and its stockholders, the board of directors carefully considered the terms of the asset purchase agreement as well as the potential impacts of the asset sale on our company. As part of this process, the board of directors considered the advice and assistance of its outside financial advisors and legal counsel. In determining to authorize the asset sale, the board of directors considered the factors set out above as well as the following factors:

- the oral opinion provided on June 9, 2003, which was confirmed in writing by an opinion letter dated as of June 9, 2003 in connection with the preparation of this proxy statement, that we received from Broadband Capital Management LLC, our company's financial advisor, that the consideration to be received by Wire One pursuant to the asset sale is fair from a financial point of view;
- the fact that Gores's offer was superior to the other offer we received, both in terms of aggregate consideration and proposed transaction structure;
- the amount of cash included in Gores's offer;
- the terms and conditions of the asset purchase agreement, including the fiduciary out provision negotiated by the board, which allows the board to consider unsolicited offers to purchase the Video Solutions business;
- the fact that the sale of our Video Solutions business must be approved by the holders of a majority of our common stock, which ensures that the board will not be taking action of which the stockholders disapprove;
- the risk that after the asset sale our company will have a less diversified business which would leave our company dependent on the performance of our Glowpoint network;
- the risk that our company could be exposed to future indemnification payments for a breach of the representations, warranties and covenants contained in the asset purchase agreement;

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- the risk that we may not receive, or we may only receive a portion of, the \$2 million to be held back by Gores if we are required to cover purchase price adjustments because of a change in the net asset value of the assets sold; and
- the risk that the asset sale might not be consummated, which could result in a decline in the price of our common stock, limit our ability to grow and implement our current business strategies and, under certain circumstances, result in our paying Gores a termination fee of \$1 million.

### **Additional Considerations**

The amount of cash we receive in this transaction will vary, depending on some future contingencies, and we may not receive all of the consideration provided for in the asset purchase agreement. We will retain the proceeds of the sale of our Video Solutions business. We do not intend to distribute any of the proceeds to our stockholders, but will use the proceeds, along with our other cash and cash equivalents, in connection with our future business plan.

The foregoing discussion of the information and factors considered by the board is not intended to be exhaustive, but does include the material factors considered. In view of the complexity and wide variety of information and factors, both positive and negative, considered by the board, it is not practical to quantify, rank, or otherwise assign relative or specific weights to the factors considered. In addition, the board did not reach any specific conclusion with respect to each of the factors considered, or any aspect of any particular factor. Instead, the board conducted an overall analysis of the factors described above, including discussions with management and legal, financial and accounting advisors. In considering the factors described above, individual members of the board may have given different weight to different factors. The board considered all of these factors in totality and concluded, on the whole, such factors supported its determination to approve the asset sale. After taking into consideration all of the factors set forth above, the board, following consultation with its legal and financial advisors, concluded that the asset sale is fair to, and in the best interests of, our company and stockholders, and that we should proceed with the asset sale.

In view of the variety of factors considered in connection with its evaluation of the asset sale, the board did not find it practical to, and did not quantify or otherwise attempt to, assign relative weights to the specific factors considered in reaching its conclusions.

In arriving at its determination that the asset sale is in the best interests of our company and its stockholders, the board did not apply a discount factor to the \$2 million held back for purchase price adjustments by Gores to account for the time value of money to reflect that \$2 million in the future is worth less than \$2 million in the present. The board did not apply a time value of money discount due to the low interest rate environment that existed then and that currently exists, and due to the relatively short duration of the period of approximately 90 days before determination of any purchase price adjustments. Using the rate that our company currently earns on its cash balances of 0.75% to discount the escrow deposit to present value, a discount factor of approximately \$3,722 would result, which we consider immaterial in the context of the magnitude of this transaction.

The board also did not apply a discount factor to the \$2 million holdback amount to reflect the possibility that these additional escrowed funds may not be paid to our company. The board did not apply this possibility of non-payment discount to the escrowed amount because the information available to the board at that time indicated that all of the holdback amount would, in all reasonable likelihood, be disbursed to the company. This information reflected the belief that the threshold that would result in a purchase price adjustment occurring would not be breached. Further, when the board approved the transaction, it did not believe that there would be any indemnity claims payable due to our company's active negotiation of the representations and warranties in the asset purchase agreement, the review of the representations and warranties made by our company and our company's related investigations to ascertain the accuracy of those representations and warranties, together with the fact that the company is not liable for indemnity claims until the aggregate of all such claims exceeds \$200,000.

Because future events are at times difficult to foresee, however, we can give no assurances that either or both of these adjustments will not occur. Stockholders may decide to apply discount factors to the \$2 million



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holdback amount when assessing how to vote on the proposal to sell substantially all of the assets of our Video Solutions business. Using the rate the company currently earns on cash balances of 0.75% to account for the time value of money and discounting the \$2 million by 10% to account for the possibility that there will be purchase price adjustments and/or indemnity claims exceeding \$200,000, the assumed discounted value of the \$2 million hold back amount would be approximately \$1,796,278. Different assumptions pertaining to the present value discount or pertaining to the possibility of non-payment discount could provide different results. The effort to present these discounts is designed to show the impact that these types of discounts may have on a valuation of \$2 million to be received in the future, and is not intended to represent what amount our company will actually receive. The board considered the possibility of purchase price adjustments and/or indemnity claims in authorizing this transaction for the reasons noted above. Nonetheless, in deciding how to vote, you may wish to value the \$2 million to be received in the future using discount factors and the discounted value of \$2 million may affect how you may wish to vote.

### **Recommendation of the Board of Directors**

The board of directors has determined that the sale of our Video Solutions business is in the best interests of our company and our stockholders. The board of directors unanimously approved the asset purchase agreement and unanimously recommends that the stockholders vote in favor of the proposal to approve the sale of substantially all of the assets of our Video Solutions business to Gores, pursuant to the asset purchase agreement and the transactions contemplated by the asset purchase agreement.

### **Opinion of Financial Advisor**

We retained the firm of Broadband Capital Management LLC to evaluate the fairness, from a financial point of view, of the consideration to be received by our company in connection with the proposed asset sale. We selected Broadband based on Broadband's principals' qualifications and expertise, including the fact that Broadband's principals have significant experience in the valuation of businesses in connection with mergers and acquisitions, public and private financings and other transactions. Broadband is a boutique investment bank based in New York providing financial and strategic advisory services to companies, with a particular focus on the technology sector. Broadband, as part of its investment banking practice, advises companies on mergers, acquisitions, and similar transactions. Broadband is actively engaged in the investment banking business and regularly undertakes the valuation of businesses and their securities in connection with private placements, business combinations and similar transactions.

At a meeting of our board of directors on June 9, 2003, Broadband delivered its oral opinion, and subsequently confirmed in writing in an opinion dated June 9, 2003, that, as of such date and based upon and subject to the assumptions and other matters described in its written opinion, the proposed consideration to be received by Wire One in the asset sale was fair from a financial point of view to Wire One. Broadband's opinion is addressed to the board of directors and is directed only to the fairness, from a financial point of view, of the consideration to be received by us pursuant to asset purchase agreement and not to the merits of the underlying business decision to effect the asset sale, the structure or tax consequences of the asset purchase agreement or the availability or advisability of any alternatives to the sale of the Video Solutions business. Broadband's opinion does not constitute a recommendation that our company approve and consummate the asset purchase agreement nor does it constitute a recommendation to any stockholder as to how that stockholder should vote at the annual meeting.

The complete text of Broadband's opinion, which sets forth the assumptions made, matters considered and limitations on and scope of the review undertaken by Broadband, is attached to this proxy statement as Annex B, and the summary of Broadband's opinion set forth in this document is qualified in its entirety by reference to Broadband's written opinion. Stockholders are urged to read Broadband's opinion carefully and in its entirety for a description of the procedures followed, the factors considered and the assumptions made by Broadband.

In arriving at its opinion, Broadband took into account general economic, market and financial conditions as well as its experience in connection with similar transactions and valuations generally. In addition, among other things, Broadband:

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- (1) reviewed the financial terms and conditions stated in the asset purchase agreement;
- (2) reviewed the unaudited actual and pro forma financial statements of the Video Solutions business for the years ended December 31, 2002 and 2001;
- (3) reviewed the financial projections for the Video Solutions business which we made available to Broadband;
- (4) reviewed certain other information on the Video Solutions business that we made available to Broadband;
- (5) discussed with members of senior management of Wire One and of the Video Solutions business information relating to the items described above, as well as other matters which Broadband deemed relevant to their inquiry;
- (6) reviewed public information concerning companies in businesses considered by Broadband to be generally comparable to the Video Solutions business;
- (7) reviewed financial terms and other information concerning selected completed business combinations or acquisitions/dispositions of assets deemed to be generally comparable to the asset sale or otherwise relevant to its opinion, in whole or in part; and
- (8) performed other such financial studies, analyses and investigations as Broadband deemed appropriate.

As described in its opinion, Broadband assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to Broadband by us or any other party and did not attempt to verify independently any such information. Broadband did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of our Video Solutions business. With respect to financial forecasts and projections prepared by our management, Broadband relied upon the assurances of our management that such forecasts and projections were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of our management as to the future financial performance of our company. Broadband relied upon each party to advise it promptly if any information previously provided or discussed with Broadband became inaccurate or was required to be updated during the period of its review. Broadband did not make any physical inspection of any of our properties and facilities or our Video Solutions business. We did not impose any limitations on Broadband with respect to the investigations made or procedures followed by Broadband in connection with the rendering of its opinion.

The opinion was based on market, economic, financial and other circumstances and conditions existing and disclosed to Broadband as of June 6, 2003, and any material change in such circumstances and conditions would require a reevaluation of the opinion, which Broadband is under no obligation to undertake. In rendering its opinion, Broadband assumed that the asset sale would be consummated on the terms described in the asset purchase agreement, without any waiver of material terms and conditions by us and without giving effect to any adjustments to the total consideration which may be contemplated pursuant to the asset purchase agreement.

Based on this information, Broadband performed a variety of financial analyses of the proposed asset sale and the consideration to be received by us in connection therewith. The following paragraphs summarize the material financial analyses performed by Broadband in arriving at its opinion.

#### **Fairness Opinion Analyses**

The following is a summary of the analyses performed by Broadband in connection with the preparation of the opinion. This summary is not a complete description of the analyses underlying the opinion. Broadband's opinion regarding the fairness of the consideration to be received by us was not based on any one analysis or any particular subset of these analyses but rather gave consideration to all of the analyses taken as a whole.

*Discounted Cash Flow Analysis.* Broadband performed a discounted cash flow analysis based on the unlevered discounted cash flow of the projected three-year financial performance of our Video Solutions business. We provided Broadband with projections for calendar years 2003 through 2005 for our Video Solutions business based on certain assumptions by our management regarding the performance of our Video



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Solutions business. A range of terminal values was calculated by Broadband by applying a multiple of earnings before interest, taxes, depreciation and amortization, or EBITDA, in the final year of the forecast period. Broadband selected discount rates ranging from 18% to 26% to reflect the risk inherent in our Video Solutions business and our projections. Based on a range of terminal EBITDA multiples of 3.5x to 4.3x, the implied enterprise value of the Video Solutions business ranged from \$21.6 million to \$24.9 million with a midpoint of \$23.3 million. In addition, Broadband presented a perpetual growth scenario whereby a range of growth rates was applied to terminal year free cash flow to determine terminal value. Based on a range of terminal growth rates ranging from 4% to 6%, the implied enterprise value of the Video Solutions business ranged from \$19.5 million to \$20.9 million with a midpoint of \$20.2 million. Discounted cash flow analysis is a widely used valuation methodology, but it relies on numerous assumptions, including asset values and earnings growth rates, terminal values and discount rates. This analysis is not necessarily reflective of the actual value of our Video Solutions business.

*Comparable Company and Comparable Transaction Analysis.* The comparable company and comparable transaction analyses performed by Broadband were based on market data for companies deemed to be generally comparable to our Video Solutions business and from previous transactions involving companies deemed to be generally comparable to our Video Solutions business. Because no company or transaction is precisely comparable to our Video Solutions business, the analyses relied on data from a group of companies and transactions. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics of our Video Solutions business and other factors that could affect the public trading value of the comparable companies and the transaction value of comparable transactions to which they are being compared. If single company or transaction comparisons were to be used, the implied value for our Video Solutions business would vary significantly depending on which company or transaction is chosen. For this reason, the analyses present the results for not only the highest and lowest implied values for each analysis, but also the results for the average and median values for the entire group of companies or transactions analyzed.

*Analysis of Publicly Traded Comparable Companies.* Broadband analyzed selected historical financial, operating and stock market data of other publicly traded companies that Broadband deemed to be comparable to our Video Solutions business. The six public companies deemed by Broadband to be reasonably comparable to our Video Solutions business in terms of products and services offered, markets served and business prospects were Compucom Systems, Danka Business Systems, Forgent Networks Inc., Global Imaging Systems Inc., Ikon Office Solutions Inc. and Pomeroy Computer Resources Inc.

Broadband examined certain publicly available financial data of the six comparable public companies, including the ratio of equity or enterprise value (equity value plus total debt, including preferred stock, less cash and cash equivalents) to the following metrics: trailing 12 months net revenues, trailing 12 months EBITDA, trailing 12 months earnings before interest and taxes, or EBIT, fiscal year 2002 net revenues, fiscal year 2002 EBITDA, fiscal year 2002 EBIT, common shareholders equity and total assets. Broadband then compared the ratios derived from its comparable public company analysis to our Video Solutions business's actual and pro forma operating results for the fiscal trailing 12 months and calendar year 2002. A summary of this analysis is provided below.

	Transaction Multiples		Comparable Market Multiples			
	Video Solutions Business	Video Solutions Business	Average	Median	Hi	Low
	Actual	Pro-Forma				
<b>Comparable Company Analysis</b>						
Enterprise Value as Multiple of Revenue LTM	0.3x	0.3x	0.4x	0.4x	1.0x	0.07x
Revenue FY 2002	0.3x	0.3x	0.4x	0.4x	1.1x	0.07x
EBIT LTM	neg	neg	6.6x	5.1x	14.9x	2.4x
EBIT FY 2002	neg	17.1x	7.0x	5.5x	14.9x	3.3x
EBITDA LTM	neg	8.7x	4.1x	3.7x	7.2x	1.7x



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EBITDA FY 2002	neg	5.0x	4.2x	3.3x	7.6x	2.2x
Total Assets	0.7x	na	0.7x	0.6x	1.2x	0.3x
Equity Value as Multiple of Common Equity	1.2x	na	1.8x	1.5x	4.0x	0.6x

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- (1) "LTM" is an abbreviation for last twelve months.  
(2) "FY" is an abbreviation for fiscal year.  
(3) "neg" indicates negative value  
(4) "na" indicates not applicable or available

**Analysis of Selected Merger and Acquisition Transactions.** Broadband compared the proposed asset sale with selected comparable merger and acquisition transactions. No transaction analyzed in Broadband's comparable transaction analysis was identical to the asset sale. Accordingly, this analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors between the asset sale and the other transactions considered that could affect the acquisition value of the companies to which our Video Solutions business was being compared.

Broadband performed an analysis of 16 selected merger and acquisition transactions in related industries that occurred between March 1999 and April 2003. The 16 merger and acquisition transactions considered were:

### Announced

Date	Seller	Acquiror
4/21/03	AlphaNet Solutions Inc	CIBER Inc
4/01/03	Corporate PC Source Inc	Zones Inc
8/14/02	NQL Inc/Delta Computec Inc	ViewCast Corp
4/25/02	Comark Inc	Insight Enterprises Inc
2/25/02	CorpSoft Inc	Level 3 Communications Inc
11/9/02	NetPoint International Inc	ScanSource Inc
5/31/01	Currency Systems International Inc	De La Rue Plc
11/29/00	Lanier Worldwide Inc	Ricoh Co Ltd
11/14/00	SysComm International Corp	Applied Digital Solutions Inc
11/6/00	Bristol Retail Solutions Inc	Registry Magic Inc
3/2/99	Savoir Technology Group Inc	Avnet Inc
10/25/99	Diagraph Corp/Diagraph Asia Ltd	Linx Printing Technologies PLC
8/5/99	Connector Resources Unlimited Inc	Labtec Inc
7/1/99	Williams Conferencing	Genesys
4/5/99	BancTec Inc	Welsh Carson Anderson & Stowe
3/22/99	Lewan & Associates	Global Imaging Systems Inc

Broadband then compared the ratios derived from the comparable transaction analysis to our Video Solutions business's operating results for the trailing 12 months. The following table summarizes the results of this analysis.

	Transaction Multiples		Comparable Statistic			
	Video Solutions Business Actual	Video Solutions Business Pro-Forma	Average	Median	Hi	Low
<b>Comparable Transaction Analysis</b>						
Total Purchase Price as Multiple of Revenue LTM	0.3x	0.3x	0.5x	0.3x	1.7x	0.1x
Revenue LFY	0.3x	0.3x	0.5x	0.3x	1.7x	0.1x
EBIT LTM	neg	neg	7.0x	7.4x	29.2x	2.8x
EBIT LFY	neg	17.1x	7.0x	7.4x	29.2x	2.8x
EBITDA LTM	neg	8.7x	4.9x	5.9x	8.2x	1.5x
EBITDA LFY	neg	5.0x	4.9x	5.9x	8.2x	1.5x

- (1) "LTM" is an abbreviation for the last twelve months.  
(2) "FY" is an abbreviation for fiscal year.  
(3) "neg" indicates negative value.

The summary set forth above does not purport to be a complete description of the analyses of data underlying Broadband's opinion. The preparation of a fairness opinion is a complex process and is not

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necessarily susceptible to a partial analysis or summary description. Broadband believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Broadband considered the results of all such analyses and did not assign relative weights to any of the analyses, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Broadband's view of the actual value of our Video Solutions business.

In summary, Broadband based its opinion on the totality of the analyses it conducted and not on any single analysis. Broadband may have given various valuation ranges more or less weight than other valuation ranges, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should not be taken to be Broadband's view of the actual value of the Video Solutions business. Broadband examined each of the cases where the implied value under a particular analysis exceeded the proposed asset sale consideration and came to the opinion that in each case there were circumstances which argued against relying solely on the results of such analysis. In considering these circumstances, as discussed above, and in considering the results of the complete set of analyses using a variety of methodologies, Broadband formed its opinion described herein.

In performing its analyses, Broadband made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond our control. The analyses performed by Broadband are not necessarily indicative of actual values, trading values or actual future results, which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Broadband's analysis of the fairness of the financial terms and conditions of the transaction from a financial point of view and were provided to the board of directors. The analyses do not purport to be appraisals or to reflect the prices at which businesses or securities might be sold. In addition, the opinion of Broadband was one of many factors taken into consideration by the board of directors in making its determination to approve the transaction. Consequently, the analyses described above should not be viewed as determinative of the board of directors' opinion with respect to the value of our Video Solutions business.

We have paid Broadband a fee of \$75,000 in connection with the preparation and issuance of the opinion. We have also agreed to reimburse Broadband for its reasonable out-of-pocket expenses and provide Broadband with customary indemnification protection.

Broadband has consented to the descriptions of its opinion in, and the inclusion of its opinion as an annex to, this proxy statement.

No part of the compensation paid by us to Broadband is contingent upon Broadband's conclusion regarding financial fairness. We have not previously engaged Broadband to act as our financial advisor and, to management's knowledge, we have had no prior transactions in which Broadband was involved.

### **Regulatory Approvals**

The asset sale is not subject to the approval of any state or federal regulatory agency or governmental body.

### **No Appraisal Rights**

Under the Delaware General Corporation Law, holders of our common stock are not entitled to appraisal rights in connection with the asset sale.

### **Tax Consequences**

As a result of currently available U.S. federal income tax net operating loss carryforwards, we anticipate that the asset sale will not cause us to incur any significant U.S. federal income tax liability. Stockholders will not have any taxable gain or loss as a result of the asset sale.

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### **Treatment of Employee Stock Options**

Because the asset sale will be deemed to be a sale of "substantially all of the assets," it will be considered a "corporate transaction" under our 2000 Stock Incentive Plan. As a result, the vesting of stock options held under the plan by our employees and consultants will be accelerated in full, conditioned upon the consummation of the asset sale. However, an outstanding award under the plan will not fully vest and be exercisable and released from limitations if and to the extent: (i) such award is, in connection with the asset sale, either assumed by Gores or replaced with a comparable award with respect to shares of the capital stock of Gores or (ii) such award is to be replaced with a cash incentive program of Gores which preserves the compensation element of such award existing at the time of the asset sale and provides for subsequent payout in accordance with the same vesting schedule applicable to such award. As of June 18, 2003, option holders under the plan held options to purchase 6,024,891 million shares, of which 743,266 were unvested but will be accorded accelerated vesting as a result of the asset sale. Many of the currently outstanding options under the plan have exercise prices greater than the current fair market value of our common stock.

### **Interests of Certain Persons in the Asset Sale**

Our President and Chief Operating Officer, Leo Flotron, holds options to purchase up to 847,500 shares of common stock, scheduled to vest over the next two years. Mr. Flotron is also currently one of our directors. Upon the closing of the asset sale, it is expected that Mr. Flotron will continue to be employed by the Video Solutions business after its sale and will resign his position as a director. As discussed above under "Treatment of Transferred and Continuing Employee Stock Options," the vesting of Mr. Flotron's stock options may be accelerated in full effective upon the consummation of the asset sale. Some of these options have exercise prices greater than the current fair market value of our common stock.

### **Voting Agreements**

Pursuant to voting agreements dated as of June 10, 2003, Richard Reiss, our Chairman and Chief Executive Officer, and Leo Flotron, our President and Chief Operating Officer, have agreed to vote in favor of the asset sale with respect to the shares of our common stock they hold as of the record date. The form of this voting agreement is attached to this proxy statement as Annex E.

### **Special Considerations You Should Take into Account in Deciding How to Vote on the Proposal to Sell Our Video Solutions Business**

You should carefully consider the special considerations described below as well as other information provided to you in this document in deciding how to vote on the proposal to sell our Video Solutions business. The special considerations described below are not the only ones facing our company. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following special considerations actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common stock could decline, and you may lose all or part of your investment.

### **Special Considerations Regarding the Proposal to Sell Our Video Solutions Business**

***The amount of cash we receive in this transaction will vary, depending on some future contingencies, so that we may not receive all of the cash provided for in the asset purchase agreement.***

Pursuant to the terms of the asset purchase agreement, Gores will hold back \$2 million of the purchase price for potential purchase price adjustments. The holdback will be used to pay for purchase price adjustments resulting from the final determination that the net assets that were transferred to Gores on the closing date were less than \$15 million. To the extent that these adjustments have not already been accounted for in any adjustment to the \$20 million of cash we are to receive at closing, these adjustments will initially be taken out of the \$2 million held back specifically for this purpose. If these adjustments were to exceed that \$2 million, then we would be required to pay such excess to Gores. The cash held back by Gores for this

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purpose is generally payable 90 days after the closing. As such, while \$2 million is to be held back by Gores and is to be distributed to us subject to these contingencies, we may not receive the holdback funds, or the amount we actually receive may be less than the amount of the holdback.

***We will be unable to compete with the Video Solutions business for three years from the date of closing.***

We have agreed that, without the prior written consent of Gores, we will not engage in or own or control any interest in (except as a passive investor of less than 4.99 percent of the outstanding equity interests of a publicly held company) any entity that is engaged in any line of business that competes with the Video Solutions business as it exists on the date of closing anywhere in the world. Our Glowpoint network is not deemed to compete with the Video Solutions business. However, the non-compete provisions will restrict our ability to engage in business in the Video Solutions business for three years from the date of closing.

***There is no plan to distribute any of the proceeds of the sale of our Video Solutions business to our stockholders.***

We do not intend to distribute any portion of the proceeds from the sale of our Video Solutions business to our stockholders. Currently, we intend to use the proceeds from the sale of that business to fund and grow our remaining businesses.

***Our management could spend or invest the proceeds from the sale of our Video Solutions business in ways with which our stockholders may not agree, including the possible pursuit of other market opportunities.***

Our management could spend or invest the proceeds from the sale of our Video Solutions business in ways with which our stockholders may not agree. Furthermore, because the market for our remaining business is evolving, in the future we may discover new opportunities that are more attractive. As a result, we may commit resources to these alternative market opportunities. If we change our business focus we may face risks that may be different from the risks associated with the video network markets.

***Our business may be harmed if the asset sale transaction disrupts the operations of our business and prevents us from realizing intended benefits.***

The asset sale transaction may disrupt our business and prevent us from realizing intended benefits as a result of a number of obstacles, such as:

- loss of key employees or customers;
- changes in management which may impair relationships with employees and customers;
- failure to adjust or implement our business model;
- failure of our Glowpoint network service to achieve intended goals;
- additional expenditures required to facilitate this divestiture; and
- the resulting diversion of management's attention from our day-to-day business.

***The asset purchase agreement will expose us to contingent liabilities.***

Pursuant to the asset purchase agreement, 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 asset sale. Our indemnification obligations are limited by an overall cap of forty percent of the purchase price (without giving effect to the post-closing earnout consideration), or \$9.2 million. For example, an indemnification claim by Gores might result if we are 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 following the consummation of the asset sale and our ability to pursue other opportunities.



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***The failure to complete the sale of our Video Solutions business may result in a decrease in the market value of our common stock and may create substantial doubt as to our ability to grow and implement our current business strategies.***

The sale of our Video Solutions business is subject to a number of contingencies, including approval by our stockholders and other customary closing conditions. We cannot predict whether we will succeed in obtaining the approval of our stockholders. As a result, we cannot assure you that the sale of our Video Solutions business will be completed. If our stockholders fail to approve the proposal at the annual meeting or if the sale of our Video Solutions business is not completed for any other reason, the market price of our common stock may decline. In addition, failure to complete the sale of our Video Solutions business may substantially limit our ability to grow and implement our current business strategies.

***If our stockholders do not approve the sale of our Video Solutions business, there may not be any other offers from potential acquirors.***

If our stockholders do not approve the sale of our Video Solutions business, we may seek another purchaser for our Video Solutions business. Although we had discussions with various parties concerning such a purchase, none of these parties may now have an interest in such a sale or be willing to offer a reasonable purchase price.

***Special Considerations Relating to Our Company If Our Video Solutions Business is Sold***  
***Our business following the asset sale will be entirely dependent on the success of our Video Network business, which to date has only represented a small percentage of our annual and historical revenues.***

The Video Solutions business proposed to be sold pursuant to the asset sale represents 90 to 95 percent of our annual revenues in each of the past two years. Our business following the asset sale will be less diversified, leaving us entirely dependent on the performance of our Video Network business, which primarily represents contributions from our Glowpoint network and will be our main operating unit going forward. Our Video Network business has a limited operating history and has only represented a small percentage of our periodic and historical revenues to date. The Video Network business generated revenues of \$2.2 million in the first quarter of 2003, including a \$1.7 million contribution from Glowpoint. 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 Glowpoint, our business will be materially adversely effected.

***Our success will depend on the success of our new business model.***

Upon consummating the asset sale, we will have a very different strategic focus requiring us to devote substantially all of our efforts and resources on building out, marketing and servicing our 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, sustain the productivity of our workforce and retain key employees, manage operating expenses and quickly respond to and recover from unforeseen events associated with the restructuring. We may be required by market conditions and other factors to undertake additional restructuring efforts in the future. Our business, results of operations or financial condition could be materially adversely affected if we are unable to manage the implementation and development of our new business strategy, sustain the productivity of our workforce and 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 software product is new and has limited market awareness.***

Our Glowpoint network was introduced in December 2000, and as such, it has limited market awareness and, to date, limited sales. 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 and indirect sales operations must increase market awareness of our Glowpoint 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





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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 if we are not successful in building greater market awareness and generating increased sales, future results of operations will be adversely affected.

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

If the asset sale is consummated, our success will depend 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.

## THE ASSET PURCHASE AGREEMENT

We believe this summary describes the material terms of the asset purchase agreement. However, we recommend that you read carefully the complete agreement for the precise legal terms of the asset purchase agreement and other information that may be important to you. The asset purchase agreement is included in this proxy statement as Annex A.

### Assets Sold

Subject to and upon the terms and conditions of the asset purchase agreement, we are selling to Gores substantially all of the assets used in the operation of our Video Solutions business, including the following assets:

- all finished goods, spare parts, refurbished equipment, replacement and component parts owned or stored by or for us as of the closing time: (1) including goods in transit, for potential sale by the Video Solutions business and any associated reserves and prepaid deposits for any of the same, and (2) including at customer sites, for use in connection with the provision of maintenance services as a part of the Video Solutions business;
- any and all accounts receivable, notes and other amounts receivable from customers and others arising from the conduct of the Video Solutions business by us before the closing date, whether or not in the ordinary course, together with any unpaid financing charges accrued thereon, and including associated reserves and earnings in excess of billings;
- all furniture, equipment, fixtures, leasehold improvements, tools, computers, machinery and other tangible personal property used primarily in the Video Solutions business;

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- our interest in all contracts relating to the Video Solutions business, and all of the related interests, privileges, claims, causes of action and options relating to the contracts and all bids and offers (including open sales orders) relating thereto;
- all customer, distributor, supplier and other mailing or contact lists and other sales-related, distribution-related and supply-related materials used primarily in the Video Solutions business (provided that we will remain entitled to use the lists in connection with our Video Network business, which includes, without limitation the designing, marketing, distributing, selling, installing, maintaining and supporting of the Glowpoint network and of such division's bridging, gateway and network design operations);
- all labels, signs, packaging materials, promotional materials, point-of-purchase displays, sales literature, advertising, brochures, user manuals, graphics, artwork, UPC codes and all other items relating to the assets sold;
- all of our Video Solutions business accounting and financial records, property records, contract records, invoices, shipping, purchasing and sales records, correspondence, records, files, and personnel records of the transferred employees, and all computer software and programs and any rights thereto;
- certain of our rights under certain leasehold interests used in the operation of the Video Solutions business;
- all of our intangible rights and property associated with the Video Solutions business, including going concern value and goodwill;
- all governmental authorizations, permits, licenses and approvals, and all pending applications therefor or renewals thereof used in connection with the Video Solutions business, in each case to the extent transferable;
- all telephone and facsimile numbers, email addresses, and post office boxes used by us primarily in connection with the Video Solutions business;
- all guarantees, warranties, indemnities and similar rights in favor of us with respect to the Video Solutions business or any of the assets sold;
- all of our claims against third parties relating to the assets sold;
- all of our rights in respect of the assets sold relating to deposits and prepaid expenses, claims for refunds and rights to offset; and
- all of our rights in and to monies received by us as payment of any receivables or otherwise with respect to the Video Solutions business from June 30, 2003 until the closing date (all such monies will be deposited into transition accounts separate from our other accounts);

**Assets Retained**

We are retaining certain assets, including the following assets:

- all cash, cash equivalents and bank accounts (other than the transition accounts);
- all of our right, title and interest in and to the assets, properties, goodwill and business of every kind and description and wherever located, directly or indirectly owned by us or to which we are directly or indirectly entitled and, in any case, necessary for the operation of, or that is primarily used in, our Video Network business;
- all of our rights arising under the asset purchase agreement, the bill of sale, assumption agreement, real estate agreements, transition services agreement and the Glowpoint sales agency agreement, and any other document delivered under the asset purchase agreement or in connection with the transactions contemplated thereby;

- trademarks, service marks and trade names relating to our network business;
- any of our rights to tax refunds or any prepaid taxes;

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- any records relating to our internal governance; and
- any of our insurance policies or any right, title or interest we have thereunder, including any prepaid insurance premiums and all insurance benefits thereunder, including rights and proceeds, arising from or relating to the operation of the Video Solutions business prior to June 30, 2003.

#### **Assumed Liabilities**

As partial consideration for the purchase of the assets, Gores will assume certain liabilities related to our Video Solutions business, including:

- all liabilities to be paid or performed after the closing date that arise from or out of the performance or non-performance by Gores after the closing date of any contracts included in the assets or entered into after June 10, 2003, including under any extended warranty, customer support, upgrade or product delivery contracts for sales inventory, but not including any liabilities for any breach of such obligations by us or liabilities in excess of those which are required to be set forth on our closing statement related to the Video Solutions business for future performance of the obligations to customers; and
- our accounts payable, customer deposits, deferred revenue and accrued liabilities related to the Video Solutions business, but not including any liabilities in excess of those which are required to be set forth on our closing statement or any liabilities evidencing any intercompany obligation of us and our subsidiaries.

#### **Closing Date**

The closing of the sale of our Video Solutions business will take place within two days after our stockholders approve the sale of substantially all of the assets used in the operation of the Video Solutions business and all other closing conditions are satisfied, unless the parties agree upon another time. It is the intent of the parties to complete the sale of our Video Solutions business as soon as practicable following approval by our stockholders of the sale of the Video Solutions business.

#### **Consideration**

Gores will pay us approximately \$23 million to \$25 million for the assets of our Video Solutions business, consisting of \$20 million in cash, which may be adjusted downward if any purchase price adjustments are required. Gores will issue to us an unsecured promissory note in the principal amount of \$1 million maturing on December 31, 2004 and bearing interest at a rate of 5% per annum. In addition, Gores will hold back an additional \$2 million to cover potential purchase price adjustments payable by us arising under the asset purchase agreement. The holdback amount will be disbursed to us, less any purchase price adjustments payable by us.

While \$2 million is to be distributed to us, we may not receive the holdback amount, or the amount we actually receive may be less than the holdback amount. In assessing the holdback amount, our board of directors did not apply a discount for the time value of money or a discount to take into account the potential risk of nonpayment in determining to approve this transaction. See "Reasons for the Sale of Our Video Solutions business" on pages 15 through 16.

A purchase price adjustment will occur if the net assets to be transferred to Gores are less than \$15 million, as measured as of June 30, 2003. The initial purchase price adjustment will be made to the \$20 million that we are to receive at closing, based upon our good faith estimate to be delivered ten days after June 30, 2002 of the amount of net assets to be transferred to Gores on the closing date. To the extent that this adjustment has not already been accounted for in any adjustment of the \$20 million of cash we are to receive at closing, these adjustments will be taken out of the \$2 million held back specifically for this purpose. If these adjustments were to exceed \$2 million, then we would be required to pay such excess to Gores.

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### **Additional Payments**

Gores will pay us on each of June 30, 2004 and June 30, 2005, additional payments, not to exceed an aggregate of \$2 million, equal to 5% of the sum of (1) the amounts billed by Gores from the operation of the Video Solutions business by Gores after the closing (less normal and customary cash and trade discounts, credits for returns and allowances, bad debt, insurance costs and transportation charges or allowances, if any, any sales or other excise taxes or duties imposed with respect to such sales, and selling commissions by resellers or trading agents, if any), plus (2) the annual revenues derived from the Pierce Technology Services, Inc. (formerly Forgent Networks, Inc.) video solutions business for such year in excess of \$96 million. If Gores sells substantially all of the assets of the Video Solutions business prior to June 30, 2005, whether by merger, sale of stock or sale of assets, for total consideration greater than \$35 million, Gores will pay us \$2 million less any additional payments previously paid.

### **Representations and Warranties**

#### ***Representations and Warranties of Our Company***

In the asset purchase agreement, we make customary representations and warranties to Gores, including with respect to the matters set forth below, and have agreed to indemnify Gores for any breach or default of our representations and warranties, subject to certain limitations:

- our company is a corporation validly existing and in good standing and has the requisite power to carry on the Video Solutions business as it is now being conducted and has all requisite authority to own, lease and operate the properties constituting the Video Solutions business;
- our company has the requisite power to enter into the asset purchase agreement and the ancillary agreements;
- subject to the approval of the asset purchase agreement and the ancillary agreements by our stockholders and obtaining certain third party consents, there are no conflicts between the asset purchase agreement and our charter documents, our contracts or licenses or applicable law, nor will the asset purchase agreement or the ancillary agreements result in our payment or obligation to pay any severance, termination, golden parachute, or other similar payment pursuant to any employment agreement or contract or the triggering of any severance notice obligations with respect to any of the transferred employees;
- the financial statements provided are materially complete and correct and have been prepared in accordance with generally accepted accounting principles (except that the unaudited balance sheet of the Video Solution segment as at December 31, 2002 and March 31, 2003 and the related statement of operations for the year ended December 31, 2002 and the three months ended March 31, 2003, do not include footnotes) and present fairly, in all material respects, the financial condition of our Video Solutions business;
- subject to the approval of the asset purchase agreement by our stockholders and obtaining certain third party consents, there are no conflicts between the asset purchase agreement and our charter documents, our contracts or applicable law;
- the accounts receivable being transferred are valid and bona fide and are not subject to set-off, counterclaim or defense;
- the inventory being transferred is useable and saleable in the ordinary course of business of the Video Solutions business;
- our company has good and valid title to, or a valid leasehold or license interest in, the assets used in the operation of our Video Solutions business, except for encumbrances permitted by Gores;
- our company has no undisclosed liabilities, except for those reflected on the business financial statements, incurred in the ordinary course of the Video Solutions business and not required to be disclosed under generally accepted accounting principles, or incurred in connection with the asset purchase agreement;

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- since March 31, 2003, except as described in the asset purchase agreement, our company has conducted the Video Solutions business only in the normal and ordinary course of business consistent with past practice;
- there are no legal proceedings related to our Video Solutions business or the assets being purchased by Gores;
- our company is in material compliance with all applicable laws, including laws respecting employment and employment practices and benefits and unfair labor practices;
- the contracts to be transferred in connection with the asset purchase agreement are legally valid and binding on us, comprise all agreements and licenses necessary for the continued conduct of the Video Solutions business as now being conducted and have been performed by us in all material respects;
- our company owns, and will transfer to Gores at the closing, the rights to the intellectual property used in our Video Solutions business and is not infringing the rights of any third party;
- the leases for our Video Solutions business facilities are in full force and effect, have not been transferred, assigned or subleased, and we have not received any notice of any material violation of any zoning ordinance or other occupancy restriction;
- our company has not received any notice and has no reason to believe that any of our customers has ceased, or will cease, to use the products, equipment, goods or services of the Video Solutions business or has substantially reduced, or will substantially reduce, the use of such products, equipment, goods or services at any time, and our company has no material outstanding disputes with any customers, resellers or partners of the Video Solutions business;
- to our company's knowledge, no supplier of the Video Solutions business refused to do business with our company nor stated its intention not to continue to do business with our company or Gores at any time after the closing on terms and conditions substantially similar to those used in its current sales to our company, and there are no material outstanding disputes with any suppliers;
- our company has paid all taxes related to the Video Solutions business and the assets and there are no liens for taxes due and payable on any of such assets or the Video Solutions business;
- our company has obtained all licenses necessary to carry on the Video Solutions business as currently conducted under applicable law, is in compliance with all material terms and conditions of such licenses and all such licenses are in full force and effect;
- our company is in compliance with all applicable environmental laws and has received no notice of any violation of such laws relating to the Video Solutions business;
- except for restrictions contained in the asset purchase agreement and any ancillary agreements, the Video Solutions business is not subject to any restriction limiting its ability to compete in any geographic area or with any person or which would prevent the continued operation of the Video Solutions business after June 10, 2003 as operated before such date;
- our company carries insurance on the assets; and
- except for Water Mill Partners LLC, our company is not obligated to pay any brokerage, finder's or other fee or commission in connection with the transactions contemplated by the asset purchase agreement or the ancillary agreements.

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### **Representations and Warranties of Gores**

In the asset purchase agreement, Gores represents and warrants to us with respect to the matters set forth below and has agreed to indemnify us for any breach or default of these representations and warranties, subject to certain limitations:

- Gores is a corporation validly existing and in good standing and has the requisite power to enter into the asset purchase agreement and any ancillary agreements and to consummate the transactions contemplated by such agreements;
- subject to obtaining certain third party consents, there are no conflicts between the asset purchase agreement and Gores' charter documents, contracts, licenses or applicable law;
- Gores is not obligated to obtain any consents as a result of entering into and performing its obligations under the asset purchase agreement and the ancillary agreements;
- there are no legal proceedings or any order, injunction or judgment in progress which could have a material adverse effect on Gores' ability to consummate the transactions contemplated by the asset purchase agreement; and
- Gores has not paid or become obligated to pay any fee or commission to any broker, finder, investment banker, or other intermediary in connection with the transactions contemplated by the asset purchase agreement.

### **Additional Agreements**

In the asset purchase agreement, among other things, Gores and our company have agreed that prior to the closing or termination of the asset purchase agreement:

- our company will conduct the Video Solutions business in the ordinary course and consistent with past practices;
- our company will provide Gores with full access to our offices, facilities, books and records and to our directors, employees, agents, accountants and counsel who have any knowledge relating to the Video Solutions business, and will furnish additional financial and operating data and other information regarding the Video Solutions business and the assets as Gores may from time to time reasonably request;
- our company agrees to, and will cause its agents, representatives, affiliates, employees, officers and directors to, treat as confidential all confidential information relating to the Video Solutions business;
- each party will cooperate to prepare and file all filings and secure all necessary approvals to consummate and effect the transactions set forth in the asset purchase agreement and the ancillary agreements;
- our company agrees to hold after the closing any asset that by its terms is not transferable or assignable to Gores in trust exclusively for the benefit of Gores until the asset is assigned or transferred to Gores or Gores has obtained the material benefits intended to be transferred or assigned through alternative means;
- our company will, as soon as practicable, prepare and file with the SEC this proxy statement to obtain the required vote of our stockholders to approve the asset purchase agreement and the transactions contemplated thereby and our board of directors has agreed to recommend that our stockholders approve the asset purchase agreement and the sale of our Video Solutions business;
- our company will, as soon as reasonably practicable, call and hold a meeting of our stockholders for the purpose of adopting a resolution authorizing the transactions contemplated by the asset purchase agreement;



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- Gores waives our compliance with any applicable bulk sale or bulk transfer laws in connection with the sale of assets. We agree to indemnify Gores against any and all liabilities asserted by a third party against Gores as a result of our noncompliance with such laws;
- we agree to reimburse Gores for any real or personal property taxes paid by Gores relating to any portion of a taxable period ending on or before the closing date; and
- we agree to change our corporate name immediately after the closing and not to use any of the intellectual property relating to the Video Solutions business from and after the closing date. However, from the closing date through December 31, 2003, we may continue to use trademarks and other intellectual property relating to the Video Solutions business to inform customers, vendors and other parties about the transactions contemplated by the asset purchase agreement and in filings with the SEC and other governmental authorities.

**Non-competition and Non-solicitation**

We agree, for a period of three years commencing on the closing date, not to engage in or own any equity interest in (except as a passive investor of less than 4.99 percent of the outstanding equity interests of a publicly traded company) any business engaged in the Video Solutions business anywhere in the world.

In addition, our company, for a period of one year commencing on the closing date, agrees that, without Gores's prior written consent, it will not solicit any then-current employee of the Video Solutions business or any person who has been an employee of the Video Solutions business at any time within the previous six months.

The noncompetition and nonsolicitation provisions do not apply to any successor or assignee of the assets of our company, whether by merger, consolidation, asset sale or other form of transaction. However, if such successor or assignee is a restricted buyer, as designated on the disclosure schedule, we will pay Gores \$5 million in consideration for Gores's waiver of the noncompetition and nonsolicitation provisions.

Gores agrees, for a period of three years commencing on the closing date, not to (1) market or sell services competitive to those of our company's Video Network business provided by a restricted competitor, as designated on the disclosure schedule, or (2) own any equity interest in any restricted competitor that would result in Gores marketing services which are competitive to our company's Video Network business. However, Gores may market or sell our company's services or acquire any of the restricted competitors upon payment to us of a one-time fee of \$5 million for the permanent waiver of these noncompetition provisions. In addition, for a period of one year commencing on the closing date, Gores agrees that, without our prior written consent, it will not solicit any then-current employee of our company or any person who has been an employee of our company at any time within the previous six months.

**Transition Period**

Between June 30, 2003 and the closing date, we have agreed to the following in connection with the business of the Video Solutions business:

- conduct the Video Solutions business in the ordinary course and consistent with our past practices;
- establish a separate general ledger reflecting all of the revenues and amounts payable to third parties with respect to the liabilities assumed by Gores and the employees transferred to Gores;
- incur direct costs of the Video Solutions business only in accordance with the transition budget agreed upon by us and Gores;
- deposit all monies received by us as payment of any receivables or otherwise with respect to the Video Solutions business into transition accounts separate from all of our other accounts;
- make payment with respect to any direct costs of the Video Solutions business only from the transition accounts;

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- permit a Gores representative access to our facilities and properties to observe the conduct of the Video Solutions business and consider the reasonable requests of such representative with respect to the conduct of the Video Solutions business so long as such requests do not cause us to expend funds in excess of the amounts provided in the transition budget;
- not to enter into any agreement or obligation prohibited by the asset purchase agreement; and
- credit to Gores at closing, as if the Glowpoint sales agency agreement were in place when such sales were consummated, commissions on sales of products and services of our network business by employees of the Video Solutions business.

We agree, within 30 days following the closing date, to provide Gores with accounting statements for the Video Solutions business for the period between June 30, 2003 and the closing date to determine whether we are entitled to an offset from Gores in the event that our costs during the transition period exceed those set forth in the transition budget. We agree to pay in cash to Gores the transition cost amount, except as follows:

(1) if the EBITDA of the Video Solutions business for the quarter ended September 30, 2003 is at least \$1 million but not more than \$1.159 million, then we will be entitled to an offset against payment of the transition cost amount of up to \$159,000, not to exceed the transition cap, meaning \$159,000 times the actual number of calendar months elapsed in the period between June 30, 2003 and the closing date, prorated for any partial calendar month;

(2) if the EBITDA of the Video Solutions business for the quarter ended September 30, 2003 is more than \$1.159 million but not more than \$1.318 million, then we will be entitled to an offset against payment of the transition cost amount of up to \$318,000, not to exceed the transition cap; and

(3) if the EBITDA of the Video Solutions business for the quarter ended September 30, 2003 is more than \$1.318 million, then we will be entitled to an offset against payment of the transition cost amount of up to \$477,000, not to exceed the transition cap.

### **Employee Matters**

In the asset purchase agreement, among other things, Gores and our company have agreed that Gores will extend offers of employment to each of the employees of the Video Solutions business. Employees who accept Gores' employment offer will become Gores employees effective on the closing date.

### **Conditions to Completion of Asset Purchase**

Each party's obligation to complete the sale of our Video Solutions business is subject to the prior satisfaction or waiver of certain conditions. If any of the closing conditions are waived, we will consider the facts and circumstances at that time and make a determination as to whether a resolicitation of proxies from our stockholders is appropriate. No determination can be made at this time as to which, if any, of the closing conditions are likely to be waived by us or Gores. The following list sets forth the material conditions that have not yet been satisfied and therefore must be satisfied or waived before completion of the sale of our Video Solutions business:

- we must obtain approval by our stockholders of the sale;
- our representations and warranties and the representations and warranties of Gores must be true and correct in all material respects as of the closing;
- we and Gores must perform or comply with our respective covenants and other agreements in all material respects on or prior to the closing;
- no legal restraint or prohibition against the consummation of the sale of the Video Solutions business may be in effect; and

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- we and Gores must execute and deliver to each other each of the ancillary agreements, meaning the bill of sale, the assumption agreement, the real estate agreements, the transition services agreement and the Glowpoint sales agency agreement.

In addition, the obligations of Gores to effect the asset sale are subject to certain conditions, including:

- we must remove as of the closing all liens placed on the assets in connection with our credit agreement with JPMorgan Chase Bank.

### **Indemnification**

Under the asset purchase agreement, we are obligated to indemnify and hold harmless Gores from and against all losses that it incurs arising out of or resulting from:

- any breach or inaccuracy in any representation or warranty made by us in the asset purchase agreement or the ancillary agreements;
- any breach of any covenant or agreement made by us in the asset purchase agreement or the ancillary agreements; or
- the liabilities, whether arising before or after the closing date, that Gores has not assumed.

The asset purchase agreement provides that Gores will indemnify and hold harmless our company from and against all losses that we incur arising out of or resulting from:

- any breach or inaccuracy in any representation or warranty made by Gores in the asset purchase agreement or the ancillary agreements;
- any breach of any covenant or agreement made by Gores in the asset purchase agreement or the ancillary agreements; or
- the liabilities assumed by Gores.

### **Limits on Indemnification**

Neither we nor Gores, with certain limited exceptions, will be obligated to indemnify the other for any losses under the asset purchase agreement until the aggregate amount of the losses exceeds \$200,000 for such party, and then only to the extent of such excess. We are obligated to indemnify Gores for any and all losses arising out of a breach of our tax representations and warranties in the asset purchase agreement. In addition, the maximum aggregate amounts that either we or Gores may recover for losses due to breach or inaccuracy of the other party's representations or warranties in the acquisition documents is forty percent of the purchase price.

### **Termination of the Asset Purchase Agreement**

#### **Termination**

Notwithstanding approval by our stockholders of the asset purchase agreement and the transactions contemplated thereby, the asset purchase agreement may be terminated, and the sale of our Video Solutions business may be abandoned, at any time prior to the closing, in any of the following ways:

- by the mutual written consent of us and Gores;
- by either us or Gores if:
  - the sale of the Video Solutions business is not completed by September 30, 2003, other than as a result of the failure by the party proposing to terminate the asset purchase agreement to perform its obligations;
  - an order, decree or ruling is entered restraining, enjoining or otherwise prohibiting the completion of the sale of our Video Solutions business;

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- our stockholders fail to approve the sale of our Video Solutions business by September 30, 2003; or
- the other party materially breaches its representations or agreements so that a closing condition would not be satisfied and the breach remains uncured 30 days following notice or the breaching party ceases to use commercially reasonable efforts to cure such breach.

In addition, Gores may terminate the asset purchase agreement if between June 10, 2003 and closing, we make a general assignment for the benefit of creditors, or any proceeding is instituted against us seeking to adjudicate us bankrupt or insolvent, or seeking liquidation or winding up or reorganization of our debts under any law relating to bankruptcy, insolvency or reorganization.

We may terminate the asset purchase agreement upon the occurrence of the following, and Gores may terminate the asset purchase agreement if any of the following occur at any time prior to the approval of the asset purchase agreement by our stockholders:

- our board of directors withdraws or modifies in an adverse manner its recommendation of the sale of the Video Solutions business;
- we fail to include in this proxy statement the approval and recommendation of our board of directors for the sale of our Video Solutions business; or
- our board of directors approves any transaction or series of transactions in which a party other than Gores is entitled to purchase a substantial portion of the Video Solutions business or its assets.

#### ***Effect of Termination***

If the asset purchase agreement is terminated, we and Gores have no liability or obligations to one another other than for the breakup fee which is payable under the circumstances described below under "Break-Up Fee" and damages for breach or fraud committed in connection with the asset purchase agreement.

#### ***Break-Up Fee***

We agreed not to solicit, negotiate or approve the acquisition of the Video Solutions business by any person other than Gores between June 10, 2003 and the closing date. We also agreed to pay Gores a break-up fee equal to \$1 million if the asset purchase agreement is terminated by Gores or, prior to the approval of the asset purchase agreement by our stockholders, us if:

- our board of directors or any committee thereof for any reason withdraws, amends or modifies in a manner adverse to Gores its affirmative recommendation to our stockholders in favor of the adoption of the asset purchase agreement and the approval of the transaction contemplated thereby;
- our board of directors fails to include its affirmative recommendation in these proxy materials with respect to our company's stockholder meeting; or
- our board of directors or any committee thereof approves any proposal with respect to any transaction or series of related transactions in which any party other than Gores is entitled to purchase any substantial portion of the Video Solutions business or its assets, whether by asset sale, sale of stock or other securities, spin-off, contribution, merger, consolidation, reorganization, recapitalization, liquidation or otherwise.

#### **Expenses**

Each party to the asset purchase agreement will bear its own expenses incurred in connection with the sale of our Video Solutions business. Our expenses include the costs of preparing, filing with the Securities and Exchange Commission, printing and mailing this proxy statement.

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### **Amendment**

The asset purchase agreement may only be amended in a written document signed by us and Gores or in a written waiver signed by the party to be bound thereby.

### **Additional Agreements Related to the Asset Purchase Agreement**

In conjunction with the closing of the sale of our Video Solutions business, we will enter into a transition services agreement with Gores whereby we will provide for a fee certain transition services to Gores related to the assets acquired and liabilities assumed.

We will also enter into a Glowpoint sales agency agreement, whereby Gores will be able to market our Glowpoint network subscriber service and associated bridging and gateway services. The agreement provides that we will pay Gores a monthly commission equal to 10% to 15% (depending upon the number of Glowpoint circuits delivered to us pursuant to customer contracts procured exclusively by Gores in the previous calendar quarter) of the charges that are billed and actually received by us for Glowpoint services that are delivered by us pursuant to customer contracts procured exclusively by Gores. The sales agency agreement has a term of three years from execution.

Because we are retaining the lease for the Camarillo, California facility where part of the Video Solutions business is located, we have agreed to sublease a portion of that facility to Gores after the closing of the asset purchase agreement.

## **FINANCIAL HISTORY AND EFFECTS OF THE PROPOSED ASSET SALE**

### **Selected Financial Data**

We are providing the following information to aid you in your financial analysis of the proposed asset sale. The selected consolidated financial data for each of the fiscal years in the five years ended December 31, 2002 have been derived from our audited consolidated financial statements, which have been filed on annual reports on Form 10-K and are incorporated by reference. The selected consolidated financial data as of and for the three months ended March 31, 2003 and 2002 have been derived from our unaudited consolidated financial statements, which have been filed on quarterly reports Form 10-Q and are incorporated by reference. These unaudited financial statements, in the opinion of our management, have been prepared on a basis that is substantially consistent with its audited statements and include all adjustments, consisting of normal recurring adjustments necessary to present fairly the information for such periods. The results of such interim periods are not necessarily indicative of the results for a full fiscal year. The data presented below should be read in conjunction with our audited financial statements for each of the fiscal years in the five years ended December 31, 2002 and the unaudited financial statements as of and for the three months ended March 31, 2003 and 2002, all of which are incorporated by reference.

[Back to Contents](#)**Selected Financial Data**

	<b>Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>				
	<b>2003</b>	<b>2002</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>(in thousands, except per share data)</b>							
<b>Statement of Operations Information:</b>							
Revenues							
Video Solutions							
Equipment	\$ 14,528	\$ 14,438	\$ 61,398	\$ 55,638	\$ 39,280	\$ 11,601	\$ 5,640
Services	3,747	3,654	15,751	15,294	7,679	797	496
Video Network	2,227	1,100	5,599	3,480	1,475	□	□
	<u>20,502</u>	<u>19,192</u>	<u>82,748</u>	<u>74,412</u>	<u>48,434</u>	<u>12,398</u>	<u>6,136</u>
Cost of revenues							
Video Solutions							
Equipment	11,582	10,316	47,406	38,332	26,283	8,029	3,704
Services	2,030	1,774	8,618	8,914	5,271	549	317
Video Network	2,294	970	5,597	2,898	1,105	□	□
	<u>15,906</u>	<u>13,060</u>	<u>61,621</u>	<u>50,144</u>	<u>32,659</u>	<u>8,578</u>	<u>4,021</u>
Gross margin							
Video Solutions							
Equipment	2,946	4,122	13,992	17,306	12,997	3,572	1,936
Services	1,717	1,880	7,133	6,380	2,408	248	179
Video Network	(67)	130	2	582	370	□	□
	<u>4,596</u>	<u>6,132</u>	<u>21,127</u>	<u>24,268</u>	<u>15,775</u>	<u>3,820</u>	<u>2,115</u>
Operating expenses:							
Selling	5,851	6,446	25,698	22,112	12,588	2,487	1,634
General and administrative	1,653	1,804	8,159	12,245	4,121	1,765	1,310
Restructuring	□	□	960	200	□	□	□
Impairment losses on goodwill	□	□	40,012	□	□	□	□
Impairment losses on other long-lived assets	□	□	1,358	2,684	1,501	□	□
	<u>7,504</u>	<u>8,250</u>	<u>76,187</u>	<u>37,241</u>	<u>18,210</u>	<u>4,252</u>	<u>2,944</u>
Total operating expenses							
	<u>7,504</u>	<u>8,250</u>	<u>76,187</u>	<u>37,241</u>	<u>18,210</u>	<u>4,252</u>	<u>2,944</u>
Loss from continuing operations	(2,908)	(2,118)	(55,060)	(12,973)	(2,435)	(432)	(829)
Other (income) expense							
Amortization of deferred financing costs	45	14	123	100	344	43	19
Interest income	(5)	(19)	(72)	(77)	(315)	(23)	(56)
Interest expense	373	26	432	598	78	181	57
Amortization of discount on subordinated debentures	535	□	39	□	□	□	□
	<u>948</u>	<u>21</u>	<u>522</u>	<u>621</u>	<u>107</u>	<u>201</u>	<u>20</u>
Total other expenses, net							
	<u>948</u>	<u>21</u>	<u>522</u>	<u>621</u>	<u>107</u>	<u>201</u>	<u>20</u>
Loss before income taxes	(3,856)	(2,138)	(55,582)	(13,594)	(2,542)	(633)	(849)
Income tax (benefit) provision	□	□	□	200	511	(105)	3
	<u>(3,856)</u>	<u>(2,138)</u>	<u>(55,582)</u>	<u>(13,794)</u>	<u>(3,053)</u>	<u>(528)</u>	<u>(852)</u>
Net loss from continuing operations	(3,856)	(2,138)	(55,582)	(13,794)	(3,053)	(528)	(852)
Loss from discontinued AV operations	(793)	(420)	(2,696)	(396)	□	□	□
Income (loss) from discontinued voice operations	□	□	(287)	(617)	521	1,592	75
Gain on sale of discontinued voice operations	□	□	□	277	□	□	□

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Net income (loss)	(4,649)	(2,558)	(58,565)	(14,530)	(2,532)	1,064	(777)
Deemed dividends on series A convertible preferred stock	□	□	□	4,434	13,723	□	□
Net income (loss) attributable to common stockholders	\$ (4,649)	\$ (2,558)	\$ (58,565)	\$ (18,964)	\$ (16,255)	\$ 1,064	\$ (777)

[Back to Contents](#)**Selected Financial Data (cont.)**

	<b>Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>				
	<b>2003</b>	<b>2002</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>(in thousands, except per share data)</b>							
Net loss from continuing operations per share:							
Basic	\$ (0.13)	\$ (0.08)	\$ (1.93)	\$ (0.66)	\$ (0.24)	\$ (0.11)	\$ (0.18)
Diluted	\$ (0.13)	\$ (0.08)	\$ (1.93)	\$ (0.66)	\$ (0.24)	\$ (0.09)	\$ (0.18)
Income (loss) from discontinued operations per share:							
Basic	\$ (0.03)	\$ (0.01)	\$ (0.10)	\$ (0.04)	\$ 0.04	\$ 0.33	\$ 0.02
Diluted	\$ (0.03)	\$ (0.01)	\$ (0.10)	\$ (0.04)	\$ 0.04	\$ 0.26	\$ 0.02
Deemed dividends per share:							
Basic	\$ □	\$ □	\$ □	\$ (0.21)	\$ (1.07)	\$ □	\$ □
Diluted	\$ □	\$ □	\$ □	\$ (0.21)	\$ (1.07)	\$ □	\$ □
Net income (loss) per share:							
Basic	\$ (0.16)	\$ (0.09)	\$ (2.03)	\$ (0.91)	\$ (1.27)	\$ 0.22	\$ (0.16)
Diluted	\$ (0.16)	\$ (0.09)	\$ (2.03)	\$ (0.91)	\$ (1.27)	\$ 0.17	\$ (0.16)
Weighted average number of common shares and equivalents outstanding:							
Basic	29,030	28,323	28,792	20,880	12,817	4,910	4,910
Diluted	29,030	28,323	28,792	20,880	12,817	6,169	4,910
<b>Balance Sheet Information:</b>							
	\$ 657	\$ 3,236	\$ 2,762	\$ 1,689	\$ 1,871	\$ 60	\$ 326



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Cash and cash equivalents							
Working capital	19,076	33,484	24,940	15,639	19,921	4,526	5,702
Total assets	54,534	105,303	61,502	104,499	84,372	10,867	8,923
Long-term debt (including current portion)	4,236	65	5,871	83	3,128	2,186	2,444
Series A mandatorily redeemable convertible preferred stock	□	□	□	□	10,371	□	□
Total stockholders' equity	32,610	87,069	36,586	68,909	49,658	5,194	3,968

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**Unaudited Pro Forma Condensed Consolidated Financial Data**

The following unaudited pro forma condensed consolidated financial data gives effect to the sale of the Video Solutions business. The unaudited pro forma consolidated balance sheet as of March 31, 2003 has been prepared assuming the sale of the Video Solutions business occurred as of that date. The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2003 and 2002 and the years ended December 31, 2002, 2001 and 2000 have been prepared assuming that the sale of the Video Solutions business occurred as of January 1, 2000. The unaudited pro forma condensed consolidated financial data is presented for informational purposes only and is not necessarily indicative of the results of future operations of our company or the actual results of operations that would have occurred had the sale of the Video Solutions business been consummated as of the dates indicated above. The unaudited pro forma condensed consolidated financial data should be read in conjunction with our historical consolidated financial data and notes contained in our reports filed with the Commission.

[Back to Contents](#)**Unaudited Pro Forma Consolidated Balance Sheet**

	<u>March 31, 2003</u>	<u>Adjustments</u>	<u>Pro Forma March 31, 2003</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 656,707	\$ 21,250,000 (1)	\$ 21,906,707
Accounts receivable □ net	22,873,348	(21,195,643)(2)	1,677,705
Inventory □ net	7,009,204	(7,009,204)(2)	□
Net assets of discontinued operations	3,113,964	(2,429,994)(2)	683,970
Other current assets	3,236,339	(1,548,331)(2)	1,356,366
		(331,642)(3)	
<b>Total current assets</b>	<b>36,889,562</b>	<b>(11,264,814)</b>	<b>25,624,748</b>
Note receivable □		1,000,000(1)	1,000,000
Furniture, equipment and leasehold improvements □ net	14,380,595	(2,357,976)(2)	12,022,619
Goodwill □ net	2,547,862	□	2,547,862
Other assets	715,547	(194,560)(2)	520,987
<b>Total assets</b>	<b>\$ 54,533,566</b>	<b>\$ (12,817,350)</b>	<b>\$ 41,716,216</b>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 9,803,799	\$ (9,230,500)(2)	\$ 573,299
Deferred revenue	7,884,035	(7,395,822)(2)	□
		(488,213)(3)	
Current portion of capital lease obligations	125,991	(13,533)(2)	112,458
<b>Total current liabilities</b>	<b>17,813,825</b>	<b>(17,128,068)</b>	<b>685,757</b>
Noncurrent liabilities:			
Bank loan payable	3,521,578	□	3,521,578
Capital lease obligations, less current portion	53,901	□	53,901
<b>Total noncurrent liabilities</b>	<b>3,575,479</b>	<b>□</b>	<b>3,575,479</b>
<b>Total liabilities</b>	<b>21,389,304</b>	<b>(17,128,068)</b>	<b>4,261,236</b>
Commitments and contingencies			
Subordinated debentures, net	534,625	□	534,625
Stockholders' equity:			