INFOSPACE INC
Form 8-K
August 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): 08/19/2009

INFOSPACE, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 000-25131

Delaware	**91-1718107**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

601 108th Avenue NE
Suite 1200
Bellevue, WA 98004
(Address of principal executive offices, including zip code)

425-201-6100
(Registrant s telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On August 21, 2009, InfoSpace, Inc. (the "Company") announced that George M. Tronsrue, III has resigned from his position as a director on the Company's Board of Directors (the "Board"), effective August 19, 2009. In connection with Mr. Tronsrue's resignation from the Board, and effective as of the date of such resignation, Mr. Tronsrue also vacated his positions as a member of the following committees of the Board: the Compensation Committee, the Nominating and Governance Committee, and the Management Succession and Planning Committee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INFOSPACE, INC.

Date: August 21, 2009

By: /s/ Alesia Pinney

Alesia Pinney
General Counsel and Secretary

ht">63,802,275 63,758,632 64,148,331 62,862,978 Shares outstanding at end of the period 81,656,763 63,907,357 63,751,857 63,226,857 62,690,873 Number of shareholders of record at end of period 151 154 155 155 153 Other Statistics Number of employees: U.S. 251 227 227 163 115 Outside the U.S. 45 0 0 0 0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Organizational Overview

We were incorporated on May 30, 1997 under the laws of the state of Delaware. We are a leading provider of federally certified secure identity management and communications solutions to the government and commercial sectors. We offer a core set of Managed Mobility Enterprise Solutions (MMS) to enable organizations to deploy fully compliant solutions in accordance with government requirements and the demands of the commercial marketplace. Our on-demand MMS platforms are a suite of advanced and federally certified proprietary cloud-based software solutions designed to enable secure identity management and manage the complex processes and expenses associated with complex communication assets and services of any enterprise.

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Our advanced technology-based solutions can be customized to meet functional requirements of any organization and be accessible on-demand through the cloud. Many alternative solutions lack the necessary functionality, security, reliability and depth of technical resources required to successfully administer an efficient and cost-effective solution. We are in the process of realigning our business model to sell recurring technology and services leveraging our identity and communications management platforms and sell customized on premise solutions for enterprises that require an in-house solution.

Acquisition of Soft-ex Communications Ltd. (SCL)

On May 1, 2014, we purchased all of the outstanding equity of Soft-ex Communications Limited ("SCL"). SCL, with headquarters in Dublin, Ireland is a provider of telecom data intelligence services offered as a software as a service solution throughout European and Middle Eastern markets. SCL has two operating subsidiaries, Soft-Ex BV and Soft-Ex UK Limited, which maintain offices and operations in the Netherlands and the United Kingdom, respectively. We believe the combination of WidePoint's secure managed mobility services coupled with Soft-Ex's European and Middle East presence, channel partners, and additional portfolio of services provides our combined enterprise with a stronger base of operations, services and global growth opportunities. The transaction complements Soft-Ex's focus and expertise in delivering business intelligence and subscriber data intelligence to the global telecommunications service provider market. Through the combination of our partnerships and customers we believe that we can leverage Soft-Ex's innovative Software-as-a-Service solutions combined with the scale and breadth of WidePoint's managed mobility offerings, thereby optimizing the core strengths of both organizations.

We remain focused on continued retention and expansion of services to our existing customer base and attracting new customers in the government and commercial sectors. We are continuing to actively search out new synergistic acquisitions that we believe may further enhance our present base of business and service offerings outside the United States.

Recent Public Offering of Common Stock

On October 23, 2014, we entered into an underwriting agreement relating to an underwritten public offering of shares of our common stock. We completed the public offering and received net proceeds of approximately $10.8 million before paying estimated offering expenses of approximately $0.2 million incurred by the Company to complete the public offering. The proceeds strengthen our balance sheet in support of our new and expanding business relationships and growth opportunities.

Critical Accounting Policies and Estimates

Refer to Note 2 to the Consolidated Financial Statements for a summary of our significant accounting policies referenced, as applicable, to other notes. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. Our senior management has reviewed these critical accounting policies and related disclosures with its Audit Committee. See Note 2 to consolidated financial statements, which contain additional information regarding accounting policies and other disclosures required by U.S. GAAP. The following section below provides information about certain critical accounting policies that are important to the Consolidated Financial Statements and that require significant management assumptions and judgments.

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Segments

Segments are defined by authoritative guidance as components of a company in which separate financial information is available and is evaluated by the chief operating decision maker (CODM), or a decision making group, in deciding how to allocate resources and in assessing performance. Our CODM is our chief executive officer.

In fiscal 2012, the Company previously reported three operating segments: Managed Mobility Solutions, Cybersecurity Solutions, and Consulting and Support Services. Information technology solutions were historically segmented due to technological barriers which prevented delivery of an integrated technology solution to cover an end users mobility, security and network communications requirements. Over the last ten (10) years the proliferation of mobile computing drove the integration of our technology capabilities and solutions into a single MMS market. Our customers and the industry view our MMS market as a singular business and demand an integrated and scalable suite of information technology-based enterprise-wide solutions. Services comprising our MMS offerings have similar client service approaches, delivery costs and operational risks and are led by a project manager and a cross-functional service delivery team comprised of employees across all subsidiaries.

During fiscal 2012, our CODM decided that our MMS business constitutes a single business activity and that our financial results should be evaluated on that basis. Our CODM determined that a functional management approach with centralized roles and responsibilities would best to enable the Company to be able to efficiently scale and deliver its MMS solution to its customers. Our CODM assembled an executive advisory group with specific business functional responsibility to move further towards an integrated and scalable operation and drive our MMS business as an integrated offering. In fiscal 2013, our CODM discontinued our historical segmented reporting as a management tool. The Company presents a single segment for purposes of financial reporting and prepared its consolidated financial statements upon that basis.

Business Combinations

The application of purchase accounting to a business acquisition requires that the Company identify the individual assets acquired and liabilities assumed and estimate the fair value of each. The Company estimates the fair value of purchase consideration in each business combination using an acceptable valuation methodology which may include an income, market and/or cost approach. The Company assigns a provisional value on the date of purchase and engages qualified third party valuation professionals to estimate the fair value of significant assets acquired and liabilities assumed.

Purchase consideration is often paid to the seller in the form of cash, seller financed promissory notes and/or shares of common stock that may or may not contain a contingency often tied to future financial performance targets. The

Company generally assesses the estimated fair value of contingent obligations using a probability weighted income approach (discounted cash flow) valuation technique which requires the use of observable and unobservable inputs. Fluctuations in the fair value of contingent obligations are impacted by two unobservable inputs, management's estimate of the probability of the acquired company meeting the operating performance target and the estimated discount rate (a rate that approximates the Company's weighted average cost of capital). Significant increases (decreases) in either of those inputs in isolation would result in a significantly higher (lower) fair value measurement. Fair value is assessed for contingent obligations on a quarterly basis until such contingencies have been resolved and any changes in fair value are recorded as a gain or loss on change in fair value of contingent obligations within general and administrative expense.

Goodwill and intangible assets often represent a significant portion of the assets acquired in a business combination. The Company recognizes the fair value of an acquired intangible apart from goodwill whenever the intangible arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. The Company generally assesses the estimated fair values of acquired intangibles using an income and market approach, except for internally developed software which is valued using a cost approach. The fair values of the intangible assets purchased were determined using a combination of valuation techniques. Fluctuations in the fair value of intangibles are impacted by two unobservable inputs, management's five year forecast and the estimated discount rate (a rate that approximates the Company's weighted average cost of capital). Significant increases (decreases) in either of those inputs in isolation would result in a significantly higher (lower) fair value measurement.

The Company had finite lived intangible assets with a carrying value of approximately $6.0 million as of December 31, 2014. The fair value of intangibles acquired in connection with business combinations continued to generate positive returns above its carrying value. Accordingly, the Company has concluded the fair value of its intangibles is not impaired at December 31, 2014. The Company could be exposed to increased risk of recoverability to the extent future revenue estimates may not support the recovery of purchased intangible assets.

Revenue Recognition

Telecommunications expense management and device management services are delivered on a monthly basis based on a standard fixed pricing scale and sensitive to significant changes in per user or device counts which form the basis for monthly charges. Revenue is recognized upon the completion of the delivery of monthly managed services based on user or device counts or other metrics. Managed services are not interdependent and there are no undelivered elements in these arrangements.

Telecommunications carrier invoice management and payment services require the Company to purchase bands of minutes, text messaging and data services from large carriers and optimizes these services for its mobile customers. The Company recognizes revenues and related costs on a gross basis for these arrangements as we have discretion in choosing providers, rate plans, and devices in providing the services to our customers. We establish pricing for our customer contracts. For arrangements in which we do not have such credit risk we recognize revenues and related costs on a net basis.

Telecommunications audit and optimization services are professional services conducted over a specified period of time. These professional services are billed based on time incurred and actual costs or on a contingency basis. The Company recognizes revenues for professional services performed based on actual hours worked and actual costs incurred. The Company recognizes contingent based service arrangements when our savings results are verified by the carrier and accepted by the customer. Contingent fees earned are calculated based on projected or proven savings multiplied by an agreed upon recovery rate. Cost associated with contingent fee arrangements are recognized as incurred.

Telecommunication mobile device and accessory resale services may require the Company to facilitate as an agent on our customers' account or transact on our own account to deliver third party vendor products and/or services to meet our customers' specific functional requirements. For those transactions in which we procure and deliver products and services for our own account the Company recognizes revenues and related costs on a gross basis for these arrangements as we have discretion in choosing providers, rate plans, and devices in providing the services to our customers. For those transactions in which we procure and deliver products and services for our customers' on their own account we do not recognize revenues and related costs on a gross basis for these arrangements. We recognize revenues earned for arranging the transaction and any related costs.

*Identity management and identity service*s are delivered as an on-demand managed service through the cloud to an individual or organization or sold in bulk to an organization capable of self-issuing credentials. Credentialing services are not bundled and do not include other obligations to deliver. Revenue is recognized from the sales of credentials to an individual or organization upon issuance or in the case of bulk sales or consoles upon issue or availability to the customer for issuance. There is no obligation to provide post contract services in relation to certificates issued and consoles delivered. Certificates issued have a fixed life and cannot be modified or reissued.

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Technical consulting services are professional services provided on a project basis determined by our customers' specific requirements. These technical professional services are billed based on time incurred and actual costs. The Company recognizes revenues for professional services performed based on actual hours worked and actual costs incurred.

Goodwill

Goodwill represents the excess of acquisition cost of an acquired company over the fair value of assets acquired and liabilities assumed. In accordance with GAAP, goodwill is not amortized but is tested for impairment at the reporting unit level annually at December 31 and between annual tests if events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value.

A reporting unit is defined as either an operating segment or a business one level below an operating segment for which discrete financial information is available that management regularly reviews. The Company has a single reporting unit for the purpose of impairment testing.

The goodwill impairment test utilizes a two-step approach. The first step identifies whether there is potential impairment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, the second step of the impairment test is required to measure the amount of any impairment loss. The Company has the option to bypass the qualitative assessment for any reporting period and proceed to performing the first step of the two-step goodwill impairment test and then subsequently resume performing a qualitative assessment in any subsequent period. The Company bypassed using a qualitative assessment for 2014.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value using widely accepted valuation techniques, such as the market approach (earnings multiples or transaction multiples for the industry in which the reporting unit operates) or the income approach discounted cash flow methods). The fair values of the reporting units were determined using a combination of valuation techniques consistent with the market approach and the income approach.

When preparing discounted cash flow models under the income approach, the Company estimates future cash flows using the reporting unit's internal five year forecast and a terminal value calculated using a growth rate that management believes is appropriate in light of current and expected future economic conditions. The Company then applies a discount rate to discount these future cash flows to arrive at a net present value amount, which represents the estimated fair value of the reporting unit. The discount rate applied approximates the expected cost of equity

financing, determined using a capital asset pricing model. The model generates an appropriate discount rate using internal and external inputs to value future cash flows based on the time value of money and the price for bearing the uncertainty inherent in an investment.

The Company has approximately $18.2 million of goodwill as of December 31, 2014. The fair value of the Company's reporting unit is above its carrying value; accordingly, the Company has concluded its goodwill is not impaired at December 31, 2014. The Company could be exposed to increased risk of goodwill impairment if future operating results or macroeconomic conditions differ significantly from management's current assumptions.

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Allowance for Doubtful Accounts

The Company has not historically maintained an allowance for doubtful accounts for its federal government customers. Allowances for doubtful accounts relate to commercial accounts receivable and unbilled accounts receivable represent management's best estimate of the losses inherent in the Company's outstanding trade accounts receivable. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. Customer account balances outstanding longer than 120 days that have not been settled in accordance with contract terms and for which no firm payment commitments exist are placed with a third party collection agency and a reserve is established. The Company writes off accounts receivable after 180 days or earlier when they become uncollectible. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts. If the accounts receivable has been written off and no allowance for doubtful accounts exist subsequent payments received are credited to bad debt expense.

To the extent historical credit experience, updated for emerging market trends in credit is not indicative of future performance, actual losses could differ significantly from management's judgments and expectations, resulting in either higher or lower future provisions for losses, as applicable. The process of determining the allowance for doubtful accounts requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Share-Based Compensation

The Company issues share-based compensation awards to company employees upon which the fair value of awards is subject to significant estimates made by management. The fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model ("Black-Scholes model"), which uses the assumptions of no dividend yield, risk free interest rates and expected life (in years) of approximately 7 years. Share-based compensation awards reflected in the consolidated financial statements are for the period from 1999 through 2014.

Expected volatilities are based on the historical volatility of our common stock. The expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. To the extent historical volatility estimates, risk free interest rates, option terms and forfeiture rates updated for emerging market trends are not indicative of future performance it could differ significantly from management's judgments and expectations on the fair value of similar share-based awards, resulting in either higher or lower future compensation expense, as applicable. The process of determining fair value of share-based compensation requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Accounting for Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using the enacted tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is established when management determines that it is more likely than not that all or some portion of the benefit of the deferred tax asset will not be realized.

Since deferred taxes measure the future tax effects of items recognized in the financial statements, certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, reversing temporary differences and available tax planning strategies. These assessments are performed quarterly, taking into account any new information. The Company’s significant deferred tax assets consist of net operating loss carryforwards, share-based compensation and intangible asset amortization. Should a change in facts or circumstances lead to a change in judgment about the ultimate ability to realize a deferred tax asset (including our utilization of historical net operating losses and share-based compensation expense), the Company records or adjusts the related valuation allowance in the period that the change in facts or circumstances occurs, along with a corresponding increase or decrease to the income tax provision.

2014 Results of Operations

Year Ended December 31, 2014 Compared to the Year ended December 31, 2013

Revenues

Revenues for the year ended December 31, 2014 were approximately $53.3 million, an increase of approximately $6.5 million (or 14%), as compared to approximately $46.8 million in the same period last year. Although we had increased revenues versus 2013, delays in federal and commercial MMS implementations and government product resale transactions negatively impacted revenues during 2014. Our mix of MMS revenues for the periods presented is set forth below:

	years ended DECEMBER 31,		Dollar
MMS Service Mix	2014	2013	Variance
Carrier Services	$20,044,276	$16,815,215	$3,229,061
Management Services	18,641,702	17,227,862	1,413,840
Resale and Other Services	14,630,232	12,781,955	1,848,277
	$53,316,210	$46,825,032	$6,491,178

We believe the following factors contributed to higher revenues:

§ Our carrier services were higher compared to same period last year as a result of the recognition of task orders issued related to our U.S Department Homeland Security (“DHS”) blanket purchase agreement (“BPA”) contract award. We were awarded 12 task orders under the DHS BPA contract during 2014 and we believe our carrier services revenue may continue to increase as we implement existing task orders and win additional task orders associated with this DHS BPA contract.

§ Our managed services were higher due to additional revenues from our recent acquisition of SCL (that is part of our MMS managed services offering), partially offset by reductions in customer attrition, government delays and cutbacks as a result of Federal Budget sequestration and delays as a result of the protest of our DHS BPA award. We believe as cert on device is deployed in 2015 and the DHS BPA task orders are recognized that managed services should further expand.

- Our resale and other services expanded as a result of increased commercial consulting services and software resale transactions. Resale and other services could be erratic year over year due to timing of federal procurement activity and commercial customer mobile equipment upgrades and deployments.

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Cost of Revenues

Cost of revenues for the year ended December 31, 2014 was approximately $39.8 million (or 75% of revenues) as compared to approximately $34.7 million (or 74% of revenues) in the same period last year. The dollar basis increase in cost of revenues was predominantly attributable to increased costs associated with software resale activities and carrier services delivered during the year. Our cost of revenues will rise in periods in which we recognize higher government product resale transactions and conversely decrease our margins. The addition of SCL did not have a material effect on cost of revenues.

Gross Profit

Gross profit for the year ended December 31, 2014 was approximately $13.5 million (or 25% of revenues), as compared to approximately $12.1 million (or 26% of revenues) in the same period last year. The dollar basis increase in gross profit was due to the additional of SCL's higher margin revenue, partially offset by higher carrier services costs and decreases in higher margin federal consulting revenues. Our focus will remain on growing sales of higher margin recurring services.

Operating Expenses

Sales and marketing expense for the year ended December 31, 2014 was approximately $3.4 million (or 6% of revenues), as compared to approximately $3.1 million (or 7% of revenues) in the same period last year. The dollar basis increase in sales and marketing expense reflects the addition of SCL of approximately $0.7 million, partially offset by lower channel partner commissions as a result of a greater direct sales and lower external sales and marketing program consultant costs. We may have increases in sales and marketing going forward as we expand promotion of our latest product and service offerings such as Cert-On-Device.

General and administrative expenses for the year ended December 31, 2014 were approximately $14.4 million (or 27% of revenues), as compared to approximately $9.9 million (or 21% of revenues) in the same period last year. General and administrative expenses for the year ended December 31, 2013 included a non-cash gain of approximately $1.25 million that represented a reduction in the fair value of a contingent obligation (related to the acquisition of Avalon Global Solutions, Inc. ("AGS")) as re-measured at the reporting date. Excluding this non-cash gain, general and administrative expenses for the year ended December 31, 2013 would have been approximately $11.1 million (or 24% of revenues). The increase in general and administrative expense after excluding this non-cash gain predominantly reflects the inclusion of SCL general and administrative expense of approximately $2.5 million.

Depreciation expense for the year ended December 31, 2014 was approximately $376,000, as compared to approximately $288,300 in the same period last year. The increase in depreciation expense was due to increased pool of depreciable assets to support our technology solutions infrastructure and the addition of SCL's depreciable assets. We anticipate additional infrastructure investments in computer equipment and other hardware to respond to anticipated capacity requirements as we growth our revenue base.

Other Income (Expense)

Interest income for the year ended December 31, 2014 was approximately $17,000, as compared to approximately $7,400, in the same period last year. This increase was due to higher amounts of invested cash and cash equivalents being held in interest bearing accounts and the length of time these increased deposits were earning interest compared the same period last year.

Interest expense for the year ended December 31, 2014 was approximately $186,800 (or less than 1% of revenues), an increase of approximately $11,500 as compared to approximately $175,300 (or less than 1% of revenues) of interest expense in the same period last year. The increase in interest expense reflects accrued interest related to an unsecured loan note payable issued in connection with the SCL acquisition. There were no significant changes in the terms of interest bearing debt during the year ended December 31, 2014.

Other income for the year ended December 31, 2014 was approximately $12,900 as compared to $11,300 for the same period last year. Other income (expense) for both periods did not include any significant items.

Provision for Income Taxes

Income tax expense for the year ended December 31, 2014 was approximately $3.6 million, as compared to an approximately $0.4 million in the same period last year. The increase in income tax expense reflects a $5.0 million valuation allowance applied against the Company's deferred tax assets. Objective evidence of cumulative losses carries more weight under the accounting rules than subjective evidence such as projections and tax planning strategies when evaluating whether a valuation reserve is required. Management placed a full valuation allowance on its deferred tax assets after analyzing both positive and negative evidence over the last two years.

Net Income

As a result of the factors above, the net loss for the year ended December 31, 2014 was approximately $8.4 million as compared to approximately $1.7 million in the same period last year.

2013 Results of Operations

Year Ended December 31, 2013 Compared to the Year ended December 31, 2012

Revenues

Revenues for the year ended December 31, 2013 were approximately $46.8 million, a decrease of approximately $9.0 million (or 16%), as compared to approximately $55.8 million in the same period in 2012. Decreased revenues are primarily a result of the federal protest that spanned substantially all of fiscal 2013 that delayed our ability to implement new agencies and generate expected revenues. Our mix of MMS revenues for the periods presented is set forth below:

Dollar

MMS Service Mix	YEARS ENDED DECEMBER 31, 2013	2012	Variance
Carrier Services	$16,815,215	$19,545,439	$(2,730,224)
Management Services	17,227,862	19,611,176	(2,383,314)
Resale and Other Services	12,781,955	16,626,127	(3,844,172)
	$46,825,032	$55,782,742	$(8,957,710)

We believe the following factors contributed to reduced revenues:

§ Our carrier services and managed services were lower due to long delays caused by a federal protest associated with our DHS BPA contract award and our continued shift away from lower margin carrier services.

§ Our managed services were lower due to delays caused by a federal protest of our DHS BPA contract award, slower than anticipated commercial sales cycles, client driven implementation delays as well as some commercial customer attrition.

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§ Our resale and other services were lower due sequester-related delays that affected the timing of federal procurement activity.

Cost of Revenues

Cost of revenues for the year ended December 31, 2013 was approximately $34.7 million (or 74% of revenues) as compared to approximately $41.9 million (or 75% of revenues) in the same period in 2012. The dollar basis decrease in cost of revenues was predominantly attributable to lower sales of government product resale transactions due to sequester-related delays and lower variable subcontract labor associated with a closed project. Our cost of revenues will fall in periods in which we recognize lower government product resale transactions.

Gross Profit

Gross profit for the year ended December 31, 2013 was approximately $12.1 million (or 26% of revenues), as compared to approximately $13.9 million (or 25% of revenues) in the same period in 2012. The dollar basis decrease in gross profit was due to lower revenues and limited ability to reduce costs in the short term to lessen the impact of sequester-related delays experienced over the last four quarters. Our focus will remain on growing sales of higher margin recurring services and expanding our growth into international markets.

Operating Expenses

Sales and marketing expense for the year ended December 31, 2013 was approximately $3.1 million (or 7% of revenues), as compared to approximately $2.7 million (or 5% of revenues) in the same period in 2012. The increase predominantly reflects higher direct and indirect marketing costs and commission payments associated with our commercial business which requires additional resources to reach decision makers and close deals. The increase in sales and marketing spend was conducted in accordance with our overall strategy to reinvest in our commercial sales infrastructure, thereby expanding our growth opportunities, both domestically and abroad.

General and administrative expenses for the year ended December 31, 2013 were approximately $9.9 million (or 21% of revenues), as compared to approximately $9.8 million (or 18% of revenues) in the same period in 2012. The increase reflects both increased salary and fringe costs associated with expanded overhead support positions and carrying cost of staff retained to service the delayed DHS BPA contract award (approximately $400,000), higher outside accounting and legal fees related to contract negotiations (approximately $168,000), higher commercial insurance rates and prior year premium adjustments (approximately $50,000), partially offset by a net increase in recognized non-cash gain on change in fair value of a contingent obligation (approximately $350,000) and a reduction

in lease costs realized upon renewal of certain operating leases (approximately $159,000).

Depreciation expense for the year ended December 31, 2013 was approximately $288,300, as compared to approximately $281,300 in the same period in 2012. The increase in depreciation expense was due to increased pool of depreciable assets to support our technology solutions infrastructure. We anticipate additional infrastructure investments in computer equipment and other hardware to respond to anticipated capacity requirements as we growth our revenue base.

Other Income (Expense)

Interest income for the year ended December 31, 2013 was approximately $7,400, as compared to approximately $4,900, in the same period in 2012. This increase was due to slightly higher amounts of invested cash and cash equivalents being held in interest bearing accounts and the length of time these increased deposits were earning interest compared the same period last year.

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Interest expense for the year ended December 31, 2013 was approximately $175,300 (or 1% of revenues), an increase of approximately $118,900 as compared to approximately $294,200 (or 1% of revenues) of interest expense in the same period in 2012. The decrease in interest expense was largely driven by changes in the fair value of a contingent obligation that occurred during 2013. This reduction lowered the interest bearing base upon which accrued interest had been previously determined as compared to the same period in 2012. There were no significant changes in the terms of interest bearing debt during the year ended December 31, 2013.

Other income for the year ended December 31, 2013 was approximately $11,300 as compared to $3,200 for the same period in 2012. Other income (expense) for both periods did not include any significant items.

Provision for Income Taxes

Income tax expense for the year ended December 31, 2013 was approximately $362,800, as compared to an income tax benefit of approximately $99,700 in the same period in 2012. While reviewing the Company's net operating loss schedules for the year ended December 31, 2013, the Company adjusted its deferred tax asset associated with share based compensation in accordance with the with-and-without-approach which resulted in a net tax expense.

Net Income

As a result of the factors above, the net loss for the year ended December 31, 2013 was approximately $1.7 million as compared to net income of approximately $0.8 million in the same period in 2012.

Liquidity and Capital

Net Working Capital

The Company has, since inception, financed its operations and capital expenditures through the sale of stock, seller notes in connection with acquisitions, convertible notes, convertible exchangeable debentures, senior secured loans and the proceeds from the exercise of the warrants related to a convertible exchangeable debenture. The Company's immediate sources of liquidity include cash and cash equivalents, accounts receivable, unbilled receivables and access to a working capital credit facility with Cardinal Bank for up to $8.0 million.

At December 31, 2014, the Company's net working capital was approximately $12.5 million as compared to negative net working capital at December 31, 2013. The negative net working capital was primarily due to net losses incurred while continuing to fund sales and development investments and maintaining critical staffing infrastructure to support the DHS award under protest. To provide for expected capital requirements to support the DHS contract and enable investments in sales and marketing, product and infrastructure development, we utilized our line of credit and completed two public follow on offerings of our common stock to raise additional capital, which resulted in aggregate net proceeds of approximately $22.0 million, after deducting underwriter commissions and offering expenses. During the 2014, the Company used approximately $5.0 million to acquire Soft-ex Communications Ltd and the remainder of the proceeds have been retained to repay debt, fund operations, and pay for strategic investments in new service offerings.

Cash Flows from Operating Activities

Cash provided by operating activities provides an indication of our ability to generate sufficient cash flow from our recurring business activities. Fixed costs such as labor, direct materials, network and data charges, software and subscription costs and office rent represent a significant portion of the Company's continuing operating costs. Any changes in the Company's fixed operating cost structure may require a significant amount of time to take effect depending on the nature of the change made.

For the year ended December 31, 2014, net cash used in operations was approximately $2.6 million driven by current year operating losses due to slower than anticipated implementation of our DHS BPA award and planned strategic investments in our new service offerings including Cert-on-Device.

For the year ended December 31, 2013, net cash used in operations was approximately $1.2 million driven by receivable billing and collection timing differences on large resale transactions, our decision to invest approximately $0.5 million in property and equipment infrastructure investments and product development, our decision to hire of a Chief Sales and Marketing Officer and additional marketing and lead generation sales professionals with combined salary costs of approximately $0.5 million.

For the year ended December 31, 2012, net cash provided by operations was approximately $1.0 million driven by normal collection and vendor payment timing differences.

Cash Flows from Investing Activities

Cash used in investing activities provides an indication of our long term infrastructure investments. We make recurring purchases of property and equipment to replace or enhance our hardware and software applications that support customer operations.

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For the year ended December 31, 2014, cash used in investing activities was approximately $4.4 million reflecting our purchase of all of the equity interests of SCL for approximately $6.0 million, consisting of $5.0 million in cash at closing excluding cash acquired, capital expenditures of approximately $0.3 million and capitalization of approximately $0.1 million in software development related to our PKI credentialing tools and applications.

For the year ended December 31, 2013, cash used in investing activities was approximately $0.5 million due to continuing property and equipment expenditures aimed at enhancing our internal infrastructure to support growth.

For the year ended December 31, 2012, cash used in investing activities was approximately $0.4 million due to planned partial customer facing technology infrastructure refresh of approximately $0.3 million and capitalization of approximately $0.1 million in software development related to our PKI credentialing tools and applications.

Cash Flows from Financing Activities

Cash provided by (used in) financing activities provides an indication of our debt financing and proceeds from capital raise transactions and stock option exercises.

For the year ended December 31, 2014, cash provided by financing activities was approximately $20.4 million primary reflecting net proceeds of approximately $22.0 million received from two public offerings of our common stock, partially offset by a net line of credit repayment of approximately $0.9 million and term debt repayments of approximately $1.2 million. We realized net proceeds of approximately $0.5 million from the exercise of stock options.

For the year ended December 31, 2013, cash used in financing activities was approximately $0.2 million reflecting term debt repayments of approximately $1.2 million partially offset by a net line of credit advances of approximately $0.9 million. We realized net proceeds of approximately $46,200 from the exercise of stock options.

For the year ended December 31, 2012, cash used in financing activities was approximately $0.8 million reflecting term debt repayments of approximately $0.8 million. We repaid all line advances of $3.0 million during fiscal 2012. We realized net proceeds of approximately $51,200 from the exercise of stock options.

At December 31, 2014, there were no outstanding borrowings against the Company's working capital credit facility. At December 31, 2014, there were no material commitments for additional capital expenditures, but that could change with the addition of material contract awards or task orders awarded in the future.

Future Capital Requirements

We believe our working capital credit facility, along with the proceeds from our recent public offering of common stock, should be sufficient to meet our minimum requirements for our current business operations and implementation of new business during fiscal 2015.

Our business environment is characterized by rapid technological change with periods of high growth and contraction, and is influenced by material events such as mergers and acquisitions that can substantially change our performance and outlook. Constant growth and technological change in our market makes it difficult to predict future liquidity requirements with certainty. We believe future capital requirements will depend on many factors, including the rate of revenue growth, if any, the timing and extent of spending for new product and service development, strategic acquisition funding and availability of suitable acquisition targets, technological changes in our proprietary software solutions and market acceptance of the Company's branded products and service solutions.

Over the long term, the Company must successfully execute its growth plans to increase profitable revenue and income streams that should generate positive cash flows to sustain adequate liquidity without impairing growth initiatives or requiring the infusion of additional funds from external sources to meet minimum operating requirements, including debt service. There can be no assurance that additional financing, if required, will be available on acceptable terms, if at all, for future acquisitions and/or growth initiatives.

Contractual Obligations

The table below identifies transactions that represent our contractually committed future obligations. Purchase obligations include our agreements to purchase goods and services that are enforceable and legally binding and that specify significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The following reflects a summary of the Company's contractual obligations for fiscal years ending December 31:

Obligation Type	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt and interest payments on long-term debt	$2,317,136	$949,356	$46,614	$46,416	$46,398	$383,416	$3,789,336
Operating lease obligations	1,015,400	883,200	806,000	778,000	442,000	1,234,000	5,158,600
Capital lease obligations	79,320	35,334	4,185	-	-	-	118,839
	$3,411,856	$1,867,890	$856,799	$824,416	$488,398	$1,617,416	$9,066,775

(1) Weighted average interest rate of all outstanding long term debt at December 31, 2014 was approximately 4.0%.

Off-Balance Sheet Arrangements

The Company has no existing off-balance sheet arrangements as defined under SEC regulations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the normal course of its business primarily due to its international customer base and operations. The primary exposure relates to the exchange rate fluctuations between the Company's U.S. dollar functional reporting currency and the Euro dollar. This exposure includes trade receivables denominated in currencies other than the Company's functional currency.

If the values of the Euro dollar relative to the U.S. dollar had been ten (10) percent lower than the values that prevailed during 2014, the Company's pretax income for 2014 would have been approximately $54,000 lower. Conversely, if such values had been ten (10) percent higher, the Company's reported pretax income for 2014 would have been approximately $54,000 higher.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The consolidated financial statements and schedules required hereunder and contained herein are listed under Item 15 below.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that material information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We performed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the existence of the material weaknesses discussed below in *“Management's Report on Internal Control Over Financial Reporting,”* our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of the end of the period covered by this report.

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We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

§ pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

§ provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and

§ provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. On May 1, 2014, the Company

acquired Soft-ex Communications Limited whose financial statements constitute 7% of the Company’s consolidated total assets and 8% of consolidated net revenues as of and for the year ended December 31, 2014. Accordingly, management’s assessment of internal control over financial reporting did not include Soft-ex Communications Limited. Based on management’s assessment and those criteria, we conclude that, as of December 31, 2014, our internal control over financial reporting was not effective due to the existence of the material weaknesses as of December 31, 2014, discussed below. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified material weaknesses in controls related to inadequate controls over revenue recognition and inadequate entity level controls, including inadequate policies and procedures and inadequate segregation of duties within an account or process.

The material weaknesses described above comprise control deficiencies that we discovered during our assessment of ICOFR and were not remediated during the financial close process for the December 31, 2014 fiscal period. Management is developing a plan to respond to identified material weaknesses described above and such plan may include investing in accounting workflow technologies that can minimize manual reporting processes, capture and store relevant documentation to support operating effectiveness and strengthen internal controls over financial reporting.

Moss Adams LLP, our independent registered public accounting firm, has audited the consolidated financial statements as of and for the year ended December 31, 2014, and the effectiveness of our internal control over financial reporting as of December 31, 2014, as stated in their reports, which are included herein.

Remediation Plan for Material Weaknesses

The material weaknesses described above comprise control deficiencies that we discovered during our assessment of ICOFR and were not remediated during the financial close process for the December 31, 2014 fiscal period. Management is developing a plan to respond to identified material weaknesses described above and such plan may include investing in accounting workflow technologies that can minimize manual reporting processes, capture and store relevant documentation to support operating effectiveness and strengthen internal controls over financial reporting.

We believe that these measures, if effectively implemented and maintained, will remediate the remaining material weaknesses discussed above.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting during the fourth quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

WidePoint Corporation

We have audited WidePoint Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in Management's Report on Internal Control Over Financial Reporting, on May 1, 2014, the Company acquired Soft-ex Communications Limited. For the purposes of assessing internal control over financial reporting, management excluded Soft-ex Communications Limited, whose financial statements constitute 7% of the Company's consolidated total assets and 8% of consolidated net revenues as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting of Soft-ex Communications Limited. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in controls related to inadequate controls over revenue recognition and inadequate entity level controls. These material weaknesses were considered in determining the nature, timing, and extend of audit tests applied in our audit of the 2014 financial statements, and this report does not affect our report dated March 16, 2015, on those financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, WidePoint Corporation and subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of WidePoint Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014, and our report dated March 16, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ Moss Adams LLP

Scottsdale, Arizona

March 16, 2015

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth information regarding the directors, executive officers and certain significant employees of the Company as of December 31, 2014:

Name	**Age**	**Position**
Steve L. Komar	73	Chief Executive Officer, Director, and Chairman of the Board
James McCubbin	50	Executive Vice President, Chief Financial Officer, Secretary, Treasurer and Director
Jin Kang	50	Executive Vice President, Chief Operations Officer, Chief Executive Officer and President of iSYS LLC
Otto Guenther	73	Director
George Norwood	72	Director
James Ritter	70	Director, Chairman of the Compensation and Nominating Committees
Morton Taubman	71	Director, Chairman of the Audit Committee

Steve L. Komar has served as a director since December 1997 and became Chairman of the Board in October 2001. Mr. Komar has also served as Chief Executive Officer since December 2001. From June 2000 until December 2001, Mr. Komar served as a founding partner of C-III Holdings, a development stage financial services company. From 1991 to June 2000, Mr. Komar served as Group Executive Vice President of Fiserv, Inc., a company that provides advanced data processing services and related products to the financial industry. From 1980 to 1991, Mr. Komar served in a number of financial management positions with CitiGroup, including the role of Chief Financial Officer of Diners Club International and Citicorp Information Resources, respectively. Mr. Komar is a graduate of the City University of New York with a Bachelor of Science Degree in Accounting and holds a Master's Degree in Finance from Pace University.

Mr. Komar serves on the Board of Directors for a term expiring at the 2017 Annual Meeting of Shareholders. Mr. Komar brings extensive financial and operational management experience to the Board as a result of his past operational experience at several large firms where he held senior executive positions in areas including financial and operational management and mergers & acquisitions. The financial and managerial skills he developed over a career that has spanned more than 45 years, as well as Mr. Komar's experience as our Chairman of the Board and Chief Executive Officer, his knowledge of our Company as a result thereof, and his prior performance serving as a Board member of the Company, led the Board to conclude that he should continue to serve as a director of the Company.

James T. McCubbin has served as a director and as our Secretary since November 1998. Since August 1998, Mr. McCubbin has also served as our Executive Vice President and Chief Financial Officer. Prior to that time, from December 1997 to August 1998, Mr. McCubbin served as Vice President, Controller, Assistant Secretary and Treasurer. Prior to the commencement of his employment with WidePoint in November 1997, Mr. McCubbin held various financial management positions with several companies in the financial and government sectors. Mr. McCubbin is a graduate of the University of Maryland with a Bachelor of Science Degree in Finance and a Master's Degree in International Management. Mr. McCubbin brings extensive financial and corporate compliance expertise as well as internal knowledge of the Company as a result of his having over 13 years of experience with the Company. Mr. McCubbin also has significant experience serving in financial managerial roles within a variety of organizations and membership on several boards of directors over the past 25 years.

Mr. McCubbin also presently serves on the Board of Directors of ProPhase Labs, Inc. and serves on their Audit Committee. Mr. McCubbin was also on the Board of Directors of Redmile Entertainment until his resignation on March 1, 2008 and on the Board of Directors of Tianjin Pharmaceutical Company and was its Chairman of its Audit Committee, Nominating Committee, and Compensation Committee until his resignation on June 4, 2012. Mr. McCubbin subsequent to his resignation on the Board of Directors of Tianjin Pharmaceutical Company continued to serve as a consultant with the Company. Mr. McCubbin at times consultants on financial and other compliance matters. These experiences and his prior performance as a Board member led the Board to conclude that he should continue to serve as a director of the Company.

Jin Kang has serves as Executive Vice President and Chief Operations Officer of WidePoint since June 30, 2012. Mr. Kang was appointed Chief Operations Officer on June 30, 2012. Mr. Kang has also served as the Chief Executive Officer and President of iSYS, a wholly-owned subsidiary of the Company, since our acquisition of iSYS on January 4, 2008. Mr. Kang founded the company in 1999 and has managed iSYS since its inception. Mr. Kang has over 26 years of professional experience in the Federal Government Information Technology Services field. Prior to founding iSYS, Mr. Kang was a Division Manager for Science Applications International Corporation (SAIC). His responsibilities included the Combined DNA Index System (CODIS), a marquee program for the FBI Laboratory Division. As the Engineering Manager for Northrop Grumman Corporation, Mr. Kang played a critical role in the successful management of the Defense Medical Information Systems/Systems Integration, Design Development, Operations and Maintenance Services (D/SIDDOMS) contract from its inception with zero revenues to a program of $190 million in sales. Mr. Kang received a Bachelor and Masters Degrees in Computer Science and Computer Systems Management from the University of Maryland.

Lieutenant General (Ret.) Otto J. Guenther has served as a director since his appointment on August 15, 2007. General Guenther serves as a member of the Corporate Governance and Nominating Committee. He joined the Board after a distinguished 34-year military career, including serving as the Army's first chief information officer, followed by nearly a decade of exceptional leadership within the federal information technology industry. His key assignments included the following: commanding general for Fort Monmouth, NJ, and the Communications Electronics Command; program executive officer for the Army's tactical communications equipment; project manager for the Tactical Automated Data Distribution System; and commander for the Defense Federal Acquisition Regulatory Council. General Guenther recently retired from Northrop Grumman Mission Systems, where he served as the Sector Vice President and General Manager of Tactical Systems Division. While there, he oversaw battlefield digitization, command and control, and system engineering activities for the U.S. Army. Under his leadership, the division grew to approximately 1,650 employees across several locations and completed over $700 million in acquisitions. Previously General Guenther was general manager of Computer Associates International's Federal Systems Group, a $300 million operation providing IT products and services to the federal market area. General Guenther was awarded several honors by the U.S. Army, including the Distinguished Service Medal, Legion of Merit (Oak Leaf Cluster), Defense Superior Service Medal (Oak Leaf Cluster), Joint Service Medal, and Army Commendation Medal. Recognized for his work within the industry, he also received several Armed Forces Communications and Electronics Association awards and was inducted into the Government Computer News Hall of Fame. General Guenther received a Bachelor of Science Degree in Economics from Western Maryland College, now called McDaniel College, and a Master's Degree in Procurement and Contracting from the Florida Institute of Technology.

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General Guenther brings to the Board extensive knowledge of the federal marketplace as a result of a career that has spanned both military and informational technology industries. In addition, General Guenther's knowledge of federal infrastructure as well as experience in successful business development and board service is particularly valuable to the Company. This experience, as well as his independence from the Company and his prior performance as a Board member, led the Board to conclude that he should continue to serve as a director of the Company.

Major General (Ret.) George W. Norwood has served as a director since his appointment on August 15, 2007. General Norwood serves as a member of the Audit Committee and the Compensation Committee. General Norwood also currently serves on the boards of directors of Airborne Tactical Advantage Company and Scalable Network Technologies. He is also on the board of strategic advisors of AtHoc, Inc. General Norwood brings to the Board extensive knowledge of the federal marketplace as a result of a distinguished 30-year military career and more than 12-years in the commercial market with significant experience in both military and defense contracting.

General Norwood is currently President and Chief Executive Officer of Norwood & Associates, Inc. of Tampa, Fla., which maintains extensive international and U.S. networks of government, military and private sector contacts while providing technical and strategic planning expertise to corporations pursuing defense-related opportunities. General Norwood previously served as Deputy Chief of Staff for the United Nations Command and United States Forces in Korea from 1995 to 1997. He also served as the U.S. member of the United Nations Command's Military Armistice Commission responsible for crucial general officer level negotiations with North Korea.

General Norwood received a Bachelor of Science Degree in Mathematics from San Diego State University and a Master's Degree in Business Administration from Golden Gate University. He is also a graduate of the National War College and Defense Language Institute.

General Norwood's experience supporting the federal infrastructure as well as his experience in successful business development and board service is particularly valuable to the Company. This experience, as well as his independence from the Company and his prior performance as a Board member, led the Board to conclude that he should continue to serve as a director of the Company.

James M. Ritter has served as a director since December 1999 and served as Assistant Secretary of the Company from December 2002 until 2008. Mr. Ritter is the Chairman of the Corporate Governance and Nominating Committee and the Compensation Committee and is also a member of the Audit Committee. Mr. Ritter is the retired Corporate Headquarters Chief Information Officer of Lockheed Martin Corporation. Prior to his retirement in February 2001, Mr. Ritter was employed at Lockheed Martin Corporation for over 32 years in various positions involving high level IT strategic planning and implementation, e-commerce development, integrated financial systems, and large-scale distributed systems.

Mr. Ritter brings to the Board extensive knowledge of information systems and managerial experience as a result of a career managing and building complex information technology systems. This experience, as well as his independence from the Company, his prior performance as a Board member, and his service on other boards of directors, led the Board to conclude that he should continue to serve as a director of the Company.

Morton S. Taubman has served as a director since his appointment on March 10, 2006 to serve out the remaining term of G.W. Norman Wareham, who resigned his position on March 7, 2006. Mr. Taubman is also the Chairman of the Audit Committee and is a member of the Compensation Committee and the Corporate Governance and Nominating Committee. Mr. Taubman has experience as a certified public accountant and is currently an attorney with expertise in corporate law, government contracting and international relations. Prior to forming Leser Hunter Taubman & Taubman law firm, Mr. Taubman was the senior vice president and general counsel to DIGICON Corporation, an IT and telecommunications company. Before joining DIGICON, he was a senior partner at Ginsburg, Feldman and Bress, LLP, an established Washington, D.C. firm that provided expertise in tax, telecommunications, litigation, federal regulatory issues, capital reformation, government contracting and international issues. Before that, he was a founding partner at a number of law firms, was the partner-in-charge of the Washington D.C. office of Laventhol & Harworth, in charge of the Washington, D.C. tax department at Coopers & Lybrand and a special agent with the U.S. Treasury Department. Mr. Taubman has been an adjunct law professor for more than 15 years at Georgetown University and George Washington University. He presently also serves as special corporate counsel to Global Options Group, Inc. and Global Options, Inc., companies focusing on U.S. federal security services and as general counsel to Interior Systems, Inc. d/b/a ISI Professional Services, a United States federal contractor. He holds a Bachelor of Science Degree in Accounting from the University of Baltimore, a Juris Doctor Degree from the University of Baltimore Law School, and a Masters of Law Degree from Georgetown University.

Mr. Taubman brings to the Board financial expertise and is qualified as an audit committee financial expert. Mr. Taubman also brings to the Board a wealth of experience as a financial and legal professional serving as a partner at both major auditing and legal firms. This experience, as well as his independence from the Company and his prior performance as a Board member, led the Board to conclude that he should serve as a director of the Company.

Our executive officers serve at the discretion of the board of directors.

There are no family relationships among any of our executive officers or directors.

CORPORATE GOVERNANCE

Code of Ethics

The Company's Board of Directors has a code of ethics and business conduct for the chief executive and principal financial and accounting officers. The Company has posted a copy of the code on its website located at www.widepoint.com. We intend to post notice of any waiver from, or amendment to, any provision of our code of ethics and business conduct on our website.

Board Meetings – Committees of the Board

The Board of Directors held four (4) meetings during 2014. During this period, all of the directors attended or participated in more than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all Committees of the Board of Directors on which each such director served.

The Board currently has the following Committees: Audit; Corporate Governance and Nominating; and Compensation. Each Committee consists entirely of independent, non-employee directors in accordance with the listing standards of the NYSE MKT. Membership and principal responsibilities of the Board's Committees are described below. Each Committee of the Board has adopted a charter and each such charter is available free of charge on our website, www.widepoint.com, or by writing to WidePoint Corporation, 7926 Jones Branch Drive, Suite 520, McLean, Virginia 22102, c/o Corporate Secretary.

Audit Committee

The members of the Audit Committee are:

- § Morton S. Taubman (Chair)
- § James M. Ritter

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§ George W. Norwood
§ Otto J. Guenther

The Audit Committee met four (4) times in 2014. The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934. The primary functions of the Audit Committee are to: appoint (subject to stockholder approval), and be directly responsible for the compensation, retention and oversight of, the firm that will serve as the Company's independent accountants to audit our financial statements and to perform services related to the audit (including the resolution of disagreements between management and the independent accountants regarding financial reporting); review the scope and results of the audit with the independent accountants; review with management and the independent accountants, prior to the filing thereof, the annual and interim financial results (including Management's Discussion and Analysis) to be included in our Forms 10-K and 10-Q, respectively; consider the adequacy and effectiveness of our internal accounting controls and auditing procedures; review, approve and thereby establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; review and approve related person transactions in accordance with the policies and procedures of the Company; and consider the accountants' independence and establish policies and procedures for pre-approval of all audit and non-audit services provided to WidePoint by the independent accountants who audit its financial statements. At each meeting, Audit Committee members may meet privately with representatives of Moss Adams LLP, our independent accountants, and with the Company's Executive Vice President and Chief Financial Officer.

The Board has determined that Messrs. Taubman, Ritter and Norwood each meet the definition of "independent directors" for purposes of serving on an audit committee under applicable rules of the Securities and Exchange Commission and the listing standards of the NYSE MKT. In addition, the Board has determined that Mr. Taubman satisfies the "financially sophisticated" requirements set forth in the NYSE MKT Company Guide, and has designated Mr. Taubman as the "audit committee financial expert," as such term is defined in the rules and regulations of the SEC.

Corporate Governance and Nominating Committee

The members of the Corporate Governance and Nominating Committee are:

§ James M. Ritter (Chair)
§ Morton S. Taubman
§ Otto J. Guenther
§ George W. Norwood

The Corporate Governance and Nominating Committee met one (1) time in 2014. The primary functions of this Committee are to: identify individuals qualified to become Board members and recommend to the Board the nominees

for election to the Board at the next Annual Meeting of Stockholders; review annually and recommend changes to the Company's Corporate Governance Guidelines; lead the Board in its annual review of the performance of the Board and its committees; review policies and make recommendations to the Board concerning the size and composition of the Board, the qualifications and criteria for election to the Board, retirement from the Board, compensation and benefits of non-employee directors, the conduct of business between WidePoint and any person or entity affiliated with a director, and the structure and composition of the Board's Committees; review the Company's policies and programs relating to compliance with its Code of Business Conduct and such other matters as may be brought to the attention of the Committee regarding WidePoint's role as a responsible corporate citizen.

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Compensation Committee

The members of the Compensation Committee are:

- § James M. Ritter (Chair)
- § Morton S. Taubman
- § George W. Norwood
- § Otto J. Guenther

The Compensation Committee met two (2) times in 2014. The primary functions of the Compensation Committee are to: evaluate and approve executive compensation plans, policies and programs, including review of relevant corporate and individual goals and objectives, as submitted by the Chief Executive Officer; evaluate the Chief Executive Officer's performance relative to established goals and objectives and, together with the other independent directors, determine and approve the Chief Executive Officer's compensation level based on this evaluation; review and approve the annual salary and other remuneration of all other officers; review the management development program, including executive succession plans; review with management, prior to the filing thereof, the executive compensation disclosure included in this proxy statement; recommend individuals for election as officers; and review or take such other action as may be required in connection with the bonus, stock and other benefit plans of WidePoint and its subsidiaries.

Director Compensation

Directors who are not also officers or employees receive an annual fee of $12,000; however, for a six month period in fiscal 2014, each director voluntarily agreed to a 10% reduction in director fees beginning on June 1, 2014 and ending on December 31, 2014. The following table sets forth director compensation for the year ended December 31, 2014:

Director Name	Fees Earned or Paid ($)	Option Awards ($)	All Other Compensation ($)	Total
James Ritter	$ 11,400	$ -	$ -	$11,400
Morton Taubman	11,400	-	-	11,400
George Norwood	11,400	-	-	11,400
Otto Guenther	11,400	-	-	11,400

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission. Statements of Changes in Beneficial Ownership of Securities on Form 4 are generally required to be filed before the end of the second business day following the day on which the change in beneficial ownership occurred. Based on the Company's review of Forms 3 and 4 filed during 2014, all such Forms 3 and Forms 4 were filed on a timely basis.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis describes the material elements of compensation awarded to, earned by, or paid to each of our named executive officers, whom we refer to as our "NEOs," during 2014 and describes our policies and decisions made with respect to the information contained in the following tables, related footnotes and narrative for 2014. The NEOs are identified below in the table titled "Summary Compensation Table." In this compensation discussion and analysis, we also describe various actions regarding NEO compensation take before or after 2014 when we believe it enhances the understanding of our executive compensation program.

Overview of Our Executive Compensation Philosophy and Design

We believe that a skilled, experienced and dedicated executive and senior management team is essential to the future performance of our Company and to building stockholder value. We have sought to establish competitive compensation programs that enable us to attract and retain executive officers with these qualities. The other objectives of our compensation programs for our executive officers are the following:

§ to motivate our executive officers to achieve strong financial performance;

§ to attract and retain executive officers who we believe have the experience, temperament, talents and convictions to contribute significantly to our future success; and

§ to align the economic interests of our executive officers with the interests of our stockholders.

Setting Executive Compensation

Our compensation committee has primary responsibility for, among other things, determining our compensation philosophy, evaluating the performance of our NEOs, setting the compensation and other benefits of our NEOs, overseeing the Company's response to the outcome of the advisory votes of stockholders on executive compensation, assessing the relative enterprise risk of our compensation program and administering our equity compensation plans. The Company's compensation planning is done annually for cash based performance goals and in multi-year periods for equity based performance goal setting.

It is our Chief Executive Officer's responsibility to provide recommendations to the Compensation Committee for most compensation matters related to executive compensation. The recommendations are based on a general analysis of market standards and trends and an evaluation of the contribution of each executive officer to the Company's performance. Our Compensation Committee considers, but retains the right to accept, reject or modify such recommendations and has the right to obtain independent compensation advice. Neither the Chief Executive Officer nor any other members of management is present during executive sessions of the Compensation Committee. The Chief Executive Officer is not present when decisions with respect to his compensation are made. Our Board of Directors appoints the members of our compensation committee and delegates to the compensation committee the direct responsibility for overseeing the design and administration of our executive compensation program.

We have not historically utilized a compensation consultant to set the compensation of our NEOs.

Elements of Executive Compensation

We believe the most effective compensation package for our NEOs is one designed to reward achievement of individual and corporate objectives, provide for short-term, medium-term and long-term financial and strategic goals and align the interest of management with those of the stockholders by providing incentives for improving stockholder value. Compensation for our NEOs consists of base salary and an annual bonus opportunity, along with multi-year accelerated vesting goals associated with either stock option awards and or stock grant awards. Our annual bonus opportunity is intended to incentivize the achievement of goals that drive annual and multi-year performance, while our accelerated stock option and or stock grant vesting goals are intended to incentivize the achievement of goals that drive multi-year performance.

Base Salary. We pay our NEOs a base salary to compensate them for services rendered and to provide them with a steady source of income for living expenses throughout the year. The fiscal 2015 base salaries for our NEOs, as well as the percentage increase from the fiscal 2014 base salaries, are as follows:

Name	Fiscal 2015 Base Salary	Percentage Increase Over Fiscal 2014 Base Salary	
Steve Komar	$ 260,000	4	%(1)
James McCubbin	$ 260,000	4	%(1)
Jin Kang	$ 250,000	4	%(1)

(1) NEOs original base salary for fiscal 2014 included a voluntarily agreed to 10% reduction in base salary for five months. This voluntary reduction ended on December 31, 2014.

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Annual Cash Based Bonus Opportunity. The amount of the annual discretionary cash based bonus award is based on individual performance assessments along with the financial performance of the Company. Our performance-based cash incentive compensation in recent years has included targets for achieving various levels of revenue, operating income, and other financial goals and metrics, along with individual performance assessments that has included goals in personal professional improvement, team building, and other individual personal growth goals. The annual cash based bonus opportunity is for up to 50% of a NEOs base salary. In 2014, none of our NEOs earned a bonus because due to our net operating losses.

We believe these cash based award opportunities reinforce the alignment of interests of our executive officers with those of our stockholders in the shorter term as the positive financial performance that drives the cash based bonus awards also indirectly influences the performance of the Company's common stock. We believe the personal professional improvement goals enhance the value of the NEO to expand their expertise and expand the effectiveness of the Company's staff allowing for greater organization efficiencies while improving Company performance, which drives short-term, medium-term, and long-term organizational improvement and ultimately value for the stockholders in the form of better financial and common stock performance.

Restricted Stock Equity Awards. Mr. Komar and Mr. McCubbin were each awarded 250,000 shares of restricted common stock in 2010 that vest 100% upon the earlier of (i) the seventh anniversary from the date of grant or (ii) upon an acceleration event that is determined by the Compensation Committee.

Stock Option Equity Awards. Mr. Kang was awarded 170,000 stock options in 2013 that vest one third per year over a term of three years in order to reward Mr. Kang for improved performance in the Company's common stock price.

Acceleration of Equity Awards. The acceleration of the common shares and or stock options are tied generally to performance measures such as earnings before interest, taxes, amortization and depreciation and other triggers predominately tied to performance goals of the Company. In keeping with our philosophy for incentivizing the performance of our named executive officers over a medium to longer term horizon the Company has used equity grants and awards linked to accelerated vesting goals to reinforce the alignment of interest of our named executive officers with those of our stockholders, as the value of the awards granted thereunder is linked to the value of our Common Stock, which, in turn, is indirectly attributable to the performance of our executive officers.

Retirement and Other Benefits. We are strongly committed to encouraging all employees to save for retirement. To provide employees with the opportunity to save for retirement on a tax-deferred basis, we sponsor a defined contribution 401(k) savings plan. We also provide health, dental, vision and short term disability insurance to our NEOs on the same basis offered to all of our employees.

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Summary Compensation Table

The following table summarizes the compensation paid by us in each of the last three recently completed fiscal years for our NEOs:

Name and Principal Position	Year	Base Salary (1)		Discretionary Bonus	Equity Awards (2)		Other Compensation (3)	Total Compensation
Steve Komar	2014	$ 249,167	(4)	$ -	$ -		$ 7,200	$ 256,367
Chief Executive Officer, Director, and	2013	$ 255,000		$ -	$ -		$ 7,200	$ 262,200
Chairman of the Board	2012	$ 230,000		$ -	$ -		$ 7,200	$ 237,200
James McCubbin	2014	$ 249,167	(4)	$ -	$ -		$ 7,200	$ 256,367
Executive Vice President, Chief Financial	2013	$ 255,000		$ -	$ -		$ 7,200	$ 262,200
Officer, Secretary, Treasurer and Director	2012	$ 230,000		$ -	$ -		$ 7,200	$ 237,200
Jin Kang	2014	$ 239,583	(4)	$ -	$ -		$ -	$ 239,583
Executive Vice President & Chief	2013	$ 250,000		$ -	$ 96,900	(5)	$ -	$ 346,900
Operations Officer	2012	$ 250,000		$ 20,000	$ -		$ -	$ 270,000

(1) Amount represents base salary as set forth in an executive employment agreement.

(2) Amount represents the grant date fair value calculated pursuant to ASC Topic 718. Additional information about the assumptions used when valuing equity awards is set forth in the notes the consolidated financial statements included herein.

(3) Monthly combined home office and phone allowance of $600 were paid to Mr. Komar and Mr. McCubbin during fiscal 2014, 2013 and 2012.

(4) For a five month period in fiscal year 2014, Mr. Komar, Mr. McCubbin and Mr. Kang each voluntarily agreed to a 10% reduction in base salary.

(5) During fiscal 2013 Mr. Kang was granted an equity award of 170,000 options on March 21, 2013 with an estimated fair value of approximately $96,900.

Grant of Plan Based Awards

None of our NEOs received equity awards in fiscal 2014.

Outstanding Equity Awards at December 31, 2014

The following table sets forth information on outstanding equity awards held by NEOs at December 31, 2014:

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Unearned Shares or other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Rights that have not Vested ($)
Steve L. Komar, Chief Executive Officer, Director, and Chairman of the Board	-	-	-	-	250,000(1)	$ 345,000
James T. McCubbin, Executive Vice President, Chief Financial Officer, Secretary, Treasurer and Director	-	-	-	-	250,000(1)	$ 345,000
Jin Kang, Executive Vice President and Chief Operations Officer	56,666	113,334	$ 0.57	3/20/2018 (2)	-	-

(1) Equity incentive plan awards unearned represent restricted stock awards which vest on the seventh anniversary of the date of grant or earlier upon a determination by the compensation committee that such shares have been earned.

(2) Options vest one-third per year over a term of three years.

Option Exercises and Stock Vested for Fiscal 2014

None of our NEOs exercised options or had stock vest during the year ended December 31, 2014.

Employment Agreements and Compensation Arrangements;

Termination and Change in Control Provisions

The following describes the terms of employment agreements between the Company and the named executive officers included in the above Summary Compensation Table and sets forth information regarding potential payments upon termination of employment or a change in control of the Company.

Mr. Komar. On February 18, 2014, we entered into an amendment of an employment agreement with Steve Komar, our Chief Executive Officer and President, dated as of August 13, 2010 and effective as of July 1, 2010. The employment agreement has an initial term expiring on March 31, 2016. The Company had the option to terminate Mr. Komar's employment agreement as of March 31, 2015 by giving written notice on or before January 31, 2015; however, the Compensation Committee affirmatively decided not to exercise such option. The agreement provides for (1) a base salary of $260,000, (2) a home office/automobile expense allowance of $600 per month to cover such expenses incurred in the pursuit of our business; (3) a phone allowance of $100 per month to cover such expenses incurred in the pursuit of our business; (4) reimbursement for additional actual business expenses consistent with our existing policies that have been incurred for our benefit; (5) paid medical and other benefits consistent with our existing policies with respect to our key executives, as such policies may be amended from time to time in the future; and (6) performance incentive bonuses as may be granted annually at the discretion of the Compensation Committee of the Board. For a five month period in calendar 2014, Mr. Komar voluntarily agreed to a 10% reduction in base salary.

The employment agreement contains a severance provision which provides that upon the termination of his employment without Cause (as described below) or his voluntary resignation for a Good Reason (as described below), Mr. Komar will receive severance compensation payable in a lump-sum of cash equal to the greater of (a) an amount equal to twelve (12) months of his base salary then in effect, or (b) an amount equal to Mr. Komar's base salary for the remainder of the term of the employment agreement as if the employment agreement had not been terminated; provided that if employment terminates by reason of death or disability, then Mr. McCubbin shall receive a one-time payment equal to the amount of Base Salary owed for the immediate twelve (12) months following the death or disability event, or an amount equal the remainder of the contractual term of the employment agreement whichever is less and all granted but unvested stock options shall be immediately vested and the period of exercise extended for an additional 2 years.

The employment agreement further provides that if within two years after a change in control of the Company there occurs any termination of Mr. Komar for any reason other than for Cause or a voluntary resignation without a Good Reason, then the Company will be required to pay to Mr. Komar a one-time severance payment equal to the greater of (a) an amount equal to twelve (12) months of his base salary then in effect, or (b) an amount equal to Mr. Komar's base salary for the remainder of the term of the employment agreement. If Mr. Komar's employment terminates for any reason other than for Cause or a voluntary retirement without Good Reason, Mr. Komar will be eligible to participate, at the Company's expense, in all executive medical and dental plans provided by the Company for the remainder of the term of the employment agreement. Mr. Komar will receive a payment equal to any excise, income and other taxes resulting from the imposition of parachute penalties of the Internal Revenue Code or applicable state tax law.

Termination of Mr. Komar's employment by the Company shall be deemed for "Cause" if, and only if, it is based upon (i) conviction of a felony by a federal or state court of competent jurisdiction; (ii) material disloyalty to the Company such as embezzlement or misappropriation of corporate assets; or (iii) engaging in unethical or illegal behavior which is of a public nature, brings the Company into disrepute, and results in material damage to the Company. A resignation by Mr. Komar shall not be deemed to be voluntary and shall be deemed to be a resignation with "Good Reason" if it is based upon (i) a diminution in Mr. Komar's title, duties, or salary; (ii) a material reduction in benefits; (iii) a direction by the Board of Directors that Mr. Komar report to any person or group other than the Board of Directors, or (iv) a geographic relocation of the Company's primary business operations outside of the Washington Metropolitan Area.

Mr. McCubbin. On February 18, 2014, we entered into an amendment of an employment agreement with James T. McCubbin, our Executive Vice President, Chief Financial Officer, Secretary and Treasurer, dated as of August 13, 2010 and effective as of July 1, 2010. The amendment to Mr. McCubbin's employment agreement has an initial term expiring on March 31, 2016. The Company had the option to terminate Mr. McCubbin's employment agreement as of March 31, 2015 by giving written notice on or before January 31, 2015; however, the Compensation Committee affirmatively decided not to exercise such option. The agreement provides for (1) a base salary of $260,000, (2) a home office/automobile expense allowance of $600 per month to cover such expenses incurred in the pursuit of our business; (3) a phone allowance of $100 per month to cover such expenses incurred in the pursuit of our business; (4) reimbursement for additional actual business expenses consistent with our existing policies that have been incurred for our benefit; (5) paid medical and other benefits consistent with our existing policies with respect to our key executives, as such policies may be amended from time to time in the future; and (6) performance incentive bonuses

as may be granted annually at the discretion of the Compensation Committee of the Board. For a five month period in calendar 2014, Mr. McCubbin voluntarily agreed to a 10% reduction in base salary.

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The employment agreement contains a severance provision which provides that upon the termination of his employment without Cause (as described below) or his voluntary resignation for a Good Reason (as described below), Mr. McCubbin will receive severance compensation payable in a lump-sum of cash equal to the greater of (a) an amount equal to twelve (12) months of his base salary then in effect, or (b) an amount equal to Mr. McCubbin's base salary for the remainder of the term of the employment agreement as if the employment agreement had not been terminated; provided that if employment terminates by reason of death or disability, then Mr. McCubbin shall receive a one-time payment equal to the amount of Base Salary owed for the immediate twelve (12) months following the death or disability event, or an amount equal the remainder of the contractual term of the employment agreement whichever is less and all granted but unvested stock options shall be immediately vested and the period of exercise extended for an additional 2 years.

The employment agreement further provides that if within two years after a change in control of the Company there occurs any termination of Mr. McCubbin for any reason other than for Cause or a voluntary resignation without a Good Reason, then the Company will be required to pay to Mr. McCubbin a one-time severance payment equal to the greater of (a) an amount equal to twelve (12) months of his base salary then in effect, or (b) an amount equal to Mr. McCubbin's base salary for the remainder of the term of the employment agreement. If Mr. McCubbin's employment terminates for any reason other than for Cause or a voluntary retirement without Good Reason, Mr. McCubbin will be eligible to participate, at the Company's expense, in all executive medical and dental plans provided by the Company for the remainder of the term of the employment agreement. Mr. McCubbin will receive a payment equal to any excise, income and other taxes resulting from the imposition of parachute penalties of the Internal Revenue Code or applicable state tax law.

Termination of Mr. McCubbin's employment by the Company shall be deemed for "Cause" if, and only if, it is based upon (i) conviction of a felony by a federal or state court of competent jurisdiction; (ii) material disloyalty to the Company such as embezzlement or misappropriation of corporate assets; or (iii) engaging in unethical or illegal behavior which is of a public nature, brings the Company into disrepute, and results in material damage to the Company. A resignation by Mr. McCubbin shall not be deemed to be voluntary and shall be deemed to be a resignation with "Good Reason" if it is based upon (i) a diminution in Mr. McCubbin's title, duties, or salary; (ii) a material reduction in benefits; (iii) a direction by the Board of Directors that Mr. McCubbin report to any person or group other than the Board of Directors, or (iv) a geographic relocation of the Company's primary business operations outside of the Washington Metropolitan Area.

Mr. Kang. On November 27, 2012, we entered into an employment agreement with Jin Kang, our Executive Vice President and Chief Executive Officer of iSYS LLC and Chief Operations Officer, effective as of June 30, 2012, which replaced Mr. Kang's prior employment agreement, dated January 4, 2008, which expired by its terms on June 30, 2012. The Company and Mr. Kang expect to negotiate a new employment agreement in the future. The Agreement provides for (1) a base salary of $250,000 per year, (2) reimbursement for business expenses consistent with our existing policies that have been incurred for our benefit, (3) paid medical and other benefits consistent with our existing policies with respect to our key executives, as such policies may be amended from time to time in the future, and (4) a performance bonus opportunity of up to $175,000 per year at the discretion of the Compensation Committee of the Board of Directors.

Mr. Kang's employment period will continue from the date of his agreement until he is terminated either by (a) Mr. Kang's death or permanent disability which renders Mr. Kang unable to perform his duties hereunder (as determined by the Company in its good faith judgment), (b) by Mr. Kang's resignation, commencing from and after the first anniversary date of this Agreement, or any additional Option period exercised by the Company, upon prior written notice to the Company of ninety (90) days before the annual anniversary date of this Agreement, or (c) the Company for Cause. Termination of Mr. Kang's employment shall be deemed for "Cause" upon: (i) the repeated failure or refusal of Mr. Kang to follow the lawful directives of the Company, or its designee (except due to sickness, injury or disabilities), after prior notice to Mr. Kang and a reasonable opportunity to cure by Mr. Kang for up to thirty (30) days, (ii) gross inattention to duty or any other willful, reckless or grossly negligent act (or omission to act) by Mr. Kang, which, in the good faith judgment of the Company, materially injures the Company, including the repeated failure to follow the policies and procedures of the Company, after prior written notice to Employee and a reasonable opportunity to cure by Mr. Kang of up to thirty (30) days, (iii) a material breach of this Agreement by Mr. Kang, after prior written notice to Mr. Kang and a reasonable opportunity to cure by Mr. Kang of up to thirty (30) days, (iv) the commission by Mr. Kang of a felony or other crime involving moral turpitude or the commission by Mr. Kang of an act of financial dishonesty against the Company or, (v) a proper business purpose of the Company, which shall be limited to the elimination of the position filled by Mr. Kang as a result of a material decrease in revenues and/or profits of the Company, but with other cost cutting measures and the termination of other employees being first considered and instituted as determined in the sole judgment of the Company prior to the termination of Mr. Kang; provided, however, that in the event the Company terminates Mr. Kang then (I) the scope of the non-compete shall be limited to the products and services offered by the Company as of the termination of Mr. Kang and (II) the Company shall pay to Mr. Kang a continuation of Gross Salary and benefits each month for the six (6) month period immediately following such termination.

Compensation Committee Interlocks and Insider Participation

During the last fiscal year, no member of the Compensation Committee had a relationship with us that required disclosure under Item 404 of Regulation S-K. During the past fiscal year, none of our executive officers served as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who served as members of our Board of Directors or our Compensation Committee. None of the members of our Compensation Committee is an officer or employee of our Company, nor have they ever been an officer or employee of our Company

Compensation Committee Report

Our Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" contained in this Form 10-K with management. Based on our Compensation Committee's review and discussions with management, our Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K.

James M. Ritter (Chair)

Morton S. Taubman

George W. Norwood

Otto J. Guenther

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners (Greater than 5% Holders)

The following table sets forth beneficial owners of more than 5% based on 81,721,763 outstanding shares of Common Stock as of March 9, 2015:

Names and Complete Mailing Address	Number of Shares of Common Stock	Percent of Common Stock Outstanding	
Nokomis Capital, L.L.C., and Brett Hendrickson 2305 Cedar Springs Rd., Suite 420 Dallas, Texas 75201	8,770,093	10.7	%(1)

(1) Based on information provided in a Schedule 13G filed on January 12, 2015, Nokomis Capital, L.L.C. is a Texas limited liability company and Mr. Brett Hendrickson is the principal of Nokomis Capital, L.L.C. The Schedule 13G relates to shares purchased by Nokomis Capital through the accounts of certain private funds and managed accounts (collectively, the "Nokomis Accounts"). Nokomis Capital serves as the investment adviser to the Nokomis Accounts and may direct the vote and dispose of the shares held by the Nokomis Accounts. As the principal of Nokomis Capital, Mr. Hendrickson may direct the vote and disposition of the shares held by the Nokomis Accounts. Pursuant to Rule 16a-1, both Nokomis Capital and Mr. Hendrickson disclaim such beneficial ownership. Stock ownership amounts based on Form 4 filing on February 4, 2015.

Security Ownership of Directors and Executive Officers

The following table sets forth the number of shares of our Common Stock beneficially owned as of March 9, 2015 with respect to the beneficial ownership of Common Stock by each director, and each executive officer named in the Summary Compensation Table herein. In general, "beneficial ownership" includes those shares a director or executive officer has the power to vote or transfer, except as otherwise noted, and shares underlying warrants and stock options that are exercisable currently or within 60 days. The calculation of the percentage of outstanding shares is based on 81,721,763 shares outstanding as of March 9, 2015.

	Number of	Percent of

Directors, Nominees and Executive Officers	Shares of Common Stock (1)	Common Stock Outstanding (1)	
Steve Komar (2)	2,112,803	2.6	%
Morton Taubman (3)	62,000		*
James McCubbin (4)	1,875,203	2.3	%
James Ritter (5)	90,500		*
Jin Kang (6)	2,937,010	3.6	%
Otto Guenther (7)	62,000		*
George Norwood (8)	62,000		*
All directors and officers as a group (7 persons) (9)	7,201,516	8.8	%

*Indicates ownership percentage is less than 1.0%.

(1) Assumes in the case of each shareholder listed above that all options held by such shareholder that are exercisable currently or within 60 days of March 9, 2015 were fully exercised by such shareholder, without the exercise of any warrants or options held by any other shareholders.

(2) Includes (i) 1,319,700 shares owned directly by Mr. Komar (excludes 250,000 shares of unvested restricted stock awards not vesting within 60 days), and (ii) 793,103 shares held by SLK Diversified L.P., a limited partnership controlled by Mr. Komar, as a result of which such shares are held by Mr. Komar indirectly.

(3) Includes 62,000 shares subject to exercisable options to purchase shares of Common Stock, consisting of (i) 12,000 shares that may be purchased at a price of $2.70 per share through March 10, 2016, pursuant to a director stock option granted on March 10, 2006 and (ii) 50,000 shares that may be purchased at a price of $0.54 per share through May 11, 2019, pursuant to a stock option granted on May 11, 2009.

(4) Includes 1,875,203 shares owned directly by Mr. McCubbin (excludes 250,000 shares of unvested restricted stock awards not vesting within 60 days).

(5) Includes (i) 65,500 shares owned directly by Mr. Ritter and (ii) 25,000 shares of Common Stock that may be purchased at a price of $0.54 per share through May 11, 2019, pursuant to a stock option granted on May 11, 2009.

(6) Includes (i) 2,880,344 shares owned directly by Mr. Kang, and (ii) includes 56,666 earned and exercisable options and excludes 113,334 unearned options to purchase shares from the Company at a price of $0.57 per share until March 20, 2018, pursuant to a stock option granted on March 20, 2013.

(7) Includes 62,000 shares subject to exercisable options to purchase shares Common Stock, consisting of (i) 12,000 shares that may be purchased at a price of $0.93 per share through August 15, 2017, pursuant to a director stock option granted on August 15, 2007 and (ii) 50,000 shares that may be purchased at a price of $0.54 per share through May 11, 2019, pursuant to a stock option granted on May 11, 2009.

(8) Includes 62,000 shares subject to exercisable options to purchase shares Common Stock, consisting of (i) 12,000 shares that may be purchased at a price of $0.93 per share through August 15, 2017, pursuant to a director stock option granted on August 15, 2007 and (ii) 50,000 shares that may be purchased at a price of $0.54 per share through May 11, 2019, pursuant to a stock option granted on May 11, 2009.

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(9) Includes the shares referred to as included in notes (2) through (8) above.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2014, with respect to the Company's compensation plans under which its Common Stock is authorized for issuance:

Directors, Nominees and Executive Officers	(a) Number of Securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of Securities remaining available for future issuance (excluding securities reflected in column (a)
Equity Compensation Plans:			
Approved by security holders	2,791,601	$ 0.83	2,318,145
Not approved by security holders	-	$ -	-
Total	2,791,601	$ 0.83	2,318,145

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

A related person transaction is a consummated or currently proposed transaction in which the Company has been, is or will be a participant and the amount involved exceeds $120,000, and in which a related person (i.e., any director or executive officer or nominee for director, or any member of the immediate family of such person) has or will have a direct or indirect material interest.

The Company was not a participant in any related person transactions in the past two fiscal years and no such transactions are currently proposed.

Under the Company's corporate governance principles (the "Corporate Governance Principles"), a majority of the Company's Board will consist of independent directors. An "independent" director is a director who meets the NYSE

MKT definition of independence and other applicable independence standards under SEC guidelines, as determined by the Board. The Company's Corporate Governance and Nominating Committee conduct an annual review of the independence of the members of the Board and its Committees and report its findings to the full Board of Directors. Based on the report and recommendation of the Corporate Governance Committee, the Board has determined that each of the Company's non-employee directors—Messrs. Taubman, Ritter, Guenther, and Norwood—satisfies the independence criteria (including the enhanced criteria with respect to members of the Audit Committee) set forth in the applicable NYSE MKT listing standards and SEC rules. Each Board Committee consists entirely of independent, non-employee directors.

Non-management members of the Board of Directors conduct at least two regularly-scheduled meetings per year without members of management being present. Mr. Ritter serves as the presiding director of such meetings. Following an executive session of non-employee directors, the presiding director may act as a liaison between the non-employee directors and the Chairman, provide the Chairman with input regarding agenda items for Board of Directors and Committee meetings, and coordinate with the Chairman regarding information to be provided to the non-employee directors in performing their duties.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth fees paid to our principal accountants for the years ended December 31:

Service Type	2014	2013
Audit and Quarterly Review Fees (1)	$174,864	$185,456
Audit-Related Fees (2)	38,415	-
Total	$213,279	$185,456

(1) Audit and quarterly review fees for the annual audit and review of financial statements included in the Company's quarterly filings, including reimbursable expenses.

(2) Audit-Related fees for other required regulatory filings including Form S-3 consents included in the Company's filings, including reimbursable expenses.

Audit Committee Policies and Procedures For Pre-Approval of Independent Auditor Services

The following describes the Audit Committee's policies and procedures regarding pre-approval of the engagement of the Company's independent auditor to perform audit as well as permissible non-audit services for the Company.

For audit services and audit-related fees, the independent auditor will provide the Committee with an engagement letter during the March-May quarter of each year outlining the scope of the audit services proposed to be performed in connection with the audit of the current fiscal year. If agreed to by the Committee, the engagement letter will be formally accepted by the Committee at an Audit Committee meeting held as soon as practicable following receipt of the engagement letter. The independent auditor will submit to the Committee for approval an audit services fee proposal after acceptance of the engagement letter.

For non-audit services and other fees, Company management may submit to the Committee for approval (during May through September of each fiscal year) the list of non-audit services that it recommends the Committee engage the independent auditor to provide for the fiscal year. The list of services must be detailed as to the particular service and may not call for broad categorical approvals. Company management and the independent auditor will each confirm to the Audit Committee that each non-audit service on the list is permissible under all applicable legal requirements. In

addition to the list of planned non-audit services, a budget estimating non-audit service spending for the fiscal year may be provided. The Committee will consider for approval both the list of permissible non-audit services and the budget for such services. The Committee will be informed routinely as to the non-audit services actually provided by the independent auditor pursuant to this pre-approval process.

To ensure prompt handling of unexpected matters, the Audit Committee delegates to its Chairman the authority to amend or modify the list of approved permissible non-audit services and fees. The Chairman will report any action taken pursuant to this delegation to the Committee at its next meeting.

All audit and non-audit services provided to the Company are required to be pre-approved by the Committee. The Chief Financial Officer of the Company will be responsible for tracking all independent auditor fees against the budget for such services and report at least annually to the Audit Committee.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

§ Financial Statements and Financial Statement Schedule

Financial Statements:

Management's Report on Internal Control over Financial Reporting

Report of Moss Adams LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flow for the Years Ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

All other schedules are omitted either because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto

§ Exhibits: The following exhibits are filed herewith or incorporated herein by reference:

2.1	Share Sale and Purchase Agreement, dated as of May 1, 2014, by and among WidePoint Global Solutions, Inc., Gutteridge Limited and the shareholders of Soft-Ex Holdings Limited. (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2014).
3.1	Amended and Restated Certificate of Incorporation of WidePoint Corporation. (Incorporated herein by reference to Exhibit A to the Registrant's Definitive Proxy Statement, as filed on December 27, 2004.)
3.2	Bylaws. (Incorporated herein by reference to Exhibit 3.6 to the Registrant's Registration Statement on Form S-4 (File No. 333-29833))
10.1	Employment and Non-Compete Agreement, dated as of November 27, 2012, between the Company, WidePoint Corporation and Jin Kang. * (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 27, 2012.)
10.2	Debt Modification Agreement, dated September 16, 2011, by and among the Registrant, and its subsidiaries and Cardinal Bank (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 5, 2011).

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10.3	$1,000,000 Subordinated Secured Promissory Note, dated as of December 31, 2011, between the Registrant and its subsidiaries and Avalon Global Solutions, Inc. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 5, 2012).
10.4	$4,000,000 Commercial Term Loan Agreement, dated as of December 31, 2011, between the Registrant and its subsidiaries and Cardinal Bank. (Incorporated herein by reference to Exhibits 10.3 and 10.5 to the Registrant's Current Report on Form 8-K filed on January 5, 2012).
10.5	$8,000,000 Commercial Revolving Loan Agreement, dated as of December 31, 2011, between the Registrant and its subsidiaries and Cardinal Bank. (Incorporated herein by reference to Exhibit 10.4 and 10.6 to the Registrant's Current Report on Form 8-K filed on January 5, 2012).
10.6	Credit Security Agreement, dated as of December 31, 2011, between the Registrant and its subsidiaries and Cardinal Bank. (Incorporated herein by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on January 5, 2012).
10.7	Employment Agreement between WidePoint Corporation and John Atkinson, dated January 21, 2013 and amendment thereto (Incorporated herein by reference to Exhibit 10.9 to the Form 10-K filed on March 31, 2014.)*
10.8	Employment Agreement between WidePoint Corporation and Steve L. Komar, dated August 13, 2010.* (Incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q, as filed on August 16, 2010)
10.9	Employment Agreement between WidePoint Corporation and James McCubbin, dated August 13, 2010.* (Incorporated herein by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q, as filed on August 16, 2010)
10.10	Amendment dated August 13, 2013 to Employment Agreement between WidePoint Corporation and Steve L. Komar.* (Incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q, as filed on August 14, 2013)
10.11	Amendment dated August 13, 2013 to Employment Agreement between WidePoint Corporation and James McCubbin.* (Incorporated herein by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q, as filed on August 14, 2013)
10.12	Amendment dated February 18, 2014 to Employment Agreement between WidePoint Corporation and Steve L. Komar.* (Incorporated herein by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, as filed on February 20, 2014)

10.13	Amendment dated February 18, 2014 to Employment Agreement between WidePoint Corporation and James McCubbin.* (Incorporated herein by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, as filed on February 20, 2014)
10.14	$1,000,000 Subordinated Unsecured Loan Note, dated May 1, 2014, by WidePoint Global Solutions, Inc. in favor of Gutteridge Limited. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2014).

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10.15	Deed of Indemnity, dated as of May 1, 2014, by and between WidePoint Global Solutions, Inc. and Gutteridge Limited. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 7, 2014).
10.16	Employment Agreement, dated as of May 1, 2014, by and between Soft-ex Communications Limited and Ian Sparling. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 7, 2014).
10.17	Amended and Restated 2008 Stock Incentive Plan.* (Incorporated herein by reference to Appendix I to the Company's Definitive Proxy Statement filed on November 24, 2009)
10.18	Change in Terms Agreement dated June 27, 2014 between Cardinal Bank and the Company (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 30, 2014)
10.19	Change in Terms Agreement dated September 29, 2014 between WidePoint Corporation and its subsidiaries and Cardinal Bank (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on September 30, 2014)
21	Subsidiaries of WidePoint Corporation (Filed herewith).
23.1	Consent of Moss Adams LLP (Filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith).
101.	Interactive Data Files
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WidePoint Corporation

Date: March 16, 2015 s/ STEVE L. KOMAR
Steve L. Komar
Chief Executive Officer

Date: March 16, 2015 /s/ JAMES T. MCCUBBIN
James T. McCubbin
Executive Vice President – Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 16, 2015 /s/STEVE L. KOMAR
Steve L. Komar
Director and Chief Executive Officer
(Principal Executive Officer)

Dated: March 16, 2015 /s/JAMES T. MCCUBBIN
James T. McCubbin
Director, Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: March 16, 2015 /s/JAMES M. RITTER
James M. Ritter
Director

Dated: March 16, 2015 /s/MORTON S. TAUBMAN
Morton S. Taubman
Director

Dated: March 16, 2015 /s/OTTO GUENTHER
Otto Guenther
Director

Dated:	March 16, 2015	/s/GEORGE NORWOOD
		George Norwood
		Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

WidePoint Corporation

We have audited the accompanying consolidated balance sheets of WidePoint Corporation and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WidePoint Corporation and subsidiaries as of December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WidePoint Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2015 expressed an adverse opinion thereon.

/s/ Moss Adams LLP

Scottsdale, Arizona

March 16, 2015

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WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	DECEMBER 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$13,154,699	$-
Accounts receivable, net of allowance for doubtful accounts of $88,719 and $30,038 in 2014 and 2013, respectively	8,543,050	7,612,400
Unbilled accounts receivable	5,547,416	1,561,030
Inventories	37,025	61,338
Prepaid expenses and other assets	426,736	533,944
Income taxes receivable	25,984	763
Deferred income taxes	18,584	-
Total current assets	27,753,494	9,769,475
NONCURRENT ASSETS		
Property and equipment, net	1,614,182	1,545,951
Intangibles, net	5,992,992	3,613,271
Goodwill	18,555,578	16,618,467
Deferred income tax asset, net of current	-	4,407,630
Deposits and other assets	161,994	120,046
TOTAL ASSETS	$54,078,240	$36,074,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit advance	$-	$916,663
Short term note payable	137,025	119,336
Accounts payable	6,165,477	3,228,586
Accrued expenses	5,980,110	4,407,286
Deferred revenue	710,275	40,911
Income taxes payable	12,574	217,982
Deferred income taxes	-	700,743
Current portion of long-term debt	2,184,016	1,150,455
Current portion of deferred rent	9,274	78,525
Current portion of capital lease obligations	76,597	45,125
Total current liabilities	15,275,348	10,905,612
NONCURRENT LIABILITIES		

Long-term debt, net of current portion	1,327,800	2,509,492
Capital lease obligation, net of current portion	36,669	57,119
Deferred rent, net of current portion	152,815	2,421
Deferred revenue	56,977	82,494
Deferred income taxes	447,811	-
Deposits and other liabilities	1,964	1,964
Total liabilities	17,299,384	13,559,102
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 2,045,714 shares issued and none outstanding	-	-
Common stock, $0.001 par value; 110,000,000 shares authorized; 81,656,763 and 63,907,357 shares issued and outstanding, respectively	81,657	63,907
Additional paid-in capital	92,661,000	69,867,491
Accumulated other comprehensive (loss)	(147,515)	-
Accumulated deficit	(55,816,286)	(47,415,660)
Total stockholders’ equity	36,778,856	22,515,738
Total liabilities and stockholders’ equity	$54,078,240	$36,074,840

The accompanying notes are an integral part of these consolidated financial statements.

WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

	YEARS ENDED DECEMBER 31,		
	2014	2013	2012
REVENUES	$53,316,210	$46,825,032	$55,782,742
COST OF REVENUES (including amortization and depreciation of $1,462,505, $1,462,995, and $1,511,267, respectively)	39,802,293	34,713,471	41,920,161
GROSS PROFIT	13,513,917	12,111,561	13,862,581
OPERATING EXPENSES			
Sales and Marketing	3,432,602	3,125,867	2,741,799
General and Administrative Expenses (including share-based compensation of $324,281, $227,035, $217,611, respectively, and gain on change in fair value of contingent obligation of $—, $1,250,000, and $900,000, respectively)	14,356,372	9,872,655	9,820,695
Depreciation and Amortization	375,951	288,333	281,310
Total Operating Expenses	18,164,925	13,286,855	12,843,804
(LOSS) INCOME FROM OPERATIONS	(4,651,008)	(1,175,294)	1,018,777
OTHER INCOME (EXPENSE)			
Interest Income	17,002	7,364	4,881
Interest (Expense)	(186,796)	(175,358)	(294,244)
Other Income (Expense)	12,890	11,267	3,200
Total Other Income (Expense)	(156,904)	(156,727)	(286,163)
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES	(4,807,912)	(1,332,021)	732,614
INCOME TAX (BENEFIT) PROVISION	3,592,714	362,764	(99,687)
NET (LOSS) INCOME	$(8,400,626)	$(1,694,785)	$832,301
BASIC EARNINGS PER SHARE	$(0.115)	$(0.027)	$0.013
BASIC WEIGHTED-AVERAGE SHARES OUTSTANDING	73,048,883	63,802,275	63,474,871
DILUTED EARNINGS PER SHARE	$(0.115)	$(0.027)	$0.013
DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING	73,048,883	63,802,275	63,758,632

The accompanying notes are an integral part of these consolidated financial statements.

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WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive (Loss) Income

	YEARS ENDED DECEMBER 31,		
	2014	2013	2012
NET (LOSS) INCOME	$(8,400,626)	$(1,694,785)	$832,301
Other comprehensive (loss) income:			
Foreign currency translation adjustments, net of tax	(147,515)	-	-
Other comprehensive loss	(147,515)	-	-
Comprehensive (loss) income	$(8,548,141)	$(1,694,785)	$832,301

The accompanying notes are an integral part of these consolidated financial statements.

WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock Issued	Amount	Stock Warrants	Additional Paid-In Capital	Accumulated OCI	Accumulated Deficit	Total
Balance, January 1, 2012	63,226,857	$63,227	$ 0	$69,326,705	$ -	$(46,553,780)	$22,836,152
Issuance of common stock — options exercises	525,000	525	-	50,074		604	51,203
Issuance of common stock — restricted	-	-	-	87,143	-	-	87,143
Stock compensation expense	-	-	-	130,468	-	-	130,468
Net loss	-	-	-	-	-	832,301	832,301
Balance, December 31, 2012	63,751,857	$63,752	$ -	$69,594,390	$ -	$(45,720,875)	$23,937,267
Issuance of common stock — options exercises	155,500	155	-	46,066			46,221
Issuance of common stock — restricted	-	-	-	87,143	-	-	87,143
Stock compensation expense	-	-	-	139,892	-	-	139,892
Net loss	-	-	-	-	-	(1,694,785)	(1,694,785)
Balance, December 31, 2013	63,907,357	$63,907	$ -	$69,867,491	$ -	$(47,415,660)	$22,515,738
Issuance of common stock — options exercises	760,399	760	-	461,458	-	-	462,218
Issuance of common stock — restricted	-	-	-	87,143	-	-	87,143

Issuance of common stock — public offering	16,989,007	16,990		22,007,770	-	-	22,024,760
Stock compensation expense	-	-	-	237,138	-	-	237,138
Foreign currency translation — gain (loss)					(147,515)		(147,515)
Net loss	-	-	-	-		(8,400,626)	(8,400,626)
Balance, December 31, 2014	81,656,763	$81,657	$ -	$92,661,000	$(147,515)	$55,816,286	$36,778,856

The accompanying notes are an integral part of these consolidated financial statements.

WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	YEARS ENDED DECEMBER 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(8,400,626)	$(1,694,785)	$832,301
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income tax expense	3,693,521	113,491	(81,823)
Depreciation expense	496,908	395,358	400,154
Provision for doubtful accounts	37,735	75,389	25,070
Inventory write-downs	5,408	199,992	52,056
Amortization of intangibles	1,341,548	1,355,970	1,392,423
Amortization of deferred financing costs	7,880	8,728	3,088
Share-based compensation expense	324,281	227,035	217,611
Gain on change in fair value of contingent obligation	-	(1,250,000)	(900,000)
Loss on disposal of equipment	(2,556)	-	667
Changes in assets and liabilities:			
Accounts receivable and unbilled receivables	(3,810,821)	652,997	570,883
Inventories	66,630	25,590	(170,984)
Prepaid expenses and other current assets	317,500	(51,555)	132,481
Other assets excluding deferred financing costs	(41,828)	(52,656)	10,735
Accounts payable and accrued expenses	3,862,824	(1,438,975)	(1,155,681)
Income tax (payable) receivable	(442,456)	355,794	(138,575)
Deferred revenue and other liabilities	(43,494)	(75,481)	(189,656)
Net cash used in operating activities	(2,587,546)	(1,153,108)	1,000,750
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from settlement of net working capital requirement	33,188	-	76,539
Purchase of property and equipment	(262,737)	(512,986)	(316,833)
Software development costs	(138,781)	-	(132,437)
Business combination, net of cash acquired	(4,079,628)	-	-
Proceeds from the sale of property and equipment	-	-	-
Net cash used in investing activities	(4,447,958)	(512,986)	(372,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances on bank line of credit	11,973,106	1,989,259	3,031,063
Repayments of bank line of credit advances	(12,889,769)	(1,072,596)	(3,031,063)
Issuance of long term debt	-	-	-

Principal repayments of long term debt	(1,148,131)	(1,111,526)	(794,988)
Principal repayments under capital lease obligations	(52,278)	(42,878)	(53,963)
Debt issuance costs	(8,000)	-	(8,000)
Proceeds from public stock offering, net of offering costs	22,024,760	-	-
Proceeds from exercise of stock options	462,218	46,221	51,203
Net cash provided by (used in) financing activities	20,361,906	(191,520)	(805,748)
Net effect of exchange rate on cash and equivalents	(171,703)	-	-
NET INCREASE (DECREASE) IN CASH	13,154,699	(1,857,614)	(177,729)
CASH, beginning of period	-	1,857,614	2,035,343
CASH, end of period	$13,154,699	$-	$1,857,614

The accompanying notes are an integral part of these consolidated financial statements.

WIDEPOINT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	YEARS ENDED DECEMBER 31,		
	2014	2013	2012
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$167,899	$205,762	$216,824
Cash paid for income taxes	$125,036	$10,774	$-
NONCASH INVESTING AND FINANCING ACTIVITIES			
Subordinated unsecured seller financed note payable issued as consideration in the acquisition of Soft-ex Communications Ltd.	$1,000,000	$-	$-
Insurance policies financed by short term notes payable	$181,068	$163,889	$150,793
Acquisition of assets under capital lease obligation	$-	$-	$176,177

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Operations

Organization

WidePoint Corporation ("WidePoint" or the "Company") was incorporated in Delaware on May 30, 1997. The Company is a global provider of information technology (IT) based products, services, and solutions. The Company offers secure, cloud-based, enterprise-wide information technology-based solutions that enable commercial markets, and federal and state government organizations, to deploy fully compliant IT services in accordance with government-mandated regulations and advanced system requirements. The Company has sales and operational offices strategically located throughout the continental United States, Ireland, the Netherlands and the United Kingdom. The Company's principal executive and administrative headquarters is located in McLean, Virginia. See Note 3 for additional discussion regarding a recent business acquisition during the second quarter of 2014.

Nature of Operations

The Company has grown through the targeted acquisition of specialized IT companies that now provide a complementary suite of products and services for its Managed Mobility Solutions (MMS) offering. The Company's MMS offers a portfolio of information technology based services and products with a set of streamlined mobile communications management, identity management, telecommunications data intelligence and consulting solutions that provide its customers with the ability to manage and protect their valuable communications assets and deploy compliant identity management solutions that provide secured virtual and physical access to restricted environments. Many of the Company's solutions are accessible on-demand through cloud computing and provide customers with the ability to remotely manage their workforce mobility and identity management requirements in accordance with internal policies, the marketplace and the demands of its customers. The Company may authorize the use of discretionary operating capital to fund the development of MMS offerings, functionality and/or streamline the operation of its proprietary applications.

The Company's operating results may vary significantly from quarter-to-quarter, due to revenues earned on contracts, the number of billable days in a quarter, the timing of the pass-through of other direct costs, the commencement and completion of contracts during any particular quarter, the schedule of the government agencies for awarding contracts, the term of each contract awarded and general economic conditions. A significant portion of the Company's expenses, such as personnel and facilities costs, are fixed in the short term, successful contract performance and variation in the volume of activity as well as in the number of contracts commenced or completed during any quarter may cause significant variations in operating results from quarter to quarter.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the financial statement rules and regulations of the Securities and Exchange Commission.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company amounts have been eliminated in consolidation.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of each reporting period. The resulting translation adjustments, along with any related tax effects, are included in accumulated other comprehensive (loss) income, a component of stockholders' equity. Translation adjustments are reclassified to earnings upon the sale or substantial liquidation of investments in foreign operations. Revenues and expenses are translated at the average month-end exchange rates during the year. Gains and losses related to transactions in a currency other than the functional currency, including operations outside the U.S. where the functional currency is the U.S. dollar, are reported net in the Company's Consolidated Statements of Operations, depending on the nature of the activity. See Note 14 for additional information.

Segment Reporting

Segments are defined by authoritative guidance as components of a company in which separate financial information is available and is evaluated by the chief operating decision maker (CODM), or a decision making group, in deciding how to allocate resources and in assessing performance. Our CODM is our chief executive officer.

In fiscal 2012, the Company previously reported three operating segments: Managed Mobility Solutions, Cybersecurity Solutions, and Consulting and Support Services. Information technology solutions were historically segmented due to technological barriers which prevented delivery of an integrated technology solution to cover an end users mobility, security and network communications requirements. Over the last ten (10) years the proliferation of mobile computing drove the integration of our technology capabilities and solutions into a single MMS market. Our customers and the industry view our MMS market as a singular business and demand an integrated and scalable suite of information technology-based enterprise-wide solutions. The Company markets its workforce mobility technologies as a single MMS offering to all of its customers and prospects in a variety of industries with the primary goal of selling a complete solution. Our MMS offerings are set forth below:

- § Telecom management services – Full life cycle management of wired and wireless assets.

- § Mobile security management services – Full life cycle wired and wireless device access and application control management.

- § Identity management services – Full life cycle wired and wireless (including cloud based services) authentication and information assurance services.

- § Identity services – Device specific and individual digital certificates required for mobility and infrastructure access in the cloud or within a secured IT environment.

Services comprising the Company's MMS offerings have similar client service approaches, delivery costs and operational risks and are led by a project manager and a cross-functional service delivery team comprised of employees across all subsidiaries to deliver the Company's products and services to its customers.

The Company determined that its MMS business constitutes a single business activity and evaluates profitability on that basis and presents a single segment for purposes of financial reporting.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring use of estimates and judgment relate to revenue recognition, accounts receivable valuation reserves, ability to realize intangible assets and goodwill, ability to realize deferred income tax assets, fair value of certain financial instruments and the evaluation of contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous market for the specific asset or liability. GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

Level 1 - Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:

§ Quoted prices for similar assets or liabilities in active markets
§ Quoted prices for identical or similar assets or liabilities in markets that are not active
§ Inputs other than quoted prices that are observable for the asset or liability
§ Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows). The Company measured the fair value of contingent seller financed promissory notes presented on the consolidated balance sheets at fair value on a recurring basis using significantly unobservable inputs (Level 3) during the years ended December 31, 2014, 2013 and 2012. See Note 4 for additional information regarding financial liabilities carried at fair value.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company elects to disclose the fair value measurement at the beginning of the reporting period during which the transfer occurred. See Note 4 for financial assets and liabilities subject to fair value measurements.

Business Combinations

The Company identifies the individual assets acquired and liabilities assumed in connection with a business combination and purchase consideration in each business combination. The Company utilizes third party valuation professionals to estimate the initial fair value of significant assets acquired and liabilities assumed. The Company assigns provisional values to purchase consideration, assets acquired and liabilities assumed on the date of purchase and may revise these provisional values if fair value estimates prepared by outside qualified third party valuation are materially difference.

The Company estimates the fair value of each using an acceptable valuation methodology which may include an income, market and/or cost approach. The Company generally assesses the estimated fair value of contingent obligations using a probability weighted income approach (discounted cash flow) valuation technique which requires the use of observable and unobservable inputs. Fluctuations in the fair value of contingent obligations are impacted by two unobservable inputs, management's estimate of the probability of the acquired company meeting the operating performance target and the estimated discount rate (a rate that approximates the Company's weighted average cost of capital). Significant increases (decreases) in either of those inputs in isolation would result in a significantly higher (lower) fair value measurement. Fair value is assessed for contingent obligations on a quarterly basis until such contingencies have been resolved and any changes in fair value are recorded as a gain or loss on change in fair value of contingent obligations within general and administrative expense.

See Note 3 for a detailed description of material business combinations and see Note 4 for changes in fair value of assets and liabilities recorded in connection with material business combinations that are measured on a recurring basis.

Significant Customers and Concentration of Credit Risk

Significant Customers

The Company has historically derived a significant portion of its revenues from its federal government customer base due to the large size of individual awards. Customers representing ten percent or more of annual consolidated revenues are set forth in the table below for the years ended:

YEARS ENDED
DECEMBER 31,

Customer Name	2014 As a % of Revenues	2013 As a % of Revenues	2012 As a % of Revenues
Transportation Security Administration	17 %	20 %	19 %
Department of Homeland Security (DHS)	**20** %	13 %	15 %

Customers representing ten percent or more of consolidated trade accounts receivable receivables are set forth in the table below as of December 31:

	DECEMBER 31,	
Customer Name	2014 As a % of Receivables	2013 As a % of Receivables
Department of Homeland Security	20 %	27 %
Science Applications International Corporation	21 %	—

Due to the nature of the Company’s business and the relative size of certain contracts, which are entered into in the ordinary course of business, the loss of any single significant customer and/or a delay in the continuation of an existing or new contract award could have a material adverse effect on its results of operations.

Financial Instruments

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable.

Cash and Cash Equivalents

The Company maintains interest-bearing cash deposits and short-term overnight investments with a large financial institution. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of these consolidated financial statements. Interest-bearing cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of $250,000. At December 31, 2014 and December 31, 2013, the Company had deposits in excess of FDIC limits of approximately $12,695,800 and $2,548,000, respectively.

Accounts Receivable

The Company enters into standard master contract vehicles or an individual purchase requisitions with federal and state governments and their agencies. Federal contracts are bid on and awarded based on a cost plus fixed fee or fixed award fee, firm fixed price or time and materials basis. Federal and state government customer orders are covered by a contract vehicle or master services agreement and specific goods and services are generally submitted through task orders or purchase requisitions under a master contract or under an individual purchase requisition.

The Company enters into standard contractual arrangements with corporations using a master service agreement and customized statement of work which outlines the product or services purchased, optional products and services and standard pricing based on volume or an hourly rate. Consulting services are charged based upon standard professional rates dependent upon level of expertise of the professionals involved. Also, the Company enters into fee arrangements for which the fees earned are based on a percentage of savings or other measures as may be determined in the applicable contract.

Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are usually due within 30 to 60 days and are stated at amounts due from customers net of an allowance for doubtful accounts if deemed necessary. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the

industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company has not historically maintained a bad debt reserve for its federal government customers as it has not experienced material or recurring bad debt charges and the nature and size of the contracts has not necessitated the Company's establishment of such a bad debt reserve.

Customer account balances outstanding longer than the contractual payment terms are reviewed for collectability and after 90 days are considered past due unless arrangements were made at the time of the transaction that specified different payment terms. Upon specific review and its determination that a bad debt reserve may be required, the Company will reserve such amount if it views the account as potentially uncollectable. Customer account balances outstanding longer than 120 days that have not been settled in accordance with contract terms and for which no firm payment commitments exist are placed with a third party collection agency and a reserve is established. The Company writes off accounts receivable after 180 days or earlier when they become uncollectible. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts. If the accounts receivable has been written off and no allowance for doubtful accounts exist subsequent payments received are credited to bad debt expense.

Unbilled Accounts Receivable

Unbilled accounts receivable on time-and-materials contracts represent costs incurred and gross profit recognized near the period-end but not billed until the following period due to contractual terms or due to timing differences. Unbilled accounts receivable on fixed-price contracts predominantly consist of third party value added resale (VAR) of hardware and software products delivered but not invoiced at the end of the reporting period. To a lesser extent unbilled accounts receivable also consists of monthly managed services performed but not invoiced at the end of the reporting period. At December 31, 2014 and 2013 unbilled accounts receivable totaled approximately $5,547,400 and $1,561,000, respectively.

Inventories

Inventories consist of hardware components that will be used in custom identity management technology solutions and certain software licenses available for resale. Inventories are valued at the lower of cost, using first-in, first-out method, or market. The Company may record a write-down for inventories which have become obsolete or are in excess of anticipated demand or net realizable value. If future demand or market conditions for our products are less favorable than forecasted or if unforeseen technological changes negatively impact the utility of inventory, we may be required to record additional write-downs, which would adversely affect our gross profit. For the years ended December 31, 2014 and 2013 the Company recorded inventory write-downs related to obsolete inventory of approximately $5,400 and $199,900, respectively, in the consolidated statements of operations within cost of revenues.

Advance Billings and Customer Payments

Deferred revenue arises from advanced customer billings as permitted under contractual arrangements or from advanced payments from customers for monthly managed services. Certain federal and state governments and their agencies may prepay for services and/or VAR transactions in advance. These advance payments are recorded as deferred revenue and recognized as services are performed and/or devices delivered. Amounts recorded as deferred revenue are released the monthly services are complete at the end of the month. Our revenue recognition policy is below under the caption *"revenue recognition*."

Property and Equipment

Property and equipment (including assets acquired under capital lease arrangements) are stated at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives based upon the classification of the property and/or equipment or lease period for assets acquired under capital lease arrangements. The estimated useful lives of the assets are as follows:

	Estimated Useful Life
Land and building	20 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Mobile equipment	3 years

The Company assesses the recoverability of property and equipment by determining whether the depreciation of property and equipment over its remaining life can be recovered through projected undiscounted future cash flows. The amount of property and equipment impairment if any, is measured based on fair value and is charged to operations in the period in which property and equipment impairment is determined by management. As of December 31, 2014 and 2013, the Company's management has not identified any material impairment of its property and equipment.

Goodwill and Other Intangible Assets

The Company accounts for goodwill and other indefinite-lived intangible assets in accordance with ASC Topic 350 "*Intangibles*". Under ASC Topic 350, goodwill and certain indefinite-lived intangible assets are not amortized but are subject to an annual impairment test during the fourth quarter of each year, and between annual tests if indicators of potential impairment exist. The Company has elected to perform this review annually on December 31st of each calendar year. See Note 8 to the consolidated financial statements for additional discussion about annual impairment testing.

Included within other intangible assets are software development costs. The Company capitalizes costs related to software and implementation in connection with its internal use software systems including its Public Key Infrastructure (PKI) certificate issuance database and application. For software development costs (or "internally developed intangible assets") related to software products for sale, lease or otherwise marketed, significant development costs are capitalized from the point of demonstrated technological feasibility until the point in time that the product is available for general release to customers. Once the product is available for general release, capitalized costs are amortized based on units sold, or on a straight-line basis generally over a six-year period or such other such shorter period as may be required.

Revenue Recognition Principles

The Company has a standard internal process that is used to determine whether all required criteria for revenue recognition have been met. A summary of the Company's specific revenue recognition policies are as follows:

§ *Expense Management:* Telecommunications expense management and device management services are delivered on a monthly basis based on a standard fixed pricing scale per user or device or other service utilization metric. Managed services are not interdependent and there are no undelivered elements in these arrangements. Revenue is recognized upon the completion of the delivery of monthly managed services. The Company also offers invoice management and payment services and resells third party products and services, which may subject the Company to credit risk as it is responsible for the payment of multiple billable arrangements by and between its customer and various carriers. The Company recognizes revenues and related costs on a gross basis for these arrangements as it has discretion in choosing providers, rate plans, hardware and devices provided to its customers. For arrangements in which the Company does not have such credit risk, it recognizes revenues and related costs on a net basis. This service is broadly classified as a managed service.

- *Security:* The Company issues its proprietary PKI identity credentialing software certificates to individuals or as an enterprise solution under which the customer issues the individual certificates. Certificates issued have a fixed life and cannot be modified or reissued. There is no obligation to provide post contract services in relation to certificates issued. Revenue is recognized from the sales of credentials to an individual or as an enterprise solution upon issuance; provided there are no other additional deliverables. Cost of Revenues includes general infrastructure support costs to maintain the continued issuance of credentials. This service is broadly classified as a managed service.

- *Software:* The Company offers telecommunications expense management software under a perpetual and term license.

  - Perpetual License - Revenue from software licenses which are sold as a perpetual license and which do not involve the significant production, modification or customization of the software are recognized when the software is delivered. Where an arrangement to deliver software involves significant production, modification or customization, the software revenue is not recognized until such time as the software has been accepted by the client. Implementation fees are recognized once the software has been delivered. Maintenance services, if contracted, are recognized ratably over the term of the maintenance agreement, generally twelve months.

  - Term License - Revenue from software licenses which are sold as term licenses, which do not involve the significant production, modification or customization of the software are recognized evenly over the license term once the software has been delivered. Where an arrangement to deliver software involves significant production, modification or customization, software sold as a term license is recognized ratably over the license term from the date the software is accepted by the client.

- *User Support:* The Company offers call centers with 24x7 emergency support and expert technical support which is delivered on a monthly basis based on a standard fixed pricing scale per ticket, user or device or other service utilization metric. Revenue is recognized upon the completion of the delivery of monthly managed services. This service is broadly classified as a managed service.

- *Policies:* Services performed include policy and contract permission based audits, accounts payable audits, and compliance reviews which are performed on a time and materials basis and contingent fee arrangement. Revenue on time and material arrangements is recognized to the extent of billable rates times hours delivered plus material and other reimbursable costs incurred to deliver consulting services. Revenue on contingent-fee arrangements are recognized upon customer acceptance of proposed billing. This service is broadly classified as a managed service.

- *Consulting:* The Company provides professional services on a project basis determined by our customers' specific requirements. The Company provides a variety of telecommunication management consulting services, traditional information technology and network consulting and security assurance services and charges a fee for time and materials incurred or a contingent-fee based on expected savings or other metric determined. This service is broadly classified as a professional service.

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Income Taxes

The Company accounts for income taxes in accordance with authoritative guidance which requires that deferred tax assets and liabilities be computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The guidance requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized. The Company recognizes the impact of an uncertain tax position taken or expected to be taken on an income tax return in the financial statements at the amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained upon audit by the relevant taxing authority.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS includes no dilution and is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the potential dilution that could occur if securities or other contracts to issue common and restricted stock were exercised or converted into common and restricted stock. The number of incremental shares from assumed conversions of stock options and unvested restricted stock awards included in the calculation of diluted EPS was calculated using the treasury stock method. See Note 13 to the consolidated financial statements for computation of EPS.

Employee Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements under provisions of ASC 718-10. The Company recognizes the cost of employee stock awards granted in exchange for employee services based on the grant-date fair value of the award using a Black-Scholes option-pricing model, net of expected forfeitures. Those costs are recognized ratably over the vesting period. Each stock option has an exercise price equal to the market price of the Company's common stock on the date of grant and a contractual term of 10 years for grants issued prior to fiscal 2007 and 7 years for grants issued after fiscal 2007 from the date of grant. Stock options generally vest over 3-years from the date of grant. See Note 12 to the consolidated financial statements for additional information about stock based compensation programs.

Non-Employee Stock-Based Compensation

The Company accounts for stock-based non-employee compensation arrangements using the fair value recognition provisions of ASC 505-50, “Equity-Based Payments to Non-Employees” (formerly known as FASB Statement 123, *Accounting for Stock-Based Compensation* and “Emerging Issues Task Force” *EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services).*

Accounting Standards Update

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. The Company is evaluating the effect that ASU 2014-09 may have on its consolidated financial statements and related disclosures. The Company has neither selected a transition method nor determined the effect of the standard on its ongoing financial reporting.

In June 2014, the Financial Accounting Standards Board issued ASU 2014-12, Compensation – Stock Compensation, which clarifies that share-based awards that include a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and not reflected in estimating the grant-date fair value of the award. Compensation cost associated with the performance condition should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The new standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early application is permitted. The standard permits application either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company is evaluating the effect that ASU 2014-12 may have on our consolidated financial statements, shared-based awards and related disclosures. The Company has neither selected a transition method nor determined the effect of the standard on its ongoing financial reporting.

3. Business Combinations

Soft-ex Communications Ltd.

On May 1, 2014, WidePoint Global Solutions, Inc. (“WGS”), a wholly-owned subsidiary of the Company entered into a Share Sale and Purchase Agreement (the “Agreement”), with Gutteridge Limited (“Gutteridge”), a wholly-owned subsidiary of Soft-Ex Holdings Limited (“SHL”), and the shareholders of Soft-Ex Holdings Limited, pursuant to which WGS purchased all of the outstanding equity of Soft-ex Communications Limited (“SCL”). As a result of this transaction, SCL became a wholly-owned subsidiary of WidePoint. WidePoint acquired all of the outstanding equity of SCL for $6.0 million. The purchase price for the outstanding equity of SCL consisted of (i) the payment at closing of cash in the amount of $5 million, subject to a post-closing net working capital adjustment, and (ii) the delivery of a contingent subordinated unsecured loan note in the principal amount of $1.0 million (the “Note”).

WidePoint’s long term strategic objective of expanding its services and presence outside of the United States was launched with the acquisition of SCL. SCL is a leading supplier of telecom data intelligence services offered as a Software-as-a-Service (SaaS) solution that provides unique online data intelligence for Communication Service Providers (CSPs) and their enterprise customers for fixed, mobile, and IP/PABX communications. The addition of SCL complements the Company’s MMS offering and provides access to global CSPs and their customers and partners in over 90 countries throughout European and Middle Eastern markets.

SCL’s principal executive and administrative office headquarters is in Dublin, Ireland. SCL has two operating subsidiaries, Soft-Ex BV and Soft-Ex UK Limited, which maintain offices and operations in the Netherlands and the United Kingdom, respectively. SCL has been in business since 1989.

The Company utilized the assistance of a third party valuation expert to estimate the fair value of the assets acquired and the liabilities assumed and the related allocations of purchase consideration. The excess of purchase price over the net tangible and intangible assets has been recorded as goodwill.

Purchase Consideration

The following table sets forth the provisional fair value of consideration paid in connection with acquisition of SCL as of May 1, 2014:

	Fair Value	
Cash consideration	$ 5,000,000	(1)
Contingent subordinated unsecured loan note payable consideration	1,000,000	(2)
Net working capital escrow adjustment to consideration paid	(33,188	)(3)
Fair value of consideration paid	$5,966,812	

(1) The Company used operating cash on hand of $5.0 million, of which $4.35 million was released to the seller upon closing of the transaction and the remainder was delivered into escrow. Under the terms of the escrow agreement, the funds shall be released (subject to satisfaction of the terms of the escrow agreement) in two amounts with the first release of $0.15 million on or about May 1, 2015 and the second release of $0.5 million on or about August 1, 2015. The release of funds held in escrow is subject to adjustment based on final net working capital as described in (3) below.

(2) The Company issued a subordinated unsecured loan Note in the principal amount of $1.0 million to satisfy the remainder of the purchase price. This is a US dollar denominated obligation. The likelihood of the loan Note being settled at an amount less than the face value is considered remote based on revenue performance achieved through the end of the current fiscal year. The Note accrues interest at the annual rate of 3% and provides for a lump sum payment of principal and interest on May 31, 2015; provided however that in the event that SCL fails to generate gross revenue for the three (3) months ending April 30, 2015 that is at least equal to 75% of the gross revenue generated by SCL for the three (3) months immediately preceding the acquisition of SCL, then the full face value of the Note shall be abrogated and all obligations of WGS under the Note shall be cancelled and waived.

(3) On October 21, 2014, a final determination of net working capital resulted in a deficiency of €26,670 ($33,188 USD) reduced total purchase consideration.

Transaction Costs

The Company incurred acquisition related due diligence, legal and accounting and transaction costs (including Irish stamp taxes and other processing costs) in connection with acquisition of SCL of approximately $250,300. These transaction-related costs were expensed as incurred and reflected in general and administrative expense in the consolidated statements of operations for the periods presented.

Fair Value of Assets Acquired and Liabilities Assumed

The following table summarizes the fair values of the assets acquired and liabilities assumed in connection with acquisition of SCL as of May 1, 2014:

Cash	$920,372
Trade receivables	1,294,573
Other current assets	276,443
Property and equipment	333,650
Developed technology	663,936
Channel partners	2,628,080
Tradenames and trademarks	290,472
Other assets	1,687
Accounts payable and accrued expenses	(1,864,888)
Promissory note payable	(447,811)
Capital lease obligation	(66,813)
Total identifiable net assets acquired	$4,029,701
Goodwill	1,937,111
Total purchase price	$5,966,812

Employment Agreements

In connection with acquisition of SCL, the Company entered into an employment agreement Ian Sparling, the Chief Executive Officer of SCL (the “Employment Agreement”), for Mr. Sparling to continue to serve as the Chief Executive Officer of SCL. The Employment Agreement provides for an annual base salary of €175,000 ($241,500). In addition, Mr. Sparling shall be eligible to receive bonus compensation of up to 50% of his annual salary. Mr. Sparling will also receive an annual automobile allowance in the amount €16,500 ($22,800) and SCL will contribute up to €15,000 ($20,700) to SCL's pension plan. As of December 31, 2014, Mr. Sparling continued to be employed by the Company.

Supplemental Unaudited Pro Forma Information

The accompanying unaudited pro forma condensed consolidated financial information were prepared in accordance with the acquisition method of accounting. The pro forma adjustments presented herein are preliminary, and do not reflect estimated amortization resulting from intangible assets, and may not reflect any final purchase price

adjustments made. As the final fair value calculations are being prepared, increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments, which may result in material differences from the information presented herein.

The following unaudited pro forma condensed consolidated statements of operations of WidePoint for each of the three years ended December 31, 2014, 2013 and 2012 have been prepared as if the acquisition of SCL had occurred at January 1, 2012 (unaudited):

	DECEMBER 31,			
	2014	2013	2012	
	(a)	(a)	(a)	
	(Unaudited)			
Revenues, net	$55,255,000	$52,570,000	$62,007,000	
Net (loss) income	$(8,822,000)	$(1,160,000)	$2,018,000	(b)
Basic (loss) earnings per share	$(0.121)	$(0.018)	$0.032	
Diluted (loss) earnings per share	$(0.121)	$(0.018)	$0.032	

(a) To reflect on a pro forma basis unaudited consolidated financial information for the three years ended December 31, 2014, 2013 and 2012 for WidePoint. SCL's most recently completed fiscal year end was April 30, 2014 which differs from WidePoint's December 31 year end. Subsequent to the acquisition SCL changed its fiscal year end to December 31st. The unaudited financial information presented herein were derived from historical internally prepared financial statements for SCL and WidePoint's Form 10-K audited financial statements. SCL's financial statements are prepared in accordance with Irish GAAP, as such additional adjustments were made to convert SCL Irish GAAP presentation to a US GAAP presentation to align with WidePoint's accounting policies. SCL's reporting currency unit is the Euro. SCL's US GAAP unaudited historical statement of operations for the years ended December 31, 2014, 2013 and 2012 were translated into WidePoint's reporting currency using an average USD/EURO rate of $1.3293, $1.3279, and $1.2856, respectively.

(b) As more fully described above under "purchase consideration", in conjunction with the share sale and purchase agreement with SCL, WidePoint issued a subordinated unsecured loan Note in the principal amount of $1.0 million. Pro forma interest expense was calculated for this Note under the assumption that the probability of failing to generate adequate gross revenues is considered remote at this time based on projection available at the time of the transaction. Pro forma interest expense adjustments included for the year ended December 31, 2012 was approximately $30,000 to reflect total interest paid over the 1 year subordinated unsecured loan note.

Avalon Global Solutions, Inc.

On December 30, 2011, the Company together with its wholly-owned subsidiary, WidePoint Solutions Corp. (WSC), entered into an Asset Purchase Agreement ("APA") with Avalon Global Solutions (AGS), pursuant to which WSC acquired certain assets and assumed certain liabilities of AGS. Total purchase consideration paid was approximately $11.5 million, consisting of $3.5 million in cash, $4.0 million in bank loan proceeds, $1.0 million subordinated seller

promissory note and a contingent subordinated seller promissory note (“contingent consideration”) with a fair value of $3.0 million as of the acquisition date. In 2012, the Company finalized it fair value accounting and determined the estimated fair value of contingent consideration to be approximately $2.15 million, which revised purchase consideration from $11.5 million to $10.7 million and thereby reduced goodwill in connection with this business combination by approximately $850,000. In 2013, the Company remeasured the fair value of contingent consideration at zero, which revised purchase consideration from $10.7 million to $8.5 million. During the year ended December 31, 2013, the Company recognized a non-cash contingent gain on change in fair value of approximately $1,250,000 and reflected in general and administrative expense in the consolidated statements of operations for the year ended December 31, 2013.

See Note 4 for changes in fair value of assets and liabilities recorded in connection with material business combinations that are measured on a recurring basis.

The Company did not consummate any business combinations during the year ended December 31, 2013.

4. Fair Value Measurements

The consolidated financial statements include financial instruments for which the fair market value may differ from amounts reflected on a historical basis.

Financial Liabilities Carried at Fair Value

The Company reports contingent seller financed promissory notes at fair value on the consolidated balance sheets under the caption of long term debt. The Company assesses the estimated fair value of the contingent seller financed promissory note ("contingent consideration") using a probability weighted income approach (discounted cash flow) valuation technique. When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows. The Company's internal forecasts are developed using observable (Level 2) and unobservable (Level 3) inputs.

The Company uses the expected weighted average cost of capital, estimated using a capital asset pricing model, to discount future cash flows. The Company's cost of equity estimate is developed using a combination of observable (Level 2) and unobservable (Level 3) inputs with appropriate adjustments that take into consideration our risk profile and other factors deemed appropriate. The Company believes the discount rates used appropriately reflect the risks and uncertainties associated with the probability of payout and market conditions generally and specifically in the Company's internally developed forecasts.

Fair value is assessed on a quarterly basis and any changes in estimated fair value are recorded as a non-operating change in fair value of contingent consideration in the consolidated statement of operations. Fluctuations in the fair value of contingent consideration are impacted by two unobservable inputs, management's estimate of the probability (which are greater than 75%) of the acquired company meeting the operating performance target and the estimated discount rate (a rate that approximates the Company's weighted average cost of capital). Significant increases (decreases) in either of those inputs in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the assumption used for the probability of meeting the performance target is accompanied by a directionally similar change in the fair value of contingent consideration liability, whereas a change in assumption used for the estimated discount rate is accompanied by a directionally opposite change in the fair value of contingent

consideration liability.

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Changes in the fair value measurement of contingent seller financed promissory note using significant unobservable inputs classified as Level 3 and valuation method used to estimate fair values are set forth below for the years ended:

	YEARS ENDED DECEMBER 31,		
	2014	2013	2012
Balance, Beginning of Period	**$-**	$1,250,000	$2,150,000
Total additions for the period:			
Fair value of SCL contingent obligation (see Notes 3 and 9) (1)	**1,000,000**	-	-
Total gains or losses for the period:			
Non-cash gain on change in fair value of AGS contingent obligation included in general and administrative expense (2)	**-**	(1,250,000)	(900,000)
Balance, End of Period	**$1,000,000**	$-	$1,250,000

(1) Management determined the fair value of its SCL contingent obligation based on a probability weighted discounted cash flow valuation technique. The potential probability of not paying out contingent consideration is considered remote. Contingent consideration has been classified as short term and included in the caption "current portion of long term debt" on the consolidated balance sheet at December 31, 2014.

(2) Management determined the fair value of its AGS contingent obligation based on a probability weighted discounted cash flow valuation technique. The potential probability for payout of contingent consideration is considered remote during the year ended December 31, 2013. On April 15, 2014, the Company formally cancelled the contingent seller financed promissory note.

The Company monitors applicable market conditions and evaluates the fair value hierarchy levels as they pertain to the Company at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company elects to disclose the fair value measurement at the beginning of the reporting period during which the transfer occurred. There were no transfers into or out of Level 3 for the years ended December 31, 2014, 2013 or 2012. At December 31, 2014, all of the Company’s assets and liabilities are classified as Level 1.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

The Company's financial instruments include cash equivalents, accounts receivable, short and long-term debt (except for contingent promissory notes). The carrying values of cash equivalents and accounts receivable approximate their fair value because of the short maturity of these instruments and past evidence indicates that these instruments settle for their carrying value. The carrying amounts of the Company's bank borrowings under its credit facility approximate fair value because the interest rates reflect current market rates.

5. Accounts Receivable and Unbilled Accounts Receivables

Accounts receivable consist of the following:

	DECEMBER 31,	
	2014	2013
Commercial	$5,328,988	$2,782,179
Government	3,302,781	4,860,259
Gross accounts receivable	8,631,769	7,642,438
Less: allowances for doubtful accounts	(88,719)	(30,038)
Accounts receivable, net	$8,543,050	$7,612,400

For the years ended December 31, 2014, 2013 and 2012, the Company had no material recoveries of accounts receivable for which an allowance had been previously established.

Unbilled accounts receivable consist of the following:

	DECEMBER 31,	
	2014	2013
Commercial	$550,590	$435,230
Government	4,996,826	1,125,800
Unbilled accounts receivable	$5,547,416	$1,561,030

6. Property and Equipment

Major classes of property and equipment (includes equipment and automobile capital leases) consisted of the following:

	DECEMBER 31,	
	2014	2013
Land and building	$677,054	$677,054
Computer hardware and software	2,824,340	2,052,280
Furniture and fixtures	295,485	218,939
Leasehold improvements	547,087	368,596
Automobile	295,844	2,400
Gross property and equipment	4,639,810	3,319,269
Less: accumulated depreciation and amortization	(3,025,628)	(1,773,318)
Property and equipment, net	$1,614,182	$1,545,951

For the years ended December 31, 2014, 2013 and 2012, depreciation expense recorded was approximately $496,900, $395,400 and $400,160, respectively. For the year ended December 31, 2014 and 2013 there were no material disposals of equipment. For the year ended December 31, 2012 there were disposals of fully depreciated equipment with gross historical cost and accumulated depreciation of approximately $206,900 and $206,200, respectively. For the years ended December 31, 2014, 2013 and 2012 there were no material sales of property and equipment.

Capital Leases

The gross value of assets under capital leases at December 31, 2014 and 2013 were approximately $548,000 and $477,500, respectively. For the year ended December 31, 2014 and 2013 there were no capital lease acquisitions, expiration or disposals of equipment leases. For the year ended December 31, 2012 we entered into an equipment capital lease agreement with a net present value of approximately $176,200. For the year ended December 31, 2012 there were disposals of certain expired equipment leases with a gross value and accumulated depreciation of approximately $130,700, respectively. Depreciation expense for leased equipment for the years ended December 31, 2014, 2013 and 2012 was approximately $72,100, $58,700 and $66,700, respectively, and accumulated depreciation at December 31, 2014 and 2013 was $481,000 and $408,900, respectively. Total net book value of assets under capital leases at December 31, 2014 and 2013 was approximately $67,000 and $68,600, respectively.

7. Intangible Assets

The Company's intangible assets are comprised of purchased intangibles consisting of customer relationships, channel relationships, telecommunications software, trade names and trademarks and non-compete agreements. The Company's intangible assets also include internally developed software used in the sales and delivery of its MMS offering. The following table summarizes purchased and internally developed intangible assets subject to amortization as follows:

	DECEMBER 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period
Customer Relationships	$2,890,000	$(1,652,500)	$1,237,500	5.5
Channel Relationships	3,168,080	(440,804)	2,727,276	13.5
Telecommunications Software	3,113,936	(1,528,374)	1,585,562	2.7
Cybersecurity Software	271,219	(134,377)	136,842	3.0
Trade Name and Trademarks	515,472	(209,660)	305,812	9.0
Non-Compete Agreements	780,000	(780,000)	-	5.0
	$10,738,707	$(4,745,715)	$5,992,992	

	DECEMBER 31, 2013			
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period
Customer Relationships	$2,890,000	$(1,405,000)	$1,485,000	6.0
Channel Relationships	540,000	(216,000)	324,000	4.0
Telecommunications Software	2,450,000	(1,089,667)	1,360,333	4.0
Cybersecurity Software	669,171	(530,486)	138,685	2.0
Trade Name and Trademarks	225,000	(179,750)	45,250	1.0
Non-Compete Agreements	780,000	(519,997)	260,003	2.0
	$7,554,171	$(3,940,900)	$3,613,271	

Purchased Intangibles

For the year ended December 31, 2014, the Company completed the acquisition of SCL and recognized intangible assets totaling approximately $3,582,500. For the year ended December 31, 2013, the Company did not recognize any acquisition related intangible assets. During the year ended December 31, 2012, the Company completed its determination of the fair value of intangibles acquired in connection with a business combination, increased the value of identified intangible assets from $4,492,428 to $5,320,000 as of December 31, 2013 and increased the useful lives of acquired intangibles from provisional estimates. For the years ended December 31, 2014, 2013 and 2012, the Company did not dispose of any intangible assets. See Note 3 for additional information about the fair value adjustments recorded to intangible assets in connection with these business combinations.

Internally Developed

For the year ended December 31, 2014, the Company recorded capitalized software costs related to our Cybersecurity software totaling approximately $138,800.

The total weighted average remaining life of purchased and internally developed intangible assets is approximately 6.4 years and 2.3 years, respectively, at December 31, 2014.

The following table summarizes reflects estimated future amortization for purchased intangible assets for fiscal years ending December 31:

2015	$1,051,921
2016	1,005,558
2017	841,173
2018	515,631
2019	515,631
Thereafter	2,063,078
Total	$5,992,992

The aggregate amortization expense recorded was approximately $1,341,548, $1,356,000 and $1,392,400 for the years ended December 31, 2014, 2013 and 2012, respectively.

8. Goodwill

The Company evaluates goodwill for impairment annually as of December 31st and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test or bypass the qualitative assessment for any reporting period and proceed to performing the first step of the two-step goodwill impairment test.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value using widely accepted valuation techniques. The quantitative goodwill impairment test utilizes a two-step approach. The first step identifies whether there is potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, the second step of the impairment test is required to measure the amount of any impairment loss.

The Company uses a combination of the income approach (discounted cash flow method) and market approach (market multiples). When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows expected to be generated by the reporting units. Our internal forecasts are developed using observable (Level 2) and unobservable (Level 3) inputs. Actual results may differ from forecasted results. When preparing the market approach the Company may adjust market multiples to reflect the Company's risk profile and other factors deemed appropriate to properly apply the market approach.

The Company uses the expected weighted average cost of capital, estimated using a capital asset pricing model, to discount future cash flows for each reporting unit. Our cost of equity estimate is developed using a combination of observable (Level 2) and unobservable (Level 3) inputs with appropriate adjustments that take into consideration our risk profile and other factors deemed appropriate. The Company believes the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in the Company's internally developed forecasts. Further, to assess the reasonableness of the valuations derived from the discounted cash flow models, the Company also analyzes market-based multiples for similar industries of the reporting unit, where available.

As of December 31, 2014 and 2013, goodwill was not impaired and there were no accumulated impairment losses.

The changes in the carrying amount of goodwill were as follows for the years ended:

	DECEMBER 31,		
	2014	2013	2012
Beginning balances, January 1,	$ 16,618,467	$ 16,618,467	$ 16,618,467
Additions:			
Acquisition of Soft-ex Communications Ltd. (see Note 3)	1,937,111	-	-
Ending balances, December 31,	$ 18,555,578	$ 16,618,467	$ 16,618,467

9. Line of Credit and Long Term Debt

Commercial Loan Agreement Facility

On December 30, 2011, the Company entered into a new Commercial Loan Agreement (collectively referred to as the "Cardinal Loans") to obtain a $4.0 million term loan (the "$4.0 Million Term Loan") and to increase the revolving line of credit for net working capital from $5.0 million to $8.0 million.

The available amount under the $8,000,000 working capital line of credit facility with Cardinal Bank varies from month to month depending upon the amount of qualified customer accounts receivable which currently consists of up to 90% of qualified United States Federal Government receivables and up to 80% of United States domestic commercial and other non-federal government receivables, less any amounts outstanding on the Cardinal Bank term note. On September 26, 2014, the Company renewed its credit facility with Cardinal Bank and extended the maturity date to October 31, 2015 and modified financial covenants. The credit facility with Cardinal Bank requires the

Company to maintain (i) a tangible net worth of at least $4.5 million and (ii) a current ratio of at least 1.1:1.0. As of September 30, 2014, the Company was not in compliance with its tangible net worth financial covenant. The Company placed a full valuation allowance of approximately $3.7 million that caused non-compliance with its tangible net worth financial covenant. The Company previously obtained a waiver from its financial institution as of December 31, 2013 through December 31, 2014 for compliance with such covenant. On October 28, 2014, the Company completed a second public offering of common stock which immediately brought the Company into compliance with its tangible net worth financial covenant.

Advances made under the $4.0 Million Term Loan bear interest at 4.5% with monthly principal and interest payments of $74,694 and matures on December 30, 2016. Term loan advances were used to fund a portion of the purchase consideration paid in connection with the AGS business combination that closed on December 31, 2011.

The Company was advanced approximately $12.0 million and repaid approximately $12.9 million during the year ended December 31, 2014. There was no outstanding balance on the credit facility at December 31, 2014.

Long-Term Debt

Long-term debt consisted of the following:

	DECEMBER 31,	
	2014	2013
Cardinal Bank mortgage dated December 17, 2010 (1)	$468,163	$484,532
Cardinal Bank term note dated December 31, 2011 (2)	1,710,319	2,508,748
Non-contingent subordinated unsecured promissory note dated December 31, 2011 (3)	333,334	666,667
Contingent subordinated unsecured loan note payable dated May 1, 2014 (4)	1,000,000	-
Total	3,511,816	3,659,947
Less: current portion	(2,184,016)	(1,150,455)
Long-term debt, net of current portion	$1,327,800	$2,509,492

(1) On December 17, 2010, the Company entered into a real estate purchase agreement to acquire an operations center facility in Columbus, Ohio for approximately $677,000. In connection with the real estate purchase agreement the Company entered into a $528,000 ten-year mortgage with Cardinal Bank to fund the unpaid portion of the purchase price. The mortgage loan bears interest at 6.0% with monthly principal and interest payments of approximately $3,800, and matures on December 17, 2020. The mortgage loan principal and interest payments are based on a twenty-year amortization with the unpaid balance due at maturity. The mortgage loan is secured by the real estate.

(2) On December 31, 2011, the Company entered into a $4 million 5-year term note with Cardinal Bank to fund a portion of the purchase price paid in connection with the asset purchase agreement with AGS dated December 30, 2011. The term note bears interest at 4.50% with monthly principal and interest payments of approximately $74,694, and matures on December 30, 2016. The term note is secured under a corporate security agreement.

(3) On December 31, 2011, the Company entered into a $1.0 million subordinated 3-year term non-contingent note (“term note”) with AGS to fund a portion of the purchase price paid in connection with the asset purchase agreement with AGS dated December 30, 2011. The term note bears interest at 3.0% with estimated remaining annual principal payments of $333,334 payable on April 15, 2015. The note matures on April 15, 2015. The Company paid the second installment due on April 15, 2014. The term note is subordinated to the Cardinal Bank Term Note.

(4) On May 1, 2014, the Company entered into a $1.0 million subordinated 1-year term contingent unsecured loan note with SCL to fund a portion of the purchase price paid in connection with the Share Sale and Purchase Agreement with SHL dated May 1, 2014. The term note bears interest at 3.0% with an estimated lump-sum principal payment of $1.0 million payable on May 1, 2015. The term note is subordinated to the Cardinal Bank Term Note. See Note 4 regarding the determination of fair value of this contingent obligation.

Future repayments on long-term debt are as follows for fiscal years ending December 31:

2015	$2,184,016
2016	898,256
2017	21,114
2018	22,416
2019	23,798
Thereafter	362,216
Total	$3,511,816

Capital Lease Obligations

The Company has leased certain equipment and automobiles under capital lease arrangements that expire in 2017. Except for the assumption of certain capital lease arrangements in connection with the acquisition of SCL, there were no changes to existing lease arrangements during the year ended December 31, 2014. For the year ended December 31, 2013, the Company did not enter into any capital lease agreements.

For the years ended December 31, 2014 and 2013 there were no disposals of equipment leases. For the year ended December 31, 2012 there were disposals of certain expired equipment leases with a gross value and accumulated depreciation of approximately $130,700, respectively.

The following sets forth the Company's future obligations under capital lease agreement for fiscal years ending December 31:

2015	$79,320
2016	35,334
2017	4,185
Total	118,839
Less portion representing interest	(5,573)
Present value of minimum lease payments under capital lease agreements	113,266
Less current portion	(76,597)
Capital lease obligations, net of current portion	$36,669

10. Income Taxes

The Company accounts for income taxes in accordance with ASC 740, “Income Taxes”. Under ASC 740, deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. ASC 740 requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized.

As of December 31, 2014, the Company had recorded a deferred tax asset of approximately $5.0 million reflecting the benefit of approximately $21.5 million in net operating loss (NOL) carry forwards available to offset future taxable income for federal income tax purposes, net of the potential Section 382 limitations. These federal NOL carry forwards expire between 2017 and 2032. Included in the recorded deferred tax asset, the Company had a benefit of approximately $18.5 million available to offset future taxable income for state income tax purposes. These state NOL carry forwards expire between 2024 and 2032. Because of the change of ownership provisions of the Tax Reform Act of 1986, use of a portion of our domestic NOL may be limited in future periods. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Under existing income tax accounting standards such objective evidence is more heavily weighted in comparison to other subjective evidence such as our projections for future growth, tax planning and other tax strategies. A significant piece of objective negative evidence considered in management's evaluation of the realizability of its deferred tax assets was the existence of cumulative losses over the latest three-year period. Management forecast future taxable income, but concluded that there may not be enough of a recovery before the end of the fiscal year to overcome the negative objective evidence of three years of cumulative losses. On the basis of this evaluation, management recorded a valuation allowance of $5.0 million against all deferred tax assets during the third quarter of fiscal 2014. If management's assumptions change and we determine we will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be accounted for as a reduction of income tax expense.

The Company files U.S. federal income tax returns with the Internal Revenue Service ("IRS") as well as income tax returns in various states and certain foreign countries. The Company may be subject to examination by the IRS for tax years 2003 and forward. The Company may be subject to examinations by various state taxing jurisdictions for tax years 2003 and forward. The Company may be subject to examination by various foreign countries for tax years 2014 forward. As of December 31, 2014, the Company is currently not under examination by the IRS, any state or foreign tax jurisdiction. The Company did not have any unrecognized tax benefits at either December 31, 2014 or 2013. In the future, any interest and penalties related to uncertain tax positions will be recognized in income tax expense.

Provision for income taxes is as follows for the years ended:

	DECEMBER 31,		
	2014	2013	2012
Current provision (benefit)			
Federal	$(146,125)	$-	$-
State	39,522	249,273	(17,864)
Foreign	5,796	-	-
Total	(100,807)	249,273	(17,864)
Deferred provision (benefit)			
Federal	3,459,123	96,180	(33,748)
State	234,398	17,311	(48,075)
Foreign	-	-	-
Total	3,693,521	113,491	(81,823)
Income tax provision (benefit)	$3,592,714	$362,764	$(99,687)

The provision (benefit) for income taxes results in effective rates, which differs from the federal and state statutory rate as follows for the years ended:

	DECEMBER 31,		
	2014	2013	2012
Statutory federal income tax rate	34.0 %	34.0 %	34.0 %
State income tax rate (net of federal benefit)	-3.8 %	-8.8 %	3.1 %
Non-deductible expenses	-0.6 %	-2.4 %	3.1 %
Change in valuation allowance	-103.2%	—	-3.9 %
Adjustments to state net operating losses	0.0 %	0.0 %	-7.8 %
Adjustments to share-based compensation	—	-53.8%	3.5 %
Change in fair value of contingent consideration	0.0 %	0.0 %	-44.5%
Return to accrual difference true-ups	-3.5 %	1.6 %	-0.1 %
Other	1.2 %	—	—
Combined effective tax rate	-75.9 %	-29.4%	-12.6%

The deferred tax assets (liabilities) consisted of the following:

	DECEMBER 31,	
	2014	2013
Deferred tax assets:		
Net operating loss carryforwards	$7,003,976	$4,985,548
Alternative minimum tax credit	45,650	45,650
Share-based compensation	340,735	381,123
Intangible amortization	968,485	714,354
Foreign depreciation	18,584	46,373
Other assets	186,900	166,642
Total deferred tax assets	8,564,330	6,339,690
Less: valuation allowance	(5,996,720)	(712,847)
Total deferred tax assets, net	2,567,610	5,626,843
Deferred tax liabilities:		
Goodwill amortization	2,238,814	1,886,197
Foreign intangible amortization	447,811	—
Depreciation	231,192	—
Other liabilities	16,195	—
Foreign capitalized software costs	62,825	33,759
Total deferred tax liabilities	2,996,837	1,919,956

Net deferred tax (liability) asset	$(429,227)	$3,706,887

Changes in the valuation allowance for the years ended were as follows:

	DECEMBER 31,		
	2014	2013	2012
Beginning balance	$(856,085)	$(849,654)	$(880,384)
Decreases (Increases)	(5,283,873)	(6,431)	30,730
Ending balance	$(6,139,958)	$(856,085)	$(849,654)

11. Stockholders' Equity

Preferred Stock

The Company's Certificate of Incorporation authorizes the Company to issue up to 10,000,000 shares of preferred stock, $0.001 par value per share. Under the terms of the Company's Certificate of Incorporation, the board of directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue such shares of preferred stock in one or more series. Each such series of preferred stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the board of directors. In November 2004, the Company filed a certificate of designation designating 2,045,714 shares of the Company's preferred stock as shares of Series A Convertible Preferred Stock, which shares were later issued. All of the shares of Series A Convertible Preferred Stock that was issued has been converted into common stock and may not be reissued. Accordingly, as of December 31, 2014, there were 7,945,286 undesignated shares of preferred stock remaining available for issuance. There were no issuances of preferred stock during the year ended December 31, 2014.

Common Stock

The Company is authorized to issue 110,000,000 shares of common stock, $.001 par value per share. As of December 31, 2014, there were 81,656,763 shares of common stock outstanding.

Common Stock Issuances - Public Offerings

On February 26, 2014, the Company entered into an underwriting agreement with B. Riley & Co., LLC (the "Underwriter") relating to an underwritten public offering of 7,876,497 shares of the Company's common stock, par value $0.001 per share. On February 27, 2014, the Company received notice from the Underwriter that it had fully-exercised its over-allotment option to purchase an additional 1,181,475 shares of common stock. On March 3, 2014, the Company completed the public offering of 9,057,972 shares of its common stock at a purchase price of $1.38 per share, which includes the full exercise of the over-allotment option granted to the underwriters. The gross proceeds to the Company from this offering were approximately $12.5 million, before deducting underwriting discounts and other estimated offering expenses incurred by the Underwriter. The Company received net proceeds of approximately $11.7 million before paying offering expenses of approximately $0.3 million incurred by the Company to complete the public offering.

On October 23, 2014, the Company entered into an underwriting agreement with B. Riley & Co., LLC (the "Underwriter") and Craig-Hallum ("Co-Manager") relating to an underwritten public offering of 6,896,552 shares of the Company's common stock, par value $0.001 per share. On October 28, 2014, the Company completed the public offering of 6,896,552 shares of its common stock at a purchase price of $1.45 per share, which excludes the full exercise of the over-allotment option granted to the underwriters. On October 29, 2014, the Company received notice from the Underwriter that it had fully-exercised its over-allotment option to purchase an additional 1,034,483 shares of common stock. The gross proceeds to the Company from this offering were approximately $11.5 million, before deducting underwriting discounts and other estimated offering expenses incurred by the Underwriter. The Company received net proceeds of approximately $10.8 million before paying estimated offering expenses of approximately $0.2 million incurred by the Company to complete the public offering.

Common Stock Issuances - Employee Stock Option Exercises

Shares of common stock issued as a result of stock option exercises for the years ended December 31, 2014, 2013 and 2012 were 760,399, 155,500 and 525,000, respectively. The Company realized gross proceeds of approximately $462,200, $46,200 and $51,200 from the exercise of stock options for the years ended December 31, 2014, 2013 and 2012, respectively. See Note 12 for additional information regarding stock option plans.

12. Stock Options and Award Programs

The Company's stock incentive plan is administered by the Compensation Committee and authorizes the grant or award of incentive stock options, non-qualified stock options, restricted stock awards, stock appreciation rights, dividend equivalent rights, performance unit awards and phantom shares. The Company issues new shares of common stock upon the exercise of stock options. Any shares associated with options forfeited are added back to the number of shares that underlie stock options to be granted under the stock incentive plan. The Company has issued restricted stock awards and non-qualified stock option awards as described below.

Restricted Stock Awards

On November 18, 2010, the Company's Compensation Committee granted Steve L. Komar and James T. McCubbin each an award of 250,000 shares of restricted stock of the Company, the vesting of which is based upon the earlier to occur of (a) the seventh anniversary date of the grant, or (b) an acceleration event as determined on the date of grant by the Compensation Committee and set forth in the award agreement with respect to such grant. There were no changes in vesting requirements or activity related to restricted stock awards (RSA) during the years ended December 31, 2014, 2013 or 2012. At December 31, 2014, the Company had approximately $251,300 of total unamortized RSA compensation expense that will be recognized over the weighted average period of 2.9 years.

Stock Option Awards

During the year ended December 31, 2014, the Company granted stock options of 360,000 (of which 50,000 was granted to a non-employee consultant). The fair value of each this option award was estimated on the date of grant using a Black-Scholes option pricing model ("Black-Scholes model"), which uses the assumptions of no dividend yield, risk free interest rate of 0.35% to 2.21% and expected life in years of approximately 7 years (or 2 years for non-employee consultants). Expected volatilities used in determining the fair value of options granted based on historical volatility of our common stock of approximately 73.7% to 85.9%. The expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. Stock option awards reflected in the tables below cover the period from 1999 through December 31, 2014.

A summary of stock option and RSA activity as of December 31, 2014, and changes during the year is set forth below:

	Restricted Stock Awards	Stock Options

NON-VESTED OPTIONS	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Non-vested balances, January 1, 2014	277,381	$ 1.22	1,900,000	$ 0.36
Granted	-	—	360,000	$ 1.03
Cancelled	-	—	(122,500)	$ 0.35
Vested	(71,429)	$ 1.22	(796,662)	$ 0.31
Non-vested balances, December 31, 2014	205,952	$ 1.22	1,340,838	$ 0.57

OUTSTANDING AND EXERCISABLE	Restricted Stock Awards		Stock Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, January 1, 2014	222,619	$ 1.22	3,336,500	$ 0.72
Granted	-	—	360,000	$ 1.45
Canceled	-	—	(144,500)	$ 0.94
Exercised	-	—	(760,399)	$ 0.61
Vested	71,429	$ 1.22	-	$ 0.00
Options outstanding, December 31, 2014	294,048	$ 1.22	2,791,601	$ 0.83
Options vested and expected to vest, December 31, 2014	294,048	$ 1.22	2,791,601	$ 0.83
Options outstanding and exercisable, December 31, 2014	-	—	1,450,763	$ 0.77

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company's stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, and vested and expected to vest as of December 31, 2014 are as follows:

	Outstanding	Vested and Expected to Vest	Outstanding and Exercisable
Weighted-average remaining contractual life (in years)	3.7	3.7	2.6
Aggregate intrinsic value	1,573,423	896,119	896,119

Aggregate intrinsic value represents total pretax intrinsic value (the difference between WidePoint's closing stock price on December 31, 2014 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2014. The intrinsic value will change based on the fair market value of WidePoint's stock. The total intrinsic value of options exercised were $741,200, $89,700 and $305,250 during the years ended December 31, 2014, 2013 and 2012, respectively.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model ("Black-Scholes model"), which uses the assumptions of no dividend yield, risk free interest rates and expected life as shown in the table below. Expected volatilities are based on the historical volatility of our common stock. The

expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rates are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. Significant option model assumptions were as follows for options granted during the years ended:

	DECEMBER 31		
	2014	2013	2012
Expected dividend yield	0%	0%	0%
Expected volatility	**73%-86%**	67% - 70%	74%
Risk-free interest rate	**0.4%-2.2%**	0.38-0.42%	0.38-0.40%
Expected life - Employees options	**7 years**	7 years	7 years
Expected life - Non-employees options	**2-3 years**	2-3 years	n/a
Expected life - Board of directors options	**n/a**	n/a	n/a

The amount of compensation expense recognized under ASC 718-10 under the Company's plans was comprised of the following during the years ended:

	DECEMBER 31, 2014		2013		2012	
General and administrative expense	$	324,281	$	227,035	$	217,611
Share-based compensation before taxes	$	324,281	$	227,035	$	217,611
Tot net share-based compensation expense	$	324,281	$	227,035	$	217,611
Net share-based compensation expenses per basic and diluted common share		nil		nil		nil

No tax benefit has been associated with the exercise of stock options for the years ended December 31, 2014, 2013 or 2012, respectively, because of the existence of net operating loss carryforwards. There will be no credit to additional paid in capital for such until the associated benefit is realized through a reduction of income taxes payable.

At December 31, 2014, the Company had approximately $451,000 of total unamortized compensation expense, net of estimated forfeitures, related to stock option plans that will be recognized over the weighted average period of 2.0 years.

13. Earnings Per Common Share (EPS)

The computations of basic and diluted EPS for the years ended were as follows:

	DECEMBER 31, 2014	2013	2012
Basic EPS Computation:			
Net (loss) income	$(8,400,626)	$(1,694,785)	$832,301

Weighted average number of common shares	73,048,883	63,802,275	63,474,871
Basic EPS	$(0.115)	$(0.027)	$0.013
Basic EPS Computation:			
Net (loss) income	$(8,400,626)	$(1,694,785)	$832,301
Weighted average number of common shares	73,048,883	63,802,275	63,474,871
Incremental shares from assumed conversions of stock options	-	-	283,761
Adjusted weighted average number of common shares	73,048,883	63,802,275	63,758,632
Diluted EPS	$(0.115)	$(0.027)	$0.013

14. Accumulated Other Comprehensive Income (Loss) (AOCI)

AOCI is a balance sheet item in the stockholders' equity section of the Company's condensed consolidated balance sheets. The Company's acquisition of SCL on May 1, 2014 resulted in the recognition of net foreign currency translation adjustments due to translation of SCL's Euro-currency financial statements into the Company's reporting currency. Changes in AOCI were as follows during the years ended December 31, 2014:

Balances, May 1, 2014	$-
Net foreign currency translation (loss)	(147,515)
Balances, December 31, 2014	$(147,515)

15. Commitments and Contingencies

Operating Lease Commitments

The Company has entered into property and equipment leasing arrangements that expire at various times through March 2026, with optional renewal periods. Lease payments range from $1,000 to $27,000 per month and may require additional rent to cover a proportionate share of taxes, maintenance, insurance and other shared expenses. Rents are generally increased annually by fixed amounts, subject to certain maximum amounts defined within individual agreements. Rent expenses under these operating leases for the years ended December 31, 2014, 2013 and 2012 were approximately $926,300, $767,000 and $808,000, respectively.

Future minimum payments by year (excluding related party leases) required under lease obligations consist of the following for fiscal years ending December 31:

	Property Leases	Equipment Leases	Less Property Sublease	Net Lease Total
2015	$951,000	$88,000	$(23,600)	$1,015,400
2016	850,000	45,000	(11,800)	883,200
2017	779,000	27,000	-	806,000
2018	778,000	-	-	778,000
2019	442,000	-	-	442,000
Thereafter	1,234,000	-	-	1,234,000

Total	$5,034,000	$160,000	$(35,400)	$5,158,600

Employment Agreements

The Company has employment agreements with certain executives that set forth compensation levels and provide for severance payments in certain instances.

Litigation

The Company is not involved in any material legal proceedings.

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16. Consolidated Revenue Mix and Revenue by Geographic Region

As further described in Note 2 above, the Company's principal business is MMS. The following table was prepared to provide additional information about the composition of revenues based on broad service descriptions:

	YEARS ENDED DECEMBER 31,		
MMS Service Mix	2014	2013	2012
Carrier Services	$20,044,276	$16,815,215	$19,545,439
Management Services	18,641,702	17,227,862	19,611,176
Resale and Other Services	14,630,232	12,781,955	16,626,127
	$53,316,210	$46,825,032	$55,782,742

The following table was prepared to provide additional information about the composition of revenues based on broad geographic regions:

	YEARS ENDED DECEMBER 31,		
Geographic Region	2014	2013	2012
North America	$49,209,336	$46,825,032	$55,782,742
Europe	3,936,527	-	-
Middle East	170,347	-	-
	$53,316,210	$46,825,032	$55,782,742

The level of detail presented above is limited to broad service descriptions due to limitations within the Company's financial reporting system. The Company may supplement or modify the above table in future periods as additional revenue service details are captured and available for disclosure.

17. Quarterly Financial Data (Unaudited)

2014				2013			
12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31

Quarters Ended								
Operating Results								
Revenues	$16,763,502	$14,555,908	$12,394,021	$9,602,779	$11,290,459	$12,222,505	$11,343,962	$11,968,10
Gross profit	3,448,494	3,984,390	3,613,795	2,467,238	2,331,098	2,978,969	3,527,042	3,274,452
(Loss) income from operations	(1,034,182)	(879,839)	(1,233,765)	(1,503,222)	(1,183,589)	(53,944)	186,697	(124,458
Net (loss) income	(902,993)	(5,901,696)	(669,239)	(926,698)	(2,093,688)	294,821	139,351	(35,269
Common Stock Statistics								
Earnings per share:								
Basic	$(0.011)	$(0.081)	$(0.009)	$(0.014)	$(0.033)	$0.005	$0.002	$(0.001
Diluted	$(0.011)	$(0.081)	$(0.009)	$(0.014)	$(0.033)	$0.005	$0.002	$(0.001
Market price per share:								
High	$1.74	$1.90	$1.87	$1.95	$1.79	$1.14	$0.86	$0.73
Low	$0.99	$1.45	$1.28	$1.29	$0.76	$0.65	$0.45	$0.35