

SHAW RUTH G
Form 4
February 28, 2005

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SHAW RUTH G

(Last) (First) (Middle)

526 SOUTH CHURCH STREET

(Street)

CHARLOTTE, NC 282021802

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
DUKE ENERGY CORP [DUK]

3. Date of Earliest Transaction (Month/Day/Year)
02/24/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Pres & CEO, Duke Power Company

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	02/24/2005		M		5,850	A	\$ 0
Common Stock	02/24/2005		F		1,899	D	\$ 26.35
Common Stock							9,617

By Trustee under Retirement Savings Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount or Number of Shares
LTIP Phantom Stock 2004 Grant	<u>(1)</u>	02/24/2005		M	5,850	<u>(2)</u> <u>(3)</u>	Common Stock 5,850
LTIP Phantom Stock Grant Feb 2005	<u>(1)</u>	02/28/2005		A	23,260	<u>(4)</u> <u>(4)</u>	Common Stock 23,260

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHAW RUTH G 526 SOUTH CHURCH STREET CHARLOTTE, NC 282021802			Pres & CEO, Duke Power Company	

Signatures

By: Judy Z. Mayo, as Attorney-in-Fact for
Date: 02/28/2005

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) 1-for-1
- (2) The phantom stock vests in 5 equal annual installments beginning on February 24, 2005.
- (3) FOR ELECTRONIC FILING PURPOSES ONLY. Expiration date not applicable.

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- One fifth will vest on each of the first five anniversaries of the grant date provided the recipient continues to be employed by the registrant or employment terminates on account of retirement. Proration and immediate vesting apply if the recipient's employment
- (4) terminates as a result of death, disability, or by the registrant without cause or as a result of a divestiture. Vesting upon separation from service will occur if the executive's employment is terminated by Duke Energy without cause within two years following a "change in control" (as defined in the Duke Energy 1998 Long-Term Incentive Plan).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. oman" SIZE=2> 63,976 \$ 61,063 Share-based compensation before taxes 63,976 \$ 61,063 Related income tax benefits -- -- Share-based compensation expense \$ 63,976 \$ 61,063 Net share-based compensation expenses per basic and diluted common share \$ 0.01 \$ 0.01

Since we have cumulative operating losses as of March 31, 2007 for which a valuation allowance has been established, we recorded no income tax benefits for share-based compensation arrangements. Additionally, no incremental tax benefits were recognized from stock options exercised during the quarter ended March 31, 2007, which would have resulted in a reclassification to reduce net cash provided by operating activities with an offsetting increase in net cash provided by financing activities.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model. 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. Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. The estimated forfeiture rates are based on analyses of historical data, taking into account patterns of involuntary termination and other factors. A summary of the option activity under our plans during the quarter ended March 31, 2007 is presented below:

	# of Shares	Weighted average Grant date fair value per share
<u>NON -VESTED</u>		
Non-vested at January 1, 2007	753,477	\$ 0.67
Granted	--	--
Vested	323,183	\$ 0.58
Forfeited	29,250	\$ 0.43
Non-vested at March 31, 2007	401,044	\$ 0.76
<u>OUTSTANDING AND EXERCISABLE</u>		
Total outstanding at January 1, 2007	7,103,261	\$ 0.36
Issued	--	--
Cancelled	30,250	\$ 0.48
Exercised	75,800	\$ 0.34
Total outstanding at March 31, 2007	6,997,211	\$ 0.36
Total exercisable at March 31, 2007	6,596,167	\$ 0.32

The aggregate remaining contractual lives in years for the options outstanding and exercisable on March 31, 2007 was 4.04 and 3.77, respectively.

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Aggregate intrinsic value represents total pretax intrinsic value (the difference between WidePoint's closing stock price on March 31, 2007 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 March 31, 2007. This amount changes based on the fair market value of WidePoint's stock. The total intrinsic value of options outstanding as of March 31, 2007 was \$10,297,767. The total intrinsic value of options exercisable on March 31, 2007 was \$9,964,507. The total intrinsic value of options exercised for the first quarter of fiscal 2007 was \$111,088. The Company issues new shares of common stock upon the exercise of stock options.

At March 31, 2007, 4,884,738 shares were available for future grants under the Company's 1997 Stock Compensation Plans. This includes options for 1,012,150 shares previously issued and cancelled under the Company's 1997 Stock Compensation Plans. This does not include 3,999,999 warrants granted and vested to members of the senior management team that were not issued under the Company's 1997 Stock Compensation Plans.

At March 31, 2007, the Company had approximately \$300,000 of total unamortized compensation expense, net of estimated forfeitures, related to stock option plans that will be recognized over the weighted average period of 4.04 years.

3. Debt

As of December 31, 2006 and March 31, 2007, the Company maintained no outstanding balances under our senior lending agreement with RBC-Centura Bank, which expired on June 1, 2006. The senior lending agreement was executed on October 25, 2004 and had a maturity date of October 25, 2005, which was extended until June 1, 2006 at which time it expired. The Agreement provided for a \$2.5 million revolving credit facility. Borrowings under the Agreement were collateralized by the Company's eligible contract receivables, inventory, all of its stock in certain of our subsidiaries and certain property and equipment, and bore interest at the prime rate.

WidePoint's credit facility required that the Company maintain specified financial covenants relating to fixed charge coverage, interest coverage, and debt coverage, and maintain a certain level of consolidated net worth. As of and during the quarter ended March 31, 2006 and during the year ended December 31, 2006, WidePoint was either in compliance with each of these financial covenants, received waivers, or was allowed to continue to utilize the credit facility through June 1, 2006. There were no weighted average borrowings under the revolving portion of the facility during the quarters ended March 31, 2007 and March 31, 2006. There were no interest fees paid during the quarters ended March 31, 2007 and 2006.

WidePoint has been provided a term sheet to provide a line of credit for up to \$2.0 million under a revolving credit facility by Cardinal Bank for which the Company is presently undergoing a collateral review by Cardinal Bank, prior to initiating the line of credit. If completed, the line of credit will be collateralized by the Company's eligible accounts receivable, inventory, all of its stock in certain of our subsidiaries and certain property and equipment, and bear interest at the prime rate less 0.25%. The credit facility will maintain specific financial covenants related to working capital levels and consolidated net worth and be for a period of one year.

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4. Goodwill and Intangible Assets

Effective January 1, 2002, WidePoint adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS 142 requires, among other things, the discontinuance of goodwill amortization. Under SFAS 142, goodwill is to be reviewed at least annually for impairment; the Company has elected to perform this review annually on December 31st of each calendar year. These reviews have resulted in no adjustments in goodwill.

During 2004, WidePoint completed the acquisition of Operational Research Consultants, Inc (ORC). The Company has also capitalized software development costs associated with its PKI initiative, established the purchase price allocation of the assets acquired and allocated the purchase price of the components and software capitalization of goodwill and other intangibles as follows:

Amortized Intangible Assets

As of March 31, 2007	
Gross Carrying Amount	Accumulated Amortization

ORC Intangible (Includes customer relationships)
--

4. Goodwill and Intangible Assets

(1)	and PKI business opportunity purchase accounting preliminary valuations)	\$	1,145,523	\$	(534,272)
(2)	PKI-I Intangible (Related to internally generated software)	\$	334,672	\$	(140,659)
(3)	PKI-II Intangible (Related to internally generated software)	\$	649,991	\$	(198,150)
	Total	\$	2,130,186	\$	(873,081)
Aggregate Amortization Expense:					
	For quarter ended 3/31/07	\$	101,107		
Estimated Amortization Expense:					
	For year ended 12/31/07	\$	404,429		
	For year ended 12/31/08	\$	404,429		
	For year ended 12/31/09	\$	374,272		
	For year ended 12/31/10	\$	175,082		

- (1) The ORC intangible is made up of the estimated preliminary purchase accounting associated with the valuation assigned by the Company to ORC's customer relationships and PKI business opportunity. The PKI business opportunity intangible has an estimated life of 6 years and ORC's customer relationships have an estimated life of 5 years. The PKI business opportunity was estimated based upon the contractual life assigned to the authority to issue PKI certificates by the federal government. The fair value of the PKI business opportunity was estimated using the expected present value of future cash flows estimated by the Company for ORC's PKI business opportunity. ORC's customer relationship intangible was estimated based upon an analysis of the historic life of ORC's present customer relationships and their present contract opportunities. A fair value was estimated using the expected present value of the estimated future cash flows generated from those relationships. The weighted average remaining life of this intangible asset class is 3.5 years.

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- (2) The PKI-I intangible is related to internally generated software that was associated with ORC's PKI-I development of its phase 1 software offerings. ORC commenced sales of its PKI-I service in August of 2004. It has a weighted average remaining life of 3.5 years and is based upon the contractual life assigned to the authority to issue PKI certificates by the federal government.
- (3) The PKI-II intangible is related to a secondary PKI software development effort by ORC. ORC commenced sales of its PKI-II service in August of 2005. It has a weighted average remaining life of 3.5 years and is based upon the contractual life assigned to the authority to issue PKI certificates by the federal government.

The total weighted average remaining life of all of the intangibles is approximately 3.5 years.

There were no amounts of research and development assets acquired during the quarter ended March 31, 2007 nor any written-off in the period.

There were no changes in the carrying amount of goodwill for the quarter ended March 31, 2007.

The goodwill acquired is associated with the acquisition of ORC in October of 2004. No impairment was required as of March 31, 2007.

5. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, 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. SFAS No. 109 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 has further adopted the provisions of Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109. As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company has determined that its net deferred tax asset did not satisfy the recognition criteria set forth in SFAS No. 109 and, accordingly, established a valuation allowance for 100 percent of the net deferred tax asset, less the deferred liability related to the Section 481(a) adjustment.

As of March 31, 2007, the Company had net operating loss carry forwards of approximately \$21 million to offset future taxable income. These carry forwards expire between 2010 and 2026. Under the provision of the Tax Reform Act of 1986, when there has been a change in an entity's ownership of 50 percent or greater, utilization of net operating loss carry forwards may be limited. As a result of WidePoint's equity transactions, the Company's net operating losses will be subject to such limitations and may not be available to offset future income for tax purposes. Upon review and analysis by the Company we have concluded that no FIN 48 effects are present as of March 31, 2007 and our tax position has not materially changed since December 31, 2006.

6. Stockholders Equity

The Company is authorized to issue 110,000,000 shares of common stock, \$.001 par value per share. During the quarter ended March 31, 2007 1,952,140 shares of common stock were issued as the result of the conversion of 195,214 Preferred Shares by Barron Partners LP, and 75,800 shares of common stock were issued as the result of the exercise of employee stock options for 75,800 shares. As of March 31, 2007 there were 52,522,699 shares of common stock outstanding. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by the rights of the holders of shares of Series A Convertible Preferred Stock and of any additional series of preferred stock that may be designated and issued in the future.

Preferred Stock

Our certificate of incorporation authorizes the Company to issue up to 10,000,000 shares of preferred stock, \$0.001 par value per share, of which 0 and 195,214 shares were outstanding at March 31, 2007 and December 31, 2006, respectively. Preferred stock of 195,214 shares were converted during the quarter ended March 31, 2007 into 1,952,140 shares of Common Stock.

Common Stock

On October 25, 2004, WidePoint completed the acquisition of Operational Research Consultants, Inc., or ORC, a privately held IT and engineering firm providing mission-critical sensitive and strategic information security solutions to the United States Government. Pursuant to the terms of a Purchase Agreement entered into on October 25, 2004, between the Company and the ORC shareholders, the Company issued 5,555,556 common shares of the Company's stock and placed it into an escrow to be released to the ORC shareholders in the event they attained certain performance parameters in 2004 and 2005. As of December 31, 2005, no common shares were earned and the 5,555,556 shares were returned to the Company and cancelled during the second quarter of 2006.

On April 30, 2004, the Company closed upon the acquisition of all the issued and outstanding shares of Chesapeake Government Technologies, Inc. (Chesapeake), pursuant to the terms of an Agreement and Plan of Merger, dated as of March 24, 2004. This transaction was accounted for as a consulting arrangement because Chesapeake did not meet the definition of a business under FAS 141. WidePoint issued 4,082,980 shares of its common stock to stockholders of Chesapeake in consideration for all of the issued and outstanding shares of Chesapeake owned by them. In conjunction with this closing, the Chesapeake stockholders also entered into an escrow agreement and deposited 3,266,384 shares of the

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4,082,980 newly issued shares of WidePoint common stock into escrow. The 3,266,384 shares of common stock placed into escrow were not recorded in equity at the time of the acquisition and were only to be released to the Chesapeake shareholders in the event of the satisfaction of certain conditions set forth in the merger agreement, which provided that during the period commencing after the closing of the merger and ending on December 31, 2005, the 3,266,384 shares of common stock would be released to the Chesapeake shareholders in a ratio based on the amount of revenues actually received by the Company from the business acquired as a result of activities originated and consummated by Chesapeake. The December 31, 2005 escrow expiration date could have been extended for one additional year in the event that it was determined that Chesapeake had achieved certain performance levels in the latter part of 2005, which did not occur. All shares earned were charged to expense through December 31, 2006. Of the 3,266,384 shares of common stock held in escrow, 816,596 and 1,905,390 were released in 2005 and 2006, respectively, with the 544,398 remaining shares cancelled in 2006.

Stock Warrants

On November 1, 2005, the Company issued a warrant to purchase 54,878 shares of common stock at a price of \$0.80 per share to Hawk Associates as part of a consulting agreement in which Hawk Associates agreed to act as the Company's investor relations representative. The warrant has a term of 5 years. We are accounting for this award in accordance with EITF 96-18.

On October 27, 2004 and November 22, 2004, the Company issued two warrants to purchase 30,612 shares and 5,556 shares of common stock at a price of \$0.49 and \$0.45 per share, respectively, to Liberty Capitol as part of a consulting agreement in which Liberty Capitol assisted the Company in arranging its senior debt financing with RBC-Centura Bank. The warrants have a term of 5 years. The Company used a fair-value option pricing model to value these stock warrants at approximately \$14,291. This value has been reflected as part of stock warrants in the stockholders' equity section of the consolidated balance sheet.

7. Segment reporting

Segments are defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, as components of a company in which separate financial information is available and is evaluated by the chief operating decision maker, or a decision making group, in deciding how to allocate resources and in assessing performance.

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During 1998, the Company adopted SFAS No. 131 and until December 31, 2005 the Company was comprised of a single segment, which was comprised of our consulting services segment within our Commercial and Federal Government Marketplaces. As of January 1, 2006, the Company added a second segment, which consists of PKI credentialing and managed services. The PKI credentialing and managed services segment provides PKI credentialing and managed services to United States federal agencies and federal contractors as a result of regulatory compliance requirements.

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative costs that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include costs for corporate office support, all office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology and company-wide business development functions, as well as costs related to overall corporate management.

The following table presents information about reported segments along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements:

Three Months Ended March 31	
2007	2006

**Three Months Ended
March 31**

Consulting services:

Revenues	\$ 2,542,303	\$ 2,461,010
Operating income	19,131	29,940
Total assets	3,436,310	2,787,582

PKI Credentialing and Managed Services:

Revenues	\$ 310,067	\$ 222,896
Operating loss (includes amortization expense of \$45,838 and \$45,838, respectively)	95,890	34,179
Total assets	1,199,559	1,077,253

Credentials issued	2,843	1,733
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Total Company

Revenues	\$ 2,852,370	\$ 2,683,906
Operating loss	389,083 ⁽¹⁾	267,957 ⁽²⁾
Depreciation expense	15,550	6,976
Interest income (expense), net	28,533	16,753
Other income	--	--
Net loss	\$ (376,100)	\$ (258,180)
Total Corporate assets	\$ 5,994,789	\$ 5,312,197

(1) Includes \$55,270 of amortization expense in cost of sales associated with the purchase of ORC, which is not allocated among the segments and includes \$257,054 in unallocated corporate costs in general and administrative expense.

(2) Includes \$55,270 of amortization expense in cost of sales associated with the purchase of ORC, which is not allocated among the segments and includes \$208,448 in unallocated corporate costs in general and administrative expense.

8. Litigation

The Company is not involved in any material legal proceedings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the financial statements and the notes thereto which appear elsewhere in this quarterly report and the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

The information set forth below includes forward-looking statements. Certain factors that could cause results to differ materially from those projected in the forward-looking statements are set forth below. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information,

future events or otherwise.

Overview

WidePoint Corporation (WidePoint or the Company) is a technology-based provider of products and services to both the government sector and commercial markets. We specialize in providing systems engineering, information technology services and information assurance in the form of identity management services. Our subsidiary, Operational Research Consultants, Inc. (ORC), is the leading provider of E-Authentication federal credentialing and federal compliant Public Key Infrastructure (PKI) managed services to the federal government. We intend to grow over the next few years through a combination of organic growth, the acquiring of selective strategic assets and by operational efficiencies among our subsidiaries.

On October 25, 2004, we completed the acquisition of ORC. ORC specializes in IT integration and secure authentication processes and software, and providing services to the United States Government. ORC has been at the forefront of implementing Public Key Infrastructure (PKI) technologies. PKI technology is rapidly becoming the technology of choice to enable security services within and between different computer systems utilized by various agencies and departments of the U.S. Government. Based on asymmetric key cryptography, PKI technology uses a class of algorithms in which a user can receive two electronic keys, consisting of a public key and a private key, to encrypt any information and/or communication being transmitted to or from the user within a computer network and between different computer networks. The user provides his or her public key to any and all desired persons or entities. The user does not share the private key with anyone else. The public key will encrypt all information and/or communication from any sender and the private key will allow only the holder of the private key to unlock and decrypt such information and/or communication. Thus, the algorithms used in PKI technologies help to achieve authentication of users and information, integrity of all data and communications, non-repudiation or rejection of data and communications, and support confidentiality of data and communications. PKI also speeds up and simplifies the delivery of products and services by providing electronic approaches to processes that historically have been paper based. These electronic solutions depend on PKI for identification and authentication; data integrity; confidentiality of information and transactions; and non-repudiation to facilitate mission-related transactions internal to an organization and with external organizations. ORC is currently one of only a few organizations that has been designated by the United States Government as fully compliant to issue certificates for the U.S. Government. As such, ORC is authorized to issue all permissible certificate types and services in accordance with Defense Information Systems Agency and National Security Agency standards, necessary for the interoperable, secure exchange of information between U.S. Governmental agencies, contractors, and international allies such as members of NATO.

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With the addition of the customer base and the increase in revenues attributable from the ORC acquisition, WidePoint's opportunity to leverage and expand further into the federal marketplace has improved dramatically. ORC's past client successes, top security clearances in their facilities and with their personnel, and additional breadth of management talent have expanded the Company's reach into markets that previously were not accessible to WidePoint. WidePoint intends to continue to leverage the synergies between the newly acquired operating subsidiaries and cross sell those technical capabilities into each separate marketplace serviced by its respective subsidiaries. Further, WidePoint is continuing to actively search out new synergistic acquisitions that we believe will further enhance the present base of business, which has been augmented by our recent acquisitions activity and internal growth initiatives.

As a result of these actions WidePoint's total revenues increased by approximately \$0.2 million from \$2.7 million for the three months ended March 31, 2006 to \$2.9 million for the three months ended March 31, 2007.

Our PKI credentialing and managed services segment experienced revenue growth of approximately 40% with revenues increasing approximately \$87,000 from approximately \$223,000 for the three months ended March 31, 2006, to approximately \$310,000 for the three months ended March 31, 2007, as a result of continuing adoption of several of the Federal Government's mandates under Homeland Security Presidential Directive No. 12 (HSPD-12) and the External Certificate Authority (ECA) program by the Department of Defense. We issued 2,843 PKI electronic identification credentials (PKI credentials) to our customers for the three months ended March 31, 2007 as compared to 1,733 PKI credentials for the three months ended March 31, 2006. We anticipate that PKI credential sales will continue to grow as our PKI credentialing and managed services segment expands as we fulfill recent contract wins and we witness the further adoption of the ECA program and the HSPD-12 program is increasingly adopted by the Federal Government agencies and departments.

Our consulting services segment experienced a slight increase in revenues of approximately \$81,000 from approximately \$2,461,000 for the three months ended March 31, 2006 as compared to approximately \$2,542,000 for the three months ended March 31, 2007. The slight increase in revenues for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006 was materially the result of

decreases in our commercial consulting services as we experienced difficulties in identifying and deploying consultants suitable for new project opportunities, partially offset by slight increases in revenues by our government consulting services clients.

Based upon estimates provided by independent analyst and U.S. government estimates, management believes there is a base of 5 million to 15 million users for the Company's PKI credentials that is comprised of U.S. Federal Government agencies employees and their contractors. The Company further believes that there is a developing market place for PKI credentials within the state and local governments and other national programs that extend beyond the U.S. Federal Government agencies employees and their contractors. These other opportunities relate to the requirements underlying the mandates for the HSPD-12 program that effect state and local governments as well as other national programs. The Company's PKI credentials are currently priced from approximately \$27.50 to \$150.00 per user on government pricing schedules depending upon the quantity purchased and the level of managed services and support selected by the customer. Pricing of the Company's PKI credentials by user are driven by a competitive marketplace and may change at any time. The Company believes it is well-positioned to effectively compete within this market segment as a result of its past successes and experience within the PKI field.

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A number of factors, including the progress of contracts, 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 that we have been awarded and general economic conditions may subject our revenues and operating results to significant variation from quarter to quarter. Because a significant portion of our 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.

With our recent acquisition of ORC we rely upon a larger portion of our revenues from the Federal Government directly or as a subcontractor. The Federal Government's fiscal year ends September 30. If a budget for the next fiscal year has not been approved by that date, our clients may have to suspend engagements that we are working on until a budget has been approved. Such suspensions may cause us to realize lower revenues in the fourth quarter and/or first quarter of the year. Further, a change in presidential administrations and in senior government officials may negatively affect the rate at which the Federal Government purchases the services that we offer.

As a result of the factors above, period-to-period comparisons of our revenues and operating results may not be meaningful. You should not rely on these comparisons as indicators of future performance as no assurances can be given that quarterly results will not fluctuate, causing a possible material adverse effect on our operating results and financial condition.

In addition, most of WidePoint's current costs consist primarily of the salaries and benefits paid to WidePoint's technical, marketing and administrative personnel. As a result of our plan to expand WidePoint's operations through a combination of internal growth initiatives and merger and acquisition opportunities, WidePoint expects such costs to increase. WidePoint's profitability also depends upon both the volume of services performed and the Company's ability to manage costs. As a significant portion of the Company's cost is labor related, WidePoint must effectively manage these costs to achieve and grow its profitability. To date, the Company has attempted to maximize its operating margins through efficiencies achieved by the use of its proprietary methodologies, and by offsetting increases in consultant salaries with increases in consultant fees received from its clients. The uncertainties relating to the ability to achieve and maintain profitability, obtain additional funding to partially fund the Company's growth strategy and provide the necessary investment to continue to upgrade its management reporting systems to meet the continuing demands of the present regulatory changes affect the comparability of the information reflected in the financial information presented above.

Results of Operations

Three Months Ended March 31, 2007 as Compared to Three Months Ended March 31, 2006

Revenues, net. Revenues for the three month period ended March 31, 2007 were approximately \$2,852,000 as compared to approximately \$2,684,000 for the three month period ended March 31, 2006. The increase in revenues was primarily attributable to growth within our PKI credentialing and managed services segment augmented by a slight increase within our consulting services segment. Our PKI credentialing and managed services segment experienced revenue growth of approximately 40% with revenues increasing approximately \$87,000 from approximately \$223,000 for the quarter ended March 31, 2006, to approximately \$310,000 for the quarter ended March 31, 2007. We issued 2,843 PKI credentials for the three months ended March 31, 2007, as compared to 1,733 PKI credentials for the three months ended March 31, 2006. We anticipate that PKI credentials sales should continue to increase as we fulfill recent contract wins and we witness the continued

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adoption of the ECA program by the Department of Defense and the HSPD-12 program is further rolled out and adopted by the Federal Government agencies and departments.

Cost of sales. Cost of sales for the three month period ended March 31, 2007, was approximately \$2,197,000, or 77% of revenues, an increase of approximately \$230,000 from cost of sales of approximately \$1,967,000, or 73% of revenues, in the three month period ended March 31, 2006. The increase in cost of sales was primarily attributable to higher fringe benefit and applied overhead costs, along with slightly higher direct labor costs and a slightly higher mix of software sales in support of our consulting services that were recognized during the quarter ending March 31, 2007.

Gross profit. As a result of the above, gross profit for the three month period ended March 31, 2007, was approximately \$656,000, or 23% of revenues, a decrease of approximately \$61,000 from gross profit of approximately \$717,000, or 27% of revenues, for the three month period ended March 31, 2006.

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Sales and marketing. Sales and marketing expense for the three month period ended March 31, 2007, was approximately \$203,000, or 7% of revenues, a decrease of approximately \$1,000, as compared to approximately \$204,000, or 8% of revenues, for the three month period ended March 31, 2006. The slight decrease was materially attributable to lesser direct expenses incurred during the quarter ending March 31, 2007.

General and administrative. General and administrative expenses for the three month period ended March 31, 2007, were approximately \$841,000, or 29% of revenues, an increase of approximately \$61,000, as compared to approximately \$780,000, or 29% of revenues, incurred by the Company for the three month period ended March 31, 2006. The increase in general and administrative expenses for the three months ended March 31, 2007, was primarily attributable to approximately \$55,000 in non-recurring legal expenses associated with contract and document reviews during quarter ending March 31, 2007.

Depreciation. Depreciation expense for the three month period ended March 31, 2007, was approximately \$16,000, or less than 1% of revenues, an increase of approximately \$9,000, as compared to approximately \$7,000 of such expenses, or less than 1% of revenues, recorded by the Company for the three month period ended March 31, 2006. The increase in depreciation expense for the three month period ended March 31, 2007, was primarily attributable to greater amounts of depreciable assets.

Interest income. Interest income for the three month period ended March 31, 2007, was approximately \$32,000, or less than 1% of revenues, an increase of approximately \$14,000 as compared to approximately \$18,000, or less than 1% of revenues, for the three month period ended March 31, 2006. The increase in interest income for the three month period ended March 31, 2007, was primarily attributable to greater amounts of cash and cash equivalents along with higher short-term interest rates that were available to the Company on investments in money market accounts.

Interest expense. Interest expense for the three month period ended March 31, 2007, was \$3,305, or less than 1% of revenues, an increase of \$1,709 as compared to \$1,596, or less than 1% of revenues, for the three month period ended March 31, 2006. The increase in interest expense for the three month period ended March 31, 2007 was primarily attributable to an increase in interest expense associated with capital leases that the Company entered into in 2006.

Net Loss. As a result of the above, the net loss for the three month period ended March 31, 2007, was approximately \$376,000 as compared to the net loss of approximately \$258,000 for the three months ended March 31, 2006.

The following table sets forth selected segment and consolidated operating results and other operating data for the periods indicated. Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative costs that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment.

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	Three Months Ended March 31	
	2007	2006
Consulting services:		
Revenues	\$ 2,542,303	\$ 2,461,010
Operating income	19,131	29,940
Total assets	3,436,310	2,787,582
PKI Credentialing and Managed Services:		
Revenues	\$ 310,067	\$ 222,896
Operating loss (includes amortization expense of \$45,838 and \$45,838, respectively)	95,890	34,179
Total assets	1,199,559	1,077,253
Credentials issued	2,843	1,733
Total Company		
Revenues	\$ 2,852,370	\$ 2,683,906
Operating loss	389,083 ⁽¹⁾	267,957 ⁽²⁾
Depreciation expense	15,550	6,976
Interest income (expense), net	28,533	16,753
Other income	--	--
Net loss	\$ (376,100)	\$ (258,180)
Total Corporate assets	\$ 5,994,789	\$ 5,312,197

(1) Includes \$55,270 of amortization expense in cost of sales associated with the purchase of ORC, which is not allocated among the segments and includes \$257,054 in unallocated corporate costs in general and administrative expense.

(2) Includes \$55,270 of amortization expense in cost of sales associated with the purchase of ORC, which is not allocated among the segments and includes \$208,448 in unallocated corporate costs in general and administrative expense.

Liquidity and Capital Resources

The Company has, since inception, financed its operations and capital expenditures through the sale of preferred and common stock, seller notes, convertible notes, convertible exchangeable debentures, senior secured loans and the proceeds from the exercise of the warrants related to a convertible exchangeable debenture. During 2006 and through the period ended March 31, 2007, operations were materially financed with working capital, and the proceeds from a convertible preferred stock issuance which occurred in October 2004.

Net cash provided by operating activities for the quarter ended March 31, 2007, was approximately \$3,000 as compared to cash used in operating activities of approximately \$324,500 for the quarter ended March 31, 2006. The increase in cash balances available for operating activities for the quarter ended March 31, 2007, was primarily a result of an improvement in the collection of accounts receivable partially offset by a decrease in our accounts payable. Net cash used in investing activities for the quarter ended March 31, 2007, was approximately \$22,000 as compared to \$11,000 in the quarter ended March 31, 2006. The increase in net cash used in investing activities resulted from increased expenditures in property and equipment. Net cash used in financing activities amounted to approximately \$14,000 in the quarter ended March 31, 2007, as compared to \$279,000 of net cash used in financing activities in the quarter ended March 31, 2006. The change primarily resulted from a decrease in costs related to our registration and a warrant exercise, partially offset by a decrease in proceeds related to the exercise of stock options and an increase in principal payments made under our capital lease obligations during the quarter ended March 31, 2007. Capital expenditures in property and equipment were approximately \$22,000 for the quarter ended March 31, 2007, as compared to capital expenditures

in property and equipment of approximately \$11,000 for the quarter ended March 31, 2006.

As of March 31, 2007, the Company had a net working capital of approximately \$3.5 million. WidePoint's primary source of liquidity consists of approximately \$2.7 million in cash and cash equivalents and approximately \$3.3 million of accounts receivable. The decrease in accounts receivable was primarily the result of a decrease in days sales outstanding of accounts receivable and the collection attributable to a material sale which occurred at the end of the fourth quarter of 2006. Current liabilities include approximately \$2.5 million in accounts payable and accrued expenses. The substantial decrease in current liabilities is predominately the result of the payoff of the account payable attributable to a material sale referenced in this paragraph.

The Company's business environment is characterized by rapid technological change, experiences times of high growth and contraction and is influenced by material events such as mergers and acquisitions that can substantially change the Company's outlook.

Since 2002, WidePoint has embarked upon several new initiatives to counter the current negative environment within our industry and expand our capacity to restore revenue growth. The Company requires substantial working capital to fund the future growth of its business, particularly to finance accounts receivable, sales and marketing efforts, and capital expenditures.

There are currently no commitments for capital expenditures. 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, technological changes and market acceptance of the Company's services.

On October 25 and 29, 2004, WidePoint completed financings with Barron Partners LP (Barron), a private equity fund that engages in investing primarily in private investments in publicly traded entities, for an aggregate amount of \$3,580,000, under a preferred stock purchase agreement and related agreements. Net proceeds from the financing after costs and expenses, including fees of finders and agents, were approximately \$3,030,000. WidePoint issued an aggregate of 2,045,714 shares of its Series A Convertible Preferred Stock that were convertible into an aggregate of 20,457,143 shares of its Common Stock at a conversion rate equal to \$0.175 per share. In addition, WidePoint issued to Barron a warrant to purchase up to an additional 10,228,571 shares of its Common Stock at an exercise price of \$0.40 per common share. Through March 31, 2007, Barron has converted all of its Series A Convertible Preferred Stock and has fully exercised its warrant. Barron's conversion of its Series A Convertible Preferred Stock and its warrant exercises were subject to contractual restrictions which restrict the ability of Barron and its affiliates to acquire shares of Common Stock which equal no more than 4.99% of the outstanding shares of WidePoint's Common Stock at any time. This contractual restriction could have been removed upon 61 days notice to WidePoint from Barron, but in the event Barron elects to remove this restriction, then Barron and its affiliates agreed that Barron and its affiliates could only vote the shares of Common Stock held by Barron and its affiliates which result in Barron and its affiliates having no more than 22% of the total voting power of all outstanding shares of WidePoint's Common Stock at any time. As a result of the Barron financing transaction, WidePoint issued warrants to Westcap Securities, Inc., a registered broker-dealer (Westcap) and WidePoint's placement agent in such transaction, to purchase 511,428 shares of Common Stock at an exercise price of \$0.40 per share, which warrants expire in October 2009. As of March 31, 2007 all of the Westcap warrants had been exercised.

Pursuant to the registration rights agreement between Barron and WidePoint related to the stock issuances described in the preceding paragraph, WidePoint filed a registration statement on January 5, 2005, covering the resale of the shares of Common Stock issuable upon conversion and/or exercise of the Series A Convertible Preferred Stock and the warrants issued to Barron. Under the agreement, if the registration statement was not declared effective by April 23, 2005 and thereafter kept effective through October 20, 2007, subject to permissible blackout periods and registration maintenance periods, then WidePoint would be required to pay Barron a maximum penalty of up to \$20,000 for each month the registration statement was not effective. Barron waived this penalty provision through February 9, 2006, when the registration statement was declared effective by the SEC.

WidePoint believes that its current cash position is sufficient to meet capital expenditure and working capital requirements for the near term. However, the growth and technological change of the market make it difficult to predict future liquidity requirements with certainty. Over the longer term, the Company must successfully execute its plans to increase revenue and income streams that will generate significant positive cash flows if it is to sustain adequate liquidity without impairing growth or requiring the infusion of additional funds from external sources. Additionally, a major expansion, such as occurred with the acquisition of ORC or any other major new subsidiaries, might require external financing that could include additional debt or equity capital. The Company raised approximately \$3.6 million dollars in connection with the aforementioned equity investments by Barron Partners LP, that were used in the acquisition of ORC. Further, the Company raised approximately \$4.1 million dollars in connection with the attached warrants associated with the aforementioned equity investments by Barron Partners LP

during the year ended 2005. 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.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not exposed to market risks related to changes in interest rates and changes in the market value of our investments as we have no borrowings outstanding under a bank credit agreement as of March 31, 2007 and we only invest our excess cash in marketable securities in a money market account which due to the short maturity and our availability to withdraw those securities at any time does not present any material market exposure.

ITEM 4. CONTROLS AND PROCEDURES.

Conclusions regarding disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by it in its periodic reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report, have concluded that, based on the evaluation of these controls and procedures required by paragraph (b) of Securities Exchange Act Rule 13a-15, our disclosure controls and procedures were not effective. That conclusion was based on the fact that the Company was not aware that it was required to include its management's annual report on internal control over financial reporting and the attestation report of the Company's registered public accounting firm in its Form 10-K for the year ended December 31, 2006, as discussed in further detail below.

Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Company's Registered Public Accounting Firm

SEC rules require that a company that is an accelerated filer, as defined by Rule 12b-2 under the Securities Exchange Act, must set forth in its annual report on Form 10-K a management's annual report on internal control over financial reporting pursuant to Rule 13a-15(f). The Company did not become an accelerated filer until December 31, 2006, based on the calculation called for by paragraph (i) of the definition of that term under Rule 12b-2. During 2006, prior to the Company's becoming an accelerated filer, the SEC extended the deadline date for compliance with that requirement for non-accelerated filers until the first fiscal year ending on or after December 15, 2007. At the time that the Company filed its Annual Report on Form 10-K for the year ended December 31, 2006, the Company believed that since it was a non-accelerated filer at the time of the SEC's granting of that extended compliance deadline, the Company was not required to set forth its management's annual report on internal control over financial reporting and the attestation report of the Company's registered public accounting firm in its Form 10-K for the year ended December 31, 2006. As a result of subsequent discussions with the SEC, the Company now understands that it was not entitled to rely on the extended compliance deadline as a result of the Company becoming an accelerated filer on December 31, 2006 and that the Company should have filed its management's annual report on internal control over financial reporting and the attestation report of the Company's registered public accounting firm in its Form 10-K for the year ended December 31, 2006. In accordance with the Company's discussions with the SEC, the Company will set forth such reports in its Form 10-K for the year ended December 31, 2007.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Subsequent to December 31, 2006, the Company became aware of its obligation to file its annual report on internal control over financial reporting and related auditor attestation report in the Form 10-K for the year ended December 31, 2006, and the Company will include such reports in its Form 10-K for the year ended December 31, 2007.

PART II.**OTHER INFORMATION****ITEM 1A. RISK FACTORS**

Item 1A (Risk Factors) of the Company s Annual Report on Form 10-K for the year ended December 31, 2006 sets forth information relating to important risks and uncertainties that could materially adversely affect the Company s business, financial condition or operating results. Those risk factors continue to be relevant to an understanding of the Company s business, financial condition and operating results. Certain of those risk factors have been revised below to provide updated information. References to we, our and us in these risk factors refer to the Company.

We could issue additional shares of common stock, which might dilute the book value of our common stock.

We have a total of 110,000,000 authorized shares of common stock, of which 52,522,699 shares were issued and outstanding as of March 31, 2007. In addition, we had warrants and options outstanding as of that date with respect to which 7,088,257 shares of common stock were reserved for issuance. Our board of directors has the authority, without action or vote of our stockholders in most cases, to issue all or a part of any authorized but unissued shares of our common stock. Such stock issuances may be made at a price that reflects a discount from the then-current trading price of our common stock. In addition, in order to raise capital for acquisitions or other general corporate purposes that we may need at today s stock prices, we would likely need to issue securities that are convertible into or exercisable for a significant number of shares of our common stock. These issuances would dilute our stockholders percentage ownership interest, which would have the effect of reducing our stockholders influence on matters on which our stockholders vote, and might dilute the book value of our common stock. You may incur additional dilution of net tangible book value if holders of stock options or warrants, whether currently outstanding or subsequently granted, exercise their options or warrants to purchase shares of our common stock.

The sale of a large number of shares of our common stock could depress our stock price.

As of March 31, 2007, we had reserved 7,088,257 shares of common stock for issuance upon exercise of stock options and warrants. As of March 31, 2007, holders of warrants and options to purchase an aggregate of 6,687,213 shares of our common stock may exercise those securities and transfer the underlying common stock at any time subject, in some cases, to Rule 144 of the Securities Act of 1933. In addition, in connection with our financing with Barron, we have registered (i) all of the shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock that we issued and sold in the Barron financing and (ii) all of the shares of common stock that are issuable upon exercise of the warrants issued to Westcap in connection with the financing. The Series A Convertible Preferred Stock was initially convertible into 20,457,143 shares of our common stock and the warrants initially entitled the holders to acquire an additional 10,739,999 shares of our common stock. In January and February of 2007, Barron converted all of its remaining shares of Series A Convertible Preferred Stock, which conversion resulted in the issuance to Barron of a total of 1,952,140 shares of our Common Stock. From January 1 through December 31, 2006, Barron converted a portion of its shares of Series A Convertible Preferred Stock into 10,005,000 shares of common stock. During April, May, September, October, and December 2005, Barron converted a portion of its shares of Series A Convertible Preferred Stock into 8,500,000 shares of common stock and exercised warrants to purchase 7,428,572 shares of common stock. In December 2005, Barron transferred warrants to purchase 2,800,000 shares of common stock to other institutional investors. In December 2005, the holders of such warrants to acquire such 2,800,000 shares of common stock exercised such warrants. These shares of common stock are registered for possible resale by the holders thereof under the Securities Act of 1933. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to issue equity securities in the future at a price that we think is appropriate, or at all.

The sale of a large number of shares of our common stock could depress our stock price.

Financial investors may have interests different than our stockholders or WidePoint, and may be able to impact corporate actions requiring stockholder approval because they own a significant amount of our common stock.

In future financings, we may issue securities that are convertible into or exercisable for a significant number of shares of our outstanding common stock. Financial investors may have short-term financial interests different from our long-term goals and the long-term goals of our management and other stockholders. In addition, based on the significant ownership of our outstanding common stock, financial investors may be able to impact corporate actions requiring stockholder approval.

ITEM 6. EXHIBITS.

(a) Exhibits

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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: May 10, 2007

/s/ STEVE L. KOMAR
Steve L. Komar
President and Chief Executive Officer

/s/ JAMES T. MCCUBBIN
James T. McCubbin
Vice President - Principal Financial
and Accounting Officer