



**Addendum 1 to Master Service Agreement Between
WidePoint Solutions Corp. and Denton (TX) Independent School District**

STATEMENT OF WORK

This Addendum 1 is an attachment to the Master Services Agreement between WidePoint Solutions Corp. ("WSC") and Denton Independent School District ("CLIENT") dated December 5, 2013.

The purpose of this Statement of Work ("SOW") is to define the roles and responsibilities of CLIENT and ("WSC, the specific service deliverables, and the completion criteria for the project. This SOW is subject to the terms and conditions of the Master Services Agreement ("Master Agreement") and End User License Agreement ("EULA") between WSC and CLIENT dated December 5, 2013.

Changes required to this SOW must be approved in advance by CLIENT and the resulting Change Order prepared by CLIENT and agreed to and signed by both parties.

TERM OF THIS ADDENDUM

This Work Schedule shall have a term of twenty-four (24) months from the date of the latest signature to this Work Schedule. These services are subject to suspension for non-payment and they are not subject to cancellation for default, as provided in the Master Service Agreement.

PROJECT SCOPE

This SOW authorizes WSC to provide to CLIENT Permission Based AuditSM services.

TASKS AND DELIVERABLES

WSC will perform a global, Permission Based AuditSM of wireline and wireless services, invoices and related carrier contracts, equipment and maintenance agreements for the recovery of billing errors, the reduction of costs for telecommunications related expenses, and establishing and testing for validity CLIENT'S wireline and Wireless telecommunications expenses, also referred to as "Services."

Wireline telecommunications expenses include, but are not limited to local exchange carrier services, telephone usage (outgoing and incoming calls of all types, including domestic and international), carrier connections, conference services of all types, network services (private lines, data communications services, Internet, Web services and networks of all types including all components of the service), value added data services, managed network service, maintenance agreements for telecommunications related equipment, taxes and surcharges.

Wireless services include, but are not limited to, cellular telephones, data cards (air cards), voice and data service devices (e.g., BlackBerry®, iPhone, Android and other Smartphones), EVO devices, e-mail devices, pagers, and taxes and surcharges applied to telecommunications related services.

1) Discovery

- a) CLIENT will cooperate with WSC to obtain copies of all contracts for telecommunications service or maintenance, current and historic, which have been in effect within the most recent four year period. When CLIENT does not have contracts, WSC will attempt to obtain contracts from carriers or service providers.
- b) CLIENT will furnish WSC with a listing of valid locations.
- c) CLIENT will furnish WSC with its existing documentation for data networks, other data services, telephone services and wireless / cellular services, equipment and users as well as an HR file extract of valid employees for use in the audit of wireless expenses.
- d) CLIENT will furnish WSC with a general ledger summary of telecommunications service payees and payments for the most recent twelve months.
- e) CLIENT will cooperate with WSC to gather the most recent three months of telecommunications invoices and CD-ROM or other electronic billing or bill detail. (Invoices are audited at the offices of WSC.)
- f) CLIENT will arrange for WSC to have access to carriers' electronic billing systems.
- g) CLIENT will furnish WSC with a Letter of Authority to allow WSC to obtain information from vendors and communicate with vendors for the purpose of correcting errors, obtaining refunds, and placing orders to implement recommendations approved by CLIENT.
- h) WSC will order from vendors the Customer Service Records or other itemizations of service that apply to CLIENT'S various vendor accounts as well as service histories from maintenance vendors.
- i) WSC will work with CLIENT to gather additional information about the use of telecommunications services that is required to make decisions about cost reduction and control strategies.
- j) CLIENT will disclose to WSC all existing claims or recovery efforts against telecommunications carriers and service providers and all telecommunications related cost reduction projects that are being actively pursued at the time of signing this Agreement and those cost reduction or related telecommunications technology that are planned and scheduled to commence within sixty (60) days of the signing of this Agreement.

2) Wireline Services Audit

- a) WSC will conduct an audit of contracts for conformance to terms, conditions, incentives and contract commitments, furnishing of incentives offered, services contained, service

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costs, discounts for each contract service and of invoices against contracts to determine conformance to contracts by vendors.

- b) USOC Level Audit
 - i) WSC will audit invoices and underlying detail for correct billing. The audit includes ordering detailed customer service records and audit of such records to the USOC level.
 - ii) WSC will perform an audit for correct items, quantities, rates, application of tariffs or service guides for each vendor. The USOC audit validates billing against contracts, billing against tariffs, balance of USOC codes against services, comparison of quantity of services billed against actual in-use and detection of invalid codes or codes that no longer apply.
 - iii) WSC will audit special arrangement charges for accuracy and applicability.
 - iv) WSC will validate charges for optional services.
 - v) Private line or access charges such as correct billing CO, access costs, terminal charges, mileage quantities, local loop charges, CO multiplexing, CO signaling and rate application are validated.
 - vi) Private line billing is compared to the most favorable contract term or tariff/service guide offering available for that service.
- c) Usage Audit
 - i) WSC will validate access line charges and applicable service group charges.
 - ii) WSC will validate the charge for each class of long distance call against its contract rate.
 - iii) WSC will validate local call usage against contracts, tariffs or service guides.
 - iv) WSC will validate the application of discounts.
- d) WSC will review taxes and surcharges for correct application.
- e) WSC will validate MACD charges.
- f) WSC will review the services in each account for possible errors in account management or administration.
- g) WSC will conduct service rationalization studies as it deems necessary, including, but not limited to:
 - i) WSC will review the use of all types of local central office services (Local Exchange Carriers (LEC) or Competitive Local Exchange Carriers (CLEC)) that are used by CLIENT. WSC will make recommendations for the reduction of the cost of local services as WSC deems appropriate.
 - ii) WSC will review the nature of usage charges billed by LEC'S and CLEC'S and make recommendations for lower cost alternatives or other changes that may be available.
 - iii) WSC will conduct studies for the appropriateness of service including service configuration and traffic studies. Traffic study information will be furnished by CLIENT from its telephone systems. CLIENT will cooperate with WSC for the retrieval of traffic studies from CLIENT's telephone systems. Charges from vendors for traffic studies will be the responsibility of CLIENT but will be applied against savings in calculation of net monthly savings.
 - iv) WSC will review the types and quantity of long distance carrier access including traffic studies from CLIENT's telephone systems and review of access types.
- h) WSC will review contracts for local, long distance and data network, leased line and Internet service contracts and arrangements and equipment maintenance agreements and make recommendations for cost reduction as may be consistent with current best

practices, market pricing, and the needs of CLIENT. This may include renegotiation of existing contracts or the negotiation of new contracts.

3) Wireless Services Audit

- a) CLIENT will provide WSC with its personnel database extract to match against vendor electronic invoices for wireless services and devices.
- b) WSC will load vendors' electronic invoices into its proprietary optimization system.
- c) WSC will create an exception report of audit items that will reduce CLIENT'S forward costs that are not directly related to rate plans.
- d) WSC will create an exception report of over billings and feature cramming for review by CLIENT.
- e) WSC will work with vendors to correct recoverable billing errors or make changes to reduce ongoing costs as the result of approved recommendations from WSC'S exception reports.
- f) WSC will conduct an audit of wireless contracts for conformance to terms, conditions, incentives and commitments and of invoices against contracts to determine conformance to contracts by vendors.
- g) WSC will review CLIENT'S wireless service contracts and make recommendations for cost reduction as may be consistent with current best practices, market pricing, available pricing plans and the needs of CLIENT. The renegotiation of existing contracts or the negotiation of new contracts is included.
- h) WSC will conduct a Rate Plan Optimization study.
 - i) WSC will enter CLIENT'S wireless telecommunications expenses into its proprietary rate plan optimization (RPO) system.
 - ii) WSC will work with CLIENT to gather additional information about the use of wireless telecommunications services that is required to make decisions about cost reduction and control strategies.
 - iii) WSC will use its methods and systems to optimize each invoice and account for cost-effective rate plans and services based upon user needs. Immediate cost reduction will be accomplished within the existing framework of vendors. This is done to avoid conflict and penalties resulting from contracts that are in force.
- i) WSC will report to CLIENT its findings and recommendations for plans and services and the resulting savings.
- j) CLIENT will cooperate and assist WSC in working with vendors for consolidated and paperless billing, consistent with requirements of WSC for billing review and continuing expense management.

4) Reporting

- a) WSC will report its findings, recommendations, and estimated savings to CLIENT.
- b) CLIENT will review the recommendations of WSC and provide written acceptance or rejection of each recommendation within two (2) weeks of receipt.
- c) WSC will copy CLIENT on all (a) correspondence to and (b) orders placed with carriers and service providers.

5) Implementation

- a) Recovery of Over Billings

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- i) In the event that errors resulting in over billings are discovered by WSC, WSC will document the overbilling, notify CLIENT of the error, claim refunds and/or credits on behalf of CLIENT, and pursue the claim to closure. Closure means that either (a) a recovery is realized from the vendor or (b) WSC agrees that a recovery is not due CLIENT.
- ii) WSC will document all recoveries or changes to assure that they have been made as presented and work with vendors to correct implementation errors.
- iii) WSC will be the sole party to negotiate with the responsible vendor(s) for refunds, credits, or other compensation on behalf of CLIENT. CLIENT will cooperate with WSC when CLIENT'S assistance is needed with vendor negotiations.
- b) Wireline Cost Reduction
 - i) In the event cost reduction recommendations are accepted by CLIENT, WSC will manage implementation of the accepted recommendations.
 - ii) Implementation management includes project planning (as appropriate to the recommendation), placement of orders with carriers or other vendors related to implementation, coordination of vendors and CLIENT personnel, project meetings as needed, issuance of meeting minutes, conducting pre-cutover meeting if appropriate and quality assurance including ascertaining that the implemented service is working, the billing for the service is correct and that CLIENT is realizing anticipated savings. Should implementation errors occur, WSC will work with carriers or vendors to correct them.
 - iii) WSC will provide written validation of monthly savings from actual results for a period of twelve months following implementation to assure savings continue to be realized and to support WSC' Success Fee billing.
- c) Wireless Cost Reduction
 - i) WSC will place orders with carriers to implement recommendations accepted by CLIENT.
 - ii) WSC will conduct a Quality Assurance review to assure that each change is implemented correctly and will work with carriers to correct errors should they occur.
 - iii) WSC will continue to update its Rate Plan Optimization as it gains experience with CLIENT'S users and usage patterns and make additional recommendations when needed.
 - iv) When needed to implement WSC' rate plan optimization with pooling, WSC will load CLIENT'S electronic carrier billings into its Clarity™ TEM system for the term of the savings period plus three additional periods and deliver a cost allocation report by GL code for each pooled rate plan account. Cost allocation reports will be delivered in an agreed upon format that CLIENT can import into its Accounts Payable System.
 - v) WSC will calculate CLIENT'S savings monthly for a period of twelve (12) months following implementation of the accepted recommendation. (Note: during the twelve month period, additional recommendations to improve the results of optimization do not extend the period for which the Success Fee is billed or initiate additional twelve month billing periods.)
- d) Contract Negotiation – **with CLIENT Permission**
 - i) The mid-term renegotiation of existing contracts, renegotiation of existing contracts, or negotiation of new contracts will occur at such times as CLIENT accepts a WSC recommendation for same.

- ii) Mid-term contract negotiation will be with an existing vendor for the purpose of improving terms, conditions, pricing or offerings provided in the existing contract.
- iii) Renegotiation of an existing contract would occur not more than six months prior to the expiration of such contract.
- iv) Negotiation of new contracts will be done through a competitive bidding process. Elements of that process include:
 - (1) Establishment of baseline costs for services and usage and rationalization of such services to assure they are the best services for the task and purchases in the right quantity.
 - (2) Development of a Request for Proposal (RFP) that specifies the services to be procured and the terms and conditions under which CLIENT will purchase them.
 - (3) Competitive bidding including letting the CLIENT approved RFP for bid, conducting a pre-proposal conference, issuance of conference notes, responding to bidder questions and publishing the responses, receiving and evaluating the bidder proposals, issuance of a report evaluating each proposal in terms of costs, terms, conditions and vendor capability, knockout round or other additional price negotiation, bid award and support of CLIENT'S legal department in negotiating a final contract with the successful bidder.
- e) Implementation Process Management and Quality Assurance
 - i) Management of the implementation process including developing the project schedule, assignment of tasks, holding project meetings, issuance of meeting notes and schedule updates, managing service cutovers when needed, working with CLIENT and vendors to assure that the services are working as ordered and performing a quality control audit of services and billing and including taking steps to assure that vendors correct implementation errors.
 - ii) For a period of twelve months after implementation is complete, WSC will make monthly reviews of implemented usage based savings recommendations to assure the expected savings are realized. WSC will review usage and re-optimize its recommendations to maintain or improve savings results.

PROJECT ASSUMPTIONS AND DEPENDENCIES

1. Project commencement is predicated on the signing of all agreements, including the MSA and the SOW, by both parties.
2. CLIENT will execute a Letter of Agency (LOA) as deemed necessary by the individual carriers (subject to CLIENT's pre-approval).
3. CLIENT is responsible for its choices of, and decisions relating to, its telecommunications systems, its telecommunications services, the actions of its employees and contractors, non-actions, omissions, its information technology facilities management, its telecom service vendors, and its telecom service payment choices. WSC will not enter into contracts or other binding agreements on behalf of CLIENT.

TERMS APPLICABLE TO THIS STATEMENT OF WORK

1. **Attribution of Results.** All historic recoveries and prospective savings that occur during the term of this statement of work shall be attributed to the work of WSC excepting those initiatives disclosed by CLIENT, in writing, prior to the commencement of the Statement(s) of Work. CLIENT may, from time-to-time, disclose additional initiatives provided such disclosure is prior to delivery by WSC of the same or similar recommendation, and WSC will add such initiatives to CLIENT'S disclosure provided that WSC has not begun work on the stated or a similar initiative prior to disclosure by CLIENT.
2. **Survival of Fees and Expenses.** All outstanding payments, fees and reimbursable expenses, which are based upon CLIENT'S written approval of recommendations of WSC, including WSC fees for historic recovery and fees for prospective savings shall survive termination of this Agreement. This includes, but is not limited to claims for historic recoveries that have been discovered by WSC but not filed with the vendor, claims for historic recoveries filed with the vendor but for which recovery has not been received by CLIENT, recommendations for prospective savings that have been received by CLIENT but not yet implemented, and prospective savings that have been approved by CLIENT and implemented but for which the entire twelve months of savings have not been billed by WSC.
3. **CLIENT Responsibilities**
 - (a) CLIENT agrees to accept or reject the written findings and recommendations of WSC within two (2) weeks of receipt of each finding or recommendation. In the event CLIENT rejects a finding or recommendation, CLIENT agrees to not implement that or similar finding or recommendation for itself or for an affiliate business for a period of twenty-four (24) months following rejection. CLIENT may subsequently accept a rejected finding or recommendation and WSC will manage implementation as provided above.
 - (b) CLIENT agrees to disclose all currently pending activities that would conflict with the WSC Work Statement such as claims against carriers, known issues that CLIENT is in the process of pursuing with suppliers, current plans that will be executed in less than twelve (12) months that will directly affect telecommunications costs. To the extent these activities are disclosed, they are reserved to CLIENT unless otherwise agreed. All other cost reduction or cost recovery initiatives recommended by WSC are reserved to WSC. This specifically excludes location closings or the cancellation of wireless devices that occur in the normal course of business.
 - (c) CLIENT agrees not to use the findings and recommendations of WSC to negotiate with vendors against the interests of WSC. Negotiating against the interests of WSC includes (a) use of WSC findings or recommendations to negotiate new contracts or modifications to existing contracts with suppliers to CLIENT that incorporate all or part of the benefits associated with the findings or recommendations of WSC without providing WSC with its fee for historic recovery or prospective savings or (b)

negotiating concessions from suppliers so as to thwart WSC' rightful fees for historic recovery or prospective savings.

ENGAGEMENT PRICING

CLIENT will pay to WSC **Permission Based AuditSM Success Fees** for the reduction of ongoing costs (prospective savings) and the recovery of historic over billings.

The Success Fee for Prospective Savings is 25 % of twelve (12) months of Net Monthly Savings that result from the accepted and implemented recommendations of WSC and is calculated as shown in Exhibit A - Calculation of Success Fees. The Success Fee for ongoing savings is billed monthly from validated results. The Prospective Savings Success Fee is billed monthly in arrears based upon documentation provided by WSC that demonstrates the Client has realized the invoiced savings for each accepted and implemented recommendation of WSC.

The Success Fee for realized recoveries and net savings is 25 % of actual recoveries. The success fee for historic recovery is billed upon receipt of the recovery.

ACCEPTANCE

This SOW is subject to the terms and conditions of the MSA. In the event of a conflict, provisions of this Statement of Work will take precedence over the MSA. Both parties warrant and represent that they have authority to execute this SOW on behalf of their company and bind them to these obligations.

IN WITNESS WHEREOF CLIENT and WSC have caused this Work Schedule to be properly executed, intending that it shall be legally binding upon them and their respective heirs, estates, and successors.

WidePoint Solutions Corp.

Denton Independent School District

Signature

Signature

Name / Title

Name / Title

Date

Date

Exhibit A - Calculation of Success Fees

A) Where an historic recovery or other recovery occurs, the contingency fee is equal to the amount of the recovery multiplied by the historic recovery contingency percentage.

	Amount of Recovery
X	Recovery Contingency Fee Percentage
	Contingency Fee

B) Where costs are usage sensitive (i.e., costs vary with the amount of time spent on telephone calls), Average Net Monthly Savings are calculated as:

Step 1: Calculate the Cost Per Minute prior to the recommendations of WSC

Step 2: Calculate Gross Savings Per Month

Cost per minute (CPM) including taxes & surcharges prior to the recommendations of WSC - CPM including taxes & surcharges after the correctly implemented recommendations of WSC	
X	Savings per minute Total Minutes of Usage Per Month
	Gross Savings Per Month

Step 3: Calculate the Cost of Implementation

If a capital expenditure is involved, divide the installed cost by 36 to obtain the monthly cost to amortize the expenditure over three years.

If new services are installed, total the cost of installation and divide by 12 to amortize the cost over the first year of implementation and to provide the monthly cost.

For all other one-time costs, divide the cost by 12 to amortize the cost over the first year of implementation and to provide the monthly cost.

Calculate the Cost of Implementation Per Month by adding together the monthly portion of the three items above as they may apply.

Step 4: Calculate the Net Monthly Savings

	Gross Savings Per Month
-	Cost of Implementation Per Month
	Net Monthly Savings

Step 5: Calculate the Contingency Fee

	Net Monthly Savings
X	Prospective Savings Contingency Fee Percentage
	Contingency Fee

C) Where costs are not usage sensitive, but a flat monthly charge (“FMC”), net savings is calculated as follows:

Step 1: Calculate Gross Savings Per Month

FMC, including taxes & surcharges, prior to the recommendations of WSC
- FMC including taxes & surcharges after the correctly implemented recommendations of WSC
Gross Savings Per Month

Step 2: Calculate Cost of Implementation

If a capital expenditure is involved, divide the installed cost by 36 to obtain the monthly cost to amortize the expenditure over three years.

If new services are installed, total the cost of installation and divide by 12 to amortize the cost over the first year of implementation and to provide the monthly cost.

For all other one-time costs, divide the cost by 12 to amortize the cost over the first year of implementation and to provide the monthly cost.

Calculate the Cost of Implementation Per Month by adding together the monthly portion of the three items above as they may apply.

Step 3: Calculate the Net Savings Per Month

Gross Savings Per Month
- Cost of Implementation Per Month
Net Monthly Savings

Step 4: Calculate the Contingency Fee

	Net Monthly Savings
X	Prospective Savings Contingency Fee Percentage
	Contingency Fee

Success Fee Calculation Examples

i. Historic Recovery

A carrier contract specifies an incentive payment or discount of \$50,000 for a particular contract attainment. CLIENT has reached that attainment, but the \$50,000 incentive is not received. WSC discovers this in the course of its audit, reports it to CLIENT and submits a claim to the carrier. The claim is granted and CLIENT receives a \$50,000 credit on its carrier invoice.

A fee would be due WSC as follows:

Historic Recovery	\$50,000
Historic Recovery Success Fee	25%
Fee Due WSC	\$12,500

ii. Reduction of a Fixed Recurring Charge

A service rationalization study is conducted which shows an CLIENT PBX is over equipped by one local Primary Rate Interface costing \$800.00 monthly including taxes and surcharges. WSC reports the cost reduction opportunity to CLIENT and CLIENT approves. WSC manages the reduction in service resulting in a monthly cost reduction of \$800. There is a contractor charge of \$360 for onsite work to disconnect the PRI. WSC invoices CLIENT for twelve months of savings as follows:

Monthly Cost Reduction	\$800
Prospective Savings Success Fee	25%
Gross Fee Due WSC, Monthly for 12-months	\$200
Prorated Cost of Implementation (\$360/12)	(30)
Net Fee Due WSC Monthly for 12-months	\$170

iii. Reduction of a Variable Recurring Charge

WSC finds and recommends a means of placing intrastate calls at a lower rate than CLIENT is currently paying. WSC reports to CLIENT that it is paying \$0.14 cents per minute for the service and WSC has found a way to obtain the service for \$0.08 cents per minute, a savings of \$0.06 per minute. CLIENT approves the recommendation and WSC manages implementation.

Each month for twelve months WSC reviews the invoice CLIENT receives for intrastate calling to determine that (i) the correct rate is being charged and (ii) to determine the number of minutes of intrastate calling at that rate. Each month WSC submits an invoice to CLIENT for savings based upon actual minutes of use calculated as follows:

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Savings per minute		\$0.06
Minutes of use this billing month	X	50,000
Savings this billing month		\$3,000
Prospective Savings Success Fee	X	25%
Fee due WSC this month (of twelve months)		\$750