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

FORM 8-K/A

CURRENT REPORT

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

October 2, 2006
Date of Report (Date of earliest event reported)

Wireless Facilities, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

0-27231 (Commission File Number)	**13-3818604** (IRS Employer Identification No.)
4810 Eastgate Mall, San Diego, CA (address of principal executive offices)	**92121** (Zip Code)

(858) 228-2000
(Registrant's telephone number, including area code)

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:

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

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

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

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

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

As described on Current Report on Form 8-K of Wireless Facilities, Inc. ("Company") filed on October 2, 2006 (the "Initial 8-K"), on October 2, 2006, the Company consummated its acquisition of Madison Research Corporation (" *MRC* "), by way of merger whereby MRC became a wholly-owned subsidiary of the Company.

The sole purpose of this amendment to the Initial 8-K is to incorporate as part of the Initial 8-K the information set forth below under Item 9.01 as required by Item 9.01 of Form 8-K.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of businesses acquired.

Pursuant to paragraph (a)(4) of Item 9.01 of Form 8-K, the attached financial statements were omitted from disclosure contained in the Initial 8-K. Attached hereto as Exhibits 99.1 and 99.2, and incorporated herein by reference, are the audited consolidated financial statements of MRC for the year ended December 31, 2005 and the unaudited interim consolidated financial statements of MRC for the nine months ended September 30, 2006 and 2005.

(b) Pro forma financial information.

Pursuant to paragraph (b)(2) of Item 9.01 of Form 8-K, the attached financial statements were omitted from disclosure contained in the Initial 8-K. Attached hereto as Exhibit 99.3 and incorporated herein by reference, is the required unaudited pro forma combined financial statements.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Crabtree, Rowe & Berger, P.C. dated December 15, 2006.

99.1	Audited Consolidated Financial Statements of Madison Research Corporation for the Years Ended December 31, 2005.
99.2	Unaudited Consolidated Financial Statements of Madison Research Corporation for the Nine Months Ended September 30, 2006 and 2005.
99.3	Unaudited Pro Forma Combined Financial Statements. Unaudited Pro Forma Combined Balance Sheet as of September 30, 2006. Unaudited Pro Forma Combined Statement of Operations for the nine months ended September 30, 2006. Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 2005.

SIGNATURE

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.

Wireless Facilities, Inc.

Date: December 18, 2006

By: /s/ Deanna H. Lund
Deanna H. Lund
Senior Vice President, Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Wireless Facilities, Inc. on Form S-3 (No. 333-53014, No. 333-71618, No. 333-74108, and No. 333-112956), on Form S-4 (No. 333-112957) on Form S-8 (No. 333-127060, No. 333-124959, No. 333-116903, No. 333-90455, No. 333-54818, No. 333-71702 and No. 333-91852) of our report dated March 8, 2006, relating to our audit of the financial statements of Madison Research Corporation which appears in the Current Report on Form 8-K/A of Wireless Facilities, Inc., dated October 2, 2006.

/s/ Crabtree, Rowe & Berger, P.C.

Huntsville, Alabama
December 15, 2006

CONSOLIDATED FINANCIAL STATEMENTS

MADISON RESEARCH CORPORATION

DECEMBER 31, 2005

MADISON RESEARCH CORPORATION
DECEMBER 31, 2005

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Board of Directors
Madison Research Corporation
Huntsville, Alabama

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Madison Research Corporation and Subsidiary, as of December 31, 2005, and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Research Corporation and Subsidiary as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Crabtree, Rowe & Berger, P.C.

Huntsville, Alabama
March 08, 2006

BALANCE SHEET

Madison Research Corporation and Subsidiary
Huntsville, Alabama

		2005
Assets		
Current assets:		
Cash (Note 2)	$	6,637,851
Accounts receivable - trade (Note 3)		11,176,271
Marketable securities (Note 10)		401,369

Deferred tax asset (Note 1)	290,908
Income taxes receivable	33,209
Other receivables	4,579
Prepaid insurance	4,410
Prepaid expenses	277,534
Total current assets	18,826,131
Property and equipment, net of accumulated depreciation and amortization (Notes 1 and 4)	293,874
Other assets:	
Deposits	6,869
Total assets	$ 19,126,874

Liabilities and Stockholders' Equity

Current liabilities:	
Accounts payable	$ 2,708,812
Notes payable (Notes 5 and 6)	—
Short-term portion of long-term debt (Note 6)	—
Income taxes payable	—
Deferred income taxes payable, current portion (Note 1)	120,478
Accrued expenses:	
Salaries and bonuses	834,812
Vacation	651,303
Retirement plan (Note 1)	92,149
Taxes, other than income	302,868
Total current liabilities	4,710,422
Deferred income taxes payable (Note 1)	46,769
Total liabilities	4,757,191
Commitments and contingencies (Note 7)	—
Stockholders' equity:	
Common stock - $0.01 par value, 2,000,000 shares authorized, 853,093 shares issued and outstanding (Note 11)	8,531
Treasury stock	(45,180)
Additional paid-in capital	385,701
Retained earnings	14,008,752
Unrealized gain (loss) on marketable securities, net of tax (Note 10)	11,879
Total stockholders' equity	14,369,683
Total liabilities and stockholders' equity	$ 19,126,874

See Accompanying Notes to Financial Statements

STATEMENT OF INCOME

Madison Research Corporation and Subsidiary
Huntsville, Alabama

For the year ended
December 31, 2005

	2005	
	Amount	% to Income
Contract income (Note 1)	$ 62,443,505	100.00%
Costs and expenses (Note 1)	58,191,473	93.19
Income from operations	4,252,032	6.81
Other income	170,370	0.27
	4,422,402	7.08
Other expenses	23,672	0.04
Income before provision for income taxes	4,398,730	7.04
Provision for income tax expense (Note 9)		
Current	1,665,863	2.67
Deferred	(9,900)	(0.02)
Provision for income taxes	1,655,963	2.65
Net income	$ 2,742,767	4.39%

See Accompanying Notes to Financial Statements

STATEMENT OF STOCKHOLDERS EQUITY

Madison Research Corporation and Subsidiary
Huntsville, Alabama

For the year ended
December 31, 2005

	Common Stock		Additional		Accumulated Other	Treasury	Total
	Shares Outstanding	Par Value of Shares Issued	Paid-in Capital	Retained Earnings	Comprehensive Income	Stock at Cost	Stockholders' Equity
Balance at December 31, 2004	853,093	$ 8,531	$ 385,701	$ 11,265,985	$ (4,980)	$ (45,180)	$ 11,610,057
Comprehensive income:							
Net income for the year ended December 31, 2005	—	—	—	2,742,767	—	—	2,742,767
Unrealized holding gains on marketable securities	—	—	—	—	16,859	—	16,859
Total comprehensive income	—	—	—	2,742,767	16,859	—	2,759,626
Stock issuance	—	—	—	—	—	—	—
Treasury stock purchased	—	—	—	—	—	—	—
Treasury stock retired	—	—	—	—	—	—	—
Balance at December 31, 2005	853,093	$ 8,531	$ 385,701	$ 14,008,752	$ 11,879	$ (45,180)	$ 14,369,683

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

Madison Research Corporation and Subsidiary
Huntsville, Alabama

For the year ended
December 31, 2005

	2005
Cash Flows from Operating Activities	
Net income	$ 2,742,767
Non-cash items included in net income:	
Depreciation	104,608
(Gain) or loss on marketable securities	24,607
(Gain) or loss on asset disposal	—
Deferred income taxes payable	24,942
Deferred tax asset	(38,809)
Changes in:	
Accounts receivable	17,243
Prepaid expenses	(80,129)
Income taxes receivable	(33,209)
Other receivables	3,416
Prepaid insurance	2,586
Deposits	9,267
Accounts payable	1,580,601
Accrued expenses	(1,124,096)
Income taxes payable	(218,604)
Net cash provided by operating activities	3,015,190
Cash Flows from Investing Activities	
Purchase of marketable securities	(380,512)
Purchase of fixed assets	(132,490)
Proceeds from sale of marketable securities	366,376
Net cash used by investing activities	(146,626)
Cash Flows from Financing Activities	
Proceeds from short-term borrowings, net of repayments	—
Proceeds from sale of common stock	—
Purchase of treasury stock	—
Net cash provided by financing activities	—
Net increase (decrease) in cash	2,868,564
Cash at beginning of year	3,769,287
Cash at end of year	$ 6,637,851

Supplementary disclosure of cash flow information:

Income taxes paid	$ 1,699,071
Interest paid	$ 82

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Madison Research Corporation and Subsidiary
Huntsville, Alabama **December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company and the method of applying those policies which affect the determination of financial position and results of operations are summarized below:

Nature of Business
Madison Research Corporation (MRC), a minority-owned small business founded in 1986, is a full-service information technology and engineering services company. Mr. John L. Stallworth, President and CEO, directs MRC's operations from the corporate headquarters in Huntsville, AL. The current staff of over 400 people is located in Huntsville, at six satellite offices throughout the South, and on-site at 29 government facilities nation-wide. MRC applies its core competencies of software engineering, information systems, systems acquisition, and system sustainment to meet the diverse needs of a growing customer base of government agencies (DOD, NASA, DOE, and the State of Alabama) and private industry.

Contracts
Contract income under cost reimbursement contracts is recorded as costs are incurred and includes a proportional amount of the fee expected to be realized on each contract. Costs incurred where the company operates in an agency capacity for the government are treated as expense reimbursements and only handling costs and fees are recorded as revenue. Contract income under fixed-price contracts is recorded under the accrual billings method applicable to service contracts.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided at rates intended to distribute the cost of these assets over their estimated service lives of 5 to 7 years.

Retirement Plan
The Company has a 401(k) plan for the benefit of employees who meet certain eligibility requirements. Eligible employees may defer up to 60% of compensation per year through salary reductions not to exceed the legal limits. The Company matches 50% of employee salary deferrals up to 6% of eligible salary. At the discretion of the Board of Directors, the Company may also contribute an amount at the end of each plan year to be considered as a profit sharing contribution. The Company expects to continue the plan indefinitely; however, the rights to modify, amend, or terminate the plan have been reserved.

The Company's contributions to the plan for the year ended December 31, 2005 were $585,726.

Comprehensive Income
The Company has adopted the provisions of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (FAS 130). FAS 130 governs the financial statement presentation of changes in shareholders' equity resulting from non-owner sources. Accumulated other comprehensive income as reported in the accompanying balance sheets represent unrealized gains on available for sale securities.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Income Taxes
Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate to:

	2005
Deferred tax liability:	
Accounts receivable - retainages (deferred until received for tax purposes)	$ 113,502
Unrealized gain on investment (deferred for tax purposes)	6,976
Depreciable assets (different depreciation methods and lives for tax purposes)	46,769
Total deferred tax liability	167,247
Less: current portion	(120,478)

Total long-term deferred tax liability	$ 46,769

Deferred tax asset - current:	$ —
Unrealized loss on investment (deferred for tax purposes)	27,451
Capital loss carryforward (deferred for tax purposes)	3,458
Bonus and salary accruals (amounts due to owners deferred for tax purposes)	8,292
Vacation accruals (amounts due to owners deferred for tax purposes)	61,010
Rabbi Trust (deferred compensation for tax purposes)	190,697
Vacation accrual (amounts not taken within 2½ months deferred for tax purposes	$ 290,908

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Company maintains its checking and money market accounts with a financial institution that insures cash balances of up to $100,000 through the Federal Deposit Insurance Corporation. At December 31, 2005, the Company has $6,536,851 in uninsured cash balances.

NOTE 3 - ACCOUNTS RECEIVABLE – TRADE

Trade receivables from contracts (U.S. Government and commercial) at December 31, 2005 were as follows:

	2005
Amounts billed	$ 10,876,915
Unbilled and contract retainages	299,356
Total accounts receivable - trade	$ 11,176,271

Management considers all receivables collectible and therefore, has not provided an allowance for doubtful accounts.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2005 was as follows:

Description	2005
Furniture	$ 49,083
Equipment	331,688
Software systems	115,238
Assets in development	126,598
Leasehold improvements	109,046
	731,653
Less: Accumulated depreciation	(437,779)
Net property and equipment	$ 293,874

Depreciation expense for the year ended December 31, 2005 was $104,608.

NOTE 5 - LINE OF CREDIT

The Company has a revolving operating line of credit agreement with a financial institution on which it may borrow up to $6,000,000. There were no outstanding balances on this line of credit as of December 31, 2005. The line carries interest at prime rate as of December 31, 2005. The line matures on May 1, 2006 and is guaranteed by accounts receivable and the personal guarantee of a primary shareholder.

NOTE 6 - LONG-TERM DEBT

The Company had no outstanding long-term debt as of December 31, 2005.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Leases
On December 31, 2005, the Company was obligated under certain leases (which have not been capitalized) for office space, equipment and vehicles. Rent expense was $421,526 for the year ended December 31, 2005. The following amounts represent future payment commitments:

Years ending December 31,	Amount
2006	$ 376,437
2007	148,978
2008	69,600
2009	41,593

2010	—

Contracts

Payments to the Company on cost reimbursement contracts are provisional payments which are subject to adjustment upon annual audit by the Defense Contract Audit Agency. The audit of costs for the year ended December 31, 2003, began in 2005. The report was dated January 31, 2006. The audits of costs for the years ended December 31, 2005 and 2004, have not been initiated. It is management's opinion that the results of these audits will not have any material effect on the Company's financial position.

Deferred Compensation Plan

The Company has a deferred compensation plan for a key employee of the Company. Contributions to the plan are at the discretion of the Board of Directors and paid into a trust held as an asset of the Company. Compensation costs are estimated and accrued so that costs under the plan are recognized over the employee's estimated remaining years of service.

NOTE 8 - TREASURY STOCK TRANSACTIONS

Treasury stock transactions in 2005 were as follows:

	Treasury Stock	
	Outstanding Shares	Amount
Balance December 31, 2004	1,800	$ 45,180
Purchase of treasury stock	—	—
Balance December 31, 2005	1,800	$ 45,180

NOTE 9 - INCOME TAXES

The provision for income taxes consists of the following components at December 31, 2005:

	2005
Computed provision for income taxes at federal statutory rates	$ 1,445,532
Increase (decrease) in taxes resulting from:	
State income taxes, net of federal tax benefit	220,331
Current income taxes	1,665,863
Deferred income tax provision due to temporary differences (Note 1)	(9,900)
Provision for income tax expense	$ 1,655,963

NOTE 10 - MARKETABLE SECURITIES

Marketable securities that are considered available for sale are recorded at fair value. The corresponding unrealized gain or loss in the fair market value in relation to cost is accounted for as a separate item in the shareholders' equity section of the balance sheets. Management believes that its investment in marketable securities should be classified as investments that are available for sale.

	Market Value	Cost	Realized Gain (Loss)	Unrealized Gain (Loss)
Mutual funds, stock and bonds	$ 401,369	$ 389,490	$ (24,607)	$ 11,879

NOTE 11 - COMMON STOCK

The Company has a stock option plan which awards options to key employees based on past performance. The options vest over four years and terminate if not exercised within ten years. Under APB Opinion 25, no compensation cost has been recognized in income. Cost to exercise is based on per share price determined by an independent valuation. The following is a summary of stock options activity and the impact on net income under the fair value approach:

		Cost to Exercise	
	Outstanding Options	Options Granted	Vested Options
Balance December 31, 2004	65,640	1,305,215	$ 241,832

Options cancelled	(6,800)	(103,762)	
Options exercised	—	—	
Options issued	42,500	1,002,150	
Balance December 31, 2005	101,340	$ 2,203,603	$ 700,029

	2005
Compensation cost, net of tax, that would have been recorded if the Company had elected to expense options as they became vested	$ 61,597

NOTE 12 - SUBSEQUENT EVENTS

On February 13, 2006, the Company issued options to purchase 31,800 shares as part of the above-mentioned stock option plan. The cost to exercise these options is $799,770. None of these options have vested.

EXHIBIT 99.2

MADISON RESEARCH CORPORATION

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BALANCE SHEETS

Madison Research Corporation and Subsidiary
Huntsville, Alabama

	December 31, 2005	September 30, 2006 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 6,637,851	$ 3,017,441
Accounts receivable, net	11,176,271	11,521,496
Marketable securities	401,369	—
Income tax receivable	33,209	—
Prepaid expenses	281,944	346,892
Deferred tax assets	290,908	697,955
Other receivables	4,579	424,070
Total current assets	18,826,131	16,007,854
Property and equipment, net	293,874	396,436
Deposits	6,869	7,913
Total assets	$ 19,126,874	$ 16,412,203
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,708,812	$ 1,809,788
Accrued expenses	85,085	1,899,758
Loss contract accrual	—	570,024
Accrued compensation	1,796,047	1,429,818
Deferred tax liabilities	120,478	81,451
Income taxes payable	—	111,859
Other current liabilities	—	520,003
Total current liabilities	4,710,422	6,422,701
Deferred tax liability, net of current	46,769	17,611
Total liabilities	4,757,191	6,440,312
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common stock - $0.01 par value, 2,000,000 shares authorized, 853,093 and 851,668 shares issued and outstanding at December 31, 2005 and September 30, 2006, respectively	8,531	8,517
Treasury Stock	(45,180)	—
Additional paid-in capital	385,701	363,127
Retained Earnings	14,008,752	9,600,247
Unrealized gain on marketable securities	11,879	—
Total stockholders' equity	14,369,683	9,971,891
Total liabilities and stockholders' equity	$ 19,126,874	$ 16,412,203

See Accompanying Notes to Financial Statements

STATEMENTS OF INCOME

(Unaudited)

Madison Research Corporation and Subsidiary

Huntsville, Alabama

	Nine Months ended September 30, 2005	2006
Revenues	$ 48,942,695	$ 46,686,559
Costs and expenses	45,485,642	45,673,321
Operating income	3,457,053	1,013,238
Other income, net:		
Interest income, net	98,936	121,236
Other income, net	98,936	121,236
Income before provision for income taxes	3,555,989	1,134,474
Provision for income taxes	1,457,955	520,543
Net income	$ 2,098,034	$ 613,931

See Accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS
(Unaudited)

Madison Research Corporation and Subsidiary
Huntsville, Alabama

	Nine Months ended September 30, 2005	2006
Cash Flows from Operating Activities		
Net income	$ 2,098,034	$ 613,931
Non-cash items included in net income:		
Depreciation	79,141	96,231
(Gain) or loss on marketable securities	—	(13,881)
Deferred income taxes payable	—	(68,185)
Deferred tax asset	—	(407,047)
Changes in:		
Accounts receivable	(1,512,546)	(345,225)
Prepaid expenses	(173,284)	(64,948)
Income taxes receivable	—	33,209
Other current assets	(9,055)	(419,491)
Deposits	9,266	(1,044)
Accounts payable	1,439,945	(899,024)
Accrued expenses	(1,514,723)	1,448,444
Loss contract accrual	—	570,024
Income taxes payable	36,616	111,859
Other current liabilities	675,633	520,003
Net cash provided by operating activities	1,129,027	1,174,856
Cash Flows from Investing Activities		
Purchase of marketable securities	(285,384)	—
Sale of marketable securities	—	401,369
Purchase of fixed assets	(65,977)	(196,792)
Proceeds from sale of marketable securities	285,384	—
Net cash used by investing activities	(65,977)	204,577
Cash Flows from Financing Activities		
Dividends paid	—	(5,005,663)
Proceeds from sale of common stock	—	5,820
Net cash used by financing activities	—	(4,999,843)
Net increase (decrease) in cash	1,063,050	(3,620,410)
Cash at beginning of period	3,769,287	6,637,851
Cash at end of period	$ 4,832,337	$ 3,017,441

See Accompanying Notes to Financial Statements

NOTES TO UNAUDITED FINANCIAL STATEMENTS

Madison Research Corporation and Subsidiary
Huntsville, Alabama **September 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company and the method of applying those policies which affect the determination of financial position and results of operations are summarized below:

Nature of Business
Madison Research Corporation (MRC), a minority-owned small business founded in 1986, is a full-service information technology and engineering services company. Mr. John L. Stallworth, President and CEO, directs MRC's operations from the corporate headquarters in Huntsville, AL. The current staff of over 400 people is located in Huntsville, at six satellite offices throughout the South, and on-site at 29 government facilities nation-wide. MRC applies its core competencies of software engineering, information systems, systems acquisition, and system sustainment to meet the diverse needs of a growing customer base of government agencies (DOD, NASA, DOE, and the State of Alabama) and private industry.

Unaudited interim financial information
In management's opinion, the financial statements include all adjustments that are necessary for a fair presentation of the results for the respective interim periods. All such adjustments are of a normal recurring nature.

Contracts
Contract income under cost reimbursement contracts is recorded as costs are incurred and includes a proportional amount of the fee expected to be realized on each contract. Costs incurred where the company operates in an agency capacity for the government are treated as expense reimbursements and only handling costs and fees are recorded as revenue. Contract income under fixed-price contracts is recorded under the accrual billings method applicable to service contracts. The full amount of an estimated loss associated with a contract is accrued and charged to operations in the period it is determined it is probable a loss will be realized from the performance of the contract. As of September 30, 2006 there was one contract for which an estimated loss was accrued which was approximately $570,000. This has been reflected in the loss contract accrual on the consolidated balance sheet.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided at rates intended to distribute the cost of these assets over their estimated service lives of 5 to 7 years.

Retirement Plan
The Company has a 401(k) plan for the benefit of employees who meet certain eligibility requirements. Eligible employees may defer up to 60% of compensation per year through salary reductions not to exceed the legal limits. The Company matches 50% of employee salary deferrals up to 6% of eligible salary. At the discretion of the Board of Directors, the Company may also contribute an amount at the end of each plan year to be considered as a profit sharing contribution. The Company expects to continue the plan indefinitely; however, the rights to modify, amend, or terminate the plan have been reserved.

Comprehensive Income
The Company has adopted the provisions of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (FAS 130). FAS 130 governs the financial statement presentation of changes in shareholders' equity resulting from non-owner sources. Accumulated other comprehensive income as reported in the accompanying balance sheets represent unrealized gains on available for sale securities.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Income Taxes
Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes.

Recent accounting pronouncements
There are no recent accounting pronouncements that are expected to have any significant impact on the Company's consolidated financial statements.

NOTE 2 - COMMON STOCK

The Company has a stock option plan which awards options to key employees based on past performance. The options vest over four years and terminate if not exercised within ten years. Under APB Opinion 25, no compensation cost has been recognized in income. Cost to exercise is based on per share price determined by an independent valuation. The following is a summary of stock options activity and the impact on net income under the fair value approach:

		Cost to Exercise	
	Outstanding Options	**Options Granted**	**Vested Options**
Balance December 31, 2005	101,340	$ 2,203,603	$ 700,029

Options cancelled	—	—	
Options exercised	(2,175)	(40,423)	
Options issued	31,800	799,770	
Balance September 30, 2006	130,965	$ 2,962,950	$ 1,042,246

	2006	2005
Compensation cost for the nine months ended September 30, net of tax, that would have been recorded if the Company had elected to expense options as they became vested	$ 14,622	$ 46,197

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Contracts
Payments to the Company on cost reimbursement contracts are provisional payments which are subject to adjustment upon annual audit by the Defense Contract Audit Agency. The audit of costs for the year ended December 31, 2003, began in 2005. The report was dated January 31, 2006. The audits of costs for the years ended December 31, 2005 and 2004, have not been initiated. It is management's opinion that the results of these audits will not have any material effect on the Company's financial position.

Deferred Compensation Plan
The Company had a deferred compensation plan for a key employee of the Company that was terminated and paid on September 30, 2006 which resulted in a one time expense of approximately $249 thousand. Contributions to the plan were made at the discretion of the Board of Directors and paid into a trust held as an asset of the Company. Compensation costs were estimated and accrued so that costs under the plan are recognized over the employee's estimated remaining years of service.

NOTE 4 - SUBSEQUENT EVENTS

On October 2, 2006 the Company, MRC Merger Company, Inc., a Delaware corporation ("*Merger Sub*"), Wireless Facilities, Inc. ("*WFI*"), a Delaware corporation, and WFI Government Services, Inc., a Delaware corporation and wholly-owned subsidiary of WFI consummated the merger of the Merger Sub with and into the Company pursuant to the terms of that certain Merger Agreement, dated as of August 8, 2006.

In connection with the Merger, all outstanding shares of capital stock of the Company were converted into the right to receive a ratable portion of the merger consideration. The aggregate merger consideration paid by WFI in connection with the Merger was $69,000,000 in cash, subject to certain adjustments, of which ten percent is being withheld as security for satisfaction of certain indemnification obligations and payable over eighteen months following the closing date of the Merger pursuant to the terms of the Merger Agreement. The consideration for and the other terms and conditions of the Merger were determined by arms-length negotiations between WFI and the Company. Prior to the completion of the transaction, the Company did not have a material relationship with either WFI or WFI Government Services, Inc.

In addition, immediately prior to the closing of the merger, vesting was accelerated on all unvested options and all outstanding employee stock options were redeemed in cash, which was funded with a portion of the $69 million transaction consideration. Consequently, there are no outstanding MRC stock options after the closing date.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements have been prepared to give effect the acquisition of Madison Research Corporation (MRC), consummated on October 2, 2006, as if this transaction had been consummated on September 30, 2006 for purposes of the pro forma combined balance sheet and January 1, 2005 for purposes of the pro forma combined statements of operations.

The historical financial statements for Wireless Facilities, Inc. and MRC have been derived from their respective financial statements as of the date and for the periods indicated.

The pro forma adjustments are based on preliminary purchase price allocations. Actual allocations will be based on final appraisals and other analyses of the fair value of, among other items, identifiable intangible assets, goodwill, income taxes and estimated contingencies. The valuation model prepared by our independent appraisers had not been finalized as of the date of this Form 8-K/A. Therefore the allocation of the purchase price is subject to revision. Differences between the preliminary and final allocations are not expected to have a material impact on the unaudited pro forma combined financial statements.

The unaudited pro forma combined financial statements should be read in conjunction with Wireless Facilities, Inc.'s audited consolidated financial statements as of and for the year ended December 31, 2005 and its unaudited consolidated financial statements as of and for the nine months ended September 30, 2006, included in Wireless Facilities, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005 and its quarterly report on Form 10-Q for the nine months ended September 30, 2006, respectively, and MRC's audited consolidated financial statements as of and for the years ended December 31, 2005 and 2004 and its unaudited consolidated financial statements for nine months ended September 30, 2006 and 2005 are included in this Report on Form 8-K/A.

We have prepared the unaudited pro forma combined financial statements based on available information using assumptions that we believe are reasonable. These unaudited pro forma combined financial statements are being provided for informational purposes only. They do not claim to represent our actual financial position or results of operations had the acquisition occurred on the date specified nor do they project our results of operations or financial position for any future period or date.

The pro forma combined statement of operations does not reflect any adjustments for anticipated synergies or cost savings resulting from the acquisition such as the elimination of costs associated with members of the executive management team, accounting, legal and other consulting fees. The nine month results of operations ended September 30, 2006 for MRC include costs of approximately $0.8 million related to the executive management team and costs associated with this transaction which will cease to be incurred upon the closing of the transaction, such costs include compensation and other incentive benefits as well as legal, accounting and other consulting fees. In addition, the nine month results include an accrual for the estimated loss through completion of $0.6 million on a contract that is expected to be completed in late 2007. Pro forma adjustments are based on certain assumptions and other information that is subject to change as additional information becomes available.

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
SEPTEMBER 30, 2006
(in millions)

	WFI	MRC	MRC Pro Forma adjustments	Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 12.9	$ 3.0	$ (0.4)(a)	$ 15.5
Accounts receivable, net	107.8	11.5		119.3
Note receivable	9.6	—		9.6
Income tax receivable	—	—	2.4(b)	2.4
Prepaid expenses	3.0	0.3		3.3
Employee loans and advances, net	0.3	—		0.3
Deferred tax assets	—	0.7		0.7
Other current assets	7.8	0.4		8.2
Current assets of discontinued operations	0.6	—		0.6
Total current assets	142.0	15.9	2.0	159.9
Property and equipment, net	16.1	0.4		16.5
Goodwill	119.9	—	53.8(b),(c),(d)	173.7
Other intangibles, net	6.1	—	7.5(c)	13.6
Deferred tax assets	12.9	—	2.9(b)	15.8
Investments in unconsolidated affiliates	2.1	—		2.1
Other assets	0.8	—		0.8
Total assets	$ 299.9	$ 16.3	$ 66.2	$ 382.4
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 18.8	$ 1.8		$ 20.6
Accrued expenses	13.3	2.5		15.8
Accrued compensation	15.5	1.4		16.9
Line of credit	8.0	—	62.0(a)	70.0
Billings in excess of costs on completed contracts	4.0	—		4.0
Deferred tax liabilities	—	0.1		0.1
Tax contingencies	1.7	—		1.7
Accrual for contingent acquisition consideration	0.1	—		0.1

Accrual for unused office space	0.3	—		0.3
Income taxes payable	2.5	0.1		2.6
Capital lease obligations and other short-term debt	0.3	—		0.3
Current liabilities of discontinued operations	0.5	—		0.5
Additional purchase consideration payable, current	—	—	9.5(d)	9.5
Other current liabilities	—	0.5		0.5
Total current liabilities	65.0	6.4	71.5	142.9
Capital lease obligations and debt, net of current portion	0.2	—		0.2
Accrual for unused office space, net of current portion	1.0	—		1.0
Deferred tax liabilities	—	—	2.9(b)	2.9
Additional purchase consideration payable, net of current	—	—	1.7(d)	1.7
Other liabilities	1.2	—		1.2
Other long term liabilities of discontinued operations	0.2	—		0.2
Total liabilities	67.6	6.4	76.1	150.1
Stockholders' equity:				
Preferred stock, 5,000,000 shares authorized, Series B Convertible Preferred Stock, $.001 par value; 25,483 and 10,000 shares outstanding at December 31, 2005 and September 30, 2006, respectively (liquidation preference $12.7 and $5.0, respectively)	—	—		—
Common stock, $.001 par value, 195,000,000 shares authorized; 72,188,449 and 73,883,950 shares issued and outstanding at December 31, 2005 and September 30, 2006, respectively	—	—		—
Additional paid-in capital	327.8	0.4	(0.4)(c)	327.8
Accumulated earnings (deficit)	(94.0)	9.5	(9.5)(c)	(94.0)
Accumulated other comprehensive income (loss)	(1.5)	—		(1.5)
Total stockholders' equity	232.3	9.9	(9.9)	232.3
Total liabilities and stockholders' equity	$ 299.9	$ 16.3	$ 66.2	$ 382.4

See the accompanying notes.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(in millions)

	WFI	MRC	MRC Pro Forma adjustments	Pro Forma Combined
Revenues	$ 254.4	$ 46.7	$ —	$ 301.1
Cost of revenues	209.3	42.0	0.1(e)	251.4
Gross Profit	45.1	4.7	(0.1)	49.7
Selling, general and administrative expenses	47.2	3.7	0.9(e)	51.8
Contingent acquisition consideration	0.1	—	—	0.1
Operating income (loss)	(2.2)	1.0	(1.0)	(2.2)
Other income (expense), net:				
Interest income (expense), net	0.5	0.1	(3.5)(f)	(2.9)
Foreign currency loss	(0.2)	—	—	(0.2)
Other income (expense), net	0.3	0.1	(3.5)	(3.1)
Income (loss) before provision for income taxes	(1.9)	1.1	(4.5)	(5.3)
Provision for income taxes	0.6	0.5	—(g)	1.1
Income (loss) from continuing operations	(2.5)	0.6	(4.5)	(6.4)
Income from discontinued operations	0.2	—	—	0.2
Net income (loss)	$ (2.3)	$ 0.6	$ (4.5)	$ (6.2)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ (0.03)	$ 0.01	$ (0.06)	$ (0.08)
Income from discontinued operations	0.00	—	—	0.00
Net income (loss)	$ (0.03)	$ 0.01	$ (0.06)	$ (0.08)
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ (0.03)	$ 0.01	$ (0.06)	$ (0.08)
Income from discontinued operations	0.00	—	—	0.00
Net income (loss)	$ (0.03)	$ 0.01	$ (0.06)	$ (0.08)
Weighted average common shares outstanding:				
Basic	73.3	73.3	73.3	73.3
Diluted	73.3	73.3	73.3	73.3

See the accompanying notes.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2005
(in millions)

	WFI	MRC	MRC Pro Forma adjustments	Pro Forma Combined
Revenues	$ 375.3	$ 62.4	$ —	$ 437.7
Cost of revenues	291.0	53.3	0.1(e)	344.4
Gross profit	84.3	9.1	(0.1)	93.3
Selling, general and administrative expenses	69.3	4.9	1.2(e)	75.4
Contingent acquisition consideration	(2.1)	—	—	(2.1)
Operating income (loss)	17.1	4.2	(1.3)	20.0
Other income (expense), net:				
Interest income (expense), net	0.1	0.2	(4.7)(f)	(4.4)
Foreign currency loss	(0.2)	—	—	(0.2)
Other expenses, net	(0.2)	—	—	(0.2)
Other income (expense), net	(0.3)	0.2	(4.7)	(4.8)
Income (loss) before provision for income taxes	16.8	4.4	(6.0)	15.2
Provision for income taxes	5.4	1.7	—(g)	7.1
Income from continuing operations	11.4	2.7	(6.0)	8.1
Income (loss) from discontinued operations	(7.7)	—	—	(7.7)
Net income (loss)	$ 3.7	$ 2.7	$ (6.0)	$ 0.4
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ 0.15	$ 0.04	$ (0.08)	$ 0.11
Loss from discontinued operations	(0.10)	—	—	(0.10)
Net income (loss)	$ 0.05	$ 0.04	$ (0.08)	$ 0.01
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ 0.15	$ 0.04	$ (0.08)	$ 0.11
Loss from discontinued operations	(0.10)	—	—	(0.10)
Net income (loss)	$ 0.05	$ 0.04	$ (0.08)	$ 0.01
Weighted average common shares outstanding:				
Basic	74.0	74.0	74.0	74.0
Diluted	75.3	75.3	75.3	75.3

See the accompanying notes.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(1) Pro Forma Adjustments to the Balance Sheet and Statement of Operations

On October 2, 2006 Wireless Facilities, Inc., pursuant to a Merger Agreement, dated as of August 8, 2006, consummated the acquisition of Madison Research Corporation for $69.0 million in cash, subject to an adjustment based on the closing final net asset value, of which ten percent is being withheld as security for satisfaction of certain indemnification obligations and payable over eighteen months following the closing date of the Merger pursuant to the terms of the Merger Agreement.

The acquisition is being accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), whereby the total cost of the acquisition has been allocated to tangible and intangible assets acquired and liabilities assumed based upon a preliminary determination of fair values at the effective date of the acquisition. A valuation is being performed by an independent appraiser to finalize the purchase price allocation based upon the fair value of the assets and liabilities acquired, at which time the preliminary allocation of the purchase price may be revised. Management expects to complete the valuation before the Company's 2006 10-K is filed.

The allocation of the purchase price is subject to refinement. The following table (in millions) summarizes the preliminary allocation of the purchase price including an estimate of transaction costs of incurred by WFI of $0.3 million:

	Value	Estimated Life in Years
Cash	$ 3.0	
Accounts receivable	11.5	
Prepaid expenses	0.3	
Income tax receivable	2.4	
Deferred tax asset, current	0.7	
Other current assets	0.4	
Property and equipment	0.4	
Deferred tax asset, long term	2.9	
Funded backlog	0.1	2.0
Unfunded backlog	0.7	3.0
Existing contractual relationships	4.4	5.0
DoD customer relationships	2.3	15.0
Goodwill	53.8	
Total assets acquired	$ 82.9	
Accounts payable	(1.8)	
Accrued expenses	(3.9)	
Deferred tax liability, current	(0.1)	

Other current liabilities	(0.5)
Deferred tax liability, long term	(2.9)
Net assets acquired	$ 73.6

The following is a summary of the adjustments to the pro forma balance sheet:

(a) Cash was reduced by $0.4 million and the Line of Credit was increased by $62.0 million to reflect the $62.4 million in funds used for the purchase price paid and an additional $0.3 million in transaction costs incurred by WFI for the acquisition of MRC.

(b) To record the tax related items associated with the deductible transaction expenses incurred by MRC of $6.3 million and the acquired intangible assets and to record the tax benefit from the partial release of valuation allowance on the deferred tax assets of WFI recognizable as a result of the acquisition of MRC.

(c) Intangible assets and goodwill have been adjusted to reflect the preliminary purchase price allocation which includes the elimination of acquired equity.

(d) To record the additional consideration payable resulting from the estimated closing working capital adjustment of $4.3 million and the current and long term portions of the $6.9 million holdback.

The following is a summary of the adjustments to the statement of income:

(e) The preliminary estimate of the identifiable intangible assets of MRC is $7.5 million with assumed useful lives of 2-15 years. The assets will be amortized on a straight line basis and the adjustments to SG&A to give effect to the acquisition are presented below (in thousands):

Amortization of:	Nine months ended September 30, 2006	Year ended December 31, 2005
Funded backlog	$ 52.5	$ 70.0
Unfunded backlog	162.5	216.7
Existing contractual relationships	660.0	880.0
DoD customer relationships	115.0	153.3
Total amortization expense	$ 990.0	$ 1,320.0

(f) To present the adjustment related to interest expense on the outstanding balance $62.0 million drawn on the credit facility provided by KeyBank National Association on October 2, 2006, as described in the Current Report on Form 8-K, dated October 2, 2006 and filed with the U.S. Securities and Exchange Commission on October 6, 2006 as though the balance was outstanding for the entire period. The pro forma adjustment for interest expense related to the Company's line of credit is based upon a variable rate of interest that was 7.57 percent as of October 5, 2006. The amount of interest expense in each of the periods presented would not change by more than $0.1 million if the interest rate changed by 1/8 percent.

(g) WFI currently has a partial valuation allowance against its deferred tax assets as realization of the assets is deemed to not be "more likely than not". Additional deductions shown on the pro forma statements will have the effect of increasing the Company's deferred tax assets, with a corresponding increase in its valuation allowance. As such, there is no material tax benefit recognized currently for the additional deductions in the pro forma statement.

(2) Reclassifications

Certain reclassifications have been made to the financial statements of MRC to conform to Wireless Facilities, Inc.'s presentation. MRC has not historically presented direct costs of revenue and associated overhead expenses in its statement of operations. These costs were identified and reclassified in the pro forma statements which have been presented.