

REGISTRATION NO. 333-85515

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WIRELESS FACILITIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7380	13-3818604
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

9805 SCRANTON ROAD, SUITE 100
SAN DIEGO, CA 92121
(858) 824-2929
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MASSIH TAYEBI, PH.D.
CHIEF EXECUTIVE OFFICER
WIRELESS FACILITIES, INC.
9805 SCRANTON ROAD, SUITE 100
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Approximate date of commencement of proposed sale to the public:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION
STATEMENT.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, as amended (the "Securities Act") check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) of the Securities Act, please check the following box
and list the Securities Act registration serial number of the earlier
effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES
AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL

FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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 +THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY +
 +NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE +
 +SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN +
 +OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE +
 +SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED. +
 +++++

SUBJECT TO COMPLETION, DATED SEPTEMBER 29, 1999

4,000,000 Shares

WIRELESS FACILITIES, INC.

[LOGO]

Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price is expected to be between \$13.00 and \$15.00 per share. We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "WFII."

The underwriters have an option to purchase a maximum of 600,000 additional shares to cover over-allotments of shares.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 7.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO WIRELESS FACILITIES, INC.
	-----	-----	-----
Per Share.....	\$	\$	\$
Total.....	\$	\$	\$

Delivery of the shares of common stock will be made on or about , 1999.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CREDIT SUISSE FIRST BOSTON

HAMBRECHT & QUIST

THOMAS WEISEL PARTNERS LLC

The date of this prospectus is , 1999.

INSIDE COVER

GRAPHICS DEPICTING WFI'S SERVICE OFFERINGS WITH THE FOLLOWING TEXT:

LEADERSHIP IN TELECOM OUTSOURCING.....

BUSINESS CONSULTING GROUP

WFI's business consulting group provides strategic and business planning for both wireless carriers and equipment vendors. We perform comprehensive market analysis, competitive research, financial modeling and technology assessment. We bring our integrated methodology, technical expertise, geographic information services, engineering and deployment resources to each project. These projects are strategically important to us because they represent opportunities for us to build relationships and credibility with our customers during the initial phases of network planning.

NETWORK DEPLOYMENT SERVICES

WFI's staff of consultants, technologists, engineers, program managers and site development experts provide services for the design, implementation and optimization of telecom systems. Our network deployment services range from radio frequency engineering and market evaluation, including geographic information services, to complete program management including site acquisition and development, microwave relocation, fixed network design and installation and optimization services.

NETWORK MANAGEMENT

WFI's network management team of highly trained and experienced managers, engineers and technicians offers post-deployment radio frequency optimization and day-to-day operation and maintenance of wireless networks. Our post-deployment radio frequency optimization services include periodically testing network elements, tuning the network for optimal performance and identifying elements that need to be upgraded or replaced. Our maintenance and operation services cover critical network elements, including base station equipment, mobile switching centers and network operating centers.

ADVANCED TECHNOLOGY GROUP

WFI's Advanced Technology Group offers advanced research and design for a wide range of engineering challenges, including equipment design, vendor selection and technology assessment. Our ATG is comprised of experts dedicated to the research and development of a variety of wireless products and technologies. The ATG provides a resource and focal point for keeping abreast of new telecom technologies, including broadband point-to-multipoint services, such as LMDS and MMDS, and new standards, such as 3G.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT.

DEALER PROSPECTUS DELIVERY OBLIGATION

UNTIL _____, 1999 (25 DAYS AFTER COMMENCEMENT OF THE OFFERING), ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALER'S OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS AN UNDERWRITER AND WITH RESPECT TO UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before buying shares in this offering. You should read the entire prospectus carefully.

Wireless Facilities, Inc.

Wireless Facilities, Inc. is one of the leading independent providers of outsourced services related to the planning, design and deployment of wireless communications networks built using radio equipment. We have also expanded our services to include network management, which includes day-to-day optimization, or recalibration, and tuning, and maintenance of wireless networks. We provide design, deployment and network management solutions for both telecom carriers and equipment vendors. As part of our strategy, we are technology and vendor independent, aligning our goals with those of our customers and enabling us to objectively evaluate and recommend optimal vendor or technology solutions. Since 1995, we have completed projects for more than 95 customers, ranging in scope from the installation of a single cell site to multi-year, large-scale deployment contracts. We have provided network design and deployment services to wireless carriers, such as AT&T affiliates Telecorp and Triton; equipment vendors, such as Siemens, Ericsson and Lucent; and wireless broadband data carriers, such as CommcoTec and Nextlink.

The wireless telecom industry is growing due to the increase in wireless telephone usage, as well as strong demand for wireless Internet and other data services. As a result, carriers continue to make large capital investments to expand their wireless infrastructure. As carriers deploy their networks, they are faced with a proliferation in both the number and type of competitors. Due to this increasingly competitive environment, carriers need to focus on satisfying customer demand for enhanced services, seamless and comprehensive coverage, better call quality, faster data transmission, more bandwidth and lower prices. Carriers are also experiencing challenges managing complex networks and new technologies. The new challenges and resource constraints are increasingly leading carriers and equipment vendors to outsource network planning, deployment and management to focus on their core competencies and refine their competitive advantage.

Our services are designed to rapidly improve our customers' competitive position through planning, deployment and management of their networks. We have developed a methodology that provides an integrated framework for each stage of a client engagement. Our unique methodology allows us to deliver reliable, robust and scalable network solutions. We offer our services primarily on a fixed-price basis with scheduled deadlines for completion times, or a time-certain basis. We believe this enables our customers to more reliably forecast the costs and timing of network deployment and management. This allows our customers to focus on their core competencies and rely on us for the planning, deployment and management of their networks. Our services include:

Pre-Deployment Planning Services. We provide pre-deployment planning services for all steps involved in developing or refining a network deployment strategy. Our business consulting group utilizes its expertise and experience to develop and analyze the financial, engineering, competitive market and technology issues applicable to a proposed network deployment project. In addition, we assist customers in determining the best equipment for a particular project, analyzing the feasibility of a particular technology for a network plan and managing the bidding process from multiple equipment vendors.

Design and Deployment Services. We provide a range of services for the full design and deployment of wireless networks. We help our customers decide where equipment will be located and how to configure and install it. We believe our success is largely based on our ability to provide a package of integrated services that have traditionally been offered by multiple subcontractors who require coordination by a carrier's deployment

staff. These services include geographic information systems analysis, radio frequency engineering, Internet and other data network engineering, network architecture, microwave relocation, fixed network engineering, site development and network installation and optimization.

Network Management Services. We recently expanded our services to include post-deployment radio frequency optimization and day-to-day operation and maintenance of customers' wireless networks. After a network is deployed, it must be continually updated, recalibrated and tuned. Optimization is the process of tuning the network to take into account changing environments and usage patterns. We manage the operation of critical network elements, including base station equipment, mobile switching centers and network operating centers, to the extent required by our customers. We also provide training services for the internal network staff of our customers.

Our objective is to be the leading independent provider of outsourced network services to the telecom industry, including network planning, design, deployment and management services. The key elements of our strategy include:

- . Focusing on customer satisfaction;
- . Expanding the suite of services we offer and pursuing cross-selling opportunities;
- . Remaining at the forefront of new technologies;
- . Pursuing opportunities for international growth;
- . Continuing to attract and retain highly skilled, motivated personnel;
- . Capitalizing on previous project experience; and
- . Pursuing strategic acquisitions.

In the past two years, we have expanded our operations internationally and have completed projects in 26 countries. In addition to our U.S. operations, as of June 30, 1999, we had ongoing projects in Argentina, Brazil, Congo, India, Kuwait, Mexico, Morocco, Oman, Puerto Rico, Spain, South Korea, Turkey and the United Kingdom. In 1998, we were involved in the development of over 3,000 of the approximately 16,000 cell sites built in the United States. Since the founding of WFI in 1994, we have been involved in the design or deployment of over 12,000 cell sites worldwide.

Our principal executive offices are located at 9805 Scranton Road, Suite 100, San Diego, California 92121. Our telephone number is (858) 824-2929. Our Website is www.wfinet.com. The information found on our Website is not a part of this prospectus.

The Offering

Common stock offered..... 4,000,000 shares
Common stock to be outstanding after the
offering..... 39,010,879 shares
Use of proceeds..... For the repayment of short-term
debt, working capital, general
corporate purposes and potential
acquisitions of businesses. See "Use
of Proceeds."
Proposed Nasdaq National Market symbol... WFII

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of June 30, 1999, and does not include the following:

- . 5,165,441 shares subject to options outstanding as of June 30, 1999, at a weighted average exercise price of \$4.12 per share;
- . 6,700,000 shares that we could issue under existing stock plans;
- . 1,144,381 shares subject to warrants outstanding as of June 30, 1999, at a weighted average exercise price of \$2.08 per share; and
- . 600,000 shares that may be purchased by the underwriters to cover over-allotments, if any.

Except as otherwise indicated, all information in this prospectus assumes:

- . no exercise of the underwriters' over-allotment option;
- . a three-for-one stock split that occurred on February 25, 1999; and
- . the automatic conversion of the outstanding shares of preferred stock into shares of common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

The following financial information should be read together with the "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Operating Results" included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999

	(UNAUDITED)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Revenues.....	\$15,421	\$22,658	\$51,909	\$21,611	\$ 33,106
Gross profit.....	8,589	10,942	23,839	11,033	12,081
Operating income.....	6,756	6,967	10,974	6,421	5,637
Net income.....	6,732	6,769	4,964	6,214	2,828
Pro forma adjustment for income taxes (1).....	(2,653)	(2,527)	1,050	(2,617)	--

Pro forma net income (2).....	\$ 4,079	\$ 4,242	\$ 6,014	\$ 3,597	\$ 2,828
	=====				
Pro forma net income per share (2)					
Basic.....			\$ 0.20		\$ 0.08
Diluted.....			\$ 0.18		\$ 0.07
Pro forma weighted average shares					
Basic.....			30,664		34,481
Diluted.....			33,031		39,720

AS OF JUNE 30, 1999

AS	
ACTUAL	ADJUSTED (3)

CONSOLIDATED BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 4,027	\$ 52,067
Working capital.....	22,934	74,014
Total assets.....	53,672	101,712
Total debt.....	9,407	6,367
Total stockholders' equity.....	32,844	83,924

(1) Through August 7, 1998, we elected to be taxed as an S corporation under the Internal Revenue Code of 1986 and comparable state laws. Accordingly, we did not recognize any provision for federal income tax expense during periods prior to that time. The pro forma adjustment for income taxes reflects the adjustment for federal income taxes which we would have recorded if we had been a C corporation during these periods.

(2) Pro forma net income for all periods except the six months ended June 30, 1999, gives effect to the adjustment for federal income taxes that we would have recorded if we had been a C corporation during these periods. For a description of the computation of the pro forma net income per share and the number of shares used in the per share calculations, see Note 1 of Notes to Consolidated Financial Statements.

(3) The As Adjusted column reflects our receipt of the net proceeds from the offering (assuming an initial public offering price of \$14.00 per share), after deducting estimated underwriting discounts and commissions and estimated offering expenses and application of a portion of such proceeds to repay approximately \$3.0 million of short-term debt. See "Capitalization" and "Use of Proceeds."

RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. Investing in our common stock involves a high degree of risk. Risks and uncertainties, in addition to those we describe below, that are not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risks occur, our business could be harmed, the price of our common stock could decline and you may lose all or part of your investment. See "Special Note Regarding Forward-Looking Statements."

Our business will not operate efficiently and our results of operations will be negatively affected if we are unable to manage our growth effectively.

We are experiencing a period of significant expansion and anticipate that further expansion will be required to address potential growth in the demand for our new and existing services. From January 1, 1998 to June 30, 1999, we increased our number of employees from 83 to 508. In order to increase our revenues significantly, we need to add a substantial number of key personnel in the near future, including project management, engineering and direct sales and marketing personnel. We expect this expansion to continue to place a significant strain on our managerial, operational and financial resources.

To manage the expected growth of our operations and personnel, we will be required to:

- . improve existing and implement new operational, financial and management controls, reporting systems and procedures;
- . complete the implementation of a new financial management and accounting software program and install other new management information systems; and
- . integrate, train, motivate and manage employees.

If we fail to address the issues above or if our expected growth does not materialize, our business may be harmed.

We may not be able to hire or retain a sufficient number of qualified engineers and other employees to sustain our growth, meet our contract commitments or maintain the quality of our services.

Our future success will depend on our ability to attract and retain additional highly skilled engineering, managerial, marketing and sales personnel. Competition for such personnel is intense, especially for engineers, and we may be unable to attract sufficiently qualified personnel in adequate numbers to meet the demand for our services. In addition, as of June 30, 1999, 22% of our employees in the United States were working under H-1 visas. H-1 visas are a special class of nonimmigrant working visas for qualified aliens working in specialty occupations, including, for example, radio frequency engineers. We are not aware of any currently proposed regulations or immigration policies that would restrict the number of people able to work under H-1 visas at our company. However, immigration policies can change quickly, and any significant changes in U.S. immigration regulations or policies that restrict our ability to employ such persons or to continue to hire people on H-1 visas could harm our business.

We expect our quarterly results to fluctuate. If we fail to meet earnings estimates, our stock price could decline.

Our quarterly and annual operating results have fluctuated in the past and will vary in the future due to a variety of factors, many of which are outside of our control. The factors outside of our control include:

- . the timing and size of network deployment by our carrier customers and the timing and size of orders for network equipment built by our vendor customers;
- . fluctuations in demand for our services;
- . the length of sales cycles;

- . reductions in the prices of services offered by our competitors;
- . costs of integrating technologies or businesses; and
- . telecom market conditions and economic conditions generally.

The factors within our control include:

- . changes in the actual and estimated costs and timing to complete fixed-price, time-certain projects;
- . the timing of expansion into new markets, both domestically and internationally; and
- . the timing and payments associated with possible acquisitions.

Due to these factors, quarterly revenues, expenses and results of operations could vary significantly in the future, and you should not rely upon results of past periods as an indication of our future performance. Because our operating results may vary significantly from quarter to quarter based upon the factors described above, results may not meet the expectations of securities analysts and investors, and this could cause the price of our common stock to decline significantly.

An increasing percentage of our revenue is accounted for on a percentage-of-completion basis which could cause our quarterly results to fluctuate.

We use the percentage-of-completion method to recognize the majority of our revenues. With the percentage-of-completion method, in each period we recognize expenses as they are incurred and we recognize revenue based on a comparison of the current costs incurred for the project to the then estimated total costs of the project. Accordingly, the revenue we recognize in a given quarter depends on the costs we have incurred for individual projects and our then current estimate of the total remaining costs to complete individual projects. If in any period we significantly increase our estimate of the total costs to complete a project, we may recognize very little or no additional revenue with respect to that project. As a result, our gross margin in such period and in future periods may be significantly reduced and in some cases we may recognize a loss on individual projects prior to their completion. For example, in 1999 we revised the estimated costs to complete two large contracts which resulted in a reduction of gross margins of 9.9% in the first quarter of 1999 and 6.9% in the second quarter of 1999. The portion of our revenue from fixed price contracts has grown significantly as a percentage of revenues. For example, in 1997 fixed price contracts accounted for only about one-third of our total revenues, while during the first six months of 1999 fixed price contracts accounted for almost two-thirds of our total revenues. Thus, we are relatively inexperienced at estimating total project costs, particularly on a quarterly basis. To the extent that our estimates fluctuate over time or differ from actual requirements, gross margins in subsequent quarters may vary significantly from our estimates and could harm our business.

Our business may be harmed if we increase our staffing levels in anticipation of a project and underutilize our personnel because such project is delayed, reduced or terminated.

Since our business is driven by large, and sometimes multi-year, contracts, we forecast our personnel needs for future projected business. If we increase our staffing levels in anticipation of a project and such project is delayed, reduced or terminated, we may underutilize these additional personnel, which would increase our general and administrative expenses and could harm our business.

Due to our limited operating history, we may have difficulty accurately predicting revenues for future periods and appropriately budgeting for expenses, and, because most of our expenses are fixed in the short-term, we may not be able to decrease our expenses in a timely manner to offset any unexpected shortfall in revenues.

We have generated revenues for less than five years and, thus, we have only a short history from which to predict future revenues. This limited operating experience, combined with our recent growth and expanded services, reduces our ability to accurately forecast our quarterly and annual revenues. Further, we plan our operating expenses based primarily on these revenue projections. Because most of our expenses are fixed in the

short-term or incurred in advance of anticipated revenues, we may not be able to decrease our expenses in a timely manner to offset any unexpected shortfall in revenues. As a network outsourcing service provider in an early stage of development, we face significant risks, uncertainties, expenses and difficulties. The specific risks and uncertainties we face are detailed in this section and elsewhere in this prospectus. You must consider our prospects in light of these risks and uncertainties. For further financial information relating to our business, see "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Operating Results."

Our success is dependent on the continued growth in the deployment of wireless networks.

The wireless telecom industry has experienced a dramatic rate of growth both in the United States and internationally. If the rate of growth slows and carriers reduce their capital investments in wireless infrastructure or fail to expand into new geographies, our business may be harmed.

Our success is dependent on the continued trend toward outsourcing wireless telecom services.

Our success is dependent on the continued trend by wireless carriers and network equipment vendors to outsource for their network design, deployment and management needs. If wireless carriers and network equipment vendors elect to perform more network deployment services themselves, our revenues may decline and our business would be harmed.

Our revenues will be negatively impacted if there are delays in the deployment of new wireless networks.

A significant portion of our revenue is generated from new licensees seeking to deploy their networks. To date, the pace of network deployment has sometimes been slower than expected, due in part to difficulty experienced by holders of licenses in raising the necessary financing, and there can be no assurance that future bidders for licenses will not experience similar difficulties. There has also been substantial regulatory uncertainty regarding payments owed to the U.S. Government by past successful wireless bidders, and such uncertainty has delayed network deployments. In addition, factors adversely affecting the demand for wireless services, such as allegations of health risks associated with the use of cellular phones, could slow or delay the deployment of wireless networks. These factors, as well as future legislation, legal decisions and regulation may slow or delay the deployment of wireless networks, which, in turn, could harm our business.

If our customers do not receive sufficient financing, our business may be seriously harmed.

Some of our customers and potential customers are new companies with limited or no operating histories and limited financial resources. Typically less than 15% of our customers at any given time are early stage companies, with limited financing, and historically such companies have accounted for only 5% to 7% of our revenues, although these figures could increase in the future. These customers often must obtain significant amounts of financing to pay for their spectrum licenses, fund operations and deploy their networks. We frequently work with such companies prior to their receipt of financing. If these companies fail to receive adequate financing, particularly after we have begun working with them, our results of operations may be harmed.

The consolidation of equipment vendors or carriers could impact our business.

Recently, the wireless telecom industry has been characterized by significant consolidation activity. This consolidation may lead to a greater ability among equipment vendors and carriers to provide a full suite of network services, and could simplify interoperability and installation, which may lead to a reduction in demand for our services. Moreover, the consolidation of equipment vendors or carriers could have the effect of reducing the number of our current or potential customers which could result in increased bargaining power. This potential increase in bargaining power could create competitive pressures whereby a particular customer may request our exclusivity with them in a particular market. Accordingly, we may not be able to represent some customers who wish to retain our services.

A LOSS OF ONE OR MORE OF OUR KEY CUSTOMERS OR DELAYS IN PROJECT TIMING FOR SUCH CUSTOMERS COULD CAUSE A SIGNIFICANT DECREASE IN OUR NET REVENUES.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. For example, for the six months ended June 30, 1999, we derived 18% of our revenues from Telecorp and 10% of our revenues from Siemens, and for the year ended December 31, 1998, we derived 31% of our revenues from Telecorp, 19% of our revenues from Qualcomm and 17% of our revenues from Triton PCS. The services required by any one customer can be limited by a number of factors, including industry consolidation, technological developments, economic slowdown and internal budget constraints. None of our customers is obligated to purchase additional services, and as of September 23, 1999, approximately one-half of our active customer contracts could be terminated without cause or penalty by the customer on notice to us of 90 days or less. As a result of these factors, the volume of work performed for specific customers is likely to vary from period to period, and a major customer in one period may not use our services in a subsequent period. Accordingly, we cannot be certain that present or future customers will not terminate their network service arrangements with us or significantly reduce or delay their contracts. Any termination, change, reduction or delay in our projects could seriously harm our business.

OUR OPERATING RESULTS MAY SUFFER BECAUSE OF COMPETITION IN THE WIRELESS SERVICES INDUSTRY.

The network services market is highly competitive and fragmented and is served by numerous companies. Many of these competitors have significantly greater financial, technical and marketing resources, generate greater revenues and have greater name recognition and international experience than us. We do not know of any competitors that are dominant in our industry. For a further description of our competition, see "Business--Competition."

We believe that the principal competitive factors in our market include the ability to deliver results within budget and on time, reputation, accountability, project management expertise, industry experience and pricing. In addition, expertise in new and evolving technologies, such as wireless Internet services and broadband wireless, has become increasingly important. We also believe our ability to compete depends on a number of factors outside of our control, including:

- . the prices at which others offer competitive services;
- . the ability and willingness of our competitors to finance customers' projects on favorable terms;
- . the ability of our customers to perform the services themselves; and
- . the extent of our competitors' responsiveness to customer needs.

We may not be able to compete effectively on these or other bases, and, as a result, our revenues or income may decline and harm our business.

OUR BUSINESS MAY BE HARMED IF OUR NEW SERVICE OFFERINGS DO NOT GAIN CUSTOMER ACCEPTANCE.

We have expanded our suite of services to include ongoing network optimization and management. As of June 30, 1999, we had generated a cumulative total of only \$994,000 in revenue for such services. These services, as well as other new services we may develop, may not be favorably received by customers, may not generate significant revenues or may not be offered in a cost-effective or timely manner. In addition, expansion of our services also requires significant additional expenses and development and may strain our managerial, financial and operational resources. If we are unable to successfully expand our service offerings, our business may be harmed.

WE MUST KEEP PACE WITH RAPID TECHNOLOGICAL CHANGE, MARKET CONDITIONS AND INDUSTRY DEVELOPMENTS TO MAINTAIN OR GROW OUR REVENUES.

The market for wireless and other network system design, deployment and management services is characterized by rapid change and technological improvements. Our future success will depend in part on our ability to enhance our current service offerings to keep pace with technological developments and to address

increasingly sophisticated customer needs. We may not be successful in developing and marketing in a timely manner service offerings that respond to the technological advances by others and our services may not adequately or competitively address the needs of the changing marketplace. If we are not successful in responding in a timely manner to technological change, market conditions and industry developments, our revenues may decline and our business may be harmed.

Our business operations could be significantly disrupted if we lose members of our management team.

Our success depends to a significant degree upon the continued contributions of our executive officers, both individually and as a group. See "Management-- Directors, Executive Officers and Key Employees" for a listing of such executive officers. Our future performance will be substantially dependent on our ability to retain and motivate them. In addition, we do not carry key-person life insurance to cover the loss of members of our management team. The loss of the services of any of our executive officers, particularly Massih Tayebi, our Chief Executive Officer, or Masood Tayebi, our President, could prevent us from executing our business strategy.

We may not be successful in our efforts to identify, acquire or integrate acquisitions.

Our failure to manage risks associated with acquisitions could harm our business. A component of our business strategy is to expand our presence in new or existing markets by acquiring additional businesses. From January 1, 1998 through June 30, 1999, we acquired four businesses. We may not be able to identify, acquire or profitably manage additional businesses or integrate successfully any acquired businesses without substantial expense, delay or other operational or financial problems. Acquisitions involve a number of risks, including:

- . diversion of management's attention;
- . difficulty in integrating and absorbing the acquired business, its employees, corporate culture, managerial systems and processes and services;
- . failure to retain key personnel and employee turnover;
- . customer dissatisfaction or performance problems with an acquired firm;
- . assumption of unknown liabilities; and
- . other unanticipated events or circumstances.

We have recently expanded our operations internationally. Our failure to effectively manage our international operations could harm our business.

In the past two years, we have been engaged on projects in 26 countries, and we currently have offices in Brazil, India, Mexico and the United Kingdom. For the six months ended June 30, 1999, international operations accounted for approximately 33% of our total revenues. We believe that the percentage of total revenues attributable to international operations will continue to be significant. Although we have no specific plans to enter into new international markets, we intend to expand our existing international operations and may enter additional international markets, which will require significant management attention and financial resources and could adversely affect our operating margins and earnings. In order to expand our international operations, we will need to hire additional personnel and develop relationships with potential international customers. To the extent that we are unable to do so on a timely basis, our growth in international markets would be limited, and our business would be harmed.

Our international business operations are subject to a number of material risks, including, but not limited to:

- . difficulties in building and managing foreign operations;
- . difficulties in enforcing agreements and collecting receivables through foreign legal systems and addressing other legal issues;

- . longer payment cycles;
- . taxation issues;
- . fluctuations in the value of foreign currencies; and
- . unexpected domestic and international regulatory, economic or political changes.

To date, we have encountered each of the risks set forth above in our international operations. If we are unable to expand and manage our international operations effectively, our business may be harmed.

Fluctuations in the value of foreign currencies could harm our profitability.

Substantially all of our international sales are currently denominated in U.S. dollars. In the course of our international operations, we incur expenses in a number of currencies. Fluctuations in the value of the U.S. dollar and foreign currencies may make our services more expensive than local service offerings. This could make our service offerings less competitive than local service offerings, which could harm our business. To date, our experience with this foreign currency risk has predominately related to the Brazilian real. We do not currently engage in currency hedging activities to limit the risks of exchange rate fluctuations. Therefore, fluctuations in the value of foreign currencies could have a negative impact on the profitability of our global operations, which would harm our business.

We may encounter potential costs or claims resulting from project performance.

Many of our engagements involve projects that are significant to the operations of our customers' businesses. Our failure to meet a customer's expectations in the planning or implementation of a project or the failure of unrelated third party contractors to meet project completion deadlines could damage our reputation and adversely affect our ability to attract new business. We frequently undertake projects in which we guarantee performance based upon defined operating specifications or guaranteed delivery dates. Unsatisfactory performance or unanticipated difficulties or delays in completing such projects may result in a direct reduction in payments to us, or payment of damages by us, which could harm our business.

Our executive officers and directors and their affiliates will control a 78.9% of our common stock after this offering and, as a result, will be able to exercise significant control over all matters requiring stockholder approval.

On completion of this offering, our executive officers and directors and their affiliates will beneficially own, in the aggregate, approximately 78.9% of our outstanding common stock. In particular, our Chief Executive Officer, Massih Tayebi, and our President, Masood K. Tayebi, along with members of their families, will beneficially own, in the aggregate, approximately 64.8% of our outstanding common stock. As a result, these stockholders will be able to exercise control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which may have the effect of delaying or preventing a third party from acquiring control over us. These transactions may include those that other stockholders deem to be in their best interests and in which those other stockholders might otherwise receive a premium for their shares over their current prices. For additional information regarding our stock ownership see "Principal Stockholders."

Year 2000 problems could lead to malfunctions of our computer and communications systems, and prevent us from running our business.

Many existing computer programs cannot distinguish between a year beginning with "20" and a year beginning with "19" because they use only the last two digits to refer to a year. For example, these programs cannot tell the difference between the year 2000 and the year 1900. As a result, these programs may malfunction or fail completely. We have not independently verified that our customers' systems and the third party systems we use are year 2000 compliant. If we, our customers or any other third parties with whom we

have a material relationship fail to achieve year 2000 readiness, our business may be seriously harmed. In particular, if year 2000 problems significantly impact carriers or equipment vendors, the demand for our services could be significantly reduced. We have no specific contingency plan to address the effect of year 2000 noncompliance. For additional information regarding our year 2000 readiness, see "Management's Discussion and Analysis of Financial Condition and Operating Results--Year 2000 Readiness Disclosure."

Our stock price may be particularly volatile because of the industry we are in.

The stock market in general has recently experienced extreme price and volume fluctuations. In addition, the market prices of securities of technology and telecom companies have been extremely volatile, and have experienced fluctuations that have often been unrelated to or disproportionate to the operating performance of such companies. These broad market fluctuations could adversely affect the price of our common stock.

We have broad discretion to use the offering proceeds and our investment of those proceeds may not yield a favorable return.

Most of the net proceeds of this offering are not allocated for specific uses. Our management has broad discretion to spend the proceeds from this offering in ways with which stockholders may not agree. The failure of our management to apply these funds effectively could result in unfavorable returns. This could harm our business and could cause the price of our common stock to decline.

Provisions in our charter documents and Delaware law may make it difficult for a third party to acquire our company and could depress the price of our common stock.

Delaware corporate law and our certificate of incorporation and bylaws contain provisions that could delay, defer or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions include:

- . authorizing the board of directors to issue additional preferred stock;
- . prohibiting cumulative voting in the election of directors;
- . limiting the persons who may call special meetings of stockholders;
- . prohibiting stockholder action by written consent; and
- . establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

We are also subject to certain provisions of Delaware law which could delay, deter or prevent us from entering into an acquisition, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. See "Description of Capital Stock--Preferred Stock and Anti-Takeover Provisions."

Our securities have no prior market and we cannot assure you that our stock price will not decline after the offering.

Before this offering, there has not been a public market for our common stock and the trading market price of our common stock may decline below the initial public offering price. The initial public offering price has been determined by negotiations between us and the representatives of the underwriters. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. In addition, an active public market for our common stock may not develop or be sustained after this offering.

You will experience immediate and substantial dilution by investing in our common stock.

The initial public offering price is substantially higher than the net tangible book value of each outstanding share of common stock immediately after the offering. Purchasers of common stock in this offering will suffer immediate and substantial dilution. This dilution will reduce the net tangible book value of their shares, since these investments will be at a substantially higher per share price than they were for our existing stockholders. The dilution will be \$12.07 per share in the net tangible book value of the common stock from the initial public offering price. If additional shares are sold by the underwriters following exercise of their over-allotment option, or if outstanding options or warrants to purchase shares of common stock are exercised, you will incur further dilution.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of common stock in the public market following this offering could cause the market price of our common stock to decline. After this offering, we will have outstanding 39,010,879 shares of common stock. All the shares sold in this offering will be freely tradable. Of the remaining 35,010,879 shares of common stock outstanding after this offering, all of such shares will be eligible for sale in the public market beginning 180 days after the date of this prospectus. After this offering we also intend to register up to approximately 13,100,000 additional shares of our common stock for sale upon the exercise of outstanding stock options and warrants issued pursuant to compensatory benefit plans or reserved for future issuance pursuant to our 1999 Equity Incentive Plan and 1999 Employee Stock Purchase Plan.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks described above and in other parts of this prospectus. These factors may cause our actual results to differ materially from any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

USE OF PROCEEDS

Our net proceeds from the sale of the 4,000,000 shares of common stock offered by us are estimated to be \$51.08 million, or \$58.89 million if the underwriters over-allotment option is exercised in full, at an assumed initial public offering price of \$14.00 per share, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us.

Our principal purposes for engaging in this offering are to:

- . increase our equity capital and create a public market for our common stock;
- . provide increased visibility for us in a marketplace where our principal business relationships are with publicly traded companies; and
- . facilitate future access by us to public equity markets.

Prior to the completion of this offering, we intend to draw on our revolving line of credit to repay notes issued in our acquisition of Entel Technologies. We plan to use approximately \$7.0 million of the proceeds of this offering to repay short-term debt under our revolving line of credit. Indebtedness under our revolving line of credit bears interest at LIBOR plus 2.25% and has a maturity date of August 17, 2000. We expect to use the remaining net proceeds from this offering for working capital and general corporate purposes. In addition, we may use a portion of the net proceeds to acquire businesses; however, we currently have no commitments or agreements and are not involved in any negotiations to do so. Pending the uses described above, we intend to invest the net proceeds in interest-bearing, investment grade securities.

DIVIDEND POLICY

Covenants in our financing arrangements prohibit or limit our ability to declare or pay cash dividends. We currently intend to retain any future earnings to finance the growth and development of our business and therefore do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our financial condition, results of operations, capital requirements, general business conditions and other factors that the board of directors may deem relevant.

While we were an S corporation, we paid dividends to our stockholders of approximately \$4.6 million in 1997 and approximately \$8.6 million in 1998. Of the 1998 dividends, \$3.1 million was paid in cash. The remaining \$5.5 million was paid to three of our stockholders, Drs. Massih Tayebi, Masood Tayebi and Sean Tayebi, in the form of short-term promissory notes. See "Related Party Transactions."

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999:

- . On an actual basis;
- . On a pro forma basis after giving effect to the conversion of all outstanding preferred stock into 7,775,349 shares of common stock; and
- . On a pro forma as adjusted basis, giving effect to our sale of the common stock in this offering at an assumed offering price of \$14.00 per share, including the sale of our treasury stock, and the application of the net proceeds as described under "Use of Proceeds."

This information should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

	JUNE 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Long-term debt, less current portion (1).....	\$ 867	\$ 867	\$ 867
Stockholders' equity:			
Convertible preferred stock; 4,482,692 shares, \$0.01 par value, authorized and 4,409,965 shares issued and outstanding, actual; no shares issued and outstanding, pro forma; 5,000,000 shares, \$0.001 par value, authorized and no shares outstanding, pro forma as adjusted (2).....	44	--	--
Common stock; 50,000,000 shares, \$0.01 par value, authorized and 27,235,530 shares issued and outstanding, actual; 35,010,879 shares issued and outstanding pro forma; 195,000,000 shares, \$0.001 par value, authorized and 39,010,879 shares issued and outstanding, pro forma as adjusted (2)(3).....	305	383	39
Additional paid-in capital.....	41,466	41,432	79,199
Retained earnings	4,672	4,672	4,672
Treasury stock at cost; 3,270,322 shares actual and pro forma, none pro forma as adjusted.....	(13,657)	(13,657)	--
Accumulated other comprehensive income.....	14	14	14
	-----	-----	-----
Total stockholders' equity.....	32,844	32,844	83,924
	-----	-----	-----
Total capitalization.....	\$33,711	\$33,711	\$84,791
	=====	=====	=====

(1) See Note 4 of Notes to Consolidated Financial Statements.

(2) Immediately prior to the closing of this offering and effective upon the filing of our restated certificate of incorporation, our authorized preferred stock will be increased to 5,000,000 shares, \$0.001 par value, and our authorized common stock will be increased to 195,000,000 shares, \$0.001 par value.

(3) Does not include the following shares:

- . 5,165,441 shares subject to options outstanding at a weighted average exercise price of \$4.12 per share; and
- . 1,144,381 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$2.08 per share. See Note 7 of Notes to Consolidated Financial Statements. See "Description of Capital Stock."

DILUTION

As of June 30, 1999, our pro forma net tangible book value was approximately \$24.2 million, or \$0.69 per share of common stock. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock outstanding, and gives effect to the conversion of all outstanding preferred stock into shares of common stock.

After giving effect to our sale of common stock in this offering at an assumed initial public offering price of \$14.00 per share, and our receipt of the estimated net proceeds from the sale, our pro forma net tangible book value as of June 30, 1999 would have been approximately \$75.3 million, or \$1.93 per share. This represents an immediate increase in pro forma net tangible book value of \$1.24 per share to existing stockholders and an immediate dilution of \$12.07 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$14.00
Pro forma net tangible book value per share before the offering...	\$0.69
Increase per share attributable to new investors.....	\$1.24

Pro forma net tangible book value per share after this offering...	\$ 1.93

Dilution per share to new investors.....	\$12.07
	=====

The following table summarizes, on a pro forma basis as of June 30, 1999, the differences between existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid before deducting the underwriting discounts and commissions and our estimated offering expenses.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE

Existing stockholders.....	35,010,879	89.7%	\$37,839,085	40.3%	\$1.08
New investors.....	4,000,000	10.3%	\$56,000,000	59.7%	

Total.....	39,010,879	100.0%	\$93,839,085	100.0%	
	=====				

The discussion and tables above assume no exercise of stock options or warrants outstanding as of June 30, 1999. As of June 30, 1999, there were options outstanding to purchase a total of 5,165,441 shares of common stock, with a weighted average exercise price of \$4.12 per share, and warrants outstanding to purchase a total of 1,144,381 shares of common stock, with a weighted average exercise price of \$2.08 per share. To the extent that any of these options or warrants are exercised, there will be further dilution to new investors. See "Description of Capital Stock" and Note 7 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected data presented below under the captions "Consolidated Statement of Operations Data" and "Consolidated Balance Sheet Data" for, and as of the end of, each of the years in the four-year period ended December 31, 1998, are derived from the consolidated financial statements of Wireless Facilities, Inc., which financial statements have been audited by KPMG LLP, our independent certified public accountants. The audited consolidated financial statements as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998, and report thereon, are included elsewhere in this prospectus. The selected data presented below as of June 30, 1999 and for the six-month periods ended June 30, 1998 and 1999 are derived from the unaudited consolidated financial statements of Wireless Facilities, Inc. included elsewhere in this prospectus. We have prepared this unaudited information on substantially the same basis as the audited consolidated financial statements and included all adjustments that we consider necessary for the fair presentation of the financial position and results of operations for the period. When you read this selected historical financial data, it is important that you read along with it the historical financial statements and related notes as well as the section titled "Management's Discussion and Analysis of Financial Condition and Operating Results" included elsewhere in this prospectus. Historical results are not necessarily indicative of future results.

	YEARS ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1998	1998	1999
	(UNAUDITED)					
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
CONSOLIDATED STATEMENT OF OPERATIONS DATA:						
Revenues.....	\$1,085	\$15,421	\$22,658	\$51,909	\$21,611	\$33,106
Cost of revenues.....	744	6,832	11,716	28,070	10,578	21,025
Gross profit.....	341	8,589	10,942	23,839	11,033	12,081
Selling, general and administrative expenses..	102	1,833	3,975	12,865	4,612	6,444
Operating income.....	239	6,756	6,967	10,974	6,421	5,637
Total other (expense) income.....	(2)	(2)	25	(484)	(146)	(627)
Income before income taxes.....	237	6,754	6,992	10,490	6,275	5,009
Provision for income taxes.....	--	22	223	5,526	61	2,181
Net income.....	237	6,732	6,769	4,964	6,214	2,828
Pro forma adjustment for income taxes (1).....	(95)	(2,653)	(2,527)	1,050	(2,617)	--
Pro forma net income (2).. =====	\$ 142	\$ 4,079	\$ 4,242	\$ 6,014	\$ 3,597	\$ 2,828
Pro forma net income per share (2)						
Basic..... =====				\$ 0.20		\$ 0.08
Diluted..... =====				\$ 0.18		\$ 0.07
Pro forma weighted average shares						
Basic..... =====				30,664		34,481
Diluted..... =====				33,031		39,720

	DECEMBER 31,				JUNE 30,	
	1995	1996	1997	1998	1999	
	(IN THOUSANDS)				(UNAUDITED)	
CONSOLIDATED BALANCE SHEET DATA:						
Cash.....	\$ 7	\$ 333	\$ 836	\$ 2,866	\$ 4,027	
Working capital.....	216	6,633	9,240	7,739	22,934	
Total assets.....	535	7,210	11,054	60,531	53,672	
Total debt.....	--	--	--	16,018	9,407	
Total stockholders' equity.....	237	6,995	9,835	14,595	32,844	

(1) Through August 7, 1998, we elected to be taxed as an S corporation under the Internal Revenue Code of 1986 and comparable state laws. Accordingly, we did not recognize any provision for federal income tax expense during

periods prior to that time. The pro forma adjustment for income taxes reflects the adjustment for federal income taxes which we would have recorded if we had been a C corporation during these periods.

- (2) Pro forma net income for all periods except the six months ended June 30, 1999 gives effect to the adjustment for federal income taxes which we would have recorded if we had been a C corporation during these periods. For a description of the computation of the pro forma net income per share and the number of shares used in the per share calculations, see Note 1 of Notes to Consolidated Financial Statements.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The Company acquired Entel Technologies (Entel) on February 27, 1998. Entel's results of operations for the subsequent ten months are included in the Company's statement of operations for the year ended December 31, 1998. Had the acquisition occurred on January 1, 1998, the following pro forma adjustments would have been made to the audited consolidated statement of operations to account for the operations of Entel for the period January 1, 1998 through February 27, 1998 and to present certain pro forma adjustments: increase in revenues of \$3,919,165, increase in cost of revenues of \$2,145,233, increase in selling, general and administrative expenses of \$1,445,270, including pro forma adjustment for additional goodwill amortization of \$130,049, increase in other expense, net of \$68,317 including pro forma adjustment for additional interest expense of \$75,843. These adjustments result in a net increase to historical net income of \$260,345. Pro forma earnings per share for the year ended December 31, 1998 are \$0.18 basic and \$0.17 diluted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND OPERATING RESULTS

The following discussion should be read in conjunction with our financial statements and the related notes and the other financial information appearing elsewhere in this prospectus. See also "Special Note Regarding Forward-Looking Statements."

Overview

We were incorporated in December 1994 and began operations in March 1995. Since our inception, we have operated as a provider of outsourced services related to the planning, design and deployment of wireless networks. Additionally, we have expanded our services to offer ongoing optimization and network management services for our customers. We contract with wireless telecom carriers and wireless equipment vendors to provide turnkey design, deployment and management services as well as individual services as part of broader network deployment projects. A majority of our contracts are structured on a fixed-price, time-certain basis. Since our business is driven by large, and sometimes multi-year, contracts, we forecast our staffing needs for future projected business. As a result, we may increase our staffing levels in anticipation of beginning a project. Our business may be harmed if such a project is delayed, reduced or terminated.

We generally offer our network planning, design and deployment services on a fixed-price, time-certain basis. We recognize revenues for such contracts using the percentage-of-completion method. Under the percentage-of-completion method, in each period we recognize expenses as they are incurred and we recognize revenue based on a comparison of the current costs incurred for the project to the then estimated total costs of the project. Accordingly, the revenue we recognize in a given quarter depends on the costs we have incurred for individual projects and our then current estimate of the total remaining costs to complete individual projects. If in any period we significantly increase our estimate of the total costs to complete a project, we may recognize very little or no additional revenue with respect to that project. As a result, our gross margin in such period and in future periods may be significantly reduced and in some cases we may recognize a loss on individual projects prior to their completion. Our contracts are typically structured with milestone events that dictate the timing of payments to us from our customers. Accordingly, there may be a significant delay between the date we record revenue and the date we receive payment from our customers. For network planning, design and deployment contracts offered on a time and expense basis, we recognize revenues as services are performed. We typically charge a fixed monthly fee for our ongoing radio frequency optimization and network operations and maintenance services. With respect to these services, we recognize revenue as services are performed. As of June 30, 1999, we had generated a cumulative total of \$994,000 in revenue from our network management services. We expect to generate increased revenue from our network management services as we cross-sell to our existing customers and make this service available to new customers.

In order to meet the global needs of our clients, we have completed projects in 26 countries to date. Since 1998, we have established corporate resource centers in Mexico, Brazil, India and the United Kingdom. We have generated significant revenues from our international operations and expect that those revenues will expand as we continue to grow our business. Contracts with our customers are typically denominated in U.S. dollars, but this may not always be the case in the future. Additionally, we pay our international employees in either U.S. dollars or local currency. Currently we do not enter into hedging contracts or similar arrangements to protect against foreign currency fluctuations. Therefore, we increasingly may be subject to currency fluctuations, which could harm our operating results in future periods.

Our customers are large, well-established telecom carriers and wireless telecom equipment vendors, as well as smaller, early stage telecom carriers. We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. For the six months ended June 30, 1999, we derived 18% of revenues from Telecorp and 10% of our revenues from Siemens. For the year ended December 31, 1998, we derived 31% of our revenues from Telecorp, 19% of our revenues from Qualcomm and 17% of our revenues from Triton PCS. The volume of work performed for specific customers is likely to vary from period to period, and a major customer in one period may not use our services in a subsequent period.

Our cost of revenues includes direct compensation and benefits, living and travel expenses, payments to third-party sub-contractors, allocation of overhead, costs of expendable computer software and equipment and other direct project-related expenses. As of June 30, 1999, we had 450 employees working on contracted projects.

Selling, general and administrative expenses include compensation and benefits, computer software and equipment, facilities expenses and other expenses not related directly to projects. Our sales personnel have, as part of their compensation package, incentives based on their productivity. We are currently installing a new financial management and accounting software program to better accommodate our growth. We expect to incur expenses related to the licensing of the software package and related personnel costs associated with its installation, testing and implementation. We may incur expenses related to a given project in advance of the project beginning as we increase our personnel to work on the project. New hires typically undergo training on our systems and project management process prior to being deployed on a project.

Depreciation and amortization expenses include depreciation on our furniture, fixtures and equipment and amortization related to our recent acquisitions, primarily Entel in February 1998. Goodwill is being amortized over a ten-year period.

Interest expense is primarily related to interest on notes payable to related parties. Specifically, in connection with a dividend declared and paid to all stockholders in July 1998, we issued promissory notes in the amount of \$5.5 million. These notes were amended in August 1999 and become due in August 2000. In addition, as part of our acquisition of Entel, we issued notes as part of the purchase consideration in the amount of \$5.2 million. Prior to completion of this offering we expect to repay the approximately \$3.0 million outstanding under the Entel notes using our line of credit. We currently intend to repay our line of credit with the proceeds of this offering. We may enter into future borrowings or notes related to future acquisitions, and we may incur additional interest expenses as a result.

In August 1998, we converted from an S corporation to a C corporation. Prior to becoming a C corporation, our stockholders were taxed individually for their share of our profits. In 1998, we incurred a one-time charge of \$2.1 million to establish a deferred income tax liability upon our change from an S corporation to a C corporation. The remaining tax provision for the year ended December 31, 1998 is attributable to federal and state income taxes at the standard statutory C corporation rates for operations from August 7, 1998 to December 31, 1998.

Results of Operations

The following table sets forth, for the periods indicated, certain statement of operations data as a percentage of revenues. Our results of operations are reported as a single business segment.

	Years Ended December 31,				Six Months Ended June 30,	
	1995	1996	1997	1998	1998	1999
Consolidated Statement of Operations Data:						
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues.....	68.6	44.3	51.7	54.1	48.9	63.5
Gross profit.....	31.4	55.7	48.3	45.9	51.1	36.5
Selling, general and administrative expenses.....	9.4	11.9	17.5	24.8	21.4	19.5
Operating income.....	22.0	43.8	30.8	21.1	29.7	17.0
Total other (expense) income.....	(0.2)	--	0.1	(0.9)	(0.7)	(1.9)
Income before income taxes.....	21.8%	43.8%	30.9%	20.2%	29.0%	15.1%

Comparison of Results for the Six Months Ended June 30, 1998 to the Six Months Ended June 30, 1999

Revenues. Our revenues increased 53% from \$21.6 million for the six months ended June 30, 1998 to \$33.1 million for the six months ended June 30, 1999. The increase was primarily attributable to the addition of new contracts, partially offset by the effects of revised expense forecasts to complete two fixed-price contracts. The addition of new service offerings, including site development and fixed network engineering contributed significantly to the new contract revenues.

Cost of Revenues. Our cost of revenues increased 98% from \$10.6 million for the six months ended June 30, 1998 to \$21.0 million for the six months ended June 30, 1999 primarily due to increased staffing in support of new contracts. Gross margin was 51.1% of revenues for the six months ended June 30, 1998 compared to 36.5% for the six months ended June 30, 1999. Gross margins for the six months ended June 30, 1999 were reduced by our updated estimates of higher than anticipated costs to complete two fixed-price contracts. We expect that these contracts will have a decreasing impact on our gross margin over the next three quarters.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased 39% from \$4.6 million for the six months ended June 30, 1998 to \$6.4 million for the six months ended June 30, 1999. The increase was attributable to an increase in executive, administrative, sales and marketing personnel, as well as increases in purchases of expendable tools and systems in support of our growth. As a percentage of revenues, selling, general and administrative expenses decreased from 21.4% for the six months ended June 30, 1998 to 19.5% for the six months ended June 30, 1999, reflecting consolidation efficiencies following the Entel acquisition.

Other Income (Expense). For the six months ended June 30, 1998, our other expense was \$146,000 as compared to \$627,000 of other expense for the six months ended June 30, 1999. This increase was primarily attributable to interest expense of \$359,000 from the Entel acquisition, stockholder notes and higher utilization of our bank line of credit to support working capital needs, as well as foreign currency losses of \$170,000 attributable to the Company's expansion into Brazil and Mexico.

Comparison of Results for the Year Ended December 31, 1997 to the Year Ended December 31, 1998

Revenues. Our revenues increased 129% from \$22.7 million for the year ended December 31, 1997 to \$51.9 million for the year ended December 31, 1998. The increase was attributable to revenue of \$20.0 million from contracts assumed in our acquisition of Entel at the end of February 1998 and new fixed-price contract revenues of \$11.8 million, partially offset by a \$2.6 million reduction in time and expense contracts as our product mix shifted to fixed-price, time-certain projects. The addition of new service offerings, including site development and fixed network engineering, contributed significantly to the new contract revenues.

Cost of Revenues. Our cost of revenues increased 140% from \$11.7 million for the year ended December 31, 1997 to \$28.1 million for the year ended December 31, 1998, primarily due to increased staffing in support of new contracts. Gross margin was 48.3% for the year ended December 31, 1997 compared to 45.9% for the year ended December 31, 1998. The decrease in gross margin was primarily due to lower margin contracts acquired in the Entel acquisition.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased 223% from \$4.0 million for the year ended December 31, 1997 to \$12.9 million for the year ended December 31, 1998. As a percentage of revenues, selling, general and administrative expenses increased from 17.5% of revenues for the year ended December 31, 1997 to 24.8% of revenues for the year ended December 31, 1998. The increase in selling, general and administrative expenses in both absolute dollars and as a percentage of revenues was primarily attributable to our acquisition of Entel at the end of February 1998, as well as the increase in purchases of expendable tools and systems to support our growth.

Other Income (Expense). For the year ended December 31, 1997 other income was \$25,000 as compared to \$484,000 of other expense for the year ended December 31, 1998. This change was primarily attributable to interest expense of \$630,000 from the Entel acquisition, stockholder notes and higher utilization of our bank line of credit, and an equity loss of \$66,000 on an investment offset by interest income of \$187,000 resulting from higher cash balances. The equity investment was sold in June 1999.

Comparison of Results for the Year Ended December 31, 1996 to the Year Ended December 31, 1997

Revenues. Our revenues increased 47% from \$15.4 million for the year ended December 31, 1996 to \$22.7 million for the year ended December 31, 1997. The increase was primarily attributable to the addition of new contracts.

Cost of Revenues. Our cost of revenues increased 72% from \$6.8 million for the year ended December 31, 1996 to \$11.7 million for the year ended December 31, 1997. The increase was attributable to increased staffing levels and associated travel and living expenses in support of new contracts. Gross margin was 55.7% for the year ended December 31, 1996 compared to 48.3% for the year ended December 31, 1997. The decreasing gross margin was primarily attributable to the completion of an exceptionally profitable contract in 1996 and expenses related to our first international contract in 1997.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased 122% from \$1.8 million for the year ended December 31, 1996 to \$4.0 million for the year ended December 31, 1997. This represented 11.9% of revenues for the year ended December 31, 1996 and 17.5% of revenues for the year ended December 31, 1997. The increase in selling, general and administrative expenses in both absolute dollars and percentage of revenues was primarily attributable to increased staffing levels, and an increase in purchases of expendable tools and systems for support.

Other Income (Expense). For the year ended December 31, 1996 other expense was \$2,000 as compared to other income of \$25,000 for the year ended December 31, 1997. This change was primarily attributable to increased earnings on cash balances of \$12,000 coupled with decreases in interest expense of \$14,000 due to higher cash balances.

Quarterly Operating Results

The following tables present unaudited quarterly results, in dollars and as a percentage of net revenue, for the ten quarters ended June 30, 1999. We believe this information reflects all adjustments necessary for a fair presentation of such information in accordance with generally accepted accounting principles. Prior to this offering, we did not prepare financial statements on a quarterly basis. The information below is based on actual costs and reflects adjustments to consistently reflect the application of the percentage-of-completion method of accounting on a historical quarterly basis as well as normal recurring adjustments. Quarterly revenues for fixed price contracts were recognized on a percentage-of-completion basis using estimates of total costs to complete ongoing projects prepared at year end, and actual costs incurred for completed projects. For the quarter ended June 30, 1999, and in future quarters, revenues from fixed-price contracts will be reported based upon estimates of the total costs to complete the contract made during and at the end of the quarter. As a result, future operating results may fluctuate more from quarter to quarter than those shown below. In addition, it may not be meaningful to compare results of operations for future quarters to those for quarters prior to June 30, 1999 and the results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended									
	Mar. 31, 1997	June 30, 1997	Sept. 30, 1997	Dec. 31, 1997	Mar. 31, 1998	June 30, 1998	Sept. 30, 1998	Dec. 31, 1998	Mar. 31, 1999	June 30, 1999
	(in thousands, except as a percentage of revenues)									
Statements of Operations										
Data:										
Revenues.....	\$2,226	\$5,991	\$6,194	\$8,247	\$8,904	\$12,707	\$14,008	\$16,290	\$15,028	\$18,078
Cost of revenues.....	2,536	2,632	3,480	3,068	3,744	6,834	8,021	9,471	9,204	11,821
Gross profit (loss).....	(310)	3,359	2,714	5,179	5,160	5,873	5,987	6,819	5,824	6,257
Selling, general and administrative expenses.....	701	858	727	1,689	1,570	3,042	3,815	4,438	3,171	3,274
Operating income (loss).....	(1,011)	2,501	1,987	3,490	3,590	2,831	2,172	2,381	2,653	2,983
Total other (expense) income.....	12	--	--	13	(21)	(125)	(153)	(185)	(399)	(228)
Income (loss) before income taxes.....	\$ (999)	\$2,501	\$1,987	\$3,503	\$3,569	\$ 2,706	\$ 2,019	\$ 2,196	\$ 2,254	\$ 2,755
As a Percentage of										
Revenues:										
Revenues.....	100.0 %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0 %
Cost of revenues.....	113.9	43.9	56.2	37.2	42.0	53.8	57.3	58.1	61.2	65.4
Gross profit (loss).....	(13.9)	56.1	43.8	62.8	58.0	46.2	42.7	41.9	38.8	34.6
Selling, general and administrative expenses.....	31.5	14.3	11.7	20.5	17.6	23.9	27.2	27.2	21.1	18.1
Operating income (loss).....	(45.4)	41.8	32.1	42.3	40.4	22.3	15.5	14.7	17.7	16.5
Total other (expense) income.....	0.5	--	--	0.2	(0.2)	(1.0)	(1.1)	(1.2)	(2.7)	(1.3)
Income (loss) before income taxes.....	(44.9)%	41.8%	32.1%	42.5%	40.2%	21.3%	14.4%	13.5%	15.0%	15.2 %

Ten Quarters Ended June 30, 1999

Revenues. Over the ten quarters ended June 30, 1999, our quarterly revenue increased from \$2.2 million to \$18.1 million. Our quarterly revenues have grown in each of the ten quarters ended June 30, 1999, with the exception of the quarter ended March 31, 1999. During the quarters ended March 31, 1999 and June 30, 1999, revenues were negatively impacted primarily due to the effects of revised expense forecasts for the completion of two fixed-price contracts.

Cost of Revenues. Gross margins have fluctuated widely over this period ranging from (13.9%) to 62.8%. Beginning in the quarter ended March 31, 1998, gross margins were negatively affected by contracts assumed in connection with the Entel acquisition. In the quarter ended March 31, 1999 gross margin was 38.8% and in the quarter ended June 30, 1999 gross margin was 34.6%. The lower gross margins were primarily due to revised expense forecasts for the completion of two fixed-price contracts. The impact of these contracts is

expected to continue through the quarter ending March 31, 2000, although such contracts are expected to account for an increasingly smaller portion of our cost of revenues. Our gross margins are expected to continue to fluctuate in future periods.

Selling, General and Administrative Expenses. Selling, general and administrative expenses as a percentage of revenues have fluctuated significantly over the ten quarters ended June 30, 1999. During the quarters ended March 31, 1998 and June 30, 1998, expenses increased as a percentage of revenues as a result of the acquisition-specific costs from the Entel acquisition as well as the short-term duplication of some administrative expenses.

Other Income (Expense). Interest expense has increased over the ten-quarter period as a result of the indebtedness related to the Entel acquisition in February 1998, stockholder notes incurred as a part of the Series A Preferred Stock financing in July 1998, and increased utilization of our bank line of credit for working capital needs.

Our quarterly and annual operating results have fluctuated in the past and are likely to fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. See "Risk Factors--We expect our quarterly results to fluctuate. If we fail to meet earnings estimates our stock price could decline" and "--An increasing percentage of our revenue is accounted for on a percentage-of-completion basis which could cause our quarterly results to fluctuate."

Liquidity and Capital Resources

Since our inception, we have primarily financed our operations through cash flow from operations and from the sale of preferred and common stock. We have raised \$36.0 million through the sale of preferred stock which was used to finance our growth and to repurchase \$13.7 million of our common stock from certain stockholders. Additionally, we have periodically drawn upon a \$3.0 million bank line of credit to fund our growth and working capital requirements.

As of June 30, 1999, we had cash and cash equivalents totaling \$4.0 million.

In August 1999, we entered into a \$10.0 million credit agreement with Imperial Bank. This agreement provides a revolving credit facility of \$10.0 million for working capital. The credit facility is due August 17, 2000, and bears interest at the prime rate plus 0.25% or the London Interbank Offering Rate, or LIBOR, plus 2.25%, as determined by us on the date we borrow funds under the facility. The line of credit is secured by substantially all of our business assets, and is senior to \$5.8 million of subordinated indebtedness to certain of our stockholders. The credit agreement contains covenants which, among other things, may limit our ability to acquire other businesses or make capital expenditures, and which prohibit the payment of dividends and additional indebtedness. As of September 23, 1999, \$4.0 million was outstanding under the credit facility.

Cash provided by and used in operations is primarily derived from our contracts in process and changes in working capital. Cash used in operations was \$3.2 million for the six months ended June 30, 1999 and \$3.9 million for the year ended December 31, 1998. While cash from contracts increased due to increased collection efforts, cash paid out for taxes increased as we changed from an S corporation to a C corporation in August of 1998. Cash provided by operations was \$4.9 million and \$0.9 million for the years ended December 31, 1997 and 1996, respectively.

Cash used in investing activities was \$3.0 million for the six months ended June 30, 1999 and \$4.6 million, \$0.3 million and \$0.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. Investing activities consist primarily of acquisitions, including the acquisition of Entel in February, 1998 for \$3.3 million in cash and \$5.5 million paid pursuant to promissory notes, as well as capital expenditures to support the Company's growth.

Cash provided by financing activities for the six months ended June 30, 1999 was \$7.4 million which was primarily derived from the proceeds from sales of preferred stock totaling \$15.0 million, partially offset by repayments on borrowings totaling \$7.8 million. Cash provided by financing activities for the year ended December 31, 1998 was \$10.5 million which primarily consisted of proceeds from a sales of preferred stock totaling \$21.0 million. Proceeds from the sale of preferred stock were used to repurchase stock from major stockholders for approximately \$13.5 million. Net borrowings totaled \$5.3 million, and S corporation stockholder distributions totaled \$3.1 million for the year. Cash used in financing activities for the years ended December 31, 1997 and 1996 were \$4.1 million and \$0.2 million, respectively, and primarily consist of S corporation stockholder distributions.

We have no material commitments other than obligations under our credit facilities, operating and capital leases and certain short-term notes. See Notes 4 and 5 of Notes to Consolidated Financial Statements. Our future capital requirements will depend upon many factors, including the timing of payments under contracts and our increase in personnel in advance of new contracts.

We believe that our cash and cash equivalent balances, funds available under our existing line of credit, and net proceeds from this proposed offering will be sufficient to satisfy our cash requirements for at least the next twelve months. The estimate for the period for which we expect the net proceeds from this offering together with our available cash balances and credit facilities to be sufficient to meet our capital requirements is a forward-looking statement that involves risks and uncertainties as set forth under the caption "Risk Factors" in this prospectus. Our capital requirements will depend on numerous factors, including commercial acceptance of new service offerings, possible acquisitions of complementary businesses or technologies, the resources we dedicate to new technologies and new markets and demand for our suite of services.

We may need to raise additional capital if we expand more rapidly than initially planned, to develop new technologies and/or services, to respond to competitive pressures or to acquire complementary businesses or technologies. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced, our stockholders may experience additional dilution and such securities may have rights, preferences or privileges senior to those of our stockholders. There can be no assurance that additional financing will be available or on terms favorable to us. If adequate funds are not available or are not available on acceptable terms, our ability to fund our expansion, take advantage of unanticipated opportunities, expand our suite of services or otherwise respond to competitive pressures could be significantly limited. Our business may be harmed by such limitations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the "Risk Factors" section. The following discusses our exposure to market risk related to changes in interest rates, equity prices and foreign currency exchange rates. We do not believe that our exposure to market risk is material.

As of June 30, 1999, we had cash or cash equivalents of \$4.0 million. Pending application of the proceeds of this offering, as described in "Use of Proceeds," we intend to invest the net proceeds in interest-bearing investment grade securities, primarily short-term, highly liquid investments with maturities at the date of purchase of less than 90 days. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical increase or decrease in the market interest rates by 10 percent from the rates in effect on the date of this prospectus would cause the fair value of these short-term investments to decline by an insignificant amount. We have the ability to hold these investments until maturity, and therefore we do not expect the value of these investments to be affected to any significant degree by the effect of a sudden change in market interest rates. Declines in interest rates over time will, however, reduce our interest income.

We do not own any investments in publicly traded equity securities. Therefore, we do not currently have any equity price risk tied directly to public equity markets.

Substantially all of our revenues are realized currently in U.S. dollars. Currently, the Company does not enter into forward exchange contracts or other financial instruments with respect to foreign currency as we do not maintain significant asset or cash account balances in currencies other than the U.S. dollar and we do not believe that we currently have any significant direct foreign currency exchange rate risk.

YEAR 2000 READINESS DISCLOSURE

Many computers, software, and other equipment include computer code in which calendar year data is abbreviated to only two digits. As a result of these design decisions, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. These problems are widely expected to increase in frequency and severity as the year 2000 approaches, and are commonly referred to as the "Year 2000 Problem."

Assessment of Internal Infrastructure. The Year 2000 Problem affects the computers, software and other equipment that we use, operate or maintain for our operations. We have established a team, led by Integrated Ventures, LLC, our information services provider, responsible for monitoring the assessment and remediation status of our Year 2000 projects and reporting the status of these projects to the Audit Committee of our Board of Directors. We have contacted the vendors of the products that we use for our internal systems in order to gauge their year 2000 compliance. All of our vendors have provided us written assurances that they believe that the third-party hardware and software we use are year 2000 compliant. We have not independently verified these representations. We have, however, been testing our systems to independently verify year 2000 compliance and we expect to complete such testing in the fourth quarter of this year. We cannot be sure that such tests will fully ensure year 2000 compliance of our internal systems. For this and other reasons, we may experience unanticipated negative consequences, including material costs, caused by undetected errors or defects in the technology used in our internal systems.

As of September 23, 1999, we had completed testing 85% of our hardware and computer network infrastructure for year 2000 compliance. The actual costs associated with our year 2000 compliance testing is estimated to be \$7,000 to set up a network test environment plus the fees of our information services provider related to conducting the tests.

We believe that the risk to our business of not being year 2000 compliant resides principally in the areas of billing and communications. Failure to be fully year 2000 compliant could affect our information and accounting systems, resulting in delayed or inaccurate customer billing, and associated payment delays. In addition, failure to be fully year 2000 compliant could disrupt or disable our internal and external communications systems. We do not believe, however, that these problems would materially affect our ability to continue to provide services to our customers.

Costs of Remediation. We do not know if the total cost of completing any required modifications, upgrades or replacements of our internal systems would be material. Based on the activities described above, we do not believe that the Year 2000 Problem will materially interfere with our ability to continue to provide services to our customers or result in material additional costs related to our own year 2000 compliance. However, we cannot be certain that the Year 2000 Problem will not harm our business or operating results. We have not deferred any material information technology projects, nor equipment purchases, as a result of our Year 2000 Problem activities.

Customers. We have not inquired into the year 2000 compliance efforts or status of our customers. Our customers' deployment plans could be affected by year 2000 issues if they need to expend significant resources to fix their existing systems. This situation could divert funds and resources otherwise available for outsourced network services. In addition, some customers may wait to deploy networks until after the year 2000, which may reduce our revenues in the near future.

Contingency Plan. We have no specific contingency plan to address the effect of year 2000 noncompliance. If, in the future, it comes to our attention that certain of our third-party hardware and software are not year 2000 compliant, then we will seek to make modifications. We cannot be sure that we will be able to modify our systems to comply with year 2000 requirements, and failure to make such modifications in a timely and successful manner could harm our business.

Disclaimer. The discussion of our efforts and expectations relating to Year 2000 compliance are forward-looking statements. Our ability to achieve Year 2000 compliance, and the level of incremental costs associated therewith, could be adversely affected by, among other things, the availability and cost of contract personnel and external resources, third-party vendors' ability to modify proprietary software, and unanticipated problems not identified in the ongoing compliance review.

Recent Accounting Pronouncements

In June 1998, FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires the recognition of all derivative instruments as either assets or liabilities in the statement of financial position and measurement of those derivative instruments at fair value. SFAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Currently, we do not hold derivative instruments or engage in hedging activities. The adoption of this standard is not expected to have a material effect on our combined financial statements taken as a whole.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." In April 1998, the same committee issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." These standards are effective for the first quarter of the year ending December 31, 1999. The adoption of these standards are not expected to have a material effect on our combined financial statements taken as a whole.

Overview

Wireless Facilities, Inc. is one of the leading independent providers of outsourced services related to the planning, design and deployment of wireless communications networks built using radio equipment. We have also expanded our services to include network management, which includes day-to-day optimization and maintenance of wireless networks. We provide design, deployment and network management solutions for both telecom carriers and equipment vendors. As part of our strategy, we are technology and vendor independent, aligning our goals with those of our customers and enabling us to objectively evaluate and recommend optimal vendor or technology solutions. We have provided services to wireless carriers, such as AT&T affiliates Telecorp and Triton; equipment vendors, such as Siemens, Ericsson and Lucent; and wireless broadband data carriers, such as CommcoTec and Nextlink.

Our services are designed to improve our customers' competitive position through planning, deployment and management of their networks. We have developed a methodology that provides an integrated framework for each stage of a client engagement. Our unique methodology allows us to deliver reliable, robust and scalable network solutions. We offer our services primarily on a fixed-price basis with scheduled deadlines for completion times, or a time-certain basis. We believe this enables our customers to more reliably forecast the costs and timing of network deployment and management. This allows our customers to focus on their core competencies and rely on us for the planning, deployment and management of their networks.

Since 1995, we have completed projects for more than 95 customers, ranging in scope from the installation of a single cell site to multi-year, large scale deployment contracts. In the past two years, we have expanded our operations internationally and have completed projects in 26 countries. In addition to our U.S. operations, we have ongoing projects in Argentina, Brazil, Congo, India, Kuwait, Mexico, Morocco, Oman, Puerto Rico, Spain, South Korea, Turkey and the United Kingdom. In 1998, we were involved in the development of over 3,000 of the approximately 16,000 cell sites built in the United States. Since the founding of WFI in 1994, we have designed and/or deployed over 12,000 cell sites worldwide.

Industry Background

Wireless networks are telecom systems built using radio equipment. The implementation of a wireless network involves several project phases, including planning, design and deployment. During the planning phase, decisions are made about the type of equipment to be used, where it will be located and how it will be configured. These decisions are based on a number of analytical considerations, including phone subscriber profiles and target markets, forecasts of call usage, radio engineering analysis and financial modeling and forecasting. The design phase follows, and involves the coordinated efforts of radio engineers, site development professionals and other technical disciplines. Potential equipment sites are identified, based on a range of variables including radio propagation characteristics, economics, site access, and construction feasibility. Once a network design has been accepted, land or building rooftops must be bought or leased for towers or telecom equipment, including radio base stations, antennas and supporting electronics. This site development phase requires input from a number of specialists, including real estate, land use and legal professionals who work with local jurisdictions to get any necessary land use, zoning and construction permits. Next, construction and equipment installation must be performed. Finally, radio frequency engineers commission the new radio equipment, test it, integrate it with existing networks and tune the components to optimize performance.

Once placed in service, wireless networks must be continually updated, recalibrated and tuned. Traffic patterns change, trees or buildings may block radio signals and interference may be encountered from neighboring or competing networks or other radio sources. Usage patterns may change because of new rate plans, new features, increasing sales or new roaming agreements. Optimization is the process of tuning the network to take into account such changes, and often gives rise to maintenance tasks such as antenna changes, new equipment installations or the replacement of substandard or failed components.

Growth of the Wireless Telecom Industry

The wireless telecom industry is one of the most rapidly growing business sectors in the world today, driven by the dramatic increase in wireless telephone usage, as well as strong demand for wireless Internet and other data services. Since 1992, wireless has been the fastest-growing telecom market sector, according to Forrester Research. International Data Corporation expects that by 2003, the U.S. wireless subscriber base will grow to over 185 million from 111 million in 1998, generating revenues in excess of \$68 billion. In April 1999, Dataquest estimated that the number of users of wireless handsets worldwide will grow to over 500 million by 2002. The demand for wireless Internet access and other data services is accelerating the adoption of new technologies such as those embodied in the emerging third-generation (3G) standard. High speed fiber networks are being coupled with broadband wireless technologies to deliver enhanced telecom capabilities and features to new customers and markets. According to Dataquest in February 1999, the market for broadband wireless access services in North America alone is expected to generate \$7.8 billion in revenue by 2003.

Wireless carriers must continuously upgrade their networks with new technologies and expand into new geographic regions in order to remain competitive and satisfy the demand for pervasive wireless service. Additionally, new carriers are entering the market as a result of deregulation, the issuance of new licenses and the demand for new services, fueling the development of new networks. As a result, carriers are deploying new network equipment both in the U.S. and internationally. Worldwide sales of wireless telecom equipment are estimated to reach \$31.8 billion in 1999, according to Dataquest in April 1999. New technologies, such as broadband wireless, are helping to fuel demand for more advanced wireless equipment. In February 1999, Dataquest estimated that the market for broadband wireless equipment in North America would grow from \$90.7 million in 1998 to \$901.3 million in 2002, a compound annual growth rate of 77.5%.

Changes in the Wireless Telecom Industry

As carriers deploy their wireless networks, they face significant competition. Through privatization in the 1980s and deregulation in the 1990s, both domestically and internationally, the competitive landscape has changed for wireless carriers. For carriers to differentiate themselves and remain competitive in this new environment, they are deploying networks to:

- . provide seamless nationwide coverage and avoid expensive roaming costs on competitors' networks in markets where carriers do not currently own infrastructure;
- . offer PCS service in new geographic markets;
- . offer enhanced services, such as one rate plans, calling party pays, caller ID, text messaging and emergency 911 locator services;
- . implement the new third-generation (3G) network standard to deliver wireless broadband data services, including Internet access and two-way e-mail;
- . introduce other emerging data networking and broadband technologies, such as LMDS, MMDS and other point-to-multipoint architectures, for the provision of high speed data wireless Internet access and other broadband services; and
- . offer wireless local loop systems domestically to bypass incumbent wireline competitors and in developing countries lacking modern wireline telephone infrastructure.

The convergence of traditional wireless, wireline and cable services is also adding complexity to the telecom environment as carriers deploy networks spanning traditional wireless/wireline boundaries to offer these enhanced services and new technologies.

New Challenges for Wireless Carriers and Equipment Vendors

Due to this increasingly competitive environment, carriers need to focus on satisfying customer demand for enhanced services, seamless and comprehensive coverage, better quality, more bandwidth and lower prices. The proliferation of carriers and new technologies has created an environment where speed to market is an essential element of a wireless carrier's success. Carriers are also experiencing challenges managing increasingly complex networks and technologies. For example, the introduction of wireless Internet technologies and the growth in broadband wireless services requiring the transmission of large amounts of data creates additional new technological hurdles for carriers establishing or upgrading their networks. In this dynamic environment, customer acquisition and retention are critical determinants of success. In our experience this has led carriers to increasingly prioritize their resources, focusing on mission critical revenue generating activities such as marketing, billing and customer care and outsourcing whenever they can do so effectively.

The changing environment is also placing significant operational challenges on carriers. Carriers must make critical decisions about which geographic markets to serve and which services and technologies to offer. Staffing challenges and process implementations can present cost uncertainties and considerable operational challenges for carriers to deploy and manage their networks. Furthermore, the rapidly changing and increasingly complex nature of wireless technologies has made it difficult for carriers to optimize employee training and utilization for what are often one-time upgrades for each generation of new technology. Additionally, networks are being implemented with equipment from unrelated vendors, posing system integration challenges. This situation is exacerbated by consolidation in the industry, which often entails the integration of disparate networks.

Equipment vendors are facing numerous challenges in the current environment, as carriers are requiring them to develop new generations of equipment that are capable of handling increased features and functionality. In addition, vendors must provide equipment that can be deployed within a carrier's existing network and integrate with equipment offered by other vendors. Carriers are more likely to select a vendor who provides a full suite of products and deployment services. Given the rapid pace of technological change, equipment vendors may find it increasingly difficult to justify using resources for the deployment, integration and optimization of their current generation of products. This has increasingly led equipment vendors to focus on their core competencies to offer competitive solutions in this rapidly changing technological environment and to outsource network design, deployment and management services.

The Need for Outsourcing

Carriers and equipment vendors are exploring outsourcing network planning, deployment and management so that they may focus on their core competencies and refine their competitive advantage. In our experience, wireless carriers and equipment vendors who are seeking outsourcing are looking for service providers who:

- . offer turnkey solutions;
- . are technology and vendor independent;
- . offer fixed-price, time-certain services; and
- . have sufficient numbers of highly skilled, experienced employees capable of handling large-scale domestic and international projects.

The WFI Solution

We provide outsourced services to telecom carriers and equipment vendors for the planning, design, deployment and ongoing optimization and management of wireless networks. We offer turnkey solutions on a fixed-price, time-certain basis. We have expertise with all major wireless technologies, and we have deployed equipment supplied by a majority of the world's leading equipment vendors. We are able to manage large scale

deployments for our customers, both domestically and internationally. Our project management process enables us to meet our customers needs on time and within budget without compromising quality.

Turnkey Solutions. Traditionally, carriers engaged a number of firms or used internal personnel to build and operate their wireless networks. In this case, the carrier was responsible for the coordination and integration of the various groups and defined and implemented the process to be used. The end-to-end, or turnkey, approach that we offer allows the carrier to engage a single responsible party who is accountable for delivering and managing the network under a single contract. In contrast to traditional methods, we capitalize on the synergies that result from providing management services during each phase of the engagement enabling us to efficiently schedule processes and resources, reducing the time and cost of network deployment and management. We provide our customers with a primary point of accountability and reduce the inefficiencies associated with coordinating multiple subcontractors. In addition, we eliminate the need for a carrier or equipment vendor to assemble, train and retain network deployment and management staff, resulting in cost savings. This allows carriers and vendors to focus their resources on revenue generating activities.

Technology and Vendor Independence. We have experience in all major wireless technologies, including analog, digital, PCS, GSM, TDMA, CDMA and iDEN, as well as wireless Internet and emerging broadband wireless technologies such as LMDS and MMDS. Two critical components of our ability to meet and exceed customer expectations are our broad scope of services and our technology expertise and independence. We are continually keeping abreast of next generation technologies to maintain our technology leadership position. While our leadership position as well as our industry reputation attracts vendors as customers, we have not aligned ourselves with the products of any particular vendor. We provide services to many of the largest wireless carriers and are qualified and approved by nearly every major wireless equipment vendor. Our technology and vendor independence aligns more closely our goals with those of our customers and enables us to make objective recommendations to best fit their needs.

Fixed-Price and Time-Certain Delivery. Our services are sold primarily on a fixed-price, time-certain basis, where our customers pay by the cell site or project, rather than by the hour. By selling our services primarily on a fixed-price, time-certain basis, we enable our customers to better forecast their capital expenditures and more accurately forecast the timing and costs of network deployment and management. This allows them to focus on their core competencies and rely on us for the cost-effective planning, deployment and management of their networks.

Proven Methodology. Our project management process enables us to meet our customers' needs on a fixed-price, time-certain basis without compromising quality. We leverage our experience, obtained from implementing hundreds of projects, to reduce time to market for new projects. For example, our project managers utilize our project management process to chart project progress and coordinate the integration of numerous specialized activities during the design and deployment of a network. We facilitate efficient feedback of information among the various specialized activities so that our project teams work quickly and effectively. Through this coordinated effort and the use of Tracker, our project tracking software tool, we are able to optimize resource deployment and deliver solutions on time and within budget.

Depth and Scale. Our principal asset is our highly skilled and motivated staff of over 500 people, over 88% of whom work directly on customer projects. We currently have more than 200 engineers, the majority of whom hold advanced degrees, and we have experience in all significant wireless technologies. Our technological expertise and industry knowledge has enabled us to form strong customer relationships with early stage telecom ventures, as well as established carriers and equipment vendors. In the past two years, we have been engaged on projects in 26 countries. In addition, we have established corporate resource centers in Mexico, Brazil, India and the United Kingdom. We believe our presence in these countries facilitates our ability to customize our services to meet our international customers' specific needs.

Strategy

Our objective is to be the leading independent provider of complete outsourced telecom network services, including network planning, design, deployment and management. The key elements of our strategy include:

Focus on customer satisfaction. Our long-term success depends upon our ability to consistently deliver value to our customers in the form of completed projects, rendered to the highest professional standards, delivered on time and within budget. By offering turnkey solutions on a fixed-price, time-certain basis, we hold ourselves to the expectations we set with our customers. We strive to exceed customer expectations on every project. We believe we have been successful in developing customer loyalty and trust because of our high standards and vendor and technology independence. As a result, a majority of our customers have used us for more than one project.

Expand the suite of services we offer and pursue cross-selling opportunities. Since our inception, we have continually looked for new ways to serve our customers. An example is the recent expansion of our service offerings to include network management services, an outgrowth of our network optimization services. Expanding our services provides new channels for revenues and the ability to cross-sell our suite of services to existing customers. For instance, we often utilize our pre-deployment consulting services to establish relationships with customers as soon as a project is conceived. Based on this relationship, we pursue opportunities for network design and deployment. Once a network is deployed, we offer ongoing network operations, maintenance and optimization services. Our experience with emerging technologies also offers cross-selling opportunities for network upgrades and deployment of a carrier's next generation network. As technologies continue to evolve and networks become more complex, we will continue to expand our services to meet the changing needs of our customers.

Remain at the forefront of new technologies. Emerging technologies present numerous opportunities and challenges for existing carriers and vendors as well as for new carriers. Our customers depend on us to draw upon our extensive design and deployment experience to recommend optimal solutions to them. To achieve this, we have extensive in-house training programs for all technical personnel. We will continue to actively market our technology expertise to wireless carriers and equipment vendors that are deploying leading edge technologies. This permits us to gain valuable experience deploying new technologies, while also adding value to these customers' products and services offerings. Additionally, our Advanced Technology Group are members of and participate with industry standards setting bodies to develop domestic and international standards for next generation telecom products by attending standard setting forums and making contributions to new standards.

Pursue opportunities for international growth. International markets represent a significant opportunity for future growth. We established corporate resource centers in Mexico and Brazil in 1998 and have continued this expansion in 1999 by adding corporate resource centers in India and the United Kingdom. Initially, our international revenues have resulted from deployment contracts with multinational equipment vendors. However, as we continue to penetrate foreign markets, we expect to continue to capitalize on opportunities created by privatization, new licensees and the expansion of wireless local loop networks.

Continue to attract and retain highly skilled, motivated personnel. Technology drives our industry. As a result, our engineers and site development teams are critical to our success. We have implemented an institutional process for career development, training and advancement. We intend to continue to attract and retain the most qualified staff by offering our employees challenging projects and opportunities to work with emerging technologies within a corporate culture that fosters innovation and encourages learning and professional development. We intend to continue to build our recruiting organization and to invest heavily in training and professional development.

Capitalization on prior project experience. We have participated in the deployment of over 12,000 cell sites. The experience we have gained through these projects is reflected in our unique project management process and proprietary project management tools. This experience allows us to optimize the allocation of our

resources and consistently meet our customers' needs on a fixed-price, time-certain basis without compromising quality. We will continue to refine our processes, methodologies and project management tools, matching them to new customer and technology requirements.

Pursue strategic acquisitions. We intend to continue to pursue acquisitions that will supplement our technical expertise, allow us to acquire additional human resources or strategic customer relationships or expand our presence in key geographic markets where we could more effectively complete a project or gain access to new contracts. From January 1, 1998 through June 30, 1999, we acquired four companies to strengthen our ability to provide ongoing network optimization and management services, extend our geographic reach, broaden our technical expertise and add professional resources.

Network Services

We provide a comprehensive suite of network solutions to wireless carriers and equipment vendors, from feasibility and planning, to design, deployment and ongoing network management.

[Graphic depicting the Company's service offerings: Pre-deployment Planning Services, Design and Deployment Services and Network Management Services.]

Pre-Deployment Planning Services

We provide pre-deployment planning services for all steps involved in developing or refining a deployment strategy.

Strategic and Business Consulting. Our business consulting group utilizes its expertise and experience to analyze the financial, engineering, competitive market and technology issues applicable to a proposed network deployment project. We assist a customer's management team in analyzing various strategic options before an execution decision has been made. Drawing on the demographic analysis and preliminary network dimensioning performed by our geographic information systems (GIS) team and benchmarks for deployment-related expenditures from our various functional groups, our consultants can create new business strategies or evaluate the deployment strategies the customer has already developed. Services include:

- . business and financial modeling;
- . defining subscriber profiles and target markets;
- . usage forecasting; and
- . market planning, competition, regulatory, GIS and network configuration analysis.

These services are especially important to start-up carriers that have limited resources and access to information.

Technology Evaluation and Vendor Selection. Our Advanced Technology Group, a group of experts in wireless telecom technologies and applications, assists customers in determining the best equipment for a particular project, analyzing the feasibility of a particular technology for a network plan and managing the bidding process from multiple equipment vendors. Our experience in all major wireless technologies allows us to offer a broad scope of services to meet the varied and specific needs of our customers. In addition, because we have not aligned ourselves with the products of any particular vendor, we believe our customers value our independent advice regarding equipment selection.

We have worked on a number of high profile business and technology planning projects in the wireless industry, including not only mobility services but also broadband, point-to-multipoint and satellite technologies. Although the size of these projects is typically smaller in scope than our design and deployment projects, they are strategically important to us because they represent opportunities for us to build relationships and credibility with customers during the planning phase and enhance our experiences with leading edge technologies. We typically offer these services on a time and materials basis.

Design and Deployment Services

We provide a range of services for the full design and deployment of wireless networks. We believe our success is largely based on our ability to provide a package of vertically integrated services that have traditionally been offered separately by multiple subcontractors coordinated by a carrier's internal deployment staff. Such services include:

GIS Analysis. Our GIS team studies and analyzes the traffic patterns, population density, topography and propagation environment in each market under consideration.

Radio Frequency Engineering. Our highly-qualified and experienced radio frequency engineers design each integrated wireless system to meet the customer's requirements for transmission over the wireless network. These requirements are based upon a projected level of subscriber density and traffic demand and the coverage area specified by the operator's license or cost-benefit decisions. We perform the calculations, measurements and tests necessary to determine the optimal placement of the wireless network infrastructure. In addition to meeting basic transmission requirements, the radio frequency network design must make optimal use of radio frequency and result in the highest possible signal quality for the greatest portion of subscriber usage within existing constraints. The constraints may be imposed by cost parameters, terrain, license limitations, interference with other operators, site availability, applicable zoning requirements and other factors.

Microwave Relocation. To enable our customers to use the radio frequency spectrum they have licensed, it is often necessary for them to analyze the licensed spectrum for microwave interference and move incumbent users of this portion of the spectrum to new frequencies. We assist our customers in accomplishing this microwave relocation by providing complete point-to-point and point-to-multipoint line-of-sight microwave engineering and support services. We have engineered and constructed more than 2,000 analog and digital microwave systems. Our engineering and support services include identifying existing microwave paths, negotiating relocation with incumbent users, managing and tracking relocation progress and documenting the final decommissioning of incumbent users.

Fixed Network Engineering. Most wireless calls are ultimately routed through a wireline network. As a result, the traffic from wireless networks must be connected with switching centers within wireline networks. We establish the most efficient method to connect cell sites to the wireline backbone, whether by microwave radio or by landline connections. Our engineers are involved in specifying, provisioning and implementing fixed network facilities. Additionally, the convergence of voice and data networks, specifically through

broadband technologies, such as LMDS, MMDS and Fast Ethernet, has created a new demand for specialized fixed network engineering skills. These skills include planning, design, capacity and traffic analysis for packet-switched and Internet protocol router-based network elements. Our engineering teams are trained in specialized data networking and Internet protocol engineering issues.

Site Development. We study the feasibility of placing base stations in the area under consideration from a zoning perspective, negotiate leases and secure building permits, supervise and coordinate the civil engineering required to prepare the rooftop or tower site, manage multiple construction subcontractors and secure the proper electrical and telecom connections. We have substantial experience in managing the teams and activities necessary to develop sites for the rollout of wireless systems.

Installation and Optimization Services. We install radio frequency equipment, including base station electronics and antennas, and recommend and implement location, software and capacity changes required to meet the customer's performance specifications. We provide installation and optimization services for all significant PCS, cellular and broadband wireless air interface standards and equipment manufacturers. We also perform initial optimization testing of installed networks to maximize the efficiency of these networks.

In 1998, we were involved in the deployment of over 3,000 of the approximately 16,000 cell sites built in the United States. Since the founding of WFI in 1994, we have been involved in the design and/or deployment of over 12,000 cell sites worldwide. These services are typically provided on a fixed-price, time-certain basis.

NETWORK MANAGEMENT SERVICES

Network management services are comprised of post-deployment radio frequency optimization services and network operations and maintenance services.

Post-Deployment Radio Frequency Optimization. Upon initial deployment, a network is optimized to provide wireless service based upon a set of parameters existing at that time, such as cell density, spectrum usage, base station site locations and estimated calling volumes and traffic patterns. Over time, call volumes or other parameters may change, requiring, for example, the relocation of base stations, addition of new equipment or the implementation of system enhancements. We offer ongoing post-deployment radio frequency optimization services to periodically test network elements, tune the network for optimal performance and identify elements that need to be upgraded or replaced.

Network Operations and Maintenance. For customers with ongoing outsourcing needs, we can assume responsibility for day-to-day operation and maintenance of their wireless networks. The relationship we develop with our customers for this type of outsourcing contract begins with a team of engineers and other professional and support staff matched to the customer's specific needs. We take into account such variables as grade of service and reliability requirements, equipment manufacturer certification and geographic layout of the system in question for determining the allocation of site maintenance and other responsibilities between our service team and the customer's own personnel. We provide staffing to perform the necessary services for ongoing optimization, operations, maintenance and repair of critical network elements, including base station equipment, mobile switching centers and network operating centers to the extent required by our customers. We also provide training services for the internal network staff of our customers.

To date, we have only entered into one contract to provide ongoing radio frequency optimization and network operations and maintenance services. This contract has a multi-year term but can be terminated earlier by the customer under certain circumstances. We are paid a fixed monthly fee for our services under this contract. Based on our experience, we believe that future contracts for these services will typically be multi-year contracts with fixed monthly fees for our services. We anticipate that once these services are outsourced to us, customers will not develop them internally. As the trend toward outsourcing continues, we expect that the opportunities for providing network management services will expand.

CUSTOMERS

We provide network design, deployment and management services to wireless carriers and equipment vendors. We are also actively targeting carriers deploying new wireless broadband networks. Additionally, we have provided services to satellite service providers and wireless tower companies. Since 1995, we have completed projects for more than 95 customers in 26 countries. Set forth below is a representative list of our customers:

WIRELESS CARRIERS	BROADBAND WIRELESS CARRIERS	EQUIPMENT VENDORS
AT&T	Advanced Radio Telecom	Ericsson
Century	CommcoTec	Lucent Technologies
CFW	Metricom	Motorola
Clearnet	Nextlink	Nortel Networks
Cricket Communications		Qualcomm
Leap Wireless		Siemens
Nextel Partners		Triton Network Systems
Omnipoint		
PageNet	SATELLITE SERVICES	TOWER COMPANIES
Pegaso	CD Radio	American Tower
San Diego PCS	Globalstar	Crown Castle
Telecorp		
Tri-Tel		
Triton PCS		
US West		
Western Wireless		

REPRESENTATIVE PROJECTS

The following are examples of recent projects which are representative of the scope of services we provide and the size of customers we provide such services to:

Siemens, AG. Siemens is a PCS network equipment manufacturer, primarily focused on GSM technologies. We began working with Siemens in 1998. Based on our project performance, we were awarded a Worldwide Master Services agreement to provide network design and radio frequency engineering to Siemens and its customers. To date, we have done work with Siemens and its customers in Spain, Morocco, Turkey, Venezuela, South Africa and Oman.

Triton PCS, Inc. Triton PCS is a member of the AT&T Wireless Services Inc. network of affiliates. Triton PCS is building and operating an advanced digital wireless network in a contiguous territory in Virginia, North and South Carolina, northern Georgia and northeastern Tennessee. We began providing Triton PCS with microwave relocation services in 1998. Since then, we have grown that relationship to include fixed network engineering, radio frequency design, optimization and maintenance services. We recently signed a multi-year contract with Triton PCS to provide radio frequency design, optimization and performance engineering services for all of the cell sites in the Triton PCS network through 2001.

Metricom, Inc. Metricom is a provider of wireless mobile data networking and technology. Metricom's Ricochet service provides mobile professionals with wireless access to the Internet, private intranets, local-area networks, e-mail and other online services. We began our relationship with Metricom in 1998 with an engagement to perform radio frequency engineering services. Metricom subsequently awarded us a nationwide, turnkey radio frequency engineering contract.

METHODOLOGY AND TECHNOLOGY

Project Management Process. We believe that our unique project management process is a critical factor in the successful execution of our business model. Our project managers use our unique methodology and proprietary tools to coordinate the various specialized activities involved in bidding, planning, designing, deploying and optimizing networks on an ongoing basis. At the same time, our functional experts are involved in each of these specialized activities. Through the coordination of our project managers and functional experts, we are able to integrate and account for the various pieces of a turnkey engagement.

We have built upon our past experiences in developing a unique, analytical framework that enables us to provide scalable solutions to clients. We have found that while there are features unique to each project, there are often similarities among projects. Our project management process is designed to bring the expertise developed during our prior engagements to bear on each new project.

We continue to dedicate substantial resources to maintaining and improving our project management process. At the conclusion of each engagement, we incorporate incremental knowledge gained during the course of the project into our knowledge database. We believe that the implementation and improvement of our project management process ultimately benefits our clients. Our well-defined methodology enables us to leverage our technological and industry expertise to deliver reliable networks in a rapid fashion without sacrificing quality. We are committed to continually refining our project management process, customizing it for each new customer and for each new technology opportunity.

Project Tracking Tool. We have acquired and implemented Tracker, a proprietary software tool providing critical support and coordination to the project management process. Tracker allows a project manager to view the entire deployment process in graphical format and to keep detailed project notes. In cooperation with Integrated Ventures, LLC, which developed Tracker, we are currently upgrading Tracker so it will be Web-based and allow project data to be viewed simultaneously by multiple personnel providing access to current information. Tracker assists us in refining and building upon past experiences. In addition, Tracker permits easy auditing of the data of a particular project by management and customers.

Advanced Technology Group. Our Advanced Technology Group is comprised of experts that keep abreast of a wide range of wireless products and technologies. Our ATG members have an average 12 years of research and practical experience and approximately 90% have a Masters degree or Ph.D. The ATG provides a resource and focal point for keeping abreast of new telecom technologies, including broadband point-to-multipoint services, such as LMDS and MMDS, and new standards, such as 3G. In addition, ATG members participate in setting new standards for wireless technologies. For example, a member of our ATG, jointly with Qualcomm and Hughes, made two contributions to the cdma2000 standard. The ATG also develops our in-house training materials, and as a result, its expertise is disseminated effectively throughout the company.

SALES AND MARKETING

We market and sell our services through a direct sales force to wireless carriers and equipment vendors. As of June 30, 1999, we employed eight full-time sales and marketing staff. Our sales personnel work collaboratively with our senior management and consulting and deployment personnel to develop new sales leads and secure new contracts. Each salesperson is expected to generate new sales leads and take responsibility as an account manager for specified accounts with existing customers. As account manager, the salesperson works with planning and deployment personnel assigned to that customer to identify opportunities for performing additional services for that customer. Sales personnel receive a base salary, incentives based upon new business and repeat business from existing customers and a quarterly bonus based upon revenue goals established by senior management.

Human Resources

We have allocated significant time and resources to recruiting, training and retaining employees, which has enabled us to meet our staffing needs. As of June 30, 1999, we had 508 employees, including 450 in network and deployment services, eight in sales and marketing and 50 in general administration. We believe that our future success will depend on our continued ability to attract, retain, integrate and motivate highly qualified personnel, and upon the continued service of our senior management and key technical personnel.

Recruiting. We employ a Vice President of Human Resources and three full-time internal recruiters. Our primary hiring sources include employee referrals, print advertising, Internet job postings and direct recruiting. We attract and retain employees by offering significant technical training opportunities, a stock option award program, bonus opportunities, and competitive salaries and benefits.

Training and Career Development. We believe that our continuous focus on training and career development helps us to retain our employees. Upon joining WFI, each new employee participates in an in-depth orientation program focusing on our culture, organization and values. Employees participate in ongoing educational programs, many of which are internally developed. Our education reimbursement policy subsidizes employee efforts in their pursuit of advanced degrees and professional certifications. Each employee is assigned to a functional manager, who is responsible for that employee's career development, training and advancement.

Career Advancement. We provide opportunities for promotion and mobility within the company that we believe are key components of employee retention. Upon joining WFI, an employee is designated a job classification level with specific performance and growth targets associated with such classification. Upon successful completion of the targets, employees are eligible for a number of rewards, including project and year-end bonuses for superior performance, promotions to higher levels of responsibility within a clearly defined career path and stock option awards. Promotion candidates sit for a formal promotion panel made up of senior managers and technical experts in the employee's area of specialty. Panel results, along with manager recommendations and customer feedback, are used to evaluate each candidate's suitability for promotion.

We believe our employee training, development and advancement structure better aligns the interests of our employees with our interests and creates a cooperative, entrepreneurial atmosphere and shared culture. We are dedicated to maintaining an innovative, creative and empowering environment where we work as a team to exceed the expectations of our customers and provide our employees with personal and professional growth opportunities.

Competition

Our market is highly competitive and fragmented and is served by numerous service providers. However, our primary competitors are often the internal engineering departments of our carrier and equipment vendor customers. With respect to radio frequency engineering services we compete with service providers that include CelPlan Technologies, Comsearch (a subsidiary of Allen Telecom Inc.), LCC International, Manpower Inc. and Metapath Software International. We compete with site acquisition service providers that include Cellular Realty Advisors, Inc. and Whalen & Company, Inc. (a subsidiary of Tetra Tech, Inc.). These companies have also engaged in some site management activities. Competitors that perform civil engineering work during a buildout are normally regional construction companies. We compete with engineering and project management companies like Bechtel Group, Inc., Black & Veatch and Fluor Daniel Inc. for the deployment of wireless networks. They are significant competitors given their project finance capabilities, reputations and international experience. Many of these competitors have significantly greater financial, technical and marketing resources, generate greater revenues and have greater name recognition than us.

We believe the principal competitive factors in our market include the ability to deliver results within budget and on time, reputation, accountability, project management expertise, industry experience and competitive pricing. In addition, expertise in new and evolving technologies, such as broadband wireless, has

become increasingly important. We believe that the ability to integrate these technologies, as well as equipment from multiple vendors, gives us a competitive advantage as we can offer the best technology and equipment to meet a customer's needs. We believe our ability to compete also depends on a number of additional factors which are outside of our control, including:

- . the prices at which others offer competitive services;
- . the willingness of our competitors to finance customers' projects on favorable terms;
- . the ability of our customers to perform the services themselves; and
- . the extent of our competitors' responsiveness to customer needs.

Facilities

Our principal executive offices are located in approximately 25,300 square feet of office space in San Diego, California. The lease for such space expires September 30, 2003. We also lease office space in: Reston, Virginia; Blackwood, New Jersey; Sacramento, California; Santa Fe, New Mexico; Mexico City; London and Sao Paulo. We are in the process of negotiating a lease for a larger headquarters facility to accommodate our growth. We believe we will be able to finalize these negotiations or locate alternative space on commercially reasonable terms.

Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. For example, in April 1999, a former employee filed a complaint against us. Our management believes this claim is without merit and that resolution of this claim will not have a material adverse effect on our financial position or statements of operations. However, litigation is subject to inherent uncertainties, and an adverse result in this or other matters may arise from time to time that may harm our business.

Advisory Board

We have established a select group of experienced individuals to advise us on technology and strategy matters. We generally consult with these advisors individually on an informal basis on a variety of subjects, ranging from business development issues to specific guidance on technical, personnel or management issues. Our advisory board members are:

Anthony Acampora, Ph.D., Professor of Electrical and Computer Engineering, University of California, San Diego (UCSD). Dr. Acampora is the Director of the Center for Wireless Communications at UCSD. He received his Ph.D. in Electrical Engineering from the Polytechnic Institute of Brooklyn and is a fellow of the Institute of Electrical and Electronics Engineers (IEEE) and a former member of the IEEE Communication Society Board of Governors.

Hamid Aghvami, Ph.D., Director of the Centre for Telecommunications Research, King's College, London. Dr. Aghvami, founder of the International Conference on Personal Indoor and Mobile Radio Communications, has been internationally recognized for his contributions to modern digital communications systems. He obtained his M.S. from King's College, London and his Ph.D. from the University of London. Dr. Aghvami is a fellow and senior member of the Institute of Electrical and Electronics Engineers.

Paul Boeker, President of the Institute of the Americas, University of California, San Diego. Before joining the Institute, Ambassador Boeker's diplomatic career spanned 27 years. Most notably, he was appointed to serve as Ambassador to Bolivia in 1977 and the Kingdom of Jordan in 1984. Ambassador Boeker received the Presidential Distinguished Service Award in 1985 and the prestigious Arthur S. Fleming Award in 1975. He is a member of the Council on Foreign Relations and the American Academy of Diplomacy. Ambassador

Boeker received his undergraduate degree from Dartmouth College and holds a M.A. in Economics from the University of Michigan, Ann Arbor.

William A. Hogle, Vice President and Chief Financial Officer, Eagle River, Inc. Mr. Hogle is a Director of Nextel Communications, Inc. and Nextlink Communications, Inc. Mr. Hogle holds a B.A. from Duke University and an M.B.A. from the Graduate School of Business of The University of Chicago.

John Major, President and Chief Executive Officer, Wireless Knowledge. Mr. Major serves as a Director of Littlefuse and Lennox Corporations. He is a member of the Board of Directors' Executive Committee of the Telecommunications Industry Association and serves as Chairman for the Electronics Industry Association. Mr. Major holds a B.S. in Mechanical and Aerospace Engineering from the University of Rochester, an M.S. in Mechanical Engineering from the University of Illinois, an M.B.A. from Northwestern University and a J.D. degree from Loyola University.

The following table sets forth certain information regarding options granted to the members of our advisory board as payment for services rendered by them:

NAME	NUMBER OF SECURITIES		AGGREGATE VALUE
	UNDERLYING OPTIONS GRANTED (#)	EXERCISE PRICE PER SHARE (\$)	BASED ON EXERCISE PRICE (\$)
Anthony Acampora.....	63,000	1.33	83,790
Hamid Aghvami.....	75,000	0.0033	25,000
Paul Boeker.....	30,000	1.58	47,400
William Hogle.....	75,000	2.00	150,000
John Major.....	15,000	12.00	180,000

MANAGEMENT

Directors, Executive Officers and Key Employees

The following table sets forth certain information about our directors, executive officers and key employees as of July 31, 1999:

Name	Age	Position
Massih Tayebi, Ph.D.	39	Chief Executive Officer and Director
Masood K. Tayebi, Ph.D. ..	37	President and Director
Thomas A. Munro.....	42	Chief Financial Officer
Scott Fox.....	42	President of Network Management
Charles W. Sackley.....	40	Senior Vice President of Sales and Business Development
Michael D. Brink.....	48	Senior Vice President of Project Management
Scott Anderson (1)(2)....	41	Director
Bandel Carano (2).....	38	Director
Scot Jarvis (1)(2).....	38	Director

(1) Member of Audit Committee

(2) Member of Compensation Committee

Massih Tayebi, Ph.D. co-founded Wireless Facilities, Inc. in 1994 and has served as Chief Executive Officer and a director of the Company since its inception. Since 1995, Dr. Tayebi has served as a technical manager for Computer Integrated Management Systems, an Internet-based business exchange company. From 1989 to 1994, he was a senior faculty member of the Engineering Department of the University of Paisley, Great Britain, and served as the Director of Computer Integrated Product Life Cycle Research for the University. Dr. Tayebi received an M.S. in computer integrated manufacturing and a Ph.D. in the integration of design and process planning from the University of Strathclyde, United Kingdom. He performed post-doctorate work on the integration of design and inspection at the University of Brunel, London.

Masood K. Tayebi, Ph.D. co-founded Wireless Facilities, Inc. in 1994 and has served as President and a director of the Company since its inception. From 1993 to 1994, he was Senior Manager of Engineering and the head of the Technology and Special Projects Department for LCC/TSI, a provider of network design services and products. From 1992 to 1993, Dr. Tayebi served as a consultant to LCC/TSI. Dr. Tayebi received an M.S. in electronics engineering from the University of Southampton and a Ph.D. in mobile radio propagation from the University of Liverpool, United Kingdom.

Thomas A. Munro has served as Chief Financial Officer since July 1997. Mr. Munro founded @Market, Inc., a start-up e-commerce company, and served as Chief Executive Officer from 1996 to 1997. From 1994 to 1996, he was Chief Financial Officer for Precision Digital Images, a manufacturer of image processing devices. Prior to 1994, Mr. Munro served as Chief Financial Officer of MetLife Capital Corporation, a capital finance subsidiary of Metropolitan Life Insurance. Mr. Munro received his B.A. and M.B.A. from the University of Washington.

Scott Fox has been with WFI since May 1999 and currently is our President of Network Management. From 1995 to 1999, Mr. Fox served as Chief Technology Officer and Vice President for Technology and Strategic Planning for BellSouth Cellular Corp., a carrier company. From 1994 to 1995, he was Director of Engineering and Operations for MobileMedia Corporation, a provider of paging services. Mr. Fox holds a B.S. in electrical engineering from the University of Florida.

Charles W. Sackley has been with WFI since February 1998 and is currently our Senior Vice President of Sales and Business Development. From 1997 to January 1998, he was the Executive Director of Marketing for North America at Broadband Networks, Inc., a broadband wireless company. From 1993 to 1997, he worked at Motorola, most recently as Senior Director of Intelligent Network Operations. Mr. Sackley received a B.A. in business administration from the University of Iowa and an M.B.A. from Drake University.

Michael D. Brink has been with WFI since February 1998 and currently is our Senior Vice President of Project Management. From 1997 to 1998, he served as Vice President, Engineering for Central Oregon Cellular, Inc., a cellular telephone company. From 1982 to 1997, he served in various technical management positions for McCaw Cellular/AT&T Wireless, a cellular and PCS company. He holds a B.S. in computer science from National University.

Scott Anderson has served as a director of the Company since February 1997. Since 1997, Mr. Anderson has been a principal of Cedar Grove Partners, LLC, an investment and advisory partnership. Since 1998, Mr. Anderson has been a principal in Cedar Grove Investments, LLC, an angel capital firm. From 1986 to 1997, Mr. Anderson was with McCaw Cellular/AT&T Wireless, most recently as Senior Vice President of Acquisitions and Development. Mr. Anderson serves as a director of Triton PCS, Telecorp, TriTel, Xypoint, Telephia and PriCellular. He holds a B.A. in history from the University of Washington and a J.D. from the University of Washington Law School.

Bandel Carano has served as a director of the Company since August 1998. Since 1987, he has been a general partner of Oak Investment Partners, Inc., a venture capital firm. From 1983 to 1985, Mr. Carano was with Morgan Stanley's Venture Capital Group, where he was an advisor for new high tech business development and the sponsorship of venture investments. Mr. Carano is also a director of Pulsepoint Communications. Mr. Carano serves on the Investment Advisory Board of the Stanford Engineering Venture Fund. He holds a B.S. and an M.S. in electrical engineering from Stanford University. Mr. Carano has been nominated and elected as a director under the terms of a voting agreement among WFI and its stockholders in connection with the sale of WFI's Series A Preferred Stock.

Scot Jarvis has served as a director of the Company since February 1997. Mr. Jarvis co-founded Cedar Grove Partners, LLC in 1997, an investment and consulting/advisory partnership, and has served as a general partner since its founding. From 1994 to 1996, he served as Vice President of Operations for Eagle River LLC, a private investment company, where he co-founded Nextlink and served as a director of Nextel Communications. From 1985 to 1994, Mr. Jarvis served in a number of positions with McCaw Development Corp., most recently as Vice President. Mr. Jarvis is on the board of directors of Leap Wireless, Inc., Pulsepoint Communications and Metawave Communications Corp. He holds a B.A. in business administration from the University of Washington.

Massih Tayebi, our Chief Executive Officer, and Masood Tayebi, our President, are brothers.

Board Committees

The board of directors has recently established an audit committee. The audit committee consists of Messrs. Anderson and Jarvis. The audit committee will make recommendations to the board of directors regarding the selection of independent auditors, review the results and scope of the audit and other services provided by our independent auditors and review and evaluate our audit and control functions.

The board of directors has established a compensation committee. The compensation committee consists of Messrs. Anderson, Jarvis and Carano. The compensation committee makes recommendations regarding our equity compensation plans and makes decisions concerning salaries and incentive compensation for our employees and consultants.

Compensation Committee Interlocks and Insider Participation

During 1998, we did not have a compensation committee. The Board of Directors made all decisions concerning executive compensation during 1998.

Director Compensation

Our directors do not currently receive any cash compensation for services on the board of directors or any committee thereof, but directors may be reimbursed for expenses in connection with attendance at board and committee meetings. All directors are entitled to participate in our 1999 Equity Incentive Plan.

In order to defray the administrative costs incurred by Scott Anderson and Scot Jarvis by virtue of their service on our board of directors, we made monthly payments to Cedar Grove Partners during 1997, 1998 and the first eight months of 1999 in an aggregate amount of \$60,000 per year. Messrs. Anderson and Jarvis are the general partners of Cedar Grove Partners. Our obligation to make these payments terminated in August 1999.

The following table sets forth certain information regarding warrants to purchase our common stock issued to members of our board of directors.

Name	Issue Date	Number of Shares (#)	Exercise Price Per Share (\$)	Aggregate Exercise Price (\$)
Scott Anderson.....	2/28/97	150,000	0.93	139,500
	2/1/98	600,000	1.58	948,000
Bandel Carano.....	--	--	--	--
Scot Jarvis.....	2/28/97	150,000	0.93	139,500
	2/1/98	600,000	1.58	948,000
Masood Tayebi, Ph.D.....	--	--	--	--

In January 1999, we granted options to purchase 20,000 shares of common stock to each of Messrs. Anderson, Carano and Jarvis for their service on the Board of Directors. The exercise price of these options is \$4.16 per share. We do not have a policy in place regarding the future grant of options or warrants to directors.

Executive Compensation

The following table sets forth summary information concerning compensation awarded to, earned by, or accrued for services rendered to us in all capacities during the fiscal year ended December 31, 1998 by our chief executive officer and the four other most highly compensated executive officers who earned more than \$100,000 in salary and bonus during the fiscal year ended December 31, 1998. These individuals are referred to as the named executive officers. The compensation described in this table does not include medical, group life insurance or other benefits that are available generally to all of our salaried employees and certain perquisites and other personal benefits received that do not exceed the lesser of \$50,000 or 10% of any such officer's salary as disclosed in this table.

Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation	
	Salary(\$)	Bonus(\$)	All Other Annual Compensation (\$)(1)	Securities Underlying Options (#)	All Other Compensation (\$)(2)
Massih Tayebi, Ph.D. ... Chief Executive Officer	215,977	--	--	--	--
Masood K. Tayebi, Ph.D. President	216,749	--	--	--	--
Thomas A. Munro..... Chief Financial Officer	132,502	--	--	159,000	--
Charles W. Sackley..... Senior Vice President of Sales and Business Development	109,375	36,000	18,000	120,000	--
Michael D. Brink..... Senior Vice President of Project Management	113,116	--	--	120,000	68,000

(1) Includes commissions.

(2) Represents relocation expenses.

Option Grants In Last Fiscal Year

The following table sets forth, for the fiscal year ended December 31, 1998, certain information regarding options granted to each of the named executive officers:

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock price Appreciation for Option Term (\$)	
	Number of Securities Underlying Options Granted (#)	Percentage of Total Options Granted to Employees in Fiscal Year (%)	Exercise Price Per Share (\$)	Expiration Date	5%	10%
Massih Tayebi, Ph.D.	--	--	--	--	--	--
Masood K. Tayebi, Ph.D. ..	--	--	--	--	--	--
Thomas A. Munro.....	159,000	4.6	2.00	3/2/08	3,310,380	5,447,340
Charles W. Sackley.....	120,000	3.5	2.00	3/2/08	2,738,400	4,351,200
Michael D. Brink.....	60,000	1.7	2.00	3/2/08	1,249,200	2,055,600
	60,000	1.7	4.16	7/31/08	1,119,600	1,926,000

In the table above, the percentage of total options granted to employees in the fiscal year is based on options to purchase 3,464,139 shares of common stock granted to employees in fiscal 1998, including the named executive officers. The options granted to the named executive officers were granted under our 1997 Stock Option Plan. Options granted under the plan generally vest in equal yearly installments over a period of three to four years. One half of the options issued to Mr. Sackley will vest five years from the date of grant, although such vesting may be accelerated in the event certain performance criteria are met. All of the options issued to Mr. Brink and one-half of the options issued to Mr. Sackley provide for acceleration of vesting on a sale or change in control of the Company. Options were granted at an exercise price equal to the fair market value of our common stock, as determined by our board of directors on the date of grant.

The potential realizable values set forth in the table above are calculated based on the term of the option at its time of grant (ten years) and the assumed initial public offering price of \$14.00. It is calculated assuming that the stock price on the date of grant appreciates at the indicated annual rate, compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. These amounts represent certain assumed rates of appreciation only, in accordance with the rules of the Commission, and do not reflect our estimates or projections of future stock price performance. Actual gains, if any, are dependent on the actual future performance of our common stock.

Aggregated Option Exercises In Last Fiscal Year And Fiscal Year-End Values

The following table sets forth, with respect to each of the named executive officers, information regarding the number and value of securities underlying unexercised options held by the named executive officers as of December 31, 1998. None of our named executive officers exercised options in 1998.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-The Money Options at Fiscal Year-End (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Massih Tayebi, Ph.D.	--	--	--	--
Masood K. Tayebi, Ph.D. ..	--	--	--	--
Thomas A. Munro.....	75,000	384,000	975,000	4,683,000
Charles W. Sackley.....	--	120,000	--	1,440,000
Michael D. Brink.....	--	120,000	--	1,310,400

In the table above, the value of unexercised in-the-money options is based on the difference between the assumed initial public offering price per share of \$14.00 and the exercise price.

Employee Benefit Plans

1999 Equity Incentive Plan

In August 1999, we adopted our 1999 Equity Incentive Plan. A total of 6,000,000 shares of common stock has initially been authorized for issuance under the 1999 Equity Incentive Plan. In addition, the number of shares of common stock authorized under the plan shall be increased on January 1 of each year by the lesser of either 6,000,000 shares or 4% of our outstanding shares on that date. Under the terms of the 1999 Equity Incentive Plan, shares subject to stock awards that have expired or otherwise terminated without having been exercised in full again become available for grant, but exercised shares repurchased by us through a right of repurchase will not again become available for grant.

The 1999 Equity Incentive Plan permits the grant of options to our directors, officers, employees and consultants. Options may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code to employees or nonstatutory stock options. In addition, the 1999 Equity Incentive Plan permits the grant of stock bonuses and rights to purchase restricted stock. No person may be granted options covering more than 5,000,000 shares of common stock in any calendar year.

The 1999 Equity Incentive Plan is administered by the board or a committee appointed by the board. The board has delegated the authority to administer the 1999 Equity Incentive Plan to the compensation committee. Subject to the limitations set forth in the 1999 Equity Incentive Plan, the administrator has the authority to select the eligible persons to whom award grants are to be made, to designate the number of shares to be covered by each award, to determine whether an option is to be an incentive stock option or a nonstatutory stock option, to establish vesting schedules, to specify the exercise price of options and the type of consideration to be paid upon exercise and, subject to restrictions, to specify other terms of awards.

The maximum term of options granted under the 1999 Equity Incentive Plan is ten years. Incentive stock options granted under the 1999 Equity Incentive Plan generally are non-transferable. Nonstatutory stock options generally are non-transferable, although the applicable option agreement may permit transfers. Options generally expire 30 days after the termination of an optionholder's service. However, if an optionholder is permanently disabled or dies during his or her service, such person's options generally may be exercised up to 12 months following disability or 18 months following death.

The exercise price of options granted under the 1999 Equity Incentive Plan is determined by the administrator in accordance with the guidelines set forth in the 1999 Equity Incentive Plan. The exercise price of an incentive stock option cannot be less than 100% of the fair market value of the common stock on the date of the grant. The exercise price of a nonstatutory stock option cannot be less than 85% of the fair market value of the common stock on the date of grant.

Options granted under the 1999 Equity Incentive Plan vest at the rate determined by the administrator and specified in the option agreement. The terms of any stock bonuses or restricted stock purchase awards granted under the 1999 Equity Incentive Plan will be determined by the administrator. The purchase price of restricted stock under any restricted stock purchase agreement will not be less than 85% of the fair market value of our common stock on the date of grant. Stock bonuses and restricted stock purchase agreements awarded under the 1999 Equity Incentive Plan are generally nontransferable, although the applicable award agreement may permit transfers.

Upon changes in control in our ownership through a merger in which we are not the surviving entity or a reverse merger, all outstanding stock awards under the 1999 Equity Incentive Plan must either be assumed or substituted by the surviving entity. In the event the surviving entity does not assume or substitute such stock awards, then the vesting and exercisability of outstanding awards will accelerate prior to the change in control and such awards will terminate to the extent not exercised prior to the change in control. Upon a change in control in our ownership through the sale of all or substantially all of our assets, then all stock awards under

the 1999 Equity Incentive Plan shall continue in full force and effect. In the event of a dissolution or liquidation, all unexercised options will terminate.

The board may amend or terminate the 1999 Equity Incentive Plan at any time. Amendments will generally be submitted for stockholder approval only to the extent required by applicable law.

As of July 31, 1999, we had no issued and outstanding options to purchase shares of common stock under the 1999 Equity Incentive Plan.

1997 Stock Option Plan

Our 1997 Stock Option Plan was adopted by the board of directors in July 1997, and was amended in September 1997 and January 1999. A total of 7,500,000 shares of common stock has been authorized for issuance under the 1997 Stock Option Plan. Pursuant to the 1997 Stock Option Plan, shares subject to stock awards that have expired or otherwise terminated without having been exercised in full again become available for grant, but exercised shares repurchased by us pursuant to a right of repurchase will not again become available for grant.

The 1997 Stock Option Plan permits the grant of options to our directors, officers, key employees and consultants. Options may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code to employees or nonstatutory stock options.

The 1997 Stock Option Plan is administered by the board or an administrator appointed by the board. Subject to the limitations set forth in the 1997 Stock Option Plan, the administrator has the authority to select the eligible persons to whom award grants are to be made, to designate the number of shares to be covered by each award, to determine whether an option is to be an incentive stock option or a nonstatutory stock option, to establish vesting schedules, to specify the exercise price of options and the type of consideration to be paid upon exercise and, subject to restrictions, to specify other terms of awards.

The maximum term of options granted under the 1997 Stock Option Plan is ten years. Options granted under the 1997 Stock Option Plan generally are non-transferable. The expiration terms of options granted under the 1997 Stock Option Plan are determined by the board or administrator in accordance with the guidelines set forth in the 1997 Stock Option Plan. Options generally expire 30 days after the termination of an optionholder's service. However, if an optionholder is permanently disabled or dies during his or her service, such person's options generally may be exercised up to 6 months following disability or death provided that the options were exercisable on the employee's last day of work.

The exercise price of options granted under the 1997 Stock Option Plan is determined by the board or administrator in accordance with the guidelines set forth in the 1997 Stock Option Plan. The exercise price of an incentive stock option cannot be less than 100% of the fair market value of the common stock on the date of the grant. The exercise price of a nonstatutory stock option cannot be less than 85% of the fair market value of the common stock on the date of grant. The exercise price of an option granted to a person who holds more than 10% of the voting power of the Company cannot be less than 110% of the fair market value of our common stock on the date of the grant.

Options granted under the 1997 Stock Option Plan vest at the rate determined by the board or administrator and specified in the option agreement.

Upon changes in control in our ownership, all outstanding stock options under the 1997 Stock Option Plan may either be substituted by the surviving entity or terminated to the extent not exercised upon sixty days written notice.

The board may amend or terminate the 1997 Stock Option Plan at any time. Amendments to the 1997 Stock Option Plan will generally be submitted for stockholder approval within 12 months before or after adoption of the amendment.

As of June 30, 1999, we had issued and outstanding under the 1997 Stock Option Plan options to purchase 5,165,441 shares of common stock. The per share exercise prices of these options ranged from \$1.00 to \$13.00. Upon completion of this offering, no further grants will be made under the 1997 Stock Option Plan. As of the effective date of this offering, all future option grants will be made under the 1999 Equity Incentive Plan.

Employee Stock Purchase Plan

In August 1999, the board adopted and the stockholders approved the 1999 Employee Stock Purchase Plan. A total of 700,000 shares of common stock has been authorized for issuance under the Purchase Plan. The Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. Under the Purchase Plan, eligible employees will be able to purchase common stock at a discount in periodic offerings. The Purchase Plan will commence on the effective date of this offering.

Unless otherwise determined by the board, all employees are eligible to participate in the Purchase Plan so long as they are employed by us (or a subsidiary designated by the board) for at least 20 hours per week and are customarily employed by us (or a subsidiary designated by the board) for at least 5 months per calendar year.

Employees who participate in an offering may have up to 15% of their earnings for the period of that offering withheld pursuant to the Purchase Plan. The amount withheld is used at various purchase dates within the offering period to purchase shares of common stock. The price paid for common stock at each such purchase date will equal the lower of 85% of the fair market value of the common stock at the commencement date of that offering period or 85% of the fair market value of the common stock on the relevant purchase date. Employees may end their participation in the offering at any time during the offering period, and participation ends automatically on termination of employment.

Upon changes in control in our ownership, the board has discretion to provide that each right to purchase common stock will be assumed or an equivalent right substituted by the successor corporation or the board may provide for all sums collected by payroll deductions to be applied to purchase stock immediately prior to such change in control transaction.

401(k) Plan

We sponsor the WFI 401(k) Plan, a defined contribution plan intended to qualify under Section 401 of the Internal Revenue Code of 1986, as amended. All employees are eligible to participate and may enter the 401(k) Plan as of the first day of any month. Participants may make pre-tax contributions to the 401(k) Plan of up to 15% of their eligible earnings, subject to a statutorily prescribed annual limit. We may make matching contributions at the discretion of the board of directors. To date, we have not made matching contributions. Each participant's contributions, and the corresponding investment earnings, are generally not taxable to the participants until withdrawn. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives.

INDEMNIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS AND LIMITATION ON LIABILITY

Our bylaws provide that we shall indemnify our directors, officers, employees and agents to the fullest extent permitted by Delaware law, except with respect to certain proceedings initiated by such persons. We are also empowered under our bylaws to enter into to purchase insurance on behalf of any director, officer, employee or agent whether or not we would be required to indemnify this person. Pursuant to this provision, we have entered into indemnification agreements with each of our directors and executive officers.

In addition, our restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- . for any breach of the director's duty of loyalty to us or our stockholders;
- . for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- . under Section 174 of the Delaware General Corporation Law; or
- . for any transaction from which the director derives an improper personal benefit.

Our restated certificate of incorporation will also provide that if the Delaware General Corporation Law is amended after the approval by our stockholders of the restated certificate of incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law. The provision does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 1996 to which we have been a party, in which the amount involved exceeds \$60,000 and in which any director, executive officer or holder of more than 5% of our capital stock had or will have a direct or indirect material interest, other than our compensation arrangements with our directors and named executive officers that are described under "Management."

In February 1997, we sold 600,000 shares of our common stock at \$0.93 per share. In August 1998, we sold 1,682,692 shares of our Series A preferred stock at \$12.48 per share. In February 1999, we sold 2,727,273 shares of our Series B preferred stock at \$5.50 per share. The following table illustrates the number of shares we sold to our directors and officers, entities affiliated with our directors or our stockholders who hold more than 5% of our capital stock.

	SHARES OF PREFERRED STOCK (1)		
	COMMON STOCK	SERIES A	SERIES B
DIRECTORS AND EXECUTIVE OFFICERS			
Scott Anderson.....	300,000	--	--
Scot Jarvis	300,000	--	--
ENTITIES AFFILIATED WITH DIRECTORS			
Oak Investment Partners (2).....	--	1,382,211	2,323,231
OTHER 5% STOCKHOLDERS			
Worldview Partners (3).....	--	240,385	404,042
DATE OF PURCHASE.....	2/28/97	8/7/98	2/26/99
PRICE PER SHARE.....	\$0.93	\$12.48	\$5.50

- (1) Upon the closing of this offering, each outstanding share of our Series A preferred stock will convert into three shares of our common stock, while each share of our Series B preferred stock will convert into one share of our common stock.
- (2) Entities affiliated with Oak Investment Partners combined hold more than 5% of our outstanding stock. Bandel Carano, one of our directors, is a managing member of the general partner of these entities.
- (3) Entities affiliated with Worldview Partners combined held greater than 5% of our capital stock at the time these entities purchased the Series B preferred stock.

In February 1997, we issued warrants to purchase shares of our common stock at an exercise price of \$0.93 per share. In February 1998, we issued warrants to purchase shares of our common stock at an exercise price of \$1.58 per share. The following table illustrates the number of warrants we issued to our directors and officers. For a further description of the warrants issued to Messrs. Anderson and Jarvis, see "Description of Capital Stock--Warrants."

	COMMON STOCK WARRANTS	
	1997	1998
DIRECTORS AND EXECUTIVE OFFICERS		
Scott Anderson (1).....	150,000	600,000
Scot Jarvis (2).....	150,000	600,000
DATE OF ISSUE.....	2/28/97	2/1/98
EXERCISE PRICE.....	\$0.93	\$1.58

- (1) In April 1998, Mr. Anderson exercised his 1997 warrants to purchase 100,002 shares of common stock and his 1998 warrants to purchase 199,998 shares.
- (2) In April 1998, Mr. Anderson exercised his 1997 warrants to purchase 100,002 shares of common stock and his 1998 warrants to purchase 199,998 shares.

In August 1998, we paid a dividend of \$0.19 per share to our stockholders. In connection with the payment of the dividend, we issued notes for a total of \$5,500,000 to three of our stockholders. We issued a promissory note to Massih Tayebi in the amount of \$2,315,790, a promissory note to Masood Tayebi in the amount of \$2,605,263 and a promissory note to Sean Tayebi in the amount of \$578,947. Masood Tayebi is our President, a member of the board of directors and a holder of more than 5% of our capital stock. Massih Tayebi is our Chief Executive Officer, a member of our board of directors and a holder of more than 5% of our capital stock. Sean Tayebi, a brother of Masood Tayebi and Massih Tayebi, is a holder of more than 5% of our capital stock. These notes bear interest at 5.5% per annum and were initially due on August 2, 1999. We have amended the notes such that they are now due on August 2, 2000, and the interest that accrued through August 2, 1999 is now part of the principal amount of the amended notes. We did not pay consideration to any of the noteholders in connection with the extension of the maturity date of the notes.

In August 1998, we repurchased a total of 3,245,190 shares of common stock from Masood Tayebi and Massih Tayebi. In connection with the repurchase, we issued notes for a total of \$13,499,990 to Masood Tayebi and Massih Tayebi. We paid off these notes on August 9, 1998.

All of the securities sold or purchased in these transactions were sold or purchased at prices equal to the fair market value of the securities, as determined by our board of directors, on the date of issuance.

Holders of shares of our common stock issued in connection with the conversion of the Series A preferred stock and Series B preferred stock and in connection with the exercise of warrants issued to Messrs. Anderson and Jarvis described above may require us to register such shares at our expense. For a description of such registration rights, see "Description of Capital Stock--Registration Rights."

Jalil Tayebi, a brother of Masood Tayebi and Massih Tayebi, is the General Manager of WFI de Mexico. He currently receives an annual base salary of \$100,000. In connection with his employment, we have granted Mr. Tayebi options to purchase an aggregate of 122,640 shares of our common stock. These options vest over a period of four years and have exercise prices that range from \$1.33 to \$4.16 per share. We have also granted him shares of restricted stock in WFI de Mexico, which as of June 30, 1999, were equivalent to 6% of the equity of WFI de Mexico. The stock is subject to vesting over a four-year period. Pursuant to the terms of the stock grant, Mr. Tayebi has a one-time election to exchange any vested restricted stock in WFI de Mexico for shares of our common stock at a fair market valuation, as determined by our Chief Executive Officer and Chief Financial Officer. As of June 30, 1999, Mr. Tayebi had not exercised this election.

Between September 1998 and December 1998, we borrowed funds from Masood Tayebi and Massih Tayebi to fund our working capital requirements. In connection with this, we issued short term notes to Masood Tayebi for a total of \$2,500,000 and to Massih Tayebi for a total of \$1,000,000. Each note carried an interest rate of 5.4% per year. We repaid these notes in the first quarter of 1999.

From December 31, 1998 through June 30, 1999, we advanced an aggregate of \$221,518 to Masood Tayebi which amount he repaid on September 28, 1999. Of the amount advanced, \$61,819 was for Masood Tayebi's personal credit card debt and \$160,000 was for a personal investment made by him.

In June 1999, we sold to Masood Tayebi and Massih Tayebi our 25% ownership interest in Sierra Towers Investment Group, LLC, an early-stage tower company operating in Mexico. Our officers and a disinterested member of our board of directors determined that our membership units in Sierra and Sierra's promissory note owed to us had a cumulative fair value of \$262,348 as of the date of the transaction. Masood Tayebi and Massih Tayebi each purchased one half of our ownership interest in Sierra, paying the fair value for such interest with promissory notes which bear interest at a rate of 10% per annum and are due and payable on November 30, 1999.

In connection with his employment, on April 9, 1999, we entered into a letter agreement with Scott Fox, our President of Network Management. Under the letter agreement, Mr. Fox's annual salary is \$225,000 and he is eligible for a minimum annual bonus of 35% of his base salary. The letter agreement also provides for a \$250,000 signing bonus, which is payable in two parts, and guaranteed appreciation of at least \$600,000 on

25% of his stock options. In the event that we terminate Mr. Fox within the first two years of his employment, certain of Mr. Fox's unvested options will become fully vested and exercisable and, at his option, we will owe him either \$112,500 or 20,455 shares of common stock, in connection with his signing bonus. In the event of a change in control of WFI within the first two years of Mr. Fox's employment, all of his unvested stock options will become fully vested and exercisable and a signing bonus of \$112,500 will be due and payable. In the event of a change in control of WFI after the first two years of Mr. Fox's employment, 50% of his unvested stock options will vest immediately and become exercisable. In July 1999, we loaned Mr. Fox \$169,000 at an interest rate of 6% per year in connection with a mortgage on his house.

Prior to June 30, 1999 we contracted with Total Outsourcing, Inc., a company owned by Massih Tayebi's wife, for the leasing of computer equipment, apartments, vehicles and other items. During 1997 and 1998, the total value of our contracts with Total Outsourcing was \$781,000 and \$488,000, respectively. We have terminated our contract and have entered into a Settlement Agreement and Mutual General Release with Total Outsourcing effective as of June 30, 1999. Pursuant to this Settlement Agreement, we have agreed to pay \$280,091 to Total Outsourcing by December 31, 1999 in satisfaction of all amounts that we owe to it.

Since April 1999, we have subleased approximately 4,900 square feet of office space in our headquarters facility to Quantum Think Group, Inc., a high technology outsourcing company which is majority-owned by the Tayebi family. Quantum Think Group's tenancy is month-to-month. Quantum Think Group pays monthly rent of \$9,000, which is in excess of our equivalent rent expense for such space. We believe that the rent paid by Quantum Think Group is comparable to equivalent rents that we could obtain from unaffiliated third parties for such space.

A member of our board of directors, Scott Anderson, is a member of the boards of directors of Triton PCS, Telecorp and TriTel, all of which are customers of ours. Another member of our board of directors, Scot Jarvis, is a member of the board of directors of Leap Wireless International, which is also a customer of ours.

Prior to this offering, we paid \$5,000 per month to Cedar Grove Partners in consideration of the services rendered to the Company by Scott Anderson and Scot Jarvis as our directors. Messrs. Anderson and Jarvis are the general partners of Cedar Grove Partners. The Company made payments to Cedar Grove Partners equal to \$60,000 in each of 1997 and 1998. Our obligation to make these payments terminated in August 1999.

We have entered into indemnification agreements with each of our officers and directors as described in "Management--Indemnification of Directors and Executive Officers and Limitation on Liability."

PRINCIPAL STOCKHOLDERS

The following table contains information about the beneficial ownership of our common stock before and after our initial public offering for:

- . each person who beneficially owns more than five percent of the common stock;
- . each of our directors;
- . the named executive officers; and
- . all directors and executive officers as a group.

Unless otherwise indicated, the address for each person or entity named below is c/o Wireless Facilities, Inc., 9805 Scranton Road, Suite 100, San Diego, CA 92121.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 35,010,879 shares of common stock outstanding as of June 30, 1999, as adjusted to reflect the conversion of all outstanding shares of preferred stock upon the closing of this offering and 39,010,879 shares of common stock outstanding after completion of this offering.

The table assumes no exercise of the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, we will sell up to an aggregate of 600,000 additional shares of our common stock, and up to 39,610,879 shares of common stock will be outstanding after the completion of this offering.

	Number of Shares		Percentage of Shares	
	Beneficially Owned		Outstanding	
	Number		Before Offering	After Offering
Masood K. Tayebi.....	11,877,405		33.9%	30.5%
Massih Tayebi.....	10,377,405		29.6%	26.6%
Oak Investment Partners VIII, L.P. (1).. 525 University Avenue, Suite 1300 Palo Alto, California 94301	6,469,864		18.5%	16.6%
Bandel Carano (2)..... Oak Investment Partners VIII, L.P. 525 University Avenue, Suite 1300 Palo Alto, California 94301	6,469,864		18.5%	16.6%
Sean Tayebi.....	3,000,000		8.6%	7.7%
Scott Anderson (3).....	849,996		2.4%	2.2%
Scot Jarvis (4).....	849,996		2.4%	2.2%
Thomas A. Munro (5).....	353,000		1.0%	*
Scott Fox (6).....	137,000		*	*
Charles W. Sackley (7).....	70,000		*	*
Michael D. Brink (8).....	120,000		*	*
All directors and executive officers as a group (9 persons) (9).....	31,104,666		86.0%	78.9%

* Represents beneficial ownership of less than 1%.

(1) Includes 122,927 shares held by Oak VIII Affiliates Fund, L.P.

- (2) Includes 6,346,937 shares held by Oak Investment Partners VIII, L.P. and 122,927 shares held by Oak VIII Affiliates Fund, L.P. Bandel Carano, one of our directors, is a managing member of the general partners of venture capital funds affiliated with Oak Investment Partners. Mr. Carano disclaims beneficial ownership of the shares held by Oak Investment Partners VIII, L.P. and Oak VIII Affiliates Fund, L.P.
- (3) Includes 249,996 shares subject to options exercisable within 60 days of June 30, 1999.
- (4) Includes 249,996 shares subject to options exercisable within 60 days of June 30, 1999.
- (5) Includes 353,000 shares subject to options exercisable within 60 days of June 30, 1999, 150,000 of which will become immediately exercisable upon completion of this offering.
- (6) Includes 137,000 shares subject to options exercisable within 60 days of June 30, 1999, all of which will become immediately exercisable upon completion of this offering.
- (7) Includes 70,000 shares subject to options exercisable within 60 days of June 30, 1999, 40,000 of which will become immediately exercisable upon completion of this offering.
- (8) Includes 120,000 shares subject to options exercisable within 60 days of June 30, 1999, 80,000 of which will become immediately exercisable upon completion of this offering.
- (9) Includes 1,179,992 shares subject to options exercisable within 60 days of June 30, 1999, 407,000 of which will become immediately exercisable upon completion of this offering.

DESCRIPTION OF CAPITAL STOCK

Immediately prior to the closing of this offering and effective upon the filing of our restated certificate of incorporation, our authorized capital stock will consist of 195,000,000 shares of common stock, \$0.001 par value per share, and 5,000,000 shares of preferred stock, \$0.001 par value per share. As of June 30, 1999, after giving effect to the conversion of all outstanding preferred stock into common stock upon the closing of this offering, there were outstanding 35,010,879 shares of common stock held of record by 46 stockholders.

COMMON STOCK

The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding down, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive, conversion, subscription or other rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

PREFERRED STOCK

Upon the closing of this offering, all outstanding shares of preferred stock will be converted into 7,775,349 shares of common stock. See Note 7 of Notes to Consolidated Financial Statements for a description of the currently outstanding preferred stock. Following the conversion, our certificate of incorporation will be amended and restated to delete all references to these shares of preferred stock. Under the restated certificate of incorporation, the board has the authority, without further action by stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon such preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preference and sinking fund terms, any or all of which may be greater than the rights of the common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that such holders will receive dividend payments and payments upon liquidation. The issuance could have the effect of decreasing the market price of the common stock. The issuance of preferred stock could have the effect of delaying, deterring or preventing a change in control of WFI. We have no present plans to issue any shares of preferred stock.

WARRANTS

As of June 30, 1999, there were warrants outstanding to purchase an aggregate of 1,144,381 shares of our common stock at a weighted average exercise price of \$2.08 per share. In February 1997, we issued warrants to purchase 150,000 shares of common stock at an exercise price of \$0.93 per share to each of Messrs. Anderson and Jarvis in exchange for their agreement to serve as members of the board of directors. The warrants vested over a period of two years, subject to the warrant holder remaining a director of WFI, as follows: 50,001 warrants vested on the date of grant and expire February 28, 2007; 50,001 warrants vested on February 28, 1998 and expire February 28, 2008; and 49,998 warrants vested on February 28, 1999 and expire February 28, 2009. In February 1998, we issued warrants to purchase 600,000 shares of common stock at an exercise price of \$1.58 per share to each of Messrs. Anderson and Jarvis in exchange for their agreement to continue to serve as members of the board of directors. The warrants vest over a period of two years, subject to the warrant holder remaining a director of WFI, as follows: 199,998 warrants vested on the date of grant; 199,998 warrants vest on February 1, 1999 and expire February 1, 2009; and 200,004 warrants vest on February 1, 2000 and expire February 1, 2010.

In connection with our acquisition of B. Communication International, Inc. in January 1999, we issued warrants to purchase 138,219 shares to Farzad Ghassemi and warrants to purchase 102,162 shares to Parviz Ghassemi. The exercise price of such warrants is \$4.16 per share. These warrants vest 25% on each of June 1, 1999, December 1, 1999, June 1, 2000 and December 1, 2000 and expire one year after their respective vesting date. This vesting is contingent upon the full-time employment of the warrant holder and full compliance with the Asset Purchase Agreement executed in connection with our acquisition of B. Communication International, Inc.

In connection with our acquisition of C.R.D., Inc. in June 1999, we issued warrants to purchase 2,040 shares to Daria Chaisson and warrants to purchase 1,960 shares to Errol Chaisson. The exercise price of such warrants is \$5.50 per share. These warrants vest 25% on each of June 1, 1999, June 1, 2000, June 1, 2001 and June 1, 2002 and expire one year after their respective vesting date. This vesting is conditioned upon compliance with the Asset Purchase Agreement executed in connection with our acquisition of C.R.D., Inc.

Registration Rights

After this offering, the holders of 7,775,349 shares of common stock will be entitled to certain rights with respect to the registration of such shares under the Securities Act, pursuant to an Amended and Restated Investor Rights Agreement dated February 26, 1999. Under the terms of this agreement, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders exercising registration rights, the holders are entitled to notice of the registration and are entitled, subject to certain limitations, to include shares in the registration. Beginning on June 12, 2000, the holders may also require us to file a registration statement under the Securities Act with respect to their shares on two occasions, and we are required to use our best efforts to effect the requested registration. Furthermore, the holders may require us to register their shares on Form S-3 when such form becomes available to us. Generally, we are required to bear all registration expenses incurred in connection with any such registrations, but not including any underwriting discounts and selling commissions. These rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in such a registration.

Scott Anderson and Scot Jarvis are entitled to certain rights with respect to the registration under the Securities Act for their unregistered shares of common stock held by them, pursuant to Subscription and Representation Agreements, dated February 28, 1997 and warrants. Under the Subscription and Representation Agreements, if we propose to register any of our securities under the Securities Act, either for our own account or for the account of any other security holders exercising registration rights, such holders are entitled to notice of the registration and are entitled, subject to certain limitations, to include shares in the registration. These rights are subject to certain conditions and limitations including the right of the underwriters to limit the number of shares included in a registration.

Anti-Takeover Provisions

Delaware Law

We are governed by the provisions of Section 203 of the Delaware Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of the corporation's voting stock. The statute could have the effect of delaying, deferring or preventing a change in our control.

Charter and Bylaw Provisions

Our restated certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing. In addition, our bylaws restrict the ability of our stockholders to call a special meeting of stockholders. Our restated certificate of incorporation also specifies that the authorized number of directors may be changed only by resolution of the board of directors and does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors. These and other provisions contained in our restated certificate of incorporation and bylaws could delay or discourage certain types of transactions involving an actual or potential change in control of us or our management (including transactions in which stockholders might otherwise receive a premium for their shares over then current prices) and may limit the ability of stockholders to remove current management or approve transactions that stockholders may deem to be in their best interests and, therefore, could adversely affect the price of our common stock.

The Nasdaq Stock Market's National Market

We have applied to list our common stock on the Nasdaq Stock Market's National Market under the trading symbol "WFII."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Norwest Bank Minnesota, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and we cannot assure you that a significant public market for our common stock will develop or be sustained after this offering. As described below, no shares currently outstanding will be available for sale immediately after this offering due to certain contractual restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have outstanding 39,010,879 shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants. Of these shares, all of the shares sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our affiliates.

The remaining 35,010,879 of common stock held by existing stockholders are restricted securities. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration described below under Rules 144, 144(k) or 701 promulgated under the Securities Act.

As a result of the lock-up agreements and the provisions of Rules 144, 144(k) and 701 described below, these restricted shares will be available for sale in the public market as follows:

- . no shares may be sold prior to 180 days from the date of this prospectus;
- . 33,010,879 shares will have been held long enough to be sold under Rule 144 or Rule 701 beginning 181 days after the effective date of this offering which we expect to be September 30, 1999; and
- . the remaining shares may be sold under Rule 144 or 144(k) once they have been held for the required time.

Lock-Up Agreements. All of our stockholders and option holders have agreed not to transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock, for a period of 180 days after the date the registration statement of which this prospectus is a part is declared effective. Transfers or dispositions can be made sooner with the prior written consent of Credit Suisse First Boston Corporation.

Rule 144. In general, under Rule 144, a person who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- . 1% of the number of shares of our common stock then outstanding which will equal approximately 390,019 shares immediately after this offering; or
- . the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner-of-sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k). Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144 discussed above.

Rule 701. In general, under Rule 701, any of our employees, consultants or advisors who purchases or receives shares from us in connection with a compensatory stock purchase plan or option plan or other written agreement will be eligible to resell their shares beginning 90 days after the date of this prospectus. Non-

affiliates will be able to sell their shares subject only to the manner-of-sale provisions of Rule 144. Affiliates will be able to sell their shares without compliance with the holding period requirements of Rule 144.

Registration Rights. Upon completion of this offering, the holders of 8,375,349 shares of our common stock and warrants to purchase our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. See "Description of Capital Stock--Registration Rights." Except for shares purchased by affiliates, registration of their shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

Stock Options. Immediately after this offering, we intend to file a registration statement under the Securities Act covering approximately 13,100,000 shares for sale upon the exercise of outstanding stock options and warrants issued pursuant to compensatory benefit plans or reserved for future issuance pursuant to our 1999 Equity Incentive Plan and 1999 Employee Stock Purchase Plan. The registration statement is expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statement will, subject to Rule 144 volume limitations applicable to affiliates, be available for sale in the open market beginning 180 days after the effective date of the registrant statement of which this prospectus is a part.

UNDERWRITING

Under the terms and subject to the conditions contained in the underwriting agreement dated _____, 1999, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation, Hambrecht & Quist LLC and Thomas Weisel Partners LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston Corporation.....	
Hambrecht & Quist LLC.....	
Thomas Weisel Partners LLC.....	
Total.....	=====

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering, if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering of common stock may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to _____ additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a concession of \$ _____ per share. The underwriters and the selling group members may allow a discount of \$ _____ per share on sales to other broker/dealers. After the initial public offering, the public offering price and concession and discount to dealers may be changed by the representatives.

The following table summarizes the compensation and expenses we will pay. The compensation we will pay to the underwriters will consist solely of the underwriting discount, which is equal to the public offering price per share of common stock less the amount the underwriters pay to us per share of common stock. The underwriters have not received and will not receive from us any other item of compensation or expense in connection with this offering considered by the National Association of Securities Dealers, Inc. to be underwriting compensation under its Rules of Fair Practice. The underwriting fee will be determined based on our negotiations with the underwriters at the time the initial public offering price of our common stock is determined. We do not expect the underwriting discount per share of common stock to exceed 7% of the initial public offering price per share of common stock.

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Underwriting discounts and commissions paid by us.....	\$	\$	\$	\$
Expenses payable by us..	\$	\$	\$	\$

The principal components of the offering expenses payable by us will include the fees and expenses of our accountants and attorneys, the fees of our registrar and transfer agent, the cost of printing this prospectus, The Nasdaq Stock Market listing fees and filing fees paid to the Securities and Exchange Commission and the National Association of Securities Dealers, Inc.

The underwriters have informed us that they do not expect discretionary sales to exceed 5.0% of the shares of common stock being offered.

We and our officers and directors and certain other stockholders have agreed not to offer, sell, contract to sell, announce our intention to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to any additional shares of our common stock or securities convertible into to exchangeable or exercisable for any shares of our common stock without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus, except in the case of issuances pursuant to the exercise of employee stock options outstanding on the date hereof.

The underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares of the common stock offered hereby for employees, directors and certain other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares of common stock available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or to contribute to payments which the underwriters may be required to make in that respect.

We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "WFII."

Before this offering, there has been no public market for the common stock. The initial public offering price will be determined by negotiation between the underwriters and us. The principal factors to be considered in determining the public offering price include the following: the information set forth in this prospectus; the history and the prospects for the industry in which we will compete; the ability of our management; the prospects for our future earnings; the present state of our development and our current financial condition; the general condition of the securities markets at the time of this offering; and the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

The representatives may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- . Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position.
- . Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- . Syndicate covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover syndicate short positions.
- . Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the securities originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the common stock to be higher than it would otherwise be in the absence of such transactions. These transactions may be effected on The Nasdaq Stock Market's National Market or otherwise and, if commenced, may be discontinued at any time.

Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, however, Thomas Weisel Partners has acted as lead or co-manager on over 30 public offerings of equity securities that have been completed, and has acted as a syndicate member in an additional 33 public offerings of equity securities. Thomas Weisel Partners does not have any material relationship with us or any of our officers, directors or other controlling persons, except with respect to its contractual relationship with us pursuant to the underwriting agreement entered into in connection with this offering.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are effected. Accordingly, any resale of the common stock in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

Each purchaser of common stock in Canada who receives a purchase confirmation will be deemed to represent to us and the dealer from whom such purchase confirmation is received that: (i) the purchaser is entitled under applicable provincial securities laws to purchase such common stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, the purchaser is purchasing as principal and not as agent, and (iii) the purchaser has reviewed the text above under "Resale Restrictions."

Rights of Action (Ontario Purchasers)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Ontario securities law. As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

Enforcement of Legal Rights

All of the issuer's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or these persons. All or a substantial portion of the assets of the issuer and these persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or these persons in Canada or to enforce a judgment obtained in Canadian courts against the issuer or these persons outside of Canada.

Notice to British Columbia Residents

A purchaser of common stock to whom the Securities Act (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission report within ten days of the sale of any common stock acquired by such purchaser pursuant to this offering. The report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from us. Only one report must be filed in respect of common stock acquired on the same date and under the same prospectus exemption.

Taxation and Eligibility for Investment

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and with respect to the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

Cooley Godward llp, San Diego, California will pass upon the validity of the shares of common stock offered by this prospectus and certain other legal matters. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California will pass upon certain legal matters for the underwriters.

EXPERTS

The consolidated financial statements of Wireless Facilities, Inc. and subsidiaries as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Entel Technologies, Inc. for the year ended December 31, 1997 have been audited by M.R. Weiser & Co. LLP, independent certified public accountants, as indicated in their report with respect thereto and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT US

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered by this prospectus. As permitted by the rules and regulations of the Commission, this prospectus, which is a part of the registration statement, omits certain information, exhibits, schedules and undertakings set forth in the registration statement. For further information pertaining to WFI and the common stock offered hereby, reference is made to such registration statement and the exhibits and schedules thereto. Statements contained in this prospectus as to the contents or provisions of any contract or other document filed as an exhibit referred to herein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. A copy of the registration statement may be inspected without charge at the office of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. In addition, registration statements and certain other filings made with the commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system, including our registration statement and all exhibits and amendments to our registration statements, are publicly available through the Commission's Website at <http://www.sec.gov>.

As a result of this offering we will become subject to the information and reporting requirements of the Exchange Act and, in accordance therewith, will file periodic reports, proxy statements and other information with the Securities and Exchange Commission.

WIRELESS FACILITIES, INC.

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ENTEL TECHNOLOGIES, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wireless Facilities, Inc.:

We have audited the accompanying consolidated balance sheets of Wireless Facilities, Inc. and subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Facilities, Inc. and subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

San Diego, California
May 27, 1999

WIRELESS FACILITIES, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1998	JUNE 30, 1999
	-----	-----	-----
			(UNAUDITED)
ASSETS			
Cash.....	\$ 836,086	\$ 2,866,163	\$ 4,026,774
Accounts receivable, net.....	9,142,119	24,169,212	31,385,860
Contract management receivables.....	--	24,156,326	5,863,184
Other current assets.....	481,348	364,666	1,619,228
	-----	-----	-----
Total current assets.....	10,459,553	51,556,367	42,895,046
Property and equipment, net.....	463,422	981,133	1,755,494
Goodwill, net.....	--	7,178,048	8,269,908
Other assets, net.....	130,868	815,650	751,859
	-----	-----	-----
Total assets.....	\$11,053,843	\$60,531,198	\$53,672,307
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....	\$ 126,930	\$10,263,214	\$ 898,639
Accrued expenses.....	945,766	4,883,944	1,852,721
Contract management payables.....	--	9,338,844	4,940,527
Billings in excess of costs and profits.....	--	81,908	2,280,020
Line of credit.....	--	3,000,000	--
Officer notes payable.....	--	3,825,000	--
Subordinated stockholder notes payable.....	--	5,500,000	5,500,000
Notes payable, current portion.....	--	1,573,568	3,039,866
Income taxes payable.....	146,540	4,017,453	755,143
Deferred income tax liability.....	--	1,333,000	694,065
	-----	-----	-----
Total current liabilities.....	1,219,236	43,816,931	19,960,981
Long-term liabilities-notes payable, net of current portion.....	--	2,119,385	867,257
	-----	-----	-----
Total liabilities.....	\$ 1,219,236	\$45,936,316	\$20,828,238
	-----	-----	-----

(Continued)

WIRELESS FACILITIES, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1998	JUNE 30, 1999	PRO FORMA STOCKHOLDERS' EQUITY JUNE 30, 1999
			(UNAUDITED)	(UNAUDITED)
STOCKHOLDERS' EQUITY:				
Convertible preferred stock-Series A, \$.01 par value, 1,682,692 shares authorized; 0, 1,682,692, 1,682,692 shares issued and outstanding at 1997, 1998 and 1999 (unaudited) and none pro forma (unaudited).....	\$ --	\$ 16,827	\$ 16,827	\$ --
Convertible preferred stock-Series B, \$.01 par value, 2,800,000 shares authorized; 0, 0 and 2,727,273 shares issued and outstanding at 1997, 1998 and 1999 (unaudited) and none pro forma (unaudited).....	--	--	27,273	\$ --
Common stock, \$.01 par value, 50,000,000 shares authorized; 29,100,000, 27,045,810 and 27,235,530 shares issued and outstanding at 1997, 1998 and 1999 (unaudited), and 35,010,879 pro forma (unaudited).....	291,000	302,982	305,059	382,812
Retained earnings.....	9,010,474	1,843,272	4,671,748	4,671,748
Treasury stock at cost; 0, 3,252,390 and 3,270,322 shares at 1997, 1998 and 1999, respectively...	--	(13,529,942)	(13,656,960)	(13,656,960)
Accumulated other comprehensive income.....	--	2,393	13,661	13,661
Total stockholders' equity.....	9,834,607	14,594,882	32,844,069	\$ 32,844,069
Additional paid-in capital.....	533,133	25,959,350	41,466,461	41,432,808
Total liabilities and stockholders' equity.....	\$11,053,843	\$ 60,531,198	\$ 53,672,307	
	=====	=====	=====	

See accompanying notes to consolidated financial statements.

WIRELESS FACILITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----		-----	-----	
				(UNAUDITED) (UNAUDITED)	
Revenues.....	\$15,420,544	\$22,658,493	\$51,909,210	\$21,610,850	\$33,105,729
Cost of revenues.....	6,831,923	11,716,370	28,070,323	10,578,131	21,024,405
	-----		-----	-----	
Gross profit.....	8,588,621	10,942,123	23,838,887	11,032,719	12,081,324
Selling, general and administrative expenses.....	1,832,252	3,974,478	12,865,065	4,612,003	6,444,797
	-----		-----	-----	
Operating income.....	6,756,369	6,967,645	10,973,822	6,420,716	5,636,527
	-----		-----	-----	
Other income (expense):					
Interest income.....	12,604	25,004	212,542	43,419	101,002
Interest expense.....	(14,345)	(314)	(630,732)	(189,669)	(548,411)
Foreign currency loss.....	--	--	--	--	(170,780)
Equity loss in investment.....	--	--	(65,880)	--	(9,107)
	-----		-----	-----	
Total other income (expense).....	(1,741)	24,690	(484,070)	(146,250)	(627,296)
	-----		-----	-----	
Income before taxes.....	6,754,628	6,992,335	10,489,752	6,274,466	5,009,231
Provision for income taxes.....	22,343	222,911	5,526,000	60,167	2,180,755
	-----		-----	-----	
Net income.....	6,732,285	6,769,424	4,963,752	6,214,299	2,828,476
Pro forma information (unaudited):					
Pro forma adjustment for income taxes.....	(2,653,000)	(2,527,000)	1,050,000	(2,617,000)	--
	-----		-----	-----	
Pro forma net income...	\$ 4,079,285	\$ 4,242,424	\$ 6,013,752	\$ 3,597,299	\$ 2,828,476
	=====		=====	=====	
Pro forma net income per common share:					
Basic.....			\$ 0.20		\$ 0.08
Diluted.....			\$ 0.18		\$ 0.07
Pro forma weighted- average common shares outstanding:					
Basic.....			30,664,335		34,481,210
Diluted.....			33,031,293		39,720,314

See accompanying notes to consolidated financial statements.

WIRELESS FACILITIES, INC.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 1996, 1997 and 1998 and six months ended June 30, 1999

	Convertible Preferred stock-- Series A		Convertible Preferred stock-- Series B		Common stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, December 31, 1995.....	--	\$ --	--	\$ --	28,500,000	\$285,000
Stock-based compensation.....	--	--	--	--	--	--
Net income and comprehensive income..	--	--	--	--	--	--
<hr/>						
Balance, December 31, 1996.....	--	--	--	--	28,500,000	285,000
Issuance of common stock.....	--	--	--	--	600,000	6,000
Stock-based compensation.....	--	--	--	--	--	--
Stockholder distribution.....	--	--	--	--	--	--
Net income and comprehensive income..	--	--	--	--	--	--
<hr/>						
Balance, December 31, 1997.....	--	--	--	--	29,100,000	291,000
Issuance of common stock.....	--	--	--	--	1,198,200	11,982
Issuance of Series A preferred stock.....	1,682,692	16,827	--	--	--	--
Stock-based compensation.....	--	--	--	--	--	--
S corporation distributions.....	--	--	--	--	--	--
Net income from January 1, 1998 through August 6, 1998.....	--	--	--	--	--	--
Transfer of undistributed retained earnings to additional paid-in capital upon termination of S corporation.....	--	--	--	--	--	--
Purchase of treasury stock.....	--	--	--	--	(3,252,390)	--
Net income from August 7, 1998 through December 31, 1998.....	--	--	--	--	--	--
Foreign currency translation gain....	--	--	--	--	--	--
Comprehensive income.....	--	--	--	--	--	--
<hr/>						
Balance, December 31, 1998	1,682,692	16,827	--	--	27,045,810	302,982
Issuance of common stock (unaudited).....	--	--	--	--	207,652	2,077
Issuance of Series B preferred stock (unaudited).....	--	--	2,727,273	27,273	--	--
Stock compensation (unaudited).....	--	--	--	--	--	--
Issuance of warrants in acquisition transactions (unaudited).....	--	--	--	--	--	--
Purchase of treasury stock (unaudited).....	--	--	--	--	(17,932)	--
Net income (unaudited).....	--	--	--	--	--	--
Foreign currency translation gain (unaudited).....	--	--	--	--	--	--
Comprehensive income.....	--	--	--	--	--	--
<hr/>						
Balance, June 30, 1999 (unaudited)....	1,682,692	\$16,827	2,727,273	\$27,273	27,235,530	\$305,059

(Continued)

WIRELESS FACILITIES, INC.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 1996, 1997 and 1998 and six months ended June 30, 1999

	Additional paid-in capital	Retained earnings	Treasury stock		Accumulated other comprehensive income	Compre- hensive income	Total
			Shares	Amount			
Balance, December 31, 1995.....	\$ (190,000)	\$ 142,005	--	\$ --	\$ --	--	\$ 237,005
Stock-based compensation.....	25,758	--	--	--	--	--	25,758
Net income and comprehensive income..	--	6,732,285	--	--	--	\$6,732,285	6,732,285
<hr/>							
Balance, December 31, 1996.....	(164,242)	6,874,290	--	--	--	--	6,995,048
Issuance of common stock.....	554,000	--	--	--	--	--	560,000
Stock-based compensation.....	143,375	--	--	--	--	--	143,375
Stockholder distribution.....	--	(4,633,240)	--	--	--	--	(4,633,240)
Net income and comprehensive income.....	--	6,769,424	--	--	--	\$6,769,424	6,769,424
<hr/>							
Balance, December 31, 1997.....	533,133	9,010,474	--	--	--	--	9,834,607
Issuance of common stock.....	819,585	--	--	--	--	--	831,567
Issuance of Series A preferred stock.....	20,983,169	--	--	--	--	--	20,999,996
Stock-based compensation.....	88,760	--	--	--	--	--	88,760
S corporation distributions.....	--	(8,596,251)	--	--	--	--	(8,596,251)
Net income from January 1, 1998 through August 6, 1998.....	--	3,120,480	--	--	--	3,120,480	3,120,480
Transfer of undistributed retained earnings to additional paid-in capital upon termination of S corporation.....	3,534,703	(3,534,703)	--	--	--	--	--
Purchase of treasury stock.....	--	--	3,252,390	(13,529,942)	--	--	(13,529,942)
Net income from August 7, 1998 through December 31, 1998.....	--	1,843,272	--	--	--	1,843,272	1,843,272
Foreign currency translation gain.....	--	--	--	--	2,393	2,393	2,393
Comprehensive income.....	--	--	--	--	--	\$4,966,145	--
<hr/>							
Balance, December 31, 1998.....	25,959,350	1,843,272	3,252,390	(13,529,942)	2,393	--	14,594,882
Issuance of common stock (unaudited).....	350,445	--	--	--	--	--	352,522
Issuance of Series B preferred stock (unaudited).....	14,972,727	--	--	--	--	--	15,000,000
Stock compensation (unaudited)...	61,775	--	--	--	--	--	61,775
Issuance of warrants in acquisition transactions (unaudited).....	122,164	--	--	--	--	--	122,164
Purchase of treasury stock (unaudited).....	--	--	17,932	(127,018)	--	--	(127,018)
Net income (unaudited).....	--	2,828,476	--	--	--	2,828,476	2,828,476
Foreign currency translation gain (unaudited).....	--	--	--	--	11,268	11,268	11,268
Comprehensive income.....	--	--	--	--	--	\$2,839,744	--
<hr/>							
Balance, June 30, 1999 (unaudited).....	\$41,466,461	\$4,671,748	3,270,322	\$ (13,656,960)	\$13,661	--	\$32,844,069

See accompanying notes to consolidated financial statements.

WIRELESS FACILITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----			-----	-----
				(UNAUDITED)	(UNAUDITED)
Operating activities:					
Net income.....	\$6,732,285	\$6,769,424	\$ 4,963,752	\$ 6,214,299	\$2,828,476
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization.....	99,568	222,223	1,098,450	732,222	1,131,568
Stock-based compensation.....	25,758	143,375	88,760	--	61,775
Loss on disposal of property and equipment.....	--	--	1,790	--	--
Gain on sale of investment.....	--	--	--	--	(78,228)
Provision for deferred income taxes.....	--	--	1,333,000	--	(638,935)
Changes in assets and liabilities, net of the effect of acquisitions:					
Accounts receivable, net.....	(5,828,507)	(2,813,062)	(12,059,022)	(3,122,136)	(5,963,954)
Contract management receivables.....	--	--	(24,156,326)	(10,901,000)	18,293,142
Other current assets..	(180,318)	(295,111)	384,581	378,811	(936,730)
Other assets.....	--	(130,868)	23,882	(29,839)	(7,912)
Accounts payable.....	(98,258)	97,453	7,224,944	(1,804,834)	(9,437,843)
Accrued expenses.....	163,313	782,453	3,938,178	1,097,198	(3,031,223)
Contract management payables.....	--	--	9,338,844	11,329,132	(4,398,317)
Billings in excess of costs and profits....	--	--	81,908	--	2,198,112
Income taxes payable..	22,343	124,197	3,870,913	(58,763)	(3,262,310)
	-----	-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	936,184	4,900,084	(3,866,346)	3,835,090	(3,242,379)
Investing activities:					
Capital expenditures...	(440,487)	(344,787)	(755,765)	(385,185)	(1,265,687)
Cash paid for acquisitions, net of cash acquired.....	--	--	(3,293,593)	(3,218,368)	(1,742,422)
Cash paid for investments.....	--	--	(604,070)	(451,413)	(62,500)
Distributions from investments.....	--	--	--	--	55,953
Proceeds from disposition of property and equipment.....	--	21,185	31,052	--	--
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(440,487)	(323,602)	(4,622,376)	(4,054,966)	(3,014,656)
Financing activities:					
Proceeds from issuance of preferred stock....	--	--	20,999,996	--	15,000,000
Proceeds from issuance of common stock.....	--	560,000	831,567	819,997	352,522
Stockholder distributions.....	--	(4,633,240)	(3,096,251)	(2,838,330)	--
Purchase of treasury stock.....	--	--	(13,529,942)	--	(127,018)
Net borrowings (repayment) under line of credit.....	--	--	3,000,000	2,171,654	(3,000,000)
Borrowings (repayment) from officers.....	--	--	3,825,000	--	(3,825,000)
Repayment of acquisition notes payable.....	--	--	(1,513,964)	(504,655)	(994,126)
Repayment of notes payable to stockholders.....	(169,855)	--	--	--	--

Net cash provided by (used in) financing activities.....	(169,855)	(4,073,240)	10,516,406	(351,334)	7,406,378
Effect of exchange rates on cash.....	--	--	2,393	--	11,268
Net increase (decrease) in cash.....	325,842	503,242	2,030,077	(571,210)	1,160,611
Cash at beginning of period.....	7,002	332,844	836,086	836,086	2,866,163
Cash at end of period...	\$ 332,844	\$ 836,086	\$ 2,866,163	\$ 264,876	\$4,026,774
Noncash transactions:					
Issuance of notes payable for stockholder distributions.....	--	--	5,500,000	--	--
Issuance of notes for acquisition.....	--	--	5,206,917	--	827,000
Receipt of note for sale of investment....	--	--	--	--	199,848
Supplemental disclosure of cash flow information:					
Cash paid during the period for interest...	\$ 16,436	\$ 314	\$ 104,181	\$ 149,808	\$ 692,142
Cash paid during the period for income taxes.....	\$ --	\$ 98,714	\$ 448,127	\$ 339,901	\$6,630,700

See accompanying notes to consolidated financial statements.

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements

December 31, 1996, 1997 and 1998

(1) Organization and Summary of Significant Accounting Policies

(a) Description of Business

Wireless Facilities, Inc. (WFI) was formed in the state of New York on December 19, 1994, began operations in March 1995 and was reincorporated on August 30, 1998, in Delaware. WFI provides a full suite of outsourcing services to wireless carriers and equipment vendors, including the design, deployment and management of client networks. The Company's customers include both early-stage and mature providers of cellular, PCS, and broadband data services and equipment. WFI's engagements, range from smaller contracts for the deployment of a single cell site, to large multi-year turnkey contracts. These services are billed either on a time and materials basis or on a fixed-price, time-certain basis.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of WFI and its majority-owned subsidiaries. During 1998, WFI acquired a wholly owned subsidiary (Entel Technologies, Inc.), formed a subsidiary under WFI's control in Mexico (WFI de Mexico), and formed a wholly owned subsidiary in Brazil (Wireless Facilities Latin America Ltda). During 1999, WFI acquired wholly-owned subsidiaries, B. Communication International, Inc. and C.R.D. Inc. (unaudited). WFI and its subsidiaries are collectively referred to as the "Company." All intercompany transactions have been eliminated in consolidation. Affiliated companies (20% to 50% owned with no controlling interest) are accounted for on the equity method. Investments accounted for on the cost basis include companies in which the Company owns less than 20% and for which the Company has no significant influence.

(c) Unaudited Interim Financial Information

The interim financial statements of the Company for the six months ended June 30, 1998 and 1999, included herein, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited statements reflect all adjustments, necessary to present fairly the financial position of the Company at June 30, 1999, and the results of their operations and their cash flows for the six months ended June 30, 1998 and 1999.

(d) Property and Equipment, Net

Property and equipment consists primarily of computer equipment. Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful life of each asset, typically three years.

(e) Goodwill, Net

Goodwill represents the excess of acquisition cost over the fair value of assets of acquired companies. Goodwill is amortized on a straight-line basis over ten years.

WIRELESS FACILITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1996, 1997 AND 1998

(F) OTHER ASSETS, NET

Other assets consist primarily of equity investments. These investments are accounted for using either the equity or cost method, as appropriate. One investment, Sierra Towers Investment Group (25%), was accounted for using the equity method. The Company's share of the loss for this investment is included in equity loss in investment. The Company sold this investment effective June, 1999 to two of the Company's principal stockholders (unaudited). The Company uses the cost method to account for investments where it holds less than 20% of equity and is unable to exert significant influence. All investments are in companies whose stock is not publicly traded. As such, it is not practicable to determine the fair value of these investments.

Also included in other assets, net are patent costs. Amortization of patent costs is recorded using the straight-line method over a useful life of three years, which approximates the useful life of the underlying technology.

(G) REVENUE RECOGNITION

Revenue on time and materials contracts is recognized as services are rendered at contract labor rates plus material and other direct costs incurred.

Revenue on fixed price contracts is recognized on the percentage-of-completion method based on the ratio of total costs incurred to date compared to estimated total costs to complete the contract. Estimates to complete include material, direct labor, overhead, and allowable general and administrative expenses. These estimates are reviewed on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. The full amount of an estimated loss is charged to operations in the period it is determined that a loss will be realized from the performance of a contract. Included on the accompanying consolidated balance sheet is, "Billings in excess of costs and profits" which represents billings in excess of profits recognized on uncompleted contracts.

(H) CONTRACT MANAGEMENT ACTIVITIES

During 1998, the Company managed a contract whereby the Company paid for services rendered by third parties on behalf of one customer. The Company passed these expenses through to the customer, who reimbursed the Company for the expenses plus a management fee. The management fee is included in service revenues in the Consolidated Statement of Operations. Amounts receivable from the customer or owed to third parties for these contract management activities are shown separately on the balance sheet to distinguish them from receivables and liabilities generated by the Company's own operations.

(I) INCOME TAXES

Through August 5, 1998, Wireless Facilities, Inc. was an S corporation whereby income taxes were the individual responsibility of the stockholders. On August 7, 1998, in conjunction with the private placement and sale of Series A preferred stock, the Company elected to be taxed as a C corporation under the internal revenue tax code. As a result, the Company recorded a net deferred tax liability of \$2,082,000 on August 7, 1998.

The Company records deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

WIRELESS FACILITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1996, 1997 AND 1998

(J) COMMON STOCK SPLIT

On February 22, 1999, the Company effected a 3-for-1 stock split of the Company's common stock. All per share and shares outstanding data in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been retroactively restated to reflect this stock split.

On February 25, 1999, the Company filed a Restated Certificate of Incorporation. Among other things, the restated certificate increased the shares of authorized common stock from 45,000,000 to 50,000,000 shares (post-split), and decreased authorized preferred stock from 5,000,000 to 4,482,692 shares.

(K) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123 permits entities to recognize the fair value of all stock-based awards on the date of grant as expense over the vesting period or allows entities to apply the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Under APB No. 25, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price, with pro forma net income disclosures as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(L) PRO FORMA NET INCOME PER COMMON SHARE (UNAUDITED)

The Company calculates net income per share in accordance with SFAS No. 128, Earnings Per Share. Under SFAS No. 128, basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted net income per common share reflects the effects of potentially dilutive securities.

In connection with the anticipated closing of the Company's initial public offering of common stock all convertible preferred stock then outstanding will automatically convert into shares of common stock. Each share of Series A preferred stock converts into 3 shares of common stock and each share of Series B preferred stock converts into one share of common stock. The pro forma basic and diluted weighted average share calculations reflect the conversion of preferred stock at the later of the beginning of the period presented or the date of issuance. The pro forma basic and diluted weighted average share calculations also reflect the assumed issuance of 284,456 shares of common stock at an assumed initial public offering price of \$14.00 per share, the net proceeds of which would be sufficient to fund the distributions to stockholders in excess of net income in 1998. The calculation of pro forma basic and diluted income per share is as follows:

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----	-----
PRO FORMA BASIC INCOME PER SHARE:		
Pro forma net income.....	\$6,013,752	\$2,828,476
	=====	=====
Weighted average shares.....	28,374,478	27,125,701
Pro forma adjustments:		
Assumed conversion of preferred stock.....	2,005,401	7,071,053
Assumed issuance of shares to replace capital withdrawn in excess of earnings.....	284,456	284,456
	-----	-----
	30,664,335	34,481,210
	=====	=====
Pro forma basic net income per share.....	\$ 0.20	\$ 0.08
	=====	=====

WIRELESS FACILITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1996, 1997 AND 1998

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----	-----
PRO FORMA DILUTED INCOME PER SHARE:		
Adjustments to basic weighted average shares:		
Effect of outstanding options.....	1,912,407	4,368,574
Effect of outstanding warrants.....	454,551	870,530
	-----	-----
Total diluted weighted average shares.....	33,031,293	39,720,314
	=====	=====
Pro forma diluted net income per share.....	\$ 0.18	\$ 0.07
	=====	=====

Options to purchase 250,371 shares of common stock which were outstanding during 1998, and notes payable convertible into 1,109,661 shares in 1998, were not included in the calculation of pro forma diluted net income per common share because the effect of these instruments was anti-dilutive.

(M) IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(N) FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires that fair values be disclosed for the Company's financial instruments. The carrying amounts of cash, accounts receivable, contract management receivables, accounts payable and accrued expenses and contract management payables, approximate fair value due to the short-term nature of these instruments. The carrying amounts reported for the Company's line of credit and notes payable approximate their fair value because the underlying instruments earn interest at rates comparable to current terms offered to the Company for instruments of similar risk. The fair values of officer notes payable and subordinated stockholder notes payable are not estimable due to their related party nature.

(O) OTHER COMPREHENSIVE INCOME

The Company adopted the provisions of SFAS No. 130 Reporting Comprehensive Income during the year ended December 31, 1998. This statement establishes rules for the reporting of comprehensive income and its components. Comprehensive income for the year ended December 31, 1998 consists of foreign currency translation adjustments. There were no components of other comprehensive income in the years ended December 31, 1996 and 1997.

WIRELESS FACILITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

DECEMBER 31, 1996, 1997 AND 1998

The financial statements of the Company's foreign subsidiaries where the functional currency has been determined to be the local currency are translated into United States dollars using current rates of exchange, with gains or losses included in the other comprehensive income account in the stockholders' equity section of the consolidated balance sheets. The financial statements of the Company's foreign subsidiaries where the functional currency has been determined to be the United States dollar are translated at either current or historical exchange rates, as appropriate, with gains and losses included in the consolidated statements of operations.

(P) SEGMENT REPORTING

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. All of the Company's business activities are aggregated into one reportable segment given the similarities of economic characteristics between the activities and the common nature of the Company's services and customers.

(Q) USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(R) RECLASSIFICATIONS

Certain amounts in the 1996 and 1997 financial statements have been reclassified to conform to the current presentation.

(2) ACQUISITIONS AND SUBSIDIARIES

(A) ENTEL TECHNOLOGIES, INC. (ENTEL)

On February 27, 1998, the Company acquired all of the outstanding shares of stock of Entel, a Delaware wireless outsourcing company. The acquisition was accounted for as a purchase. Consideration for the acquisition consisted of approximately \$3,500,000 in cash and \$5,200,000 in notes payable to Entel stockholders. The excess of the cost over the fair market value of net assets acquired was approximately \$7,800,000, which has been recorded as goodwill and is being amortized over ten years. The consolidated financial statements include the operating results for Entel from February 28, 1998, the closing date, through December 31, 1998.

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

The following summary presents pro forma consolidated results of operations as if this acquisition had occurred at the beginning of fiscal years 1997 and 1998, and includes adjustments that are directly attributable to the transaction or are expected to have a continuing impact on the Company.

The pro forma results are for illustrative purposes only and do not purport to be indicative of the actual results which would have occurred had the transaction been completed at the beginning of the periods, nor are they indicative of results of operations which may occur in the future.

	1997	1998
	-----	-----
Net sales.....	\$32,898,316	\$55,828,375
Net income.....	6,611,763	5,224,097

(b) B. Communication International, Inc. (BCI) (unaudited)

On January 4, 1999, the Company acquired BCI for approximately \$2,900,000 in cash, warrants and notes. BCI provided radio frequency engineering and cell site and switch technician services in the U.S. and Latin America.

(c) C.R.D., Inc. (unaudited)

On June 25, 1999, the Company acquired CRD for approximately \$540,000 in cash, warrants, and assumption of debt. CRD installs and maintains cell site and microwave electronics.

(d) WFI de Mexico (WFIM)

On September 18, 1998, the Company formed and acquired an 88% ownership interest in a Mexican subsidiary (WFIM). WFIM acquired all the assets of Cable and Wireless Services, S.C., a Mexican wireless communications company. Consideration for the acquisition consisted of \$75,000 in cash. The remaining 12% of WFIM's stock is held by directors of WFIM pursuant to agreements which permit WFIM to repurchase such shares upon certain events.

The Company granted the brother of the Company's two principal executive officers shares of restricted stock equivalent to approximately 6% of the equity of WFI de Mexico. The stock is subject to vesting over a four-year period. Pursuant to the terms of the stock grant, the Company granted a one-time election to exchange any vested restricted stock in WFI de Mexico for shares of the Company's common stock at fair valuation. As of June 30, 1999, this election had not been exercised (unaudited).

(e) Wireless Facilities Latin America Ltda. (WFLA)

In August 1998, the Company formed WFLA as a wholly owned subsidiary in Sao Paulo, Brazil for the purpose of expanding operations to the Brazilian market.

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

(3) Consolidated Balance Sheet Details

The Consolidated Balance Sheet consists of the following at December 31, 1997 and 1998:

	1997	1998
	-----	-----
Accounts receivable, net:		
Billed contracts receivable.....	\$4,826,470	\$ 6,079,947
Unbilled contracts receivable.....	4,385,961	18,650,899
	-----	-----
Allowance for doubtful accounts.....	9,212,431	24,730,846
	(70,312)	(561,634)
Total accounts receivable, net.....	\$9,142,119	\$24,169,212
	=====	=====
Contract management receivables		
Billed.....	\$ --	\$14,212,893
Unbilled.....	--	9,943,433
	-----	-----
Total contract management receivables.....	\$ --	\$24,156,326
	=====	=====
Property and equipment, net		
Computer equipment.....	\$ 776,132	\$ 1,494,770
Furniture and office equipment.....	10,681	239,123
	-----	-----
Accumulated depreciation.....	786,813	1,733,893
	(323,391)	(752,760)
Total property and equipment, net.....	\$ 463,422	\$ 981,133
	=====	=====
Goodwill, net		
Goodwill.....	\$ --	\$ 7,825,738
Accumulated amortization.....	--	(647,690)
	-----	-----
Total goodwill, net.....	\$ --	\$ 7,178,048
	=====	=====
Other assets, net:		
Investments.....	\$ 100,000	\$ 610,533
Patents and other assets, net.....	30,868	205,117
	-----	-----
Total other assets, net.....	\$ 130,868	\$ 815,650
	=====	=====

(4) Notes Payable and Other Financing Arrangements

(a) Line of Credit

In April 1998, the Company executed a \$3,000,000 revolving line of credit agreement with a financial institution. The credit facility is due June 30, 1999, and bears interest at the London Interbank Offering Rate (LIBOR) plus 2.5%. The line of credit is secured by substantially all business assets of the Company, and is senior to the subordinated stockholders' notes payable of \$5,500,000. At December 31, 1998, LIBOR was 5.1%, and \$3,000,000 was outstanding under the credit facility.

The agreement contains restrictive covenants, which, among other things, requires maintenance of certain financial ratios.

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

(b) Entel Note Payable

In consideration for the acquisition of Entel (see Note 2), the Company issued three-year convertible notes payable for approximately \$5,200,000. These notes are convertible into common stock upon completion of an initial public offering at a conversion price of 80% of the public offering price. These notes bear interest at 10% annually, require the Company to make quarterly principal and interest payments, and are due on March 1, 2001. At December 31, 1998, the outstanding balance on these notes was \$3,692,953, of which \$1,573,568 was current. These notes may be repaid at any time by the Company without penalty.

(c) Subordinated Stockholder Notes Payable

In August 1998, the Company issued unsecured notes payable totaling \$5,500,000 to two executives and one related stockholder. Such notes are subordinated to the Company's line of credit, bear an interest rate of 5.5%, and are due August 2000.

(d) Officer Notes Payable

At December 31, 1998, the Company had unsecured notes payable to two officers of the Company totaling \$3,825,000. Interest was imputed on these loans at 5.5%. These loans were repaid during the first quarter of 1999.

(e) Maturities

Maturities of notes payable and other financing arrangements are as follows:

1999.....	\$13,898,568
2000.....	1,730,066
2001.....	389,319

Total.....	\$16,017,953
	=====

(5) Lease Commitments

The Company leases certain facilities and equipment under leases accounted for as operating leases that expire over five years. Future minimum lease payments under noncancelable operating leases as of December 31, 1998 are as follows:

1999.....	\$ 533,742
2000.....	612,337
2001.....	628,019
2002.....	602,424
2003.....	476,633

Total.....	\$2,853,155
	=====

The Company leased certain property and equipment on a month-to-month basis from a related party during the years ended December 31, 1997 and 1998. The Company recorded lease expense related to these leases of \$781,000 and \$488,000 for the years ended December 31, 1997 and 1998, respectively. Amounts totaling \$176,000 and \$151,000 remained payable at December 31, 1997 and 1998, respectively, and are recorded in accounts payable and accrued expenses in the accompanying balance sheet.

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

Rent expense under operating leases for the years ended December 31, 1996, 1997 and 1998 was \$62,912, \$858,063 and \$664,199, respectively.

(6) Income Taxes

Prior to August 8, 1998, the Company elected, with the consent of its stockholders, to be taxed as an S corporation, whereby federal and most state income taxes were the individual responsibility of the stockholders. The Company incurred \$22,343 and \$222,911 in various state taxes for the years ended December 31, 1996 and 1997, respectively.

The provision for income taxes for the year ended December 31, 1998 is comprised of the following:

Current:		
Federal.....	\$ 3,424,000	
State.....	728,000	

	4,152,000	

Deferred:		
Federal.....	1,145,000	
State.....	229,000	

	1,374,000	

	\$ 5,526,000	
	=====	

A reconciliation of total income tax expense to the amount computed by applying the statutory federal income tax rate of 35% to income before income tax expense for the fiscal year ended December 31, 1998 is as follows:

	1998

Income taxes at federal statutory rate.....	\$3,671,000
State taxes, net of federal tax benefit.....	622,000
Establishment of deferred income tax upon change from S corporation to C corporation.....	2,082,000
S corporation earnings not subject to corporate income tax....	(1,211,000)
Other, net.....	362,000

	\$5,526,000
	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 1998 are as follows:

	1998

Deferred tax assets:	
Allowance for doubtful accounts.....	\$ 244,000
Vacation accruals.....	191,000
Property and equipment, principally due to differences in depreciation.....	70,000

Total deferred tax assets.....	505,000
Deferred tax liabilities-change from cash to accrual method of accounting for income taxes.....	(1,838,000)

Net deferred tax liability.....	\$(1,333,000)
	=====

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income, management believes it is more likely than not the Company will realize the deferred tax assets. As such, no valuation allowance was established during the year ended December 31, 1998.

(7) Stockholders' Equity

(a) Preferred Stock

At December 31, 1998, the Company was authorized to issue a total of 4,482,682 shares of preferred stock, each having a par value of \$0.01. On August 8, 1998, the Company issued 1,682,692 shares of Series A convertible preferred stock in a private placement for approximately \$21,000,000. Series A preferred shares are convertible at the option of the holder into shares of common stock at an initial conversion rate of 1-to-1 (3-to-1 after the 3-for-1 Common Stock split). The conversion rate is subject to adjustment to prevent dilution in the event of any further common stock splits. Conversion will be automatic upon the closing of a public offering above a specified price or upon approval by 2/3 of the Series A stockholders. Series A stockholders also have a liquidating preference equal to their original purchase price plus all declared and unpaid dividends. No Series A convertible preferred stock dividends were declared or paid during 1998.

In February 1999, the Board of Directors authorized the issuance of 2,800,000 shares of par value \$0.01 Series B preferred stock. Shortly thereafter, the Company sold 2,727,273 Series B preferred shares for \$15,000,000, or \$5.50 per share. Series B preferred shares are convertible at the option of the holder into shares of common stock at the initial conversion rate of 1-to-1 conversion will be automatic upon the closing of a public offering above a specified price or upon approval of 2/3 of the Series B stockholders.

(b) Dividends

On April 15, 1998, the Company paid cash dividends to all common stockholders of record totaling \$1,773,000, or \$0.06 per share. On June 15, 1998, the Company paid cash dividends to all common stockholders of record totaling \$1,065,000, or \$0.04 per share. On July 31, 1998, the Company paid dividends to all common stockholders of record totaling \$5,758,000, or \$0.19 per share. Of this, \$258,000 was paid in cash. The Company issued promissory notes for the remaining \$5,500,000 to two executives and one related stockholder (see Note 5).

(c) Treasury Stock

On August 5, 1998, the Company purchased 3,252,390 shares of common stock for \$13,529,942. Treasury stock is recorded at cost.

(d) Undistributed Earnings

On August 7, 1998, in connection with sales of its preferred stock, the Company elected to be taxed as a C corporation. This change assumed a constructive distribution to the owners of the former S corporation followed by a contribution to the capital of the C corporation. Accordingly, undistributed earnings on August 7, 1998 are included in the consolidated financial statements as additional paid-in capital.

(e) Common Stock Warrants

In February 1997, the Company issued warrants to purchase 300,000 shares of common stock to two Company directors. One-third of these warrants vest at the date of issuance, and then annually for the

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

following two years. These warrants are exercisable at \$0.93 per share of common stock, which was the fair value of the stock at the date of issuance.

In February 1998, the Company issued warrants to purchase 1,200,000 shares of common stock to two Company directors. One-third of these warrants vest at the date of issuance, and then annually for the following two years. These warrants are exercisable at \$1.58 per share of common stock, which was the fair value of the stock at the date of issuance.

Total warrants outstanding were 300,000 and 900,000 at December 31, 1997 and 1998, respectively.

(f) Stock Option Plans

During the years ended 1996 and 1997, the Board of Directors approved the 1996 Stock Option Plan (the 1996 Plan) and the 1997 Stock Option Plan (the 1997 Plan). All stock options under the 1996 Plan were fully vested at June 1, 1998, and have been exercised or canceled upon employee termination as of December 1, 1998. Stock options granted under the 1997 Plan may be incentive stock options or nonstatutory stock options and are exercisable for up to ten years following the date of grant. Stock option exercise prices for the 1997 Plan must be equal to or greater than the fair market value of the common stock on the grant date.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its 1996 Plan and 1997 Plan. Accordingly, the Company recorded compensation expense totaling \$25,758, \$143,375 and \$88,760 for the periods ended December 31, 1996, 1997 and 1998, respectively, related to options granted under the plans.

Stock option transactions are summarized below:

	1996 Plan	Weighted- average exercise price	1997 Plan	Weighted- average exercise price
	-----	-----	-----	-----
Outstanding at January 1, 1996.....	--	\$ --	--	\$ --
Granted.....	955,500	0.01	--	--
Exercised.....	--	--	--	--
Canceled.....	(21,000)	0.01	--	--
	-----		-----	
Outstanding at January 1, 1997.....	934,500	0.01	--	--
Granted.....	57,000	0.01	929,700	1.39
Exercised.....	--	--	--	--
Canceled.....	(333,000)	0.01	(39,300)	1.33
	-----		-----	
Outstanding at December 31, 1997.....	658,500	0.01	890,400	1.39
Granted.....	--	--	3,464,139	2.51
Exercised.....	(591,000)	0.01	(7,200)	1.33
Canceled.....	(67,500)	0.01	(773,691)	2.30
	-----		-----	
Outstanding at December 31, 1998.....	--	\$ --	3,573,648	\$ 2.26
	=====		=====	

Under SFAS No. 123, the weighted-average fair value of the options granted during 1996, 1997 and 1998 was \$1.12, \$0.48 and \$0.72, respectively, on the date of grant. Fair value under SFAS No. 123 is determined using the Black-Scholes option-pricing model with the following assumptions: no dividend yields, expected volatility of 0% as Company is privately held, risk-free interest rates of 7.0%, 7.0% and 5.5%, and an expected life of 7, 7 and 6 years for options granted in 1996, 1997, and 1998, respectively. Had compensation expense been recognized for stock-based compensation plans in accordance with SFAS No. 123, the Company would

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

have reported the following net income and net income per common share amounts (these amounts do not include any of the pro forma adjustments described in note 1(1) to the consolidated financial statements):

	Year ended December 31,		
	1996	1997	1998
Net income.....	\$6,732,285	\$6,621,254	\$4,270,488
Income per common share:			
Basic.....	\$ 0.24	\$ 0.23	\$ 0.15
Diluted.....	\$ 0.23	\$ 0.23	\$ 0.14

The following table summarizes information as of December 31, 1998 concerning options outstanding and exercisable:

Range of exercise prices	Options outstanding		Options exercisable	
	Number outstanding	Weighted-average remaining life	Weighted-average exercise price	Weighted-average exercise price
\$1.00--\$1.58	935,625	2	\$1.26	266,901
\$2.00	1,883,910	3	2.00	--
\$4.16	754,113	3	4.16	--
	-----	---	-----	-----
	3,573,648		\$2.26	266,901
	=====	===	=====	=====

(8) Employee Benefit Plan

In 1996, the Company implemented a savings plan pursuant to Section 401(k) of the Internal Revenue Code (the Code), covering substantially all employees. Participants in the plan may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. The Company may make contributions at the discretion of its Board of Directors. The Company made no contributions in 1996, 1997 or 1998.

(9) Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and contract management receivable. At times, cash balances held in financial institutions are in excess of federally insured limits. The Company performs periodic evaluations of the relative credit standing of financial institutions and limits the amount of risk by selecting financial institutions with a strong relative credit standing.

The Company had sales to three separate customers, which comprised 31%, 19%, and 17% of the Company's total sales for the year ended December 31, 1998. At December 31, 1998, accounts receivable from these customers totaled \$2,099,585, \$1,957,990 and \$2,076,975, respectively.

(10) Segment Information

Revenues derived by geographic segment are as follows:

	For the year ended December 31,			Six Months
	1996	1997	1998	June 30, 1999
U.S.....	\$15,420,544	\$20,489,996	\$39,729,678	\$22,180,929
Foreign.....	--	2,168,497	12,179,532	10,924,800
	-----	-----	-----	-----
	\$15,420,544	\$22,658,493	\$51,909,210	\$33,105,729
	=====	=====	=====	=====

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

Long-lived assets by geographic region are as follows:

	December 31,		June 30,
	1997	1998	1999
United States.....	\$594,290	\$8,843,944	\$ 7,639,423
Mexico.....	--	\$ 130,887	\$ 3,137,838
	\$594,290	\$8,974,831	\$10,777,261
	=====	=====	=====

(11) Pro Forma Adjustments to Financial Statements (Unaudited)

The unaudited consolidated balance sheet at June 30, 1999 gives effect to the assumed conversion of 4,409,965 shares of preferred stock that will automatically convert into 7,775,349 shares of common stock upon the closing of the Company's initial public offering.

Through August 6, 1998, Wireless Facilities, Inc. was an S corporation whereby federal income taxes were the individual responsibility of the stockholders. On August 7, 1998, in conjunction with the private placement and sale of Series A preferred stock, the Company elected to be taxed as a C corporation under the Internal Revenue Code. As a result, the Company recorded a net deferred tax liability of \$2,082,000 on August 7, 1998.

The consolidated statement of operations for the years ended December 31, 1996, 1997 and 1998 and the six months ended June 30, 1998 have been presented to give pro forma effect assuming the Company was taxed as a C corporation.

The pro forma provision for income taxes consists of:

	Years ended December 31,			Six months ended
	1996	1997	1998	June 30, 1998
Current expense:				
Federal.....	\$2,135,029	\$2,262,706	\$ 3,918,171	\$2,343,620
State.....	532,714	497,988	942,424	563,673
	2,667,743	2,760,694	4,860,595	2,907,293
Deferred expense (benefit):				
Federal.....	9,755	(20,483)	(362,000)	(216,571)
State.....	(2,155)	9,700	(22,595)	(13,555)
	7,600	(10,783)	(384,595)	(230,126)
Total pro forma income tax expense.....	2,675,343	2,749,911	4,476,000	2,677,167
Less: Historical provision for income taxes.....	22,343	222,911	5,526,000	60,167
Pro forma adjustment for income taxes.....	\$2,653,000	\$2,527,000	\$(1,050,000)	\$2,617,000
	=====	=====	=====	=====

WIRELESS FACILITIES, INC.

Notes to Consolidated Financial Statements--(Continued)

December 31, 1996, 1997 and 1998

Total pro forma provision for income taxes differs from the "expected" pro forma tax expense (computed by applying the Federal corporate income tax rate to the pro forma income before taxes) as follows:

	Years ended December 31,			Six months
	1996	1997	1998	ended June 30, 1998
Computed "expected" pro forma income tax expense..	34%	34%	35%	35%
State income taxes, net of federal benefit.....	6%	5%	8%	8%
	-----	-----	-----	---
	40%	39%	43%	43%
	=====	=====	=====	===

(12) Legal Matters

From time to time the Company is involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Management believes, based in part through discussion with legal counsel, that the resolution of such matters will not have a material impact on the Company's financial position, results of operations or liquidity.

INDEPENDENT AUDITORS' REPORT

To Entel Technologies, Inc.

We have audited the accompanying statements of operations and retained earnings, and cash flows of Entel Technologies, Inc. for the year ended December 31, 1997. 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 generally accepted auditing standards. 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 results of operations and cash flows of Entel Technologies, Inc. for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

M.R. Weiser & Co. LLP

New York, N.Y.
February 13, 1998, except for Note 8
as to which the date is April 15, 1998

ENTEL TECHNOLOGIES, INC.

Statement Of Operations And Retained Earnings

For The Year Ended December 31, 1997

Project revenues.....	\$10,239,823
Direct project costs.....	6,454,747

Gross profit.....	3,785,076
Selling, general and administrative expenses.....	2,755,045

Income from operations.....	1,030,031
Other income:	
Interest income, net of interest expense of \$2,047.....	42,782

Net income before provision for income taxes.....	1,072,813
Provision for income taxes.....	424,559

Net income.....	648,254
Retained earnings, beginning of year.....	514,950

Retained earnings, end of year.....	\$ 1,163,204
	=====

(See accompanying notes to financial statements)

ENTEL TECHNOLOGIES, INC.

Statement Of Cash Flows

For The Year Ended December 31, 1997

Cash flows from operating activities:	
Net income.....	\$ 648,254
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for doubtful accounts.....	122,650
Depreciation and amortization.....	111,103
Deferred income taxes.....	(10,000)
Changes in operating assets and liabilities:	
Decrease in accounts receivable.....	1,930,057
Increase in due from affiliated company.....	(1,185,860)
Increase in costs of uncompleted contracts.....	(311,802)
Decrease in prepaid expenses and sundry receivables.....	10,595
Increase in deposits.....	(1,033)
(Decrease) in accounts payable.....	(1,425,222)
Increase in accrued salaries and payroll taxes.....	890,682
(Decrease) in accrued expenses and other liabilities.....	(89,098)
Increase in accrued corporate income taxes.....	15,428

Net cash provided by operating activities.....	705,754

Cash flows from investing activities:	
Purchases of property and equipment.....	(81,477)

Net cash used in investing activities.....	(81,477)

Cash flows from financing activities:	
Payments under capital lease.....	(8,000)

Net cash used in financing activities.....	(8,000)

Net increase in cash and cash equivalents.....	616,277
Cash and cash equivalents, beginning of year.....	420,208

Cash and cash equivalents, end of year.....	\$1,036,485
	=====
Supplemental disclosure of cash flow information:	
Interest paid.....	\$ 2,047
	=====
Income taxes paid.....	\$ 419,131
	=====
Supplemental schedule of noncash investing and financing activities:	
Shares of Class A common stock redeemed and retired.....	\$ (871)
Shares of Class B common stock issued.....	871

Net change in total common stock issued and outstanding.....	\$ 0
	=====

(See accompanying notes to financial statements)

ENTEL TECHNOLOGIES, INC.

Notes To Financial Statements

1. Significant Accounting Policies:

(a) The Company

Entel Technologies, Inc. (the "Company") was organized in the State of Delaware on April 26, 1995 under the name of Vento Communications, Inc. The Company changed its name to Entel Technologies, Inc. on October 29, 1996. The Company renders project management services to telecommunications providers in connection with site acquisition, construction, and microwave relocation projects throughout the United States.

(b) 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.

(c) Revenue Recognition

The Company recognizes revenues from site acquisition and microwave relocation projects as contractually prescribed milestones are completed. Related costs are recognized when incurred.

The Company recognizes revenues from construction projects on the completed contract method. This method recognizes income and related costs only as the construction project is complete. Losses expected to be incurred on contracts in progress are charged to operations in the period such losses are determined. Costs incurred on incomplete projects in excess of related billings are classified as a current asset in as much as all projects will be completed within one year.

(d) Statement of Cash Flows

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) Property and Equipment

Depreciation is computed on the straight-line method over the estimated lives of these assets.

(f) Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets and liabilities are primarily a result of the timing of deductions for income tax and financial reporting purposes for accrued employee compensation.

2. Related Party Transactions

The Company provides operating support services for entities affiliated through common management. In addition, the majority stockholder of the Company is a stockholder in such entities. The Company charges these affiliates a fee for such services. During the year ended December 31, 1997, the Company incurred expenses on behalf of affiliates aggregating \$1,701,000. Such amounts were rebilled to the affiliates; fees related to such services approximated \$240,000 for the year ended December 31, 1997.

ENTEL TECHNOLOGIES, INC.

Notes to Financial Statements--(Continued)

In addition, project revenues from these affiliates, net of rebilled operating expenses, approximated \$1,219,000 for the year ended December 31, 1997.

3. Income Taxes

The components of income tax expense for the year ended December 31, 1997 were as follows:

Current:	
Federal.....	\$374,998
State and local.....	59,561

	434,559

Deferred:	
Federal.....	(8,000)
State and local.....	(2,000)

	(10,000)

	\$424,559
	=====

4. Common Stock

During the year ended December 31, 1997, the Company redeemed and retired 871 shares of Class A common stock in exchange for issuance of an equal number of shares of Class B common stock.

5. Leases

Rent expense for the year ended December 31, 1997 amounted to \$309,645.

6. Profit Sharing Plan

In 1996, the Company adopted a 401(k) defined contribution retirement plan effective January 1, 1996 which covers substantially all employees. Under the plan, the Company is required to contribute 50% of the first 4% of eligible employee contributions. For the years ended December 31, 1997, the Company made contributions of \$39,030.

7. Significant Customers

In addition to revenues from affiliates referred to in Note 2, revenues from three customers accounted for \$5,928,391 or 57.9% of total revenues for the year ended December 31, 1997.

8. Subsequent Events

Merger and Sale

The Company entered an agreement of merger and sale which was consummated February 27, 1998. Under the terms of the agreement, a wholly owned subsidiary of the purchaser was merged into the Company. The purchaser then acquired the Company for \$3,500,000 plus a promissory note of \$5,000,000, subject to adjustments based on the Company's working capital on the closing date.

The agreement imposes restrictions on the Company in regards to certain business practices which may not be undertaken without permission of the purchaser.

Other

In January 1998, a fatality occurred at a Company job site. The victim was an employee of a Company subcontractor. The Company may face claims brought by the decedent's estate or under applicable workers' compensation laws. As of April 15, 1998, to the Company's knowledge, there were no such pending claims.

INSIDE BACK COVER

[GRAPHIC DEPICTING THE COMPANY'S SERVICE OFFERINGS: PRE-DEPLOYMENT PLANNING SERVICES, DESIGN AND DEPLOYMENT SERVICES AND NETWORK MANAGEMENT SERVICES]

BACK COVER

[LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all expenses payable by the Registrant in connection with the sale of the common stock being registered. All of the amounts shown are estimates except for the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

	AMOUNT TO BE PAID -----
SEC Registration fee.....	\$ 19,460
NASD filing fee.....	7,500
Nasdaq National Market listing fee.....	95,000
Blue sky qualification fees and expenses.....	2,500
Director and officer liability insurance.....	10,000
Printing and engraving expenses.....	150,000
Legal fees and expenses.....	400,000
Accounting fees and expenses.....	275,000
Transfer agent and registrar fees.....	3,000
Miscellaneous.....	37,540

Total.....	\$1,000,000 =====

* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Under Section 145 of the Delaware General Corporation Law, the Registrant has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act").

The Registrant's certificate of incorporation and bylaws include provisions to (i) eliminate the personal liability of its directors for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Section 102(b)(7) of the General Corporation Law of Delaware (the "Delaware Law") and (ii) require the Registrant to indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware Law, including circumstances in which indemnification is otherwise discretionary. Pursuant to Section 145 of the Delaware Law, a corporation generally has the power to indemnify its present and former directors, officers, employees and agents against expenses incurred by them in connection with any suit to which they are or are threatened to be made, a party by reason of their serving in such positions so long as they acted in good faith and in a manner they reasonably believed to be in or not opposed to, the best interests of the corporation and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. The Registrant believes that these provisions are necessary to attract and retain qualified persons as directors and officers. These provisions do not eliminate the directors' duty of care, and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware Law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to the Registrant, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for acts or omissions that the director believes to be contrary to the best interests of the Registrant or its stockholders, for any transaction from which the director derived an improper personal benefit, for acts or omissions involving a reckless disregard for the director's duty to the Registrant or its stockholders when the director was aware or should have been aware of a risk of serious injury to the Registrant or its stockholders, for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the Registrant or its stockholders, for improper

transactions between the director and the Registrant and for improper distributions to stockholders and loans to directors and officers. The provision also does not affect a director's responsibilities under any other law, such as the federal securities law or state or federal environmental laws.

The Registrant has entered into indemnity agreements with each of its directors and executive officers that require the Registrant to indemnify such persons against all expenses, judgments, fines, settlements and other amounts incurred (including expenses of a derivative action) in connection with any proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that such person is or was a director or an executive officer of the Registrant or any of its affiliated enterprises, provided that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Registrant and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful. The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification thereunder.

At present, there is no pending litigation or proceeding involving a director or officer of the Registrant as to which indemnification is being sought nor is the Registrant aware of any threatened litigation that may result in claims for indemnification by any officer or director.

The Registrant has an insurance policy covering the officers and directors of the Registrant with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since December 14, 1994 (inception), the Company has sold and issued the following unregistered securities:

1. During the period, the Company granted incentive stock options with an exercise price of \$.0033 per share to employees, officers and directors of the Company under its 1996 Stock Plan (the "1996 Plan") covering an aggregate of 1,012,500 shares of the Company's Common Stock. All of the options granted under the 1996 Plan were either exercised prior to December 31, 1998 or expired on that date. No options remain outstanding under the 1996 Plan.

2. During the period, the Company issued 29,100,000 shares of its Common Stock to employees, board members and Sean Tayebi for \$655,000, 3,245,190 of which the Company repurchased in August of 1998. An additional 780,720 shares were issued pursuant to the exercise of incentive stock options granted under the 1996 and 1997 Plans and non-statutory stock options granted outside the plans, 25,132 of which the Company repurchased at market value on the date of repurchase, and 600,000 shares were issued pursuant to the exercise of the 1997 and 1998 Warrants.

3. In August 1998, pursuant to the terms of an equity financing of the Company, the Company issued an aggregate of 1,682,692 shares of Series A Preferred Stock to Oak Investment Partners VIII, Limited Partnership, Worldview Technology Partners I, L.P., Worldview Technology International I, L.P., Worldview Strategic Partners I, L.P., Fred Warren and Stanford University for \$20,999,996.16.

4. In February 1999, pursuant to the terms of an equity financing of the Company, the Company issued an aggregate of 2,727,273 shares of Series B Preferred Stock to Oak Investment Partners VIII, Limited Partnership, Oak VIII Affiliates Fund, LP, Worldview Technology Partners I, L.P., Worldview Technology International I, L.P., Worldview Strategic Partners I, L.P., for \$15,000,001.50.

5. In January 1999, we entered into an agreement for the purchase of the assets of B Communications International, Inc. The purchase price the Company paid for such assets consisted of approximately \$2,900,000 in cash and notes. In addition, without receiving separate consideration therefor, the Company issued warrants to purchase 240,381 shares of its Common Stock at an exercise price of \$4.16 per share.

6. In June 1999, the Company entered into an agreement for the purchase of the assets of C.R.D., Inc. The purchase price we paid for such assets consisted of indebtedness and approximately \$540,000 in cash. In addition, without receiving separate consideration therefor, we issued warrants to purchase 4,000 shares of our Common Stock at an exercise price of \$5.50 per share.

The sales and issuances of securities in the transactions described in paragraphs (1) and (2) above were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 promulgated thereunder (in that they were offered and sold either pursuant to written compensatory benefit plans or pursuant to a written contract relating to compensation, as provided by Rule 701) or were deemed to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Regulation D promulgated thereunder.

The sales and issuances of securities in the transactions described in paragraphs (3) through (6) above were deemed to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Regulation D promulgated thereunder.

The recipients represented their intention to acquire the securities for investment purposes only and not with a view to the distribution thereof. Appropriate legends are affixed to the stock certificates issued in such transactions. Similar legends were imposed in connection with any subsequent sales of any such securities. All recipients either received adequate information about the Company or had access, through employment or other relationships, to such information.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS.

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
1.1	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation, as currently in effect.*
3.2	Form of Restated Certificate of Incorporation, to be filed and become effective prior to the closing of this offering.
3.3	Form of Restated Certificate of Incorporation, to be filed and become effective upon the closing of this offering.*
3.4	Bylaws, as currently in effect.*
3.5	Form of Bylaws, as amended to become effective upon the closing of this offering.*
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5.
4.2	Specimen Stock Certificate.*
5.1	Opinion of Cooley Godward LLP. (1)
10.1	1997 Stock Option Plan.*
10.2	Form of Stock Option Agreement pursuant to the 1997 Stock Option Plan and related terms and conditions.*
10.3	1999 Equity Incentive Plan.*
10.4	Form of Stock Option Agreement pursuant to the 1999 Equity Incentive Plan.*
10.5	1999 Employee Stock Purchase Plan and related offering documents.*
10.6	R&D Building Lease by and between the Company and Sorrento Tech Associates as amended.*
10.7	Credit Agreement by and among the Company, various banks and Imperial Bank dated as of September 17, 1999.*

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
10.8	Second Amended and Restated Investor Rights Agreement by and among the Company and certain stockholders of the Company dated as of September 17, 1999.
10.9	Employment Offer Letter by and between the Company and Scott Fox dated as of April 9, 1999.*
10.10	Form of Indemnity Agreement by and between the Company and certain officers and directors of the Company.*
10.11	Amended Promissory Note from the Company to Masood K. Tayebi dated as of August 2, 1999.*
10.12	Amended Promissory Note from the Company to Massih Tayebi dated as of August 2, 1999.*
10.13	Amended Promissory Note from the Company to Sean Tayebi dated as of August 2, 1999.*
10.14	Form of Warrant Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 28, 1997.*
10.15	Form of Subscription and Representation Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 28, 1997.*
10.16	Form of Warrant Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 1, 1998.*
10.17	Form of Bill of Sale and Assignment Agreement by and between the Company and each of Massih Tayebi and Masood K. Tayebi dated as of June 30, 1999.*
10.18	Assignment of Note by and among the Company, Masood K. Tayebi and Massih Tayebi dated as of June 30, 1999.*
10.19	Form of Promissory Note from each of Masood K. Tayebi and Massih Tayebi to the Company dated as of June 30, 1999.*
10.20	Form of Promissory Note from each of Masood K. Tayebi and Massih Tayebi to the Company dated as of June 30, 1999.*
10.21	Services Agreement by and between WFI de Mexico S. de R.L. de C.V. and Ericsson Telecom, S.A. de C.V. dated as of August 4, 1999.+*
10.22	Master Services Agreement by and between Entel Technologies, Inc. and TeleCorp Holding Corp., Inc. dated as of February 27, 1998, as amended.+*
10.23	Master Services Agreement by and between the Company and Nextel Partners Operating Corp. dated as of January 18, 1999.+*
10.24	Agreement by and between the Company and Siemens Aktiengesellschaft, Berlin and Munchen, Federal Republic of Germany, represented by the Business Unit Mobile Networks.+*
10.25	Master Services Agreement by and between the Company and Triton PCS, Operating Company, L.L.C. dated as of January 19, 1998, as amended.+*
10.26	Microwave Relocation Services Agreement by and between Entel Technologies, Inc. and Triton PCS Operating Company, L.L.C. dated as of February 11, 1998.+*
10.27	Site Development Services Agreement by and between Entel Technologies, Inc. and Triton PCS, Inc. dated as of December 10, 1997.+*
10.28	Sales Agreement for Products and Services by and between the Company and Integrated Ventures, LLC dated as of April 19, 1999.+*
10.29	Settlement Agreement and Mutual General Release by and between the Company and Total Outsourcing, Inc dated as of June 30, 1999.*
10.30	Straight Note from Scott Fox and Kathleen W. Fox to the Company, dated as of July 8, 1999.*
10.31	Master Services Agreement by and between the Company and Metricom, Inc. entered into as of September 27, 1999. +
21.1	List of subsidiaries.*

EXHIBIT
NUMBER

DESCRIPTION OF DOCUMENT

23.1	Consent of KPMG LLP, Independent Public Accountants.
23.2	Consent of Cooley Godward LLP. Reference is made to Exhibit 5.1. (1)
23.3	Consent of M.R. Weiser LLP, Independent Public Accountants.
24.1	Power of Attorney. Reference is made to page II-6 of the Registration Statement filed on August 18, 1999.
27	Financial Data Schedule.*

- - - - -
+ Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

(1) To be filed by amendment.

* Previously filed.

(b) Financial Statement Schedules.

Schedule II--Valuation and Qualifying Accounts.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 3 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, County of San Diego, State of California, on September 29, 1999.

By: _____
 *

 Masih Tayebi
 Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 3 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
* _____ Masih Tayebi	Chief Executive Officer and Director (Principal Executive Officer)	September 29, 1999
* _____ Masood K. Tayebi	President and Director	September 29, 1999
/s/ Thomas A. Munro _____ Thomas A. Munro	Chief Financial Officer (Principal Financial and Accounting Officer)	September 29, 1999
* _____ Scott Anderson	Director	September 29, 1999
* _____ Bandel Carano	Director	September 29, 1999
* _____ Scot Jarvis	Director	September 29, 1999
/s/ Thomas A. Munro _____ *By: Thomas A. Munro		

SCHEDULE II

WIRELESS FACILITIES INC.

VALUATION AND QUALIFYING ACCOUNTS

ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF YEAR	ADDITIONS			BALANCE AT END OF YEAR
		PROVISIONS	WRITE-OFFS	OTHER ADDITIONS	
Year ended December 31, 1996..	--	92,035	--	--	92,035
Year ended December 31, 1997..	92,035	15,894	(37,617)	--	70,312
Year ended December 31, 1998..	70,312	491,426	(104)	--	561,634

EXHIBIT INDEX

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3.4	Bylaws, as currently in effect.*
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10.18	Assignment of Note by and among the Company, Masood K. Tayebi and Massih Tayebi dated as of June 30, 1999.*

EXHIBIT
NUMBER

DESCRIPTION OF DOCUMENT

- 10.19 Form of Promissory Note from each of Masood K. Tayebi and Massih Tayebi to the Company dated as of June 30, 1999.*
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- 27 Financial Data Schedule.*

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(1) To be filed by amendment.

* Previously filed.

_____ SHARES

WIRELESS FACILITIES, INC.

COMMON STOCK, \$0.001 PAR VALUE PER SHARE

UNDERWRITING AGREEMENT

October __, 1999

CREDIT SUISSE FIRST BOSTON CORPORATION
HAMBRECHT & QUIST LLC
THOMAS WEISEL PARTNERS LLC
As Representatives of the Several Underwriters,
c/o Credit Suisse First Boston Corporation,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

Dear Sirs:

1. Introductory. Wireless Facilities, Inc., a Delaware corporation

("COMPANY"), proposes to issue and sell _____ shares ("FIRM SECURITIES") of its Common Stock, \$0.001 par value per share ("SECURITIES"), and also proposes to issue and sell to the Underwriters, at the option of the Underwriters, an aggregate of not more than _____ additional shares ("OPTIONAL SECURITIES") of its Securities as set forth below. The Firm Securities and the Optional Securities are herein collectively called the "OFFERED SECURITIES". As part of the offering contemplated by this Agreement, Credit Suisse First Boston Corporation (the "DESIGNATED UNDERWRITER") has agreed to reserve out of the Firm Securities purchased by it under this Agreement, up to _____ shares, for sale to the Company's directors, officers, employees and other parties associated with the Company (collectively, "PARTICIPANTS"), as set forth in the Prospectus (as defined herein) under the heading "Underwriters" (the "DIRECTED SHARE PROGRAM"). The Firm Securities to be sold by the Designated Underwriter pursuant to the Directed Share Program (the "DIRECTED SHARES") will be sold by the Designated Underwriter pursuant to this Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by a Participant by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus. The Company hereby agrees with the several Underwriters named in Schedule A hereto ("UNDERWRITERS") as follows:

2. Representations and Warranties of the Company. The Company represents and

warrants to, and agrees with, the several Underwriters that:

(a) A registration statement (No. 333-____) relating to the Offered Securities, including a form of prospectus, has been filed with the Securities and Exchange Commission ("COMMISSION") and either (i) has been declared effective under the Securities Act of 1933

("ACT") and is not proposed to be amended or (ii) is proposed to be amended by amendment or post-effective amendment. If such registration statement ("INITIAL REGISTRATION STATEMENT") has been declared effective, either (i) an additional registration statement ("ADDITIONAL REGISTRATION STATEMENT") relating to the Offered Securities may have been filed with the Commission pursuant to Rule 462(b)("RULE 462(b)") under the Act and, if so filed, has become effective upon filing pursuant to such Rule and the Offered Securities all have been duly registered under the Act pursuant to the initial registration statement and, if applicable, the additional registration statement or (ii) such an additional registration statement is proposed to be filed with the Commission pursuant to Rule 462(b) and will become effective upon filing pursuant to such Rule and upon such filing the Offered Securities will all have been duly registered under the Act pursuant to the initial registration statement and such additional registration statement. If the Company does not propose to amend the initial registration statement or if an additional registration statement has been filed and the Company does not propose to amend it, and if any post-effective amendment to either such registration statement has been filed with the Commission prior to the execution and delivery of this Agreement, the most recent amendment (if any) to each such registration statement has been declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c)("RULE 462(c)") under the Act or, in the case of the additional registration statement, Rule 462(b). For purposes of this Agreement, "EFFECTIVE TIME" with respect to the initial registration statement or, if filed prior to the execution and delivery of this Agreement, the additional registration statement means (i) if the Company has advised the Representatives that it does not propose to amend such registration statement, the date and time as of which such registration statement, or the most recent post-effective amendment thereto (if any) filed prior to the execution and delivery of this Agreement, was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c), or (ii) if the Company has advised the Representatives that it proposes to file an amendment or post-effective amendment to such registration statement, the date and time as of which such registration statement, as amended by such amendment or post-effective amendment, as the case may be, is declared effective by the Commission. If an additional registration statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, "EFFECTIVE TIME" with respect to such additional registration statement means the date and time as of which such registration statement is filed and becomes effective pursuant to Rule 462(b). "EFFECTIVE DATE" with respect to the initial registration statement or the additional registration statement (if any) means the date of the Effective Time thereof. The initial registration statement, as amended at its Effective Time, including all information contained in the additional registration statement (if any) and deemed to be a part of the initial registration statement as of the Effective Time of the additional registration statement pursuant to the General Instructions of the Form on which it is filed and including all information (if any) deemed to be a part of the initial registration statement as of its Effective Time pursuant to Rule 430A(b) ("RULE 430A(b)") under the Act, is hereinafter referred to as the "INITIAL REGISTRATION STATEMENT". The additional registration statement, as amended at its Effective Time, including the contents of the initial registration statement incorporated by reference therein and including all information (if any) deemed to be a part of the additional registration statement as of its Effective Time pursuant to Rule 430A(b), is hereinafter referred to as the "ADDITIONAL REGISTRATION STATEMENT". The Initial Registration Statement and the Additional Registration Statement are herein referred to collectively as the "REGISTRATION STATEMENTS" and individually as a "REGISTRATION STATEMENT". The form of prospectus relating to the Offered Securities, as first filed with the Commission pursuant to and in accordance with Rule 424(b) ("RULE 424(b)") under the Act or (if no such

filing is required) as included in a Registration Statement, is hereinafter referred to as the "PROSPECTUS". No document has been or will be prepared or distributed in reliance on Rule 434 under the Act.

(b) If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement: (i) on the Effective Date of the Initial Registration Statement, the Initial Registration Statement conformed in all respects to the requirements of the Act and the rules and regulations of the Commission ("RULES AND REGULATIONS") and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) on the Effective Date of the Additional Registration Statement (if any), each Registration Statement conformed, or will conform, in all respects to the requirements of the Act and the Rules and Regulations and did not include, or will not include, any untrue statement of a material fact and did not omit, or will not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) on the date of this Agreement, the Initial Registration Statement and, if the Effective Time of the Additional Registration Statement is prior to the execution and delivery of this Agreement, the Additional Registration Statement each conforms, and at the time of filing of the Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Date of the Additional Registration Statement in which the Prospectus is included, each Registration Statement and the Prospectus will conform, in all respects to the requirements of the Act and the Rules and Regulations, and neither of such documents includes, or will include, any untrue statement of a material fact or omits, or will omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading. If the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement, on the Effective Date of the Initial Registration Statement, the Initial Registration Statement and the Prospectus will conform in all respects to the requirements of the Act and the Rules and Regulations, neither of such documents will include any untrue statement of a material fact or will omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and no Additional Registration Statement has been or will be filed. The two preceding sentences do not apply to statements in or omissions from a Registration Statement or the Prospectus based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7(b) hereof.

(c) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification.

(d) Each subsidiary of the Company has been duly incorporated and is an existing corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus; and each subsidiary of the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification; all of the issued and outstanding capital stock of each subsidiary of the Company has been duly authorized and validly issued and is fully

paid and nonassessable; and the capital stock of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(e) The Offered Securities and all other outstanding shares of capital stock of the Company have been duly authorized; all outstanding shares of capital stock of the Company are, and, when the Offered Securities have been delivered and paid for in accordance with this Agreement on each Closing Date (as defined below), such Offered Securities will have been, validly issued, fully paid and nonassessable and will conform to the description thereof contained in the Prospectus; and the stockholders of the Company have no preemptive rights with respect to the Securities.

(f) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(g) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act.

(h) The Offered Securities have been approved for listing on Nasdaq Stock Market's National Market--subject to notice of issuance.

(i) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement in connection with the issuance and sale of the Offered Securities by the Company, except such as have been obtained and made under the Act and such as may be required under state securities laws.

(j) The execution, delivery and performance of this Agreement, and the issuance and sale of the Offered Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default under any statute, any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any subsidiary of the Company or any of their properties, or any agreement or instrument to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the properties of the Company or any such subsidiary is subject, or the charter or by-laws of the Company or any such subsidiary, and the Company has full power and authority to authorize, issue and sell the Offered Securities as contemplated by this Agreement.

(k) This Agreement has been duly authorized, executed and delivered by the Company.

(l) Except as disclosed in the Prospectus, the Company and its subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or to be made thereof by them; and except as disclosed in

the Prospectus, the Company and its subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or to be made thereof by them.

(m) The Company and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole ("MATERIAL ADVERSE EFFECT").

(n) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that might have a Material Adverse Effect.

(o) The Company and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "INTELLECTUAL PROPERTY RIGHTS") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(p) Except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "ENVIRONMENTAL LAWS"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(q) Except as disclosed in the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company, any of its subsidiaries or any of their respective properties that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under this Agreement, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings are threatened or, to the Company's knowledge, contemplated.

(r) The financial statements included in each Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis and the schedules included in each Registration Statement present fairly the information required to be stated therein; and the assumptions used in preparing the pro forma financial statements included in each Registration Statement and the Prospectus provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts.

(s) Except as disclosed in the Prospectus, since the date of the latest audited financial statements included in the Prospectus there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole, and, except as disclosed in or contemplated by the Prospectus, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(t) The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940.

(u) Furthermore, the Company represents and warrants to the Underwriters that (i) the Registration Statement, the Prospectus and any preliminary prospectus comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and that (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities law and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States.

(v) The Company has not offered, or caused the Underwriters to offer, any offered Securities to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(w) All material tax returns required to be filed by the Company and any of its subsidiaries in any jurisdiction have been filed or have properly been extended, and all material taxes, including withholding taxes, penalties and interest, assessments, fees and other charges due pursuant to such returns or pursuant to any assessment received by the Company or any of its subsidiaries have been paid, other than those for which adequate reserves have been provided. There are no transfer taxes or other similar fees or charges under federal law or the laws of any state, or any political

subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement by the Company or the issuance by the Company or the sale by the Company or the sale by the Company of the Offered Securities, except for fees or charges that may be required to be paid in connection with applicable blue sky laws, which fees and charges the Company hereby agrees to pay.

(x) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3. Purchase, Sale and Delivery of Offered Securities. On the basis of the

representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase from the Company, at a purchase price of \$ per share, numbers of shares of Firm Securities set forth opposite the names of the Underwriters in Schedule A hereto.

The Company will deliver the Firm Securities to the Representatives for the accounts of the Underwriters, against payment of the purchase price in Federal (same day) funds by official bank check or checks or wire transfer to an account at a bank acceptable to Credit Suisse First Boston Corporation ("CSFBC") drawn to the order of the Company at the office of the Company at 9725 Scranton Road, Suite 140, San Diego, CA 92121, at 10:00 A.M., New York time, on _____, or at such other time not later than seven full business days thereafter as CSFBC and the Company determine, such time being herein referred to as the "FIRST CLOSING DATE". For purposes of Rule 15c6-1 under the Securities Exchange Act of 1934, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering. The certificates for the Firm Securities so to be delivered will be in definitive form, in such denominations and registered in such names as CSFBC requests and will be made available for checking and packaging at the above office of the Company at least 24 hours prior to the First Closing Date.

In addition, upon written notice from CSFBC given to the Company from time to time not more than 30 days subsequent to the date of the Prospectus, the Underwriters may purchase all or less than all of the Optional Securities at the purchase price per Security to be paid for the Firm Securities. The Company agrees to sell to the Underwriters the number of shares of Optional Securities specified in such notice and the Underwriters agree, severally and not jointly, to purchase such Optional Securities. Such Optional Securities shall be purchased for the account of each Underwriter in the same proportion as the number of shares of Firm Securities set forth opposite such Underwriter's name bears to the total number of shares of Firm Securities (subject to adjustment by CSFBC to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Securities. No Optional Securities shall be sold or delivered unless the Firm Securities previously have been, or simultaneously are, sold and delivered. The right to purchase the Optional Securities or any

portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by CSFBC to the Company.

Each time for the delivery of and payment for the Optional Securities, being herein referred to as an "OPTIONAL CLOSING DATE", which may be the First Closing Date (the First Closing Date and each Optional Closing Date, if any, being sometimes referred to as a "CLOSING DATE"), shall be determined by CSFBC but shall be not later than five full business days after written notice of election to purchase Optional Securities is given. The Company will deliver the Optional Securities being purchased on each Optional Closing Date to the Representatives for the accounts of the several Underwriters, against payment of the purchase price therefor in Federal (same day) funds by official bank check or checks or wire transfer to an account at a bank acceptable to CSFBC drawn to the order of the Company, at the office of 9725 Scranton Road, Suite 140, San Diego, CA 92121. The certificates for the Optional Securities being purchased on each Optional Closing Date will be in definitive form, in such denominations and registered in such names as CSFBC requests upon reasonable notice prior to such Optional Closing Date and will be made available for checking and packaging at the office of the CSFBC at a reasonable time in advance of such Optional Closing Date.

4. Offering by Underwriters. It is understood that the several

Underwriters propose to offer the Offered Securities for sale to the public as set forth in the Prospectus.

5. Certain Agreements of the Company. The Company agrees with the several

Underwriters that:

(a) If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to and in accordance with

subparagraph (1) (or, if applicable and if consented to by CSFBC, subparagraph (4)) of Rule 424(b) not later than the earlier of (A) the second business day following the execution and delivery of this Agreement or (B) the fifteenth business day after the Effective Date of the Initial Registration Statement.

The Company will advise CSFBC promptly of any such filing pursuant to Rule 424(b). If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement and an additional registration statement is necessary to register a portion of the Offered Securities under the Act but the Effective Time thereof has not occurred as of such execution and delivery, the Company will file the additional registration statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Prospectus is printed and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by CSFBC.

(b) The Company will advise CSFBC promptly of any proposal to amend or supplement the initial or any additional registration statement as filed or the related prospectus or the Initial Registration Statement, the Additional Registration Statement (if any) or the Prospectus and will not effect such amendment or supplementation without CSFBC's consent; and the Company will also advise CSFBC promptly of the effectiveness of each Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement) and of any amendment or

supplementation of a Registration Statement or the Prospectus and of the institution by the Commission of any stop order proceedings in respect of a Registration Statement and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(c) If, at any time when a prospectus relating to the Offered Securities is required to be delivered under the Act in connection with sales by any Underwriter or dealer, any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Act, the Company will promptly notify CSFBC of such event and will promptly prepare and file with the Commission, at its own expense, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither CSFBC's consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(d) As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its securityholders an earnings statement covering a period of at least 12 months beginning after the Effective Date of the Initial Registration Statement (or, if later, the Effective Date of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act. For the purpose of the preceding sentence, "AVAILABILITY DATE" means the 45th day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Date, except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "AVAILABILITY DATE" means the 90th day after the end of such fourth fiscal quarter.

(e) The Company will furnish to each of the Representatives copies of each Registration Statement (five of which will be signed and will include all exhibits), each related preliminary prospectus, and, so long as a prospectus relating to the Offered Securities is required to be delivered under the Act in connection with sales by any Underwriter or dealer, the Prospectus and all amendments and supplements to such documents, in each case in such quantities as CSFBC requests. The Prospectus shall be so furnished on or prior to 3:00 P.M., New York time, on the business day following the later of the execution and delivery of this Agreement or the Effective Time of the Initial Registration Statement. All other documents shall be so furnished as soon as available. The Company will pay the expenses of printing and distributing to the Underwriters all such documents.

(f) The Company will arrange for the qualification of the Offered Securities for sale under the laws of such jurisdictions as CSFBC designates and will continue such qualifications in effect so long as required for the distribution.

(g) During the period of 10 years hereafter, the Company will furnish to the Representatives and, upon request, to each of the other Underwriters, as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and the Company will furnish to the Representatives (i) as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Securities Exchange Act of 1934

or mailed to stockholders, and (ii) from time to time, such other information concerning the Company as CSFBC may reasonably request.

(h) The Company will pay all expenses incident to the performance of its obligations under this Agreement, for any filing fees and other expenses (including fees and disbursements of counsel) incurred in connection with qualification of the Offered Securities for sale under the laws of such jurisdictions as CSFBC designates and the printing of memoranda relating thereto, for the filing fee incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. of the Offered Securities, for any travel expenses of the Company's officers and employees and any other expenses of the Company in connection with attending or hosting meetings with prospective purchasers of the Offered Securities and for expenses incurred in distributing preliminary prospectuses and the Prospectus (including any amendments and supplements thereto) to the Underwriters. In addition to the foregoing, the Company will pay to the Representatives on behalf of the Underwriters on the First Closing Date the sum of \$ _____ as a nonaccountable reimbursement of the Underwriters' other expenses. Such amount may be deducted from the purchase price for the Offered Securities set forth in Section 3.

(i) For a period of 180 days after the date of the initial public offering of the Offered Securities, the Company will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, transfer the economic ownership of, or file with the Commission a registration statement under the Act relating to, any additional shares of its Securities or securities convertible into or exchangeable or exercisable for any shares of its Securities, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of CSFBC grants of employee stock options pursuant to the terms of a plan in effect on the date hereof, issuances of Securities pursuant to the exercise of such options or the exercise of any other employee stock options outstanding on the date hereof.

(j) The Company will (i) enforce the terms of each Lock-up Agreement, and (ii) issue stop-transfer instructions to the transfer agent for the Securities with respect to any transaction or contemplated transaction that would constitute a breach of or default under the applicable Lock-up Agreement. In addition, except with the prior written consent of CSFBC, the Company agrees (i) not to amend or terminate, or waive any right under, any Lock-up Agreement, or take any other action that would directly or indirectly have the same effect as an amendment or termination, or waiver of any right under any Lock-up Agreement, that would permit the holder of any Securities, or any securities convertible into, or exercisable or exchangeable for, Securities, to make any short sale of, grant any option for the purchase of, or otherwise transfer or dispose of, any such Securities or other securities, prior to the expiration of the 180 days after the date of the Prospectus, and (ii) not consent to any sale, short sale, grant of an option for the purchase of, or other disposition or transfer of shares of Securities, or securities convertible into or exercisable or exchangeable for Securities, subject to a Lock-up Agreement.

(k) In connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The Designated Underwriter will notify the

Company as to which Participants will need to be so restricted. The Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time.

(1) The Company will pay all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Shares Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program.

Furthermore, the Company covenants with the Underwriters that the Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. Conditions of the Obligations of the Underwriters. The obligations of the

several Underwriters to purchase and pay for the Firm Securities on the First Closing Date and the Optional Securities to be purchased on each Optional Closing Date will be subject to the accuracy of the representations and warranties on the part of the Company herein, to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) The Representatives shall have received a letter, dated the date of delivery thereof (which, if the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, shall be on or prior to the date of this Agreement or, if the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement, shall be prior to the filing of the amendment or post-effective amendment to the registration statement to be filed shortly prior to such Effective Time), of M.R. Weiser & Co. LLP (with respect to subsection 6(a)(i) below) and of KPMG LLP (with respect to subsections 6(a)(i), (ii), (iii) and (iv) below) confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating to the effect that:

(i) in their opinion the financial statements and schedules and summary of earnings examined by them and included in the Registration Statements comply as to form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations;

(ii) they have performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in Statement of Auditing Standards No. 71, Interim Financial Information, on the unaudited financial statements included in the Registration Statements;

(iii) on the basis of the review referred to in clause (ii) above, a reading of the latest available interim financial statements of the Company, inquiries of officials of the Company who have responsibility for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited financial statements and summary of earnings included in the Registration Statements do not comply as to form in all material

respects with the applicable accounting requirements of the Act and the related published Rules and Regulations or any material modifications should be made to such unaudited financial statements and summary of earnings for them to be in conformity with generally accepted accounting principles;

(B) the unaudited consolidated net sales, net operating income, net income and net income per share amounts for the six-month periods ended June 30 included in the Prospectus do not agree with the amounts set forth in the unaudited consolidated financial statements for those same periods or were not determined on a basis substantially consistent with that of the corresponding amounts in the audited statements of income;

(C) at the date of the latest available balance sheet read by such accountants, or at a subsequent specified date not more than three business days prior to the date of such letter, there was any change in the capital stock or any increase in short-term indebtedness or long-term debt of the Company and its consolidated subsidiaries or, at the date of the latest available balance sheet read by such accountants, there was any decrease in consolidated net current assets or net assets, as compared with amounts shown on the latest balance sheet included in the Prospectus; or

(D) for the period from the closing date of the latest income statement included in the Prospectus to the closing date of the latest available income statement read by such accountants there were any decreases, as compared with the corresponding period of the previous year and with the period of corresponding length ended the date of the latest income statement included in the Prospectus, in consolidated net sales or net operating income in the total or per share amounts of consolidated net income,

except in all cases set forth in clauses (ii) and (iii) above for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(iv) they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Registration Statements (in each case to the extent that such dollar amounts, percentages and other financial information are derived from the general accounting records of the Company and its subsidiaries subject to the internal controls of the Company's accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

For purposes of this subsection, (i) if the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement, "REGISTRATION STATEMENTS" shall mean the initial registration statement as proposed to be amended by the amendment or post-

effective amendment to be filed shortly prior to its Effective Time, (ii) if the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement but the Effective Time of the Additional Registration is subsequent to such execution and delivery, "REGISTRATION STATEMENTS" shall mean the Initial Registration Statement and the additional registration statement as proposed to be filed or as proposed to be amended by the post-effective amendment to be filed shortly prior to its Effective Time, and (iii) "PROSPECTUS" shall mean the prospectus included in the Registration Statements.

The Company shall have received from KPMG LLP (and furnished to the Representatives) an examination report with respect to Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three fiscal years ending December 31, 1998 and review report with respect to Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the six-month period ending June 30, 1999 and the corresponding period for the prior fiscal year, each in accordance with Statement on Standards for Attestation Engagement No. 8 issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, and such examination report shall be included in the Registration Statement.

(b) If the Effective Time of the Initial Registration Statement is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or such later date as shall have been consented to by CSFBC. If the Effective Time of the Additional Registration Statement (if any) is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Prospectus is printed and distributed to any Underwriter, or shall have occurred at such later date as shall have been consented to by CSFBC. If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, the Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 5(a) of this Agreement. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated by the Commission.

(c) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as one enterprise which, in the judgment of a majority in interest of the Underwriters including the Representatives, is material and adverse and makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities; (ii) any banking moratorium declared by U.S. Federal New York or Delaware authorities; or (iii) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in the judgment of a majority in interest of the Underwriters including the Representatives, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities.

(d) The Representatives shall have received an opinion, dated such Closing Date, Cooley Godward LLP, counsel for the Company, to the effect that:

(i) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification;

(ii) The Offered Securities delivered on such Closing Date and all other outstanding shares of the Common Stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable and conform to the description thereof contained in the Prospectus; and the stockholders of the Company have no preemptive rights with respect to the Securities;

(iii) There are no contracts, agreements or understandings known to such counsel between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act;

(iv) The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended;

(v) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement in connection with the issuance or sale of the Offered Securities by the Company, except such as have been obtained and made under the Act and such as may be required under state securities laws;

(vi) The execution, delivery and performance of this Agreement and the issuance and sale of the Offered Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over the Company or any subsidiary of the Company or any of their properties, or any agreement or instrument to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the properties of the Company or any such subsidiary is subject, or the charter or by-laws of the Company or any such subsidiary, and the Company has full power and authority to authorize, issue and sell the Offered Securities as contemplated by this Agreement;

(vii) The Initial Registration Statement was declared effective under the Act as of the date and time specified in such opinion, the Additional Registration Statement (if any) was filed and became effective under the Act as of the date and time (if determinable) specified in such opinion, the Prospectus either was filed with the Commission pursuant to the subparagraph of Rule 424(b) specified in such opinion on the date specified therein or was included in the Initial Registration Statement or the Additional Registration Statement (as the case may be), and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of a Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act, and each Registration Statement and the Prospectus, and each amendment or supplement thereto, as of their respective effective or issue dates, complied as to form in all material respects with the requirements of the Act and the Rules and Regulations; such counsel have no reason to believe that any part of a Registration Statement or any amendment thereto, as of its effective date or as of such Closing Date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any amendment or supplement thereto, as of its issue date or as of such Closing Date, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; the descriptions in the Registration Statements and Prospectus of statutes, legal and governmental proceedings and contracts and other documents are accurate and fairly present the information required to be shown; and such counsel do not know of any legal or governmental proceedings required to be described in a Registration Statement or the Prospectus which are not described as required or of any contracts or documents of a character required to be described in a Registration Statement or the Prospectus or to be filed as exhibits to a Registration Statement which are not described and filed as required; it being understood that such counsel need express no opinion as to the financial statements or other financial data contained in the Registration Statements or the Prospectus;

(viii) The statements set forth under the headings "Risk Factors," "Management," "Shares Eligible for Future Sale," "Certain Transactions" and "Description of Capital Stock" in the Prospectus, insofar as such statements purport to summarize legal matters, documents or proceedings referred to therein, provide a fair summary of such provisions.

(ix) This Agreement has been duly authorized, executed and delivered by the Company.

(e) The Representatives shall have received from Wilson Sonsini Goodrich & Rosati, P.C. ("WSGR"), counsel for the Underwriters, such opinion or opinions, dated such Closing Date, with respect to the incorporation of the Company, the validity of the Offered Securities delivered on such Closing Date, the Registration Statements, the Prospectus and other related matters as the Representatives may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In

rendering such opinion, WSGR may rely as to the incorporation of the Company and all other matters governed by Delaware law upon the opinion of Cooley Godward LLP referred to above.

(f) The Representatives shall have received a certificate, dated such Closing Date, of the President or any Vice President and a principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that: the representations and warranties of the Company in this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission; the Additional Registration Statement (if any) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 111(a) or (b) under the Act, prior to the time the Prospectus was printed and distributed to any Underwriter; and, subsequent to the respective dates of the most recent financial statements in the Prospectus, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of the Company and its subsidiaries taken as a whole except as set forth in or contemplated by the Prospectus or as described in such certificate.

(g) The Representatives shall have received a letter, dated such Closing Date, of M.R. Weiser & Co. LLP, which meets the requirements of [subsection (a)(i)] of this Section, and of KPMG LLP, which meets the requirements of subsections (a)(i), (ii), (iii) and (iv) of this Section, except that the specified date referred to in such subsections will be a date not more than three days prior to such Closing Date for the purposes of this subsection.

The Company will furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably requests. CSFBC may in its sole discretion waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of an Optional Closing Date or otherwise.

7. Indemnification and Contribution. (a) The Company will indemnify and

hold harmless each Underwriter, its partners, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use

therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (b) below.

The Company agrees to indemnify and hold harmless the Designated Underwriter and each person, if any, who controls the Designated Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (the "DESIGNATED ENTITIES"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of the Designated Entities.

(b) Each Underwriter will severally and not jointly indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Act, against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter under the caption "Underwriting": the concession and reallowance figures appearing in the fourth paragraph and the information contained in the fifth paragraph.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section, as the case may be, for any legal or other expenses

subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to the last paragraph in Section 7 (a) hereof in respect of such action or proceeding, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for the Designated Underwriter for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program, and all persons, if any, who control the Designated Underwriter within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters

under this Section shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company, to each officer of the Company who has signed a Registration Statement and to each person, if any, who controls the Company within the meaning of the Act.

8. Default of Underwriters. If any Underwriter or Underwriters default in

their obligations to purchase Offered Securities hereunder on either the First or any Optional Closing Date and the aggregate number of shares of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date, CSFBC may make arrangements satisfactory to the Company for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of shares of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to CSFBC and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company, except as provided in Section 10 (provided that if such default occurs with respect to Optional Securities after the First Closing Date, this Agreement will not terminate as to the Firm Securities or any Optional Securities purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

9. Survival of Certain Representations and Obligations. The respective

indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If this Agreement is terminated pursuant to Section 8 or if for any reason the purchase of the Offered Securities by the Underwriters is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of the Company and the Underwriters pursuant to Section 7 shall remain in effect, and if any Offered Securities have been purchased hereunder the representations and warranties in Section 2 and all obligations under Section 5 shall also remain in effect. If the purchase of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 8 or the occurrence of any event specified in clause (iii), (iv) or (v) of Section 6(c), the Company will reimburse the Underwriters for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities.

10. Notices. All communications hereunder will be in writing and, if sent to

the Underwriters, will be mailed, delivered or telegraphed and confirmed to the Representatives, c/o Credit Suisse First Boston Corporation, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: Investment Banking Department-- Transactions Advisory Group, or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 9725 Scranton Road, Suite 140, San Diego, CA 92121, Attention:

Chief Executive Officer; provided, however, that any notice to an Underwriter pursuant to Section 7 will be mailed, delivered or telegraphed and confirmed to such Underwriter.

11. Successors. This Agreement will inure to the benefit of and be binding

upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder.

12. Representation of Underwriters. The Representatives will act for the

several Underwriters in connection with this financing, and any action under this Agreement taken by the Representatives jointly or by CSFBC will be binding upon all the Underwriters.

13. Counterparts. This Agreement may be executed in any number of

counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN

ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

WIRELESS FACILITIES, INC.

By

Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE FIRST BOSTON CORPORATION

HAMBRECHT & QUIST LLC

THOMAS WEISEL PARTNERS LLC

Acting on behalf of themselves and as the
Representatives of the several
Underwriters

By CREDIT SUISSE FIRST BOSTON CORPORATION

By

[Insert title]

SCHEDULE A

UNDERWRITER

NUMBER OF
FIRM SECURITIES

CREDIT SUISSE FIRST BOSTON CORPORATION.....
HAMBRECHT & QUIST LLC.....
THOMAS WEISEL PARTNERS.....

Total.....

=====

RESTATED
CERTIFICATE OF INCORPORATION
OF
WIRELESS FACILITIES, INC.

Masood K. Tayebi, Ph.D. and Massih Tayebi, Ph.D. hereby certify that:

ONE: The original name of this corporation is Wireless Facilities, Inc. and the date of filing the original Certificate of Incorporation of this corporation with the Secretary of State of the State of Delaware is July 7, 1997.

TWO: They are the duly elected and acting President and Secretary, respectively, of Wireless Facilities, Inc., a Delaware corporation.

THREE: The Certificate of Incorporation of this corporation is hereby amended and restated to read as follows:

I.

The name of the corporation is Wireless Facilities, Inc. (the "Corporation" or the "Company").

II.

The address of the registered office of the Corporation in the State of Delaware is 9 East Loockerman Street, City of Dover, County of Kent.

The name of the Corporation's registered agent at said address is National Registered Agents, Inc.

III.

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

IV.

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is 200,000,000 shares, 195,000,000 shares of which shall be Common Stock (the "Common Stock") and 5,000,000 shares of which shall be Preferred Stock (the "Preferred Stock"). The Preferred Stock shall have a par value of \$.001 per share and the Common Stock shall have a par value of \$.001 per share.

B. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the

1.

affirmative vote of the holders of a majority of the stock of the Corporation (voting together on an as-if-converted basis).

C. The Preferred Stock may be issued from time to time in one or more series. Except as provided below with respect to the Series A Preferred and Series B Preferred, as such terms are defined below, the Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation") pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

D. The Preferred Stock shall be divided into series. The first series shall consist of One Million Six Hundred Eighty-Two Thousand Six Hundred Ninety-Two (1,682,692) shares and is designated "Series A Preferred Stock" (the "Series A Preferred") and the second series shall consist of Two Million Eight Hundred Thousand (2,800,000) shares and is designated "Series B Preferred Stock" (the "Series B Preferred").

E. The rights, preferences, privileges, restrictions and other matters relating to the Series A Preferred and the Series B Preferred are as follows:

1. Dividend Rights.

a. The holders of the Series A and Series B Preferred shall be entitled to receive, when, if and as declared by the Board of Directors, such dividends of cash, stock or property as the Board of Directors shall from time to time declare from funds legally available therefor.

b. So long as any shares of Series A or Series B Preferred shall be outstanding, no dividend, whether in cash or property, shall be paid or declared, nor shall any other distribution be made, on any other stock of the Company ("Junior Stock"), nor shall any shares of any Junior Stock of the Company be purchased, redeemed, or otherwise acquired for value by the Company (except for acquisitions of Common Stock by the Company pursuant to agreements which permit the Company to repurchase such shares upon termination of services to the Company or in exercise of the Company's right of first refusal upon a proposed transfer) until all dividends (set forth in Section 1a above) on the Series A and Series B Preferred shall have been paid or declared and set apart. In the event dividends are declared on any share of Common Stock, an additional dividend shall be paid with respect to all outstanding shares of Series A and Series B Preferred in an amount equal per share (on an as-if-converted to Common Stock basis) to the amount declared or set aside for each share of Common Stock. The provisions of this Section 1b shall not, however, apply to (i) a dividend payable in Common Stock, (ii) the acquisition of shares of any Junior Stock in exchange for shares of any other Junior Stock, or (iii)

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any repurchase of any outstanding securities of the Company that is unanimously approved by the Company's Board of Directors.

2. Voting Rights.

a. General Rights. Except as otherwise provided herein or as required by law, the Series A and Series B Preferred shall be voted equally with the shares of the Common Stock of the Company and not as a separate class, at any annual or special meeting of stockholders of the Company, and may act by written consent in the same manner as the Common Stock, in either case upon the following basis: each holder of shares of Series A or Series B Preferred shall be entitled to such number of votes as shall be equal to the whole number of shares of Common Stock into which such holder's aggregate number of shares of Series A Preferred or Series B Preferred, as the case may be, are convertible (pursuant to Section 4 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent.

b. Separate Vote of Series A and Series B Preferred. For so long as any shares of Series A or Series B Preferred remain outstanding, in addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least a majority of the outstanding Series A Preferred and Series B Preferred, voting together, shall be necessary for effecting or validating the following actions:

(i) Any amendment, alteration, or repeal of any provision of the Certificate of Incorporation or the Bylaws of the Company that alters or changes the voting powers, preferences, or other special rights or privileges, or restrictions of the Series A or Series B Preferred; or

(ii) Any authorization or any designation, whether by reclassification or otherwise, of any new class or series of stock or any other securities convertible into equity securities of the Company ranking senior to, or being on a parity with, the Series A or Series B Preferred in right of redemption, liquidation preference or dividends.

c. Election of Board of Directors. For so long as any shares of Series A or Series B Preferred remain outstanding, the holders of Series A Preferred and the holders of Series B Preferred, voting together as a single class, shall be entitled to elect one (1) member of the Company's Board of Directors at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to fill any vacancy caused by the resignation, death or removal of such director; and (ii) the holders of Common Stock, voting as a separate class, shall be entitled to elect six (6) members of the Board of Directors at each meeting or pursuant to each consent of the Company's stockholders for the election of directors and to fill any vacancy caused by the resignation, death or removal of such directors.

3.

3. Liquidation Rights.

a. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any distribution or payment shall be made to the holders of any Junior Stock, the holders of Series A Preferred and the holders of Series B Preferred shall be entitled to be paid out of the assets of the Company an amount per share of Series A Preferred or Series B Preferred, as the case may be, equal to the applicable "Original Issue Price" plus all declared and unpaid dividends, if any, on the Series A or Series B Preferred Stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares) for each share of Series A or Series B Preferred held by them. The Original Issue Price of the Series A Preferred shall be Twelve Dollars and Forty-Eight Cents (\$12.48) (the "Series A Original Issue Price"). The Original Issue Price of the Series B Preferred shall be Five Dollars and Fifty Cents (\$5.50) (the "Series B Original Issue Price"). The Series A and Series B Preferred shall rank on a parity as to the receipt of the respective liquidation preferences for each such series upon the occurrence of such an event. If, upon any liquidation, distribution, or winding up, the assets of the Company shall be insufficient to make payment in full to all holders of Series A and Series B Preferred of the liquidation preference set forth in this Section 3a, then such assets shall be distributed among the holders of Series A and Series B Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

b. After the payment of the full liquidation preferences of the Series A and Series B Preferred as set forth in Section 3a above, the assets of the Company legally available for distribution, if any, shall be distributed ratably to the holders of the Common Stock, Series A Preferred and Series B Preferred on an as-if-converted to Common Stock basis until such time as the holders of Series A and Series B Preferred have received pursuant to Section 3(a) above and this Section 3(b) an aggregate amount per share of Series A Preferred or Series B Preferred, as the case may be, equal to three (3) times the applicable Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares). Thereafter, the remaining assets of the Company legally available for distribution, if any, shall be distributed ratably to the holders of the Common Stock based on the number of shares of Common Stock held by each.

c. The following events shall be considered a liquidation under this Section:

(i) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, own less than 50% of the Company's voting power immediately after such consolidation, merger or reorganization, or any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred (an "Acquisition"); or

(ii) a sale, lease or other disposition of all or substantially all of the assets of the Company, in which the stockholders of the Company immediately prior to such sale, lease or other disposition of all or substantially all of the assets of the Company, own less than 50% of the Company's voting power immediately after such sale, lease or other disposition of all or substantially all of the assets of the Company (an "Asset Transfer").

d. In any of the events set forth in Section 3c, if the consideration received by this corporation is other than cash, its value will be deemed its fair market value as determined in good faith by the Board of Directors. Any securities shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability covered by (ii) below:

(A) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such quotation system over the thirty (30) day period ending three (3) days prior to the closing;

(B) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (i) (A), (B) or (C) to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

(iii) In the event the requirements of subsections 3(c) and (d) are not complied with, this corporation shall forthwith either:

(A) cause such closing to be postponed until such time as the requirements of this Section 3 have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series A and Series B Preferred Stock shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 3 (d)(iv) hereof.

(iv) This corporation shall give each holder of record of Series A or Series B Preferred Stock written notice of any impending Acquisition or Asset Transfer not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also

notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 3, and this corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after this corporation has given the first notice provided for herein or sooner than ten (10) days after this corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Preferred Stock that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

4. Conversion Rights.

The holders of the Series A and Series B Preferred shall have the following rights with respect to the conversion of the Series A or the Series B Preferred into shares of Common Stock (the "Conversion Rights"):

a. Optional Conversion. Subject to and in compliance with the provisions of this Section 4, any shares of Series A or Series B Preferred may, at the option of the holder, be converted at any time into fully-paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series A or Series B Preferred shall be entitled upon conversion shall be the product obtained by multiplying the "Series A Preferred Conversion Rate" or the "Series B Preferred Conversion Rate" then in effect (determined as provided in Section 4b) by the respective number of shares of Series A Preferred or Series B Preferred being converted.

b. Series A and Series B Preferred Conversion Rate. The conversion rate in effect at any time for conversion of the Series A Preferred (the "Series A Preferred Conversion Rate") shall be the quotient obtained by dividing the Series A Original Issue Price by the "Series A Preferred Conversion Price," calculated as provided in Section 4c. The conversion rate in effect at any time for conversion of the Series B Preferred (the "Series B Preferred Conversion Rate") shall be the quotient obtained by dividing the Series B Original Issue Price by the "Series B Preferred Conversion Price," calculated as provided in Section 4c.

c. Series A and Series B Preferred Conversion Price. The conversion price for the Series A Preferred shall initially be Four Dollars and Sixteen Cents (\$4.16) (the "Series A Preferred Conversion Price"). The conversion price for the Series B Preferred shall initially be the Series B Original Issue Price (the "Series B Preferred Conversion Price"). Such initial Series A and Series B Preferred Conversion Prices shall be adjusted from time to time in accordance with this Section 4. All references to the Series A Preferred Conversion Price or the Series B Preferred Conversion Price herein shall mean the Series A Preferred Conversion Price as so adjusted and the Series B Preferred Conversion Price as so adjusted, respectively.

d. Mechanics of Conversion. Each holder of Series A or Series B Preferred who desires to convert the same into shares of Common Stock pursuant to this Section 4 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or any transfer agent for the Series A or Series B Preferred, and shall give written notice to the Company at such office that such holder elects to convert the same. Such notice shall state the number of shares of Series A or Series B Preferred being converted. Thereupon, the Company shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined in good faith by the Board of Directors as of the date of such conversion), any declared and unpaid dividends on the shares of Series A or Series B Preferred being converted. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series A or Series B Preferred to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering shares of Series A or Series B Preferred for conversion, be conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Stock upon conversion of shares of Series A or Series B Preferred shall not be deemed to have converted such shares of Series A or Series B Preferred until immediately prior to the closing of such sale of securities.

e. Adjustment for Stock Splits and Combinations.

(i) If the Company shall at any time or from time to time after the Effective Time effect a subdivision of the outstanding Common Stock without a corresponding subdivision of the Preferred Stock, the Series A Preferred Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Company shall at any time or from time to time after the Effective Time combine the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination of the Preferred Stock, the Series A Preferred Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 4e(i) shall become effective at the close of business on the date the subdivision or combination becomes effective, provided, however, that such adjustment shall not apply to the stock split set forth in Section IV(B).

(ii) If the Company shall at any time or from time to time after the date that the first share of Series B Preferred is issued (the "Series B Preferred Original Issue Date") effect a subdivision of the outstanding Common Stock without a corresponding subdivision of the Preferred Stock, the Series B Preferred Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Company shall at any time or from time to time after the Series B Original Issue Date combine the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination

of the Preferred Stock, the Series B Preferred Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 4e(ii) shall become effective at the close of business on the date the subdivision or combination becomes effective.

f. Adjustment for Common Stock Dividends and Distributions. If the Company at any time or from time to time after the date that the first share of Series A Preferred is issued (the "Series A Original Issue Date") or after the Series B Original Issue Date makes, or fixes a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, in each such event the Series A or Series B Preferred Conversion Price, as the case may be, that is then in effect shall be decreased as of the time of such issuance or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the Series A or Series B Preferred Conversion Price then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Series A or Series B Preferred Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Series A or Series B Preferred Conversion Price, as the case may be, shall be adjusted pursuant to this Section 4f to reflect the actual payment of such dividend or distribution.

g. Adjustment for Reclassification, Exchange and Substitution. If at any time or from time to time after the Series A or Series B Original Issue Date, the Common Stock issuable upon the conversion of the Series A or Series B Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than an Acquisition or Asset Transfer as defined in Section 3c or a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section 4), in any such event each holder of Series A or Series B Preferred shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Common Stock into which such shares of Series A or Series B Preferred could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

h. Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Series A or Series B Original Issue Date, there is a capital reorganization of the Common Stock (other than an Acquisition or Asset Transfer as defined in Section 3c or a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4), as a part of such capital

reorganization, provision shall be made so that the holders of the Series A or Series B Preferred shall thereafter be entitled to receive upon conversion of the Series A or Series B Preferred, as the case may be, the number of shares of stock or other securities or property of the Company to which a holder of the number of shares of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such stock or securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of Series A and Series B Preferred after the capital reorganization to the end that the provisions of this Section 4 (including adjustment of the Series A and Series B Preferred Conversion Prices then in effect and the number of shares issuable upon conversion of the Series A and Series B Preferred) shall be applicable after that event and be as nearly equivalent as practicable.

i. Sale of Shares Below Series A or Series B Preferred Conversion Price.

(i) If at any time or from time to time after the Series A or Series B Original Issue Date, the Company issues or sells, or is deemed by the express provisions of this Section 4i to have issued or sold, Additional Shares of Common Stock (as defined in Section 4i(iv) below), other than as a dividend or other distribution on any class of stock as provided in Section 4f above, and other than a subdivision or combination of shares of Common Stock as provided in Section 4e above, for an Effective Price (as defined in Section 4i(iv) below) less than the then effective Series A Preferred Conversion Price or Series B Preferred Conversion Price, as the case may be, then and in each such case the then existing Series A Preferred Conversion Price or Series B Preferred Conversion Price, as the case may be, shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the then effective Series A Preferred Conversion Price or Series B Preferred Conversion Price, as the case may be, by a fraction (A) the numerator of which shall be (1) the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale, plus (2) the number of shares of Common Stock which the aggregate consideration received (as defined in Section 4i(ii)) by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Series A or Series B Preferred Conversion Price, and (B) the denominator of which shall be the number of shares of Common Stock deemed outstanding (as defined below) immediately prior to such issue or sale plus the total number of Additional Shares of Common Stock so issued. For the purposes of the preceding sentence, the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (X) the number of shares of Common Stock actually outstanding, (Y) the number of shares of Common Stock into which the then outstanding shares of Series A or Series B Preferred could be converted if fully converted on the day immediately preceding the given date, and (Z) the number of shares of Common Stock which could be obtained through the exercise or conversion of all other rights, options and convertible securities outstanding on the day immediately preceding the given date.

(ii) For the purpose of making any adjustment required under this Section 4i, the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the

Company after deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Company in connection with such issue or sale but without deduction of any expenses payable by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board of Directors, and (C) if Additional Shares of Common Stock, Convertible Securities (as defined in Section 4i(iii)) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iii) For the purpose of the adjustment required under this Section 4i, if the Company issues or sells (A) stock or other securities convertible into Additional Shares of Common Stock (such convertible stock or securities being herein referred to as "Convertible Securities"), or (B) rights or options for the purchase of Additional Shares of Common Stock or Convertible Securities and if the Effective Price of such Additional Shares of Common Stock is less than the Series A or Series B Preferred Conversion Price, in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Company shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if the minimum amount of consideration payable to the Company upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; provided further that if the minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Company upon the exercise or conversion of such rights, options or Convertible Securities. No further adjustment of the Series A or Series B Preferred Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Series A or Series B Preferred Conversion Price as adjusted upon the

issuance of such rights, options or Convertible Securities shall be readjusted to the Series A Preferred Conversion Price or the Series B Preferred Conversion Price, as the case may be, which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, provided that such readjustment shall not apply to prior conversions of Series A or Series B Preferred.

(iv) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this Section 4i, whether or not subsequently reacquired or retired by the Company other than (A) shares of Common Stock issued upon conversion of the Series A or Series B Preferred; (B) up to 7,500,000 shares of Common Stock and/or options, warrants or other Common Stock purchase rights, and the Common Stock issued pursuant to such options, warrants or other rights (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like) after the Series B Original Issue Date to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary for the primary purpose of soliciting or retaining their services pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board of Directors of the Company; (C) shares of Common Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the Series B Original Issue Date, (D) shares of Common Stock issued for consideration other than cash pursuant to a bona fide merger, consolidation, acquisition or similar business combination and (E) shares of Common Stock issued pursuant to any equipment leasing arrangement, or debt financing from a bank or similar financial institution (provided such issuances are for other than primarily equity financing purposes). In addition to the foregoing, for purposes of calculating any adjustment to the Series A Preferred Conversion Price pursuant to this Section 4i, "Additional Shares of Common Stock" shall not include (A) shares of Common Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the Series A Original Issue Date or (B) options, warrants or other common stock purchase rights approved by the Board of Directors of the Company and issued after the Series A Original Issue Date but on or prior to the Series B Original Issue Date. The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Company under this Section 4i, into the aggregate consideration received, or deemed to have been received by the Company for such issue under this Section 4i, for such Additional Shares of Common Stock.

j. Certificate of Adjustment. In each case of an adjustment or readjustment of the Series A or Series B Preferred Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the Series A or Series B

Preferred, if the Series A or Series B Preferred is then convertible pursuant to this Section 4, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of Series A or Series B Preferred at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (ii) the Series A Preferred Conversion Price or Series B Preferred Conversion Price, as the case may be, at the time in effect, (iii) the number of Additional Shares of Common Stock and (iv) the type and amount, if any, of other property which at the time would be received upon conversion of the Series A or Series B Preferred.

k. Notices of Record Date. Upon (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any Acquisition (as defined in Section 3c) or other capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any Asset Transfer (as defined in Section 3c), or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series A and Series B Preferred at least twenty (20) days prior to the record date specified therein a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up.

l. Automatic Conversion.

(i) Each share of Series A and Series B Preferred shall automatically be converted into shares of Common Stock, based on the then-effective Series A Preferred Conversion Price or Series B Preferred Conversion Price, as the case may be, (A) at any time upon the affirmative election of the holders of at least sixty six and two-thirds percent (66 2/3%) of the outstanding shares of the Series A Preferred and Series B Preferred voting as a single class, or (B) immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company in which (i) the per share price is at least \$8.35 (as adjusted for stock splits, dividends, recapitalizations and the like), and (ii) the gross cash proceeds to the Company (before underwriting discounts, commissions and fees) are at least \$25,000,000. Upon such automatic conversion, any declared and unpaid dividends shall be paid in accordance with the provisions of Section 4d.

(ii) Upon the occurrence of the event specified in paragraph (A) above, the outstanding shares of Series A and Series B Preferred shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company or its transfer agent; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Series A or Series B Preferred are either delivered to the Company or its transfer agent as provided below, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Series A or Series B Preferred, the holders of Series A or Series B Preferred shall surrender the certificates representing such shares at the office of the Company or any transfer agent for the Series A or Series B Preferred. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series A or Series B Preferred surrendered were convertible on the date on which such automatic conversion occurred, and any declared and unpaid dividends shall be paid in accordance with the provisions of Section 4d.

m. Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of Series A or Series B Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series A or Series B Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the Common Stock's fair market value (as determined in good faith by the Board of Directors) on the date of conversion.

n. Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A and Series B Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A and Series B Preferred. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A and Series B Preferred, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

o. Notices. Any notice required by the provisions of this Section 4 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after

deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Company.

p. Payment of Taxes. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series A or Series B Preferred, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series A or Series B Preferred so converted were registered.

q. No Dilution or Impairment. Without the consent of the holders of then outstanding Series A and Series B Preferred as required under Section 2b, the Company shall not amend its Restated Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or take any other voluntary action, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but shall at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the conversion rights of the holders of the Series A and Series B Preferred against dilution or other impairment.

5. No Reissuance of Series A Preferred.

No share or shares of Series A or Series B Preferred acquired by the Corporation by reason of purchase, conversion or otherwise shall be reissued.

V.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. 1. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

2. Board of Directors

a. Directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Each director shall hold office either until the expiration of the term for which elected or appointed and until a successor has been elected and qualified, or until such director's death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

b. No person entitled to vote at an election for directors may cumulate votes to which such person is entitled, unless, at the time of such election, the corporation (i) is subject to Section 2115(b) of the California General Corporation Law ("CGCL") and (ii) is not a "listed" corporation or ceases to be a "listed" corporation under Section 301.5 of the CGCL. During this time, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

3. Removal of Directors

a. During such time or times that the Corporation is subject to Section 2115(b) of the CGCL, the Board of Directors or any individual director may be removed from office at any time without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire Board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

b. At any time or times that the corporation is not subject to Section 2115(b) of the CGCL and subject to any limitations imposed by law, Section A(3)(a) above shall not apply and the Board of Directors or any director may be removed from office at any time with or without cause by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of voting stock of the corporation, entitled to vote at an election of directors.

4. Vacancies

a. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in

office, even though less than a quorum of the Board of Directors, and not by the stockholders (except as stockholders may have such rights as described below). Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

b. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

c. At any time or times that the Corporation is subject to Section 2115(b) of the CGCL, if, after the filling of any vacancy by the directors then in office, where the number of such directors voting to fill, such vacancy who have been elected by stockholders shall constitute less than a majority of the directors then in office, then

(i) Any holder or holders of an aggregate of five percent (5%) or more of the total number of shares at the time outstanding having the right to vote for those directors may call a special meeting of stockholders; or

(ii) The Superior Court of the proper county shall, upon application of such stockholder or stockholders, summarily order a special meeting of stockholders, to be held to elect the entire board, all in accordance with Section 305(c) of the CGCL. The term of office of any director shall terminate upon that election of a successor.

B. 1. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

2. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

3. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws or by written consent of stockholders in accordance with the Bylaws prior to the closing of the Corporation's first underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Initial Public Offering"), provided following the closing of the Initial Public Offering no action shall be taken by the stockholders by written consent.

4. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. This Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the CGCL) for breach of duty to the Corporation and its shareholders through bylaw provisions or through agreements with the agents, or through shareholder resolutions, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the CGCL, subject, at any time or times the Corporation is subject to Section 2115(b) to the limits on such excess indemnification set forth in Section 204 of the CGCL.

C. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII.

A. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B of this Article VII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VII.

* * * *

FOUR: This Restated Certificate of Incorporation has been duly approved by the Board of Directors of this Corporation.

FIVE: This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 228 and 245 of the General Corporation Law of the State of Delaware by the Board of Directors and the stockholders of the Corporation. The total number of outstanding shares entitled to vote or act by written consent was _____ shares of Common Stock and _____ shares of Preferred Stock. A majority of the outstanding shares of Common Stock and a majority of the outstanding shares of Preferred Stock approved this

Restated Certificate of Incorporation by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware and written notice of such was given by the Corporation in accordance with said Section 228.

In Witness Whereof, Wireless Facilities, Inc. has caused this Restated Certificate of Incorporation to be signed by the President and the Secretary in San Diego, California this _____ day of _____ 1999.

Wireless Facilities, Inc.

By: _____
Masood K. Tayebi, Ph.D.
President

ATTEST:

By: _____
Massih Tayebi, Ph.D.
Secretary

WIRELESS FACILITIES, INC.
SECOND AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT

SEPTEMBER 17, 1999

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WIRELESS FACILITIES, INC.

SECOND AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT

THIS SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (the "Agreement") is entered into as of the 17th day of September, 1999, by and among Wireless Facilities, Inc., a Delaware corporation (the "Company"), the holders of the Company's Series A Preferred Stock ("Series A Stock") set forth on Exhibit A hereto, the holders of the Company's Series B Preferred Stock ("Series B Stock") set forth on Exhibit A of that certain Series B Preferred Stock Purchase Agreement of February 26, 1999 (the "Purchase Agreement") and Exhibit A hereto, and the prospective holders of 2,000,000 shares of the Company's Common Stock (the "Selected Common Stock") set forth in that certain Common Stock Purchase Agreement of even date herewith (the "Common Stock Purchase Agreement") and Exhibit A hereto. the holders of the Series A Stock, the holders of the Series B Stock, and the holders of the Selected Common Stock shall collectively be referred to hereinafter as the "Investors" and each individually as an "Investor."

RECITALS

WHEREAS, certain of the Investors hold shares of the Company's Series A Stock and possess certain registration rights, information rights and other rights pursuant to an existing Investor Rights Agreement dated as of August 7, 1998 among the Company and such Investors;

WHEREAS, certain of the Investors hold shares of the Company's Series B Stock and possess certain registration rights, information rights and other rights pursuant to an existing Amended and Restated Investor Rights Agreement dated as of February 26, 1999 among the Company and such Investors;

WHEREAS, the undersigned Investors who hold Series A Stock and Series B Stock hold a majority of the Registrable Securities, and such Investors and the Company desire to amend and restate the Amended and Restated Investor Rights Agreement to add the holders of the Selected Common Stock as parties thereto;

WHEREAS, certain Investors are parties to the Common Stock Purchase Agreement, pursuant to which those Investors propose to buy the Selected Common Stock; and

WHEREAS, as a condition of entering into the Common Stock Purchase Agreement, the prospective purchasers have requested that the Company extend to them registration rights and information rights as set forth below;

NOW THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and in the Common Stock Purchase Agreement, the parties mutually agree as follows:

SECTION 1. GENERAL

1.1 DEFINITIONS. As used in this Agreement the following terms shall have the following respective meanings:

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 2.10 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (a) Common Stock of the Company issued or issuable upon conversion of the Shares; (b) the Selected Common Stock; and (c) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities sold by a person to the public either pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 2 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (a) are then issued and outstanding or (b) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses and the expense up to fifteen thousand dollars (\$15,000) in connection with any special audits incident to or required by any registration pursuant to Section 2.2 or Section 2.4 hereof (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale, the fees and costs of any special counsel to the Holders and expenses, if any, in excess of fifteen thousand dollars (\$15,000) in connection with any special audits incident to or required by any registration pursuant to Section 2.2 or Section 2.4 hereof.

"SHARES" shall mean (i) the Company's Series A Stock issued pursuant to that certain Series A Preferred Stock Purchase Agreement dated as of August 7, 1998, (ii) the Company's Series B Stock issued pursuant to the Purchase Agreement, and (iii) the Company's Selected Common Stock (as narrowly defined in the first paragraph of this Agreement), each of the foregoing held by the Investors listed on Exhibit A hereto and their permitted assigns.

SECTION 2. REGISTRATION; RESTRICTIONS ON TRANSFER

2.1 RESTRICTIONS ON TRANSFER.

(a) Each Holder agrees not to make any disposition of all or any portion of the Shares or Registrable Securities unless and until:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or former partners in accordance with partnership interests, (B) a partnership to an affiliated entity pursuant to Section 5.14 hereof, (C) a corporation to its stockholders in accordance with their interest in the corporation, (D) a limited liability company to its members or former members in accordance with their interest in the limited liability company, or (E) to the Holder's family member or trust for the benefit of an individual Holder; provided that in each case the

transferee will be subject to the terms of this Agreement to the same extent as if he were an original Holder hereunder.

(b) Each certificate representing Shares or Registrable Securities shall (unless otherwise permitted by the provisions of the Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER
THE SECURITIES ACT OF 1933

(THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

(c) The Company shall be obligated to reissue promptly unlegended certificates at the request of any holder thereof if the holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

(d) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate blue sky authority authorizing such removal.

2.2 DEMAND REGISTRATION.

(a) Subject to the conditions of this Section 2.2, if the Company shall receive a written request from the Holders of at least 50% of the Registrable Securities then outstanding (the "Initiating Holders") that the Company file a registration statement under the Securities Act covering the registration of at least 20% of the Registrable Securities then outstanding held by the Initiating Holders (or a lesser percent if the anticipated gross receipts from the offering exceed \$30,000,000 (a "Qualified Public Offering")), then the Company shall, within thirty (30) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.2, use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.2 or any request pursuant to Section 2.4 and the Company shall include such information in the written notice referred to in Section 2.2(a) or Section 2.4(a), as applicable. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.2 or Section 2.4, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such

Registrable Securities on a pro rata basis based on the number of Registrable

Securities held by all such Holders (including the Initiating Holders);
provided, however, that the number of shares of Registrable Securities to be

included in such underwriting and registration shall not be reduced unless all
other securities of the Company are first entirely excluded from the
underwriting and registration. Any Registrable Securities excluded or withdrawn
from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration
pursuant to this Section 2.2:

(i) prior to the earlier of (A) June 12, 2000 or (B) one year
following the effective date of the registration statement pertaining to the
Initial Offering;

(ii) after the Company has effected two (2) registrations
pursuant to this Section 2.2, and such registrations have been declared or
ordered effective;

(iii) if within thirty (30) days of receipt of a written request
from Initiating Holders pursuant to Section 2.2(a), the Company gives notice to
the Holders of the Company's intention to make effective its Initial Offering
within ninety (90) days, provided that the Company is actively employing in good
faith all reasonable efforts to cause such registration statement to become
effective;

(iv) if the Company shall furnish to Holders requesting a
registration statement pursuant to this Section 2.2, a certificate signed by the
Chairman of the Board stating that in the good faith judgment of the Board of
Directors of the Company, it would be seriously detrimental to the Company and
its stockholders for such registration statement to be effected at such time, in
which event the Company shall have the right to defer such filing for a period
of not more than ninety (90) days after receipt of the request of the Initiating
Holders; provided that such right to delay a request shall be exercised by the

Company not more than twice in any twelve (12) month period; or

(v) if the Initiating Holders propose to dispose of shares of
Registrable Securities that may be immediately registered on Form S-3 pursuant
to a request made pursuant to Section 2.4 below.

2.3 PIGGYBACK REGISTRATIONS. The Company shall notify all Holders of
Registrable Securities in writing at least fifteen (15) days prior to the filing
of any registration statement under the Securities Act for purposes of a public
offering of securities of the Company (including, but not limited to,
registration statements relating to secondary offerings of securities of the
Company, including those filed on demand of any later round investor, but
excluding registration statements relating to employee benefit plans or with
respect to corporate reorganizations or other transactions under Rule 145 of the
Securities Act) and will afford each such Holder an opportunity to include in
such registration statement all or part of such Registrable Securities held by
such Holder. Each Holder desiring to include in any such registration statement
all or any part of the Registrable Securities held by it shall, within fifteen
(15) days after the above-described notice from the Company, so notify the
Company in writing. Such notice shall state the intended method of disposition
of the Registrable Securities by such

Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING. If the registration statement under which the Company gives notice under this Section 2.3 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of the Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities held by the Holders; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the amount of securities of the selling Holders included in the registration below twenty-five percent (25%) of the total amount of securities being offered in such registration, unless such offering is the Initial Offering and such registration does not include shares of any other selling stockholders, in which event any or all of the Registrable Securities of the Holders may be excluded in accordance with the immediately preceding sentence. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than fifty percent (50%) of the Registrable Securities. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a partnership or corporation, the partners, retired partners and stockholders of such Holder, the affiliated entities of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing person shall be deemed to be a single "Holder", and any pro rata reduction with respect to such "Holder" shall be based upon the
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aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof.

2.4 FORM S-3 REGISTRATION. In case the Company shall receive from any Holder or Holders of Registrable Securities a written request or requests that the Company effect a

registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such
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registration, qualification or compliance pursuant to this Section 2.4:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than five hundred thousand dollars (\$500,000);

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than sixty (60) days after receipt of the request of the Holder or Holders under this Section 2.4; provided, that such right to delay a
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request shall be exercised by the Company not more than once in any twelve (12) month period; or

(iv) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 2.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 2.2 or 2.3, respectively.

2.5 EXPENSES OF REGISTRATION. Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 2.2 or any registration under Section 2.3 or Section 2.4 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered pro rata on the basis of the
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number of

shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2 or 2.4, the request of which has been subsequently withdrawn by the Initiating Holders unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request or (b) the Holders of a majority of Registrable Securities agree to forfeit their right to one requested registration pursuant to Section 2.2 or Section 2.4, as applicable, in which event such right shall be forfeited by all Holders. If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then the Holders shall not forfeit their rights pursuant to Section 2.2 or Section 2.4 to a demand registration.

2.6 OBLIGATIONS OF THE COMPANY. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred eighty (180) days or, if earlier, until the Holder or Holders have completed the distribution related thereto. The Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in paragraph (a) above.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith

or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

2.7 TERMINATION OF REGISTRATION RIGHTS. All registration rights granted under this Section 2 shall terminate and be of no further force and effect five (5) years after the effective date of the Company's Initial Offering. In addition, a Holder's registration rights shall expire if all Registrable Securities held by and issuable to such Holder (and its affiliates, partners, former partners, members and former members) may be sold under Rule 144 during any ninety (90) day period.

2.8 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2, 2.3 or 2.4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.2 or Section 2.4 if, due to the operation of subsection 2.2(b), the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.2 or Section 2.4, whichever is applicable.

2.9 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4:

(A) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses,

claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will pay as incurred to each such Holder, partner, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity

agreement contained in this Section 2.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will pay as incurred any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however,

that the indemnity agreement contained in this Section 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any

indemnity under this Section 2.9 exceed the proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall

have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.9.

(d) If the indemnification provided for in this Section 2.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a

Holder hereunder exceed the proceeds from the offering received by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 2.9 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this agreement. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

2.10 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities provided that the transfer (a) is in connection with a transfer of all Registrable Securities of the transferor, (b) involves a transfer of at least one hundred thousand (100,000) shares of Registrable Securities (as adjusted for stock splits and combinations), or (c) is a transfer of Registrable Securities to constituent partners, affiliated entities or stockholders of the Holder and who agree to act through a single representative; provided, however, (i) the transferor shall,

within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (ii) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.11 AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Section 2 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least fifty percent (50%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 2.11 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 2, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

2.12 "MARKET STAND-OFF" AGREEMENT; AGREEMENT TO FURNISH INFORMATION. Each Holder hereby agrees that such Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; provided that:

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(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company enter into similar agreements.

Each Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 2.12 shall not apply to a registration relating solely to employee benefit plans on Form S-8 or similar form that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

2.13 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 3. COVENANTS OF THE COMPANY

3.1 FINANCIAL INFORMATION AND REPORTING.

(a) The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied, and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

(b) As soon as practicable after the end of each fiscal year of the Company, and in any event within ninety (90) days thereafter, the Company will furnish each Investor a balance sheet of the Company, and statement of shareholder's equity as at the end of such fiscal year, and a statement of income and a statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of national standing selected by the Company's Board of Directors.

(c) The Company will furnish each Investor, as soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, and in any event within forty-five (45) days thereafter, a balance sheet of the Company as of the end of each such quarterly period, and a statement of income and a statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

3.2 CONFIDENTIALITY OF RECORDS. Each Investor agrees to use, and to use its best efforts to insure that its authorized representatives use, the same degree of care as such Investor uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that such Investor may disclose such proprietary or confidential information to any partner, subsidiary, affiliated entity to which a transfer of shares is permitted pursuant to Section 5.14 hereof or parent of such Investor for the purpose of evaluating its investment in the Company as long as such partner, subsidiary, affiliated entity or parent is advised of the confidentiality provisions of this Section 3.2.

3.3 INSPECTION. The Company shall permit each Investor to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.3 to provide access to any information that it reasonably considers to be a trade secret or similar confidential information.

3.4 RESERVATION OF COMMON STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

3.5 TERMINATION OF COVENANTS. All covenants of the Company contained in Section 3 of this Agreement shall expire and terminate as to each Investor upon the earlier of (i) the effective date of the registration statement pertaining to the Initial Offering or (ii) upon (a) the acquisition of all or substantially all of the assets of the Company or (b) an acquisition of the Company by another corporation or entity by consolidation, merger or other reorganization in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the corporation or other entity surviving such transaction (a "Change in Control").

SECTION 4. RIGHTS OF FIRST REFUSAL

4.1 SUBSEQUENT OFFERINGS. Each Investor, other than the holders of the Selected Common Stock or the Equity Securities excluded by Section 4.6 hereof, shall have a right of first refusal to purchase its pro rata share of all Equity

Securities, as defined below, that the Company may, from time to time, propose to sell and issue after the date of this Agreement. Notwithstanding any provision in this Agreement to the contrary, Section 4 shall not apply to the holders of the Selected Common Stock. Each Investor's pro rata share is equal to

the ratio of (a) the number of shares of the Company's Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares) which such Investor is deemed to be a holder immediately prior to the issuance of such Equity Securities to (b) the total number of shares of the Company's outstanding Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares) held by all of the Investors immediately prior to the issuance of the Equity Securities. The term "Equity Securities" shall mean (i) any Common Stock, Preferred Stock or other security of the Company, (ii) any security convertible, with or without consideration, into any Common Stock, Preferred Stock or other security (including any

option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any Common Stock, Preferred Stock or other security or (iv) any such warrant or right.

4.2 EXERCISE OF RIGHTS. If the Company proposes to issue any Equity Securities other than the Equity Securities excluded by Section 4.6 hereof, it shall give each Investor written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Company proposes to issue the same. Each Investor shall have fifteen (15) days from the giving of such notice to agree to purchase its pro rata share of the Equity

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Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Equity Securities to be purchased. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Investor who would cause the Company to be in violation of applicable federal securities laws by virtue of such offer or sale.

4.3 ISSUANCE OF EQUITY SECURITIES TO OTHER PERSONS. If not all of the Investors elect to purchase their pro rata share of the Equity Securities, then

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the Company shall promptly notify in writing the Investors who do so elect and shall offer such Investors the right to acquire such unsubscribed shares. The participating Investors shall have five (5) days after receipt of such notice to notify the Company of their election to purchase all or a portion thereof of the unsubscribed shares. If the Investors fail to exercise in full the rights of first refusal, the Company shall have one hundred and twenty (120) days thereafter to sell the Equity Securities in respect of which the Investor's rights were not exercised, at a price and upon general terms and conditions materially no more favorable to the purchasers thereof than specified in the Company's notice to the Investors pursuant to Section 4.2 hereof. If the Company has not sold such Equity Securities within one hundred and twenty (120) days of the notice provided pursuant to Section 4.2, the Company shall not thereafter issue or sell any Equity Securities, without first offering such securities to the Investors in the manner provided above.

4.4 TERMINATION AND WAIVER OF RIGHTS OF FIRST REFUSAL. The rights of first refusal established by this Section 4 shall not apply to, and shall terminate upon the earlier of (i) effective date of the registration statement pertaining to the Company's Initial Public Offering or (ii) a Change in Control. The rights of first refusal established by this Section 4 may be amended, or any provision waived with the written consent of Investors holding a majority of the Registrable Securities held by all Investors, or as permitted by Section 5.6.

4.5 TRANSFER OF RIGHTS OF FIRST REFUSAL. The rights of first refusal of each Investor under this Section 4 may be transferred to the same parties, subject to the same restrictions as any transfer of registration rights pursuant to Section 2.10.

4.6 EXCLUDED SECURITIES. The rights of first refusal established by this Section 4 shall have no application to any of the following Equity Securities:

(a) Up to 7,500,000 shares of Common Stock (and/or options, warrants or other Common Stock purchase rights issued pursuant to such options, warrants or other rights) issued or to be issued to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary (for the primary purpose of soliciting or retaining their services) after

the date of this Agreement, pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board of Directors;

(b) stock issued pursuant to any rights or agreements outstanding as of the date of this Agreement, options and warrants outstanding as of the date of this Agreement; and stock issued pursuant to any such rights or agreements granted after the date of this Agreement, provided that the rights of first refusal established by this Section 4 applied with respect to the initial sale or grant by the Company of such rights or agreements;

(c) any Equity Securities issued for consideration other than cash pursuant to a bona fide merger, consolidation, acquisition or similar business combination;

(d) shares of Common Stock issued in connection with any stock split, stock dividend or recapitalization by the Company;

(e) shares of Common Stock issued upon conversion of the Shares;

(f) any Equity Securities issued pursuant to any equipment leasing arrangement, or debt financing from a bank or similar financial institution (provided such issuances are for other than primarily equity financing purposes);

(g) any Equity Securities that are issued by the Company pursuant to a registration statement filed under the Securities Act; and

(h) shares of the Company's Common Stock or Preferred Stock issued in connection with strategic transactions involving the Company and other entities, including (i) joint ventures, manufacturing, marketing or distribution arrangements or (ii) technology transfer or development arrangements; provided

that such strategic transactions and the issuance of shares therein, has been approved by the Company's Board of Directors.

SECTION 5. MISCELLANEOUS

5.1 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

5.2 SURVIVAL. The representations, warranties, covenants, and agreements made herein shall survive any investigation made by any Holder and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Company hereunder solely as of the date of such certificate or instrument.

5.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time; provided, however, that prior to the receipt by the Company of adequate written

notice of the

transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

5.4 ENTIRE AGREEMENT. This Agreement, the Exhibits and Schedules hereto, the Common Stock Purchase Agreement and the other documents delivered pursuant thereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

5.5 SEVERABILITY. In case any provision of the Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

5.6 AMENDMENT AND WAIVER.

(a) Except as otherwise expressly provided, this Agreement may be amended or modified only upon the written consent of the Company and the holders of at least a majority of the Registrable Securities.

(b) Except as otherwise expressly provided, the obligations of the Company and the rights of the Holders under this Agreement may be waived only with the written consent of the holders of at least a majority of the Registrable Securities.

(c) Notwithstanding the foregoing, this Agreement may be amended with only the written consent of the Company to include additional purchasers of Shares as "Investors," "Holders" and parties hereto.

5.7 LIMITATION ON SUBSEQUENT GRANT OF RIGHTS. After the date of this Agreement, the Company shall not, without the prior written consent of at least a majority in interest of the Series A and Series B Preferred (or Common Stock issued upon conversion of the Series A or Series B Preferred or a combination of such Common Stock and Series A or Series B Preferred) and the Selected Common Stock, enter into any agreement with any holder or prospective holder of any equity securities of the Company that would grant such holder registration rights senior to those granted to the Holders hereunder. The Company will grant each Investor any registration rights or rights of first refusal granted to subsequent purchasers of the Company's equity securities to the extent that such rights are superior, in the good faith judgment of the Company's Board of Directors, to those granted pursuant to this Agreement.

5.8 DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such

Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

5.9 NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth on the signature pages hereof or Exhibit A hereto or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

5.10 ATTORNEYS' FEES. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

5.11 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

5.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which may be an original or a facsimile, but all of which together shall constitute one instrument.

5.13 AGGREGATION OF STOCK. All shares of the Preferred Stock held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

5.14 AFFILIATED ENTITIES. Notwithstanding anything to the contrary herein, Oak Investment Partners VIII, Limited Partnership ("Oak") shall be entitled to transfer shares of the Company's capital stock (or securities convertible into or exercisable for capital stock) to its affiliated entities, provided (i) Oak obtains the prior written consent of the Company (which consent shall not unreasonably be withheld) and (ii) in connection with such transfer such affiliated entity shall also agree to be bound by the terms and conditions of this Agreement, whereupon such affiliated transferee shall be entitled to and shall have all of the rights and benefits and be subject to the obligations and restrictions hereunder as if it were an initial "Investor" hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof, and it shall be deemed valid and binding upon the execution of this Agreement by: (i) the Company, (ii) the holders of at least a majority of the Registrable Shares, not including the Selected Common Stock, and (iii) the holders of the Selected Common Stock.

COMPANY:
WIRELESS FACILITIES, INC.

INVESTORS:
OAK INVESTMENT PARTNERS VIII, LIMITED PARTNERSHIP

By: /s/ MASOOD K. TAYEBI

Masood K. Tayebi, Ph.D.,
President

/s/ THOMAS A. MUNRO
CFO

By: /s/ BANDEL L. CARANO

Bandel L. Carano
Managing Member of Oak Associates
VIII, LLC, The General Partner of Oak
Investment Partners VIII, Limited
Partnership

OAK VIII AFFILIATES FUND, LP

By: /s/ BANDEL L. CARANO

Bandel L. Carano
Managing Member of Oak VIII
Affiliates, LLC, The General Partner of
Oak VIII Affiliates Fund, LP

KEY STOCKHOLDERS:
/s/ MASOOD K. TAYEBI

Masood K. Tayebi, Ph.D.

/s/ MASSIH TAYEBI

Massih Tayebi, Ph. D.

WORLDVIEW TECHNOLOGY PARTNERS I, L.P.
By: Worldview Capital I, L.P., its General
Partner
By: Worldview Equity I, L.L.C., its General
Partner

By: /s/ MICHAEL ORSAK

Michael Orsak - Member

WORLDVIEW TECHNOLOGY INTERNATIONAL
I, L.P.

By: Worldview Capital I, L.P., its General
Partner

By: Worldview Equity I, L.L.C., its General
Partner

By: /s/ MICHAEL ORSAK

Michael Orsak - Member

WORLDVIEW STRATEGIC PARTNERS I, L.P.

By: Worldview Capital I, L.L.P., its General
Partner

By: Worldview Equity I, L.L.C., its General
Partner

By: /s/ MICHAEL ORSAK

Michael Orsak - Member

FRED WARREN

SECOND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
SIGNATURE PAGE

STANFORD UNIVERSITY

By: -----
Carol Gilmer

MERITECH CAPITAL AFFILIATES, L.P.

By: MeriTech Capital Associates,
L.L.C., its general partner

By: MeriTech Management Associates,
L.L.C., a managing member

By: /s/ PAUL MADERA

MERITECH CAPITAL PARTNERS, L.P.

By: MeriTech Capital Associates, L.L.C.,
its general partner

By: MeriTech Management Associates,
L.L.C., a managing member

By: /s/ PAUL MADERA

Paul Madera, a managing member

EXHIBIT A

SCHEDULE OF INVESTORS

SERIES A PREFERRED STOCK	SHARES
OAK INVESTMENT PARTNERS VIII, LIMITED PARTNERSHIP 525 University Ave., Suite 1300 Palo Alto, CA 94301	1,355,949
OAK VIII AFFILIATES FUND, LP 525 University Ave., Suite 1300 Palo Alto, CA 94301	26,262
WORLDVIEW TECHNOLOGY PARTNERS I, L.P. 435 Tasso Street Palo Alto, CA 94301	162,874
WORLDVIEW TECHNOLOGY INTERNATIONAL I, L.P. 435 Tasso Street Palo Alto, CA 94301	63,481
WORLDVIEW STRATEGIC PARTNERS I, L.P. 435 Tasso Street Palo Alto, CA 94301	14,030
FRED WARREN 11150 Santa Monica Blvd., Suite 1200 Los Angeles, CA 90025	40,064
STANFORD UNIVERSITY Stanford Engineering Venture Fund 2770 Sand Hill Road Menlo Park, CA 94025	20,032

 SERIES B PREFERRED STOCK

SHARES

OAK INVESTMENT PARTNERS VIII, LIMITED
 PARTNERSHIP
 525 University Ave., Suite 1300
 Palo Alto, CA 94301

2,279,090

OAK VIII AFFILIATES FUND, LP
 525 University Ave., Suite 1300
 Palo Alto, CA 94301

44,141

WORLDVIEW TECHNOLOGY PARTNERS I, L.P.
 435 Tasso Street
 Palo Alto, CA 94301

273,761

WORLDVIEW TECHNOLOGY INTERNATIONAL I, L.P.
 435 Tasso Street
 Palo Alto, CA 94301

106,700

WORLDVIEW STRATEGIC PARTNERS I, L.P.
 435 Tasso Street
 Palo Alto, CA 94301

23,581

 SELECTED COMMON STOCK

SHARES

MeriTech Capital Partners, L.P.

1,968,000

MeriTech Capital Affiliates, L.P.

32,000

Confidential Treatment Requested
under 17 C.F.R.(S)(S)200.80(b)(4)
200.83 and 230.406

[LOGO OF METRICOM APPEARS HERE]

MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT (the "Agreement"), effective September 21, 1999 (the "Effective Date") by and between METRICOM, INC. a Delaware corporation (hereinafter referred to as "Metricom") and WIRELESS FACILITIES, INC., a Delaware corporation, and its affiliates (hereinafter referred to as "WFI") sets forth the terms and conditions ("Terms and Conditions") for the acquisition of WFI's services. Services acquired hereunder shall be described in a Statement of Work attached hereto as an exhibit. The terms of each Statement of Work, taken together with these Terms and Conditions, shall constitute a separate agreement ("Agreement") and shall be considered independent of any other agreements between the parties that incorporate these Terms and Conditions. Each Statement of Work shall incorporate these Terms and Conditions by reference. Any terms and conditions in said Statement of Work which expressly supersedes any terms and conditions in these Terms and Conditions shall apply only to the specific services defined in said Statement of Work. (Metricom and WFI are each hereinafter referred to individually as a "Party" or collectively as "Parties").

WHEREAS, Metricom intends to acquire sites and construct facilities in order to develop and operate a wireless Mobile Data Services system (the "Project")

WHEREAS, the Parties have reached an agreement whereby WFI will provide various business and strategic consulting, network development design and development services to Metricom in connection with the Project as requested by Metricom and as set forth in a Statement of Work.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. Unless the context clearly requires otherwise, each of the following terms, when used in this Agreement with initial capitals, shall have the meaning set forth for such term below:

Accepted Engineering Practices means those current standards of care and diligence normally practiced by recognized engineering firms in performing services of nature similar to that of the Services.

Affected Party shall have the meaning as set forth in Section 11.1.

Affiliates shall mean any entity that directly or indirectly controls, or is controlled by, or is under common control by a party. The term "control" in this Section shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through the ownership of voting securities, by contract or otherwise.

Agreement means this Agreement for Engineering, Procurement and Construction (including all Exhibits).

Amendment means a written amendment to this Agreement executed by Metricom and

WFI as provided in Section 2.7 (a).

Beneficial Use shall mean possession of or any commercial use of the Services by

the Metricom whether Metricom accrues any compensation therefore or not.

Business Day means any Day on which commercial banks are not authorized or

required to close (but, in any event, excluding Saturdays and Sundays).

Change, Changed means any change in (i) the Services, (ii) the Statement of

Work, (iii) the Project Cost or (iv) the Project Schedule.

Change Directive means written directive by Metricom's Representative

authorizing WFI to perform changed Services prior to execution of a Change
Order.

Change in Laws and Regulations has the meaning set forth for that term in

Section 2.8(b).

Change Order means a written order regarding a Change issued, accepted and

executed by Metricom and WFI in accordance with Article IV.

Claims has the meaning set forth for that term in Article 7.

Commercial Operations Date means the first day following Provisional Acceptance.

Components means any and all systems, subsystems, assemblies, subassemblies,

materials and equipment (including parts, instruments, software, and hardware),
and every item of whatever nature, including all documentation related thereto,
incorporated into the Services or the Services and to be provided by WFI or its
Vendors or Subcontractors under this Agreement, but excluding all Construction
Aids.

Confidential Information shall mean any confidential or proprietary

information, including without limitation, any design tools, designs,
schematics, source code, plans or any other information relating to any research
project, Services in process, future development, scientific, engineering,
manufacturing, marketing or business plan, or financial or personnel matter
relating to either party, its present or future services, sales, suppliers,
customers, employees, compensation, investors or business, identified and marked
by the disclosing party as "Confidential Information," whether in oral, written,
graphic or electronic form. If disclosed in oral form, such Confidential
Information must be reduced to writing and marked as Confidential Information
within thirty (30) days following disclosure.

Construction Aids means all materials, supplies, construction equipment,

construction tools, field office equipment, field office supplies, scaffolding
and form lumber, temporary buildings and facilities, computer software and
computer hardware used in design and other items that are required for the
Services but which are not intended to become a permanent part of the Services.

Contamination has the meaning set forth for that term in Section 3.6.

Day means a calendar day unless otherwise stated or unless the context within

which such term is used clearly indicates another meaning.

Debtor Relief Law has the meaning set forth for that Section 10.1 (d).

Deliverables shall mean any agreements, products, designs, schematics,
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tools, code, technical data, inventions, know-how and associated Intellectual
Property Right created during the performance of the Services as set forth in
the applicable Statement of Work, and any Documentation related to any of the
foregoing.

Documentation shall mean any installation, operation, administrator and end
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user manuals, any site preparation guides or configuration guides, any media
containing any of the foregoing, as well as any other operations and maintenance
manuals, training materials and other technical and user documentation,
including without limitation any schematics, design documents, analyses and
technical overviews.

Effective Date means the date on which this Agreement is executed and delivered
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by the parties.

Environmental Laws means all federal, state and local laws, rules, regulations,
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orders, standards and interpretations concerning environmental matters to the
extent applicable to the Services or the operation thereof.

Extraordinary Site Conditions means (i) any unknown man-made subsurface
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obstruction or archeological artifacts not disclosed by investigations or
reports performed or provided to WFI and (ii) any contamination, hazardous
materials or waste, excluding such waste brought to the Site by WFI,
Subcontractors or Vendors in the performance of the Services.

Final Completion shall have the meaning set forth for that term in Section 9.4.
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Final Completion Date means the date on which Final Completion occurs.
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Final Plans and Specifications means the final drawings, technical
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specifications and operations and maintenance procedures and specifications to
be prepared by WFI with respect to the Services in accordance with the Statement
of Work.

Final Invoice has the meaning set forth for that term in Section 5.6.
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Force Majeure has the meaning set forth for that term in Section 11.1.
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Functional Tests means the various tests, if any, of the Services and its
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Components to be completed as part of the Statement of Work.

Indemnified Persons has the meaning set forth for that term in Section 7.1.
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Initial Term shall have the meaning as set forth in Section 2.2.
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Intellectual Property Rights shall mean any and all intellectual property
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and/or proprietary rights, including without limitation, all mask Services
rights, all copyrights (including rights in audiovisual Services), moral rights,
trademarks, trade names, patent rights (including patent applications and
disclosures) and trade secret rights, now known or hereafter recognized in any
jurisdiction in the world.

Invoice means the monthly invoice to be submitted by WFI to Metricom in
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accordance with and as defined in Section 5.3.

Laws and Regulations means all federal, state and local laws, rules,
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regulations, orders, codes, standards (including building and related codes and
standards) and interpretations, including the Occupational Safety and Health Act
(1970), the Permits, all Environmental Laws and all applicable equal employment
opportunity programs.

Mechanics' or Materialmen's Lien has the meaning set forth for that term in
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Section 10.3.

Metricom has the meaning set forth for that term in the Preamble to this
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Agreement.

Metricom Permits means all Permits with respect to the Services required to be
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taken out in the name of Metricom which are necessary for the performance of the
Services.

Metricom's Representative means the person(s) who, from time to time, shall be
- -----
authorized by Metricom in writing to act on behalf of Metricom and with whom WFI
may consult as set forth in Section 3.1.

Milestone Payment Schedule means the schedule of the payments to be made to WFI
- -----
for the performance of the Services which is set forth in Exhibit III.

Milestone Payments means the monthly payments against the Project Cost payable
- -----
pursuant to Section 5.5.

Miscellaneous Equipment and Furnishings means maintenance tools, maintenance
- -----
equipment, spare parts, and laboratory furnishings and equipment.

Network means the network described in the Statement of Work.
- -----

Notice shall have the meaning as set forth in Section 16.2.
- -----

Notice to Proceed has the meaning set forth for that term in Section 2.3.
- -----

Permits means the licenses and permits required for the construction and
- -----
operation of the Project

Program Director means the person designated by WFI who shall be authorized to
- -----
act on behalf of WFI and with whom Metricom or Metricom's Representative may
consult as set forth in Section 2.7(a).

Program Manager means the person designated by the Program Director with the
- -----
delegated authority to act on behalf of WFI and with whom Metricom or Metricom's
Representative may consult as set forth in Section 2.7(a).

Progress Report has the meaning set forth for that term in Section 2.7(c).
- -----

Project Cost means the budgeted estimated project cost price for the Services,
- -----
as adjusted pursuant to Article IV.

Project Schedule means the schedule for the carrying out and completion of the
- -----
Services which is attached hereto as Exhibit II.

Property means the Services, the Project, the Site and the real property of
- -----
which the Site is a part.

Punch List Items means administrative items or other items of the Services the
- -----
cost of which is immaterial and the omission of which would not adversely affect
the safe Commissioning and Testing or commercial operation of any Component or
the Services as contemplated under Section 9.3(a).

Renewal Term shall have the meaning as set forth in Section 2.2.
- -----

Risk of Loss Date means the date set forth for that term is Section 7.3.
- -----

Schedule of Values means the schedule in Exhibit III of the milestones in WFI's
- - - - -
performance of the Services which are to be completed as a condition to WFI's
right to receive each of the payments to be made pursuant to the Milestone
Payment Schedule.

Services means the procurement, supply or provision of all Components (including
- - - - -
materials, supplies and equipment), Documents and all other things, and the
performance, procurement, supply or provision of all Services (including all
labor) as set forth in the Statement of Work, in each case as necessary or
reasonably appropriate to accomplish the design, engineering, procurement,
construction management, Substantial Completion, and Final Completion of the
Services, all in accordance with Article II, the Statement of Work and the Final
Plans and Specifications.

Site means the physical location of the candidate and/or selected base station,
- - - - -
base station controller or mobile switching center site, as the case may be, and
all structures, improvements, foundations, towers, and other facilities
necessary to house or hold equipment and all other related third party
equipment.

Statement of Work means the total extent and general description of the Services
- - - - -
as set forth in Exhibit I.

Subcontractor(s) means those persons or companies who have a contract with WFI
- - - - -
or any other person or entity for the performance of any part of the Services,
including Subcontractors of whatever tier.

Substantial Completion means completion of the physical construction of the
- - - - -
Services, and the completion of other Services (with the exception of Punch List
Items, Testing and delivery of as-built drawings in accordance with Exhibit I,
the Statement of Work and the Final Plans and Specifications, to such point that
the Services shall be ready for Commissioning.

Suspension Period shall have the meaning as set forth in Section 10.5.
- - - - -

Taxes has the meaning set forth for that term in Section 5.4.
- - - - -

Testing means the conduct of the Tests of the Services in accordance the
- - - - -
Statement of Work.

Vendor(s) means those persons or companies providing or supplying any materials
- - - - -
and equipment to WFI or Subcontractors for the Project, but who do not perform
construction Services at the Site and who are not Subcontractors.

Warranty Services means any curative or remedial Services performed by WFI or
- - - - -
any Subcontractor or Vendor pursuant to any warranty under this Agreement or any
warranty to be obtained or administered under this Agreement.

Week shall mean five (5) calendar Days as defined herein.
- - - - -

WFI has the meaning set forth for that term in the preamble to this Agreement.
- - - - -

WFI Default has the meaning set forth for that term in Section 10.1.
- - - - -

WFI Permits means all Permits to be obtained in the name of WFI and required for
- - - - -
the Services and initial operation of the Services until Provisional Acceptance,
but excluding all Metricom Permits.

WFI Warranties means the warranties of WFI pursuant to Article VI.
- - - - -

WFI Warranty Period has the meaning set forth for that term in Section 6.1.
- - - - -

WFI Waste Materials has the meaning set forth for that term in Section 2.12.

1.2 Rules of Interpretation. Defined terms include the plural as well as the

singular. Any agreement defined or referred to above shall include each amendment, modification and supplement thereto and waiver thereof as may become effective from time to time, except where otherwise indicated. Any term defined by reference to any other agreement shall have such meaning whether or not such document is in effect. Any reference to an article, section or exhibit shall refer to an article, section or exhibit of this Agreement unless otherwise specified. The terms "hereof," "herein," "hereunder" and comparable terms refer to the entire agreement with respect to which such terms are used and not to any particular article, section or other subdivision thereof. A reference to any law includes any amendment or modification to such law made before the relevant date. A reference to any person includes its permitted successors and permitted assigns. The words "include," "includes" and "including" are not limiting. If any provision of this Agreement contemplates that the parties shall negotiate any matter after the Effective Date, such provision shall be construed to include an obligation of the parties to negotiate in good faith within the spirit and intent of this Agreement.

ARTICLE II SCOPE OF SERVICES

2.1 Description of the Services. In accordance with and subject to the terms

and conditions of this Agreement, WFI hereby agrees to provide Services which may include, without limitation: program management, GIS data services, RF engineering, site acquisition services, zoning and permitting, construction management services, training, installation and testing for Metricom and Metricom's customers, business consulting and network maintenance, (the "Services") as listed in the Statement of Work. The Services will be compensated on a fixed fee, time and material or hourly basis as agreed by the Parties.

2.2 Term of Agreement. The term of this Agreement shall be [***] from

the Effective Date unless otherwise terminated in accordance with this Agreement (the "Initial Term"). The Initial Term will automatically renew for additional successive terms of [***] (each, a "Renewal Term") unless either Party communicates its intention not to renew in writing to the other Party at least thirty (30) days prior to expiration of the Initial Term or current Renewal Term. The Parties agree that, for the purposes of the RF Services to be provided by WFI under the attached Statement of Work, Exhibit I, attached hereto, the Initial Term of the Agreement shall be [***] from the Effective Date which shall be September 1, 1999.

2.3 Notice to Proceed. Metricom shall at any time after the Effective Date

deliver a written Notice to WFI to proceed with all or part of the Services (the "Notice to Proceed"). WFI shall not be authorized by Metricom pursuant to this Agreement to proceed with the Services until its receipt of the Notice to Proceed.

2.4 Performance Standards. WFI shall perform the Services, and shall provide

Metricom with Services, such that:

- (a) Components. All Components shall be new and of good quality when

installed; shall be designed and manufactured, and of a grade, in accordance with recognized industry standards for such Components and shall be free from defects in materials and workmanship;
- (b) Services. All Services shall be performed in accordance with

accepted industry standards and in a good and workmanlike manner; and all Components shall be installed in accordance with manufacturer's specifications; and the Services will be designed and built to comply with all Laws and Regulations in effect at as of the Effective Date.

2.5 Permits. WFI shall obtain at Metricom's expense all WFI Permits. WFI

shall provide Metricom with engineering and design data, information and support with respect to the design and performance characteristics of the Services to the extent reasonably requested or required by Metricom to assist Metricom in obtaining all

Metricom Permits. If the requirements of Metricom Permits issued after the Effective Date effect a change in WFI's Statement of Work, or materially affect WFI's cost of performance hereunder or its ability to attain the Project Schedule or to perform by a date certain as required under this Agreement, a Change Order shall be issued for such purpose.

2.6 Compliance with Schedule. WFI shall commence the Services as soon as practicable after receipt of the Notice to Proceed. WFI shall carry on and complete the Services in accordance with the Project Schedule as amended in accordance with Article IV.

2.7 Management and Conduct of the Services. WFI shall manage and conduct the Services in accordance with the terms of Exhibit I. Without limiting the generality of the foregoing, WFI shall:

- (a) Appointment of Program Director. Promptly following the Effective Date, appoint and give Metricom written Notice of the identity and appointment of a Program Director who shall be authorized to act on behalf of WFI and with whom Metricom may consult at all reasonable times, and whose instructions, requests, and decisions will be binding upon WFI as to all matters pertaining to this Agreement and the performance of the parties hereunder (provided no amendment or modification of this Agreement shall be effected except by a formal written Amendment executed by both parties and no Change shall be effected except by a Change Order and/or Change Directive). The Program Director will give written Notice to Metricom designating Project Managers who have the delegated authority to act on behalf of WFI and with whom Metricom may consult at all reasonable times, and whose instructions, requests and decisions will be binding upon WFI as to all matters pertaining to the Work.
- (b) Project Schedule. Provide Metricom with the Project Schedule, which shows major milestones for engineering, procurement, construction, Testing, Substantial Completion, Commissioning, Acceptance and Final Completion of the Services. The Project Schedule is consistent with the expected date of delivery of the Notice to Proceed and may be revised to reflect the actual date of delivery of the Notice to Proceed.
- (c) Consultation and Coordination with Metricom. Initially, WFI will consult with Metricom on a [***] basis. Thereafter, WFI will consult with Metricom on some other regularly scheduled basis as determined by both parties but in no event less frequently than [***]. At the time of each consultation, WFI shall deliver to Metricom a written report of progress achieved subsequent to the preceding consultation (a "Progress Report"). Such written report shall, in reasonable detail, consider material activities in the performance of the Services and indicate milestones reached and the occurrence of special events or circumstances affecting or related to the Services, if any, during the period covered by the report; the status of applications for, or other action taken to obtain, necessary Permits pursuant to Section 2.5 hereof and the applicable Statement of Work; leasing status, a Change Directive - Change Order status log and an evaluation of problems and deficiencies and a description of any planned corrective action with respect thereto. WFI shall advise Metricom of any significant changes, developments, or delays in the Services.
- (d) Notice of Tests and Inspections. Provide Metricom with prior written Notice of the time and place for the conduct of all equipment tests and inspections of Components on or before five (5) Business Days' prior to the related test, or inspection or such other period as may be agreed upon by WFI and Metricom, provided, in the case of any retesting shortly following a failed test, such Notice to Metricom may be verbal and within such reasonable period prior to such retest. In the case of field tests and inspections of the Services, WFI and Metricom will agree on the field tests and inspections as to which Notice will be given by WFI, and with respect to such field tests and inspections, WFI shall provide Metricom's Representative with reasonable

Notice of, and an adequate opportunity to, attend such tests and inspections as are customary for Site coordination in the construction industry. WFI shall not be required to delay any testing if Metricom fails to appear at the approximate time and place designated by WFI. This section shall not preclude WFI from retesting any Component or the Services.

- (e) Review and Inspection. Subject to the restrictions on inspection -----
set forth in Section 2.7 (d), afford Metricom the opportunity to review and inspect all elements of the Services in a reasonable manner. WFI agrees to consider in good faith any and all comments made by Metricom, provided, however, WFI shall determine to what extent such comments should be considered as respects completion of the Services. Metricom shall have the right to require repair or replacement of any Services which is defective or not performed in accordance with the Statement of Work or the Final Plans and Specifications as specified in the applicable Statement of Work or deviates from other requirements of this Agreement, provided WFI shall have until Provisional Acceptance to complete such repair or replacement.
- (f) Control of the Services. WFI shall be solely responsible for all -----
construction means, methods, techniques, sequences, procedures and safety and security programs in connection with the performance of the Services.
- (g) Site Acquisition Requirements and Milestones. WFI shall perform the -----
Site acquisition services as more particularly described in the applicable Statement of Work. Metricom shall execute all Site Leases in Metricom's-name. WFI shall present all Site Leases to Metricom for execution.

2.8 Compliance With Laws and Regulations.

- (a) Performance of Services. WFI shall make every reasonable effort to -----
perform the Services and its obligations pursuant to this Agreement, and shall cause all Subcontractors and Vendors to perform all elements of the Services to be performed by them, in compliance with all applicable Laws and Regulations as in force as of the Effective Date. WFI shall initiate and maintain reasonable safety precautions and programs to conform with applicable Laws and Regulations to prevent injury to persons or damage to property on the Site. WFI shall take reasonable steps to erect and maintain safeguards for the protection of workers and the public and eliminate or abate safety hazards created by or otherwise resulting from the performance of the Services. WFI shall take all precautions reasonably necessary for the safety and health of, and shall provide all reasonable protection to prevent damage, injury or loss to: (i) persons working at the Site employed by WFI or Subcontractors in connection with the Services, (ii) all materials and equipment to be incorporated into the Services, whether in storage on or off the Site, under the care, custody or control of WFI or any Subcontractor, and (iii) other property at the Site.
- (b) Change of Laws and Regulations. If there is a change in any Laws -----
and Regulations in existence at the Effective Date or there is an enactment of any new Laws and Regulations after the Effective Date or if there is a change in the interpretation of any such Laws and Regulations ("Change in Laws and Regulations"), and if any such Change in Law and Regulations effects any change in the Statement of Work, or materially affect WFI's cost of performance hereunder or its ability to attain the Project Schedule or to perform by a date certain as required under this Agreement, a Change Order shall be issued for such purpose.
- (c) Following Acceptance. From and after Acceptance, Metricom assumes -----
all responsibility for compliance by the Services with all Laws and Regulations.

2.9 Subcontractors. WFI may subcontract any portion of the Services to a

Subcontractor or Vendor. WFI agrees it is as fully responsible to Metricom for the acts and omissions of its Subcontractors and Vendors and of persons either directly or indirectly employed by them as it is for the acts and omissions of persons directly employed by WFI. Notwithstanding the above, WFI may have portions of the Services performed by its affiliated entities or their employees, in which event WFI shall be responsible for such Services and Metricom will look solely to WFI as if the Services were performed by WFI.

2.10 Metricom as Contracting Party with Subcontractor. If Metricom chooses to

contract directly with subcontractor for work performed for the Project, then Metricom shall be solely responsible for the payment of service fees and expenses of such subcontractors for work performed in connection therewith. Metricom and WFI hereby acknowledge and agree that Metricom and not WFI shall be solely responsible for the payment of fees and expenses of subcontractors contracting directly with Metricom under this Agreement and for all purchase orders issued to subcontractors for performance of Services hereunder, and that Metricom shall be billed directly by such subcontractors.

Metricom agrees to include the following paragraph in its agreements with all subcontractors it directly contracts with and retains to perform, or assist WFI in performing, Services hereunder:

Manager. Subcontractor acknowledges that Metricom has retained Wireless

Facilities, Inc., a Delaware corporation and its affiliates, including its designated employees, contractors and agents, if any ("Manager") to manage the Services rendered by Subcontractor at the sites. Subcontractor hereby consents to Metricom's delegation to Manager of any or all of Metricom's duties and responsibilities under this Agreement, with the exception of Metricom's payment obligations to Subcontractor. Subcontractor hereby agrees to work under the direction of Manager in performance of the Services. Subcontractor shall be responsible to Manager, as Metricom's designee, for the timely and accurate completion of all Services performed by Subcontractor under this Agreement. Under no circumstances, however, shall Subcontractor look to Manager for payment for Services under this Agreement. Metricom and Subcontractor acknowledge and agree that Metricom and not Manager shall be responsible for the payment of Subcontractor's fees under this Agreement and any purchase orders issued hereunder.

2.11 Materials Management Services. At Metricom's request and written

authorization, WFI shall procure, pay for, receive and store equipment and building materials for use on the Project ("Materials Management Services"). Metricom shall compensate WFI for Materials Management Services by reimbursing WFI for the cost of such equipment and building materials, together with an administrative fee.

2.12 Clean Up. WFI shall at all times keep the Site reasonably free from

waste materials and rubbish resulting from materials and equipment procured by WFI or Construction Aids used by WFI in the performance of the Services, excluding waste described in Section 3.6 and hazardous waste described in clause (ii) of the definition of Extraordinary Site Conditions ("WFI Waste Materials"). As soon as practicable after the earliest of (i) the Final Completion Date, or (ii) the date upon which WFI shall no longer have any obligations under this Agreement, WFI shall remove all of its Construction Aids and remove any WFI Waste Material from and around the Site.

ARTICLE III METRICOM RESPONSIBILITIES

In addition to the obligations of Metricom set forth elsewhere in this Agreement, Metricom shall, at its own expense and at such times as may be required by WFI for the successful completion of the Services in accordance with the Project Schedule:

3.1 Metricom's Representative. Metricom shall notify WFI, in writing, of the

appointment of Metricom's Representative who shall be authorized to act on behalf of Metricom and with whom WFI may consult at all reasonable times, and whose instructions, requests and decisions shall be binding upon Metricom as to all matters pertaining to this Agreement and the performance of the parties hereunder, provided no amendment or modification of this Agreement shall be effected except by an Amendment executed by both parties and no change shall be effected except by a Change Order or Change Directive. Metricom's Representative will provide to WFI a written list of designated individuals who have the delegated authority to execute Change Directives.

3.2 Access. Provide WFI and its Subcontractors rights of access to and use

of any Site or other location where the Services are to be performed.

3.3 Permits. Except where obtaining such permits and/or licenses and any

associated documentation are specifically identified as being the responsibility of WFI as part of the Statement of Work, obtain the Metricom Permits and provide WFI with such information and assistance as WFI may reasonably request in obtaining any WFI Permits, and obtain any process and other permits and/or licenses which are required for the Services, and provide WFI with any drawings and specifications in connection with any such process or other license necessary for the completion of the Services and on which WFI shall rely.

3.4 Site Rules. Abide by all reasonable Site safety rules promulgated by

WFI.

3.5 Taxes. Pay all real property taxes assessed against the Site or the

Services and any personal property and sales taxes on the Components, provided Metricom shall have the right to contest any such taxes in good faith by appropriate proceedings diligently prosecuted and (in the case of any such tax which WFI may be legally required to pay) for the payment of which Metricom has posted a bond or provided other security reasonably acceptable to WFI. In the event WFI is legally required to pay any such taxes (including related interest and penalties), amounts paid by WFI and the expenses incurred by it in connection with such payment shall be reimbursed by Metricom to WFI within ten (10) days of demand.

3.6 Environmental Conditions. Metricom shall, at Metricom's sole expense and

risk, arrange for handling, storage, transportation, treatment and delivery for disposal of Contamination and Metricom shall be solely responsible for obtaining a disposal site for such material. Metricom shall look to the disposal Services and/or transporter for any responsibility or liability arising from improper disposal or transportation of such waste. WFI shall not have or exert any control over Metricom in Metricom's obligations or responsibilities as a generator in the storage, transportation, treatment or disposal of any Contamination. Metricom shall complete and execute any required governmental forms relating to regulated activities, including, but not limited to, generation, storage, handling, treatment, transportation, or disposal of Contamination. In the event WFI executes or completes any required governmental forms relating to regulated activities, including, but not limited to, storage, generation, treatment, transportation, handling or disposal of hazardous or toxic materials, WFI shall be and be deemed to have acted as Metricom's agent. Metricom shall indemnify, release and save WFI harmless from all damages, liability, expenses or penalties paid by WFI resulting from Contamination. The term "Contamination" as used in this subsection shall mean any hazardous or toxic substance, pollutant or contaminate as defined under applicable Environmental Laws present at the Site, which was not brought to the site by WFI or any Subcontractor to WFI.

ARTICLE IV WORK ORDERS AND CHANGES IN THE SERVICES -----

4.1 General Change Order Procedure. Metricom shall have the right to make

changes in the Services, within the general scope thereof, whether such changes be modifications, alterations or additions. Changes shall include the Project Cost and any other compensation, the Project Schedule and any other dates for performance by WFI hereunder, and other affected rights and obligations shall be adjusted to reflect (1) the addition to, modification of or deletion from the Services (performed or yet to be performed) or the Services,

(2) Metricom's request for or approval of performance of services in excess of WFI's standard Services day or Services week or such shorter times as are provided by applicable collective bargaining agreements or on a holiday customarily observed by WFI (including an allowance for loss of efficiency due to overtime or shift Services), (3) the discovery of any subsurface (including archeological finds) or climatic conditions of an unusual nature, differing materially from those ordinarily encountered in the jobsite area, (4) a Change in Law and Regulations by which WFI is required to pay increased or additional taxes, government-regulated transportation costs, or insurance not required as of the date of this Agreement, (5) delay or suspension of, or interference with, the Services by Metricom or by any other person or entity including, but not limited to, national, state and local governments, (6) modifications to design criteria or other information made during the performance of the Services and supplied by any person or entity other than WFI, (7) the consequences of Force Majeure.

4.2 Estimates and Authorizations.

- (a) Procedure for Estimates. In the event Metricom contemplates making a Change, Metricom shall so advise WFI. Within five (5) Business Days following receipt of such advice, WFI shall submit to Metricom a preliminary written estimate relating to the proposed Change, including (i) any projected change in the cost of the performance of the Services and any projected modification of the Project Cost occasioned by such Change, (ii) the effect such Change could be expected to have on the Project Schedule, or any other schedule or dates for performance by WFI hereunder, and (iii) the potential effect of such Change on WFI's ability to comply with any of its obligations hereunder, including WFI's warranties. If Metricom elects to proceed with a more detailed examination of such proposed Change, within such period as shall be agreed upon by the parties, WFI shall submit to Metricom a detailed estimate relating to the contemplated Change on a written Change Order. If Metricom elects to proceed with the proposed Change, Metricom and WFI shall agree upon a Change Order, and the cost of WFI's detailed estimate shall be included in such Change Order. If Metricom elects not to proceed with such proposed Change, Metricom agrees to reimburse WFI for WFI's reasonable expenses incurred in connection with the preparation of the estimate of such proposed Change in accordance with the rates and markups pursuant to Exhibit III, in full and as part of the next monthly payment in accordance with Article V.
- (b) Authorization of Change Order. Within five (5) Business Days of receipt of WFI's estimate, Metricom shall review the detailed estimate with WFI for the purpose of determining whether to proceed with such Change and, if so, for the purpose of agreeing on the matters set forth therein, including a mutually acceptable change in the Project Cost, the Project Schedule and any other dates for performance by WFI hereunder, if any. If the parties reach agreement on the matters listed in the Change Order submitted by WFI, Metricom shall cause Metricom's Representative, and WFI shall cause its Program Director, to execute such form, as amended to reflect the agreement of the parties. WFI's Program Director shall execute such form as the originator thereof and Metricom's representative shall sign "Accepted by"; each shall initial any changes added to the form as originally presented. WFI shall promptly adjust the Project Schedule, the Schedule of Values and Milestone Payment Schedule and any other schedules or dates for performance by WFI hereunder requiring adjustment to reflect the Change agreed upon. Except as otherwise provided herein, in no event shall WFI undertake a Change in the Services until it has received a Change Order or Change Directive executed by the authority of the Metricom representative.
- (c) Change Directive. In the event Metricom's Representative directs WFI to perform Services prior to agreement to, and execution of a Change Order, Metricom Representative will execute a Change Directive authorizing WFI to perform the changed Services on a hourly rate in accordance with Exhibit V. The Services shall be performed on the hourly rate basis until an

estimate of the impact of the Change can be prepared for Metricom review, agreement and execution in accordance with (c) above. The Change Directive will state the general scope of the changed Services to be performed and rough order of magnitude (ROM) estimate of the cost thereof.

4.3 Suspension. Metricom may notify WFI in writing to suspend its Services

on that portion of the Services affected by a contemplated Change (whether or not such Change will require a modification to the Statement of Work) pending Metricom's decision on such Change. There shall be an equitable adjustment of the Project Cost and dates set forth in the Project Schedule and other dates for performance by WFI hereunder on account of such suspension.

4.4 Force Majeure Caused Delay. In the event of a Force Majeure event or

other event described in Section 11.1, in accordance with Section 11.3, Metricom shall execute and deliver to WFI a Change Order reflecting any adjustments to the Project Cost, the Project Schedule or any other dates for performance hereunder, or any other obligations under this Agreement.

4.5 WFI Initiated Changes. WFI shall have the right to initiate Change

Order's and/or Change Directives independent of requests by Metricom, with estimates to be prepared in accordance with Section 4.2. The WFI initiated Change Order shall be handled as if initiated by Metricom.

4.6 Disputes. If either party disputes the existence, extent, validity or

affect of a Change, then either party may notify the other party that it desires to meet and resolve the dispute. If the dispute cannot be resolved to the mutual satisfaction of the parties within five (5) Business Days, then either party can demand binding dispute resolution in accordance with Section XIII.

ARTICLE V COMPENSATION & PAYMENT

5.1 Compensation. In consideration of WFI's performance of the Services,

Metricom shall pay WFI for all Services assigned by and rendered to Metricom pursuant to this Agreement. WFI will be reimbursed only for expenses which are expressly provided for in Exhibit III or which have been approved in advance in writing by Metricom, provided WFI has furnished such documentation for authorized expenses a Metricom may reasonably request. All work performed by WFI at Metricom's request in addition to the Services specifically set forth in this Agreement shall be compensated at the hourly rates agreed upon by the Parties and set forth in Exhibit III.

5.2 Milestone Payment Schedule. The Milestone Payment Schedule contained in

Exhibit III establishes that portion of the compensation allocated to the various milestones set forth in the Milestone Payment Schedule, identifies portions of the Services for purposes of determining WFI's entitlement to Milestone Payments, and to the best of WFI's knowledge and judgment is a reasonable representation of milestones achieved during the calendar month. Upon attainment of each milestone, WFI shall submit an invoice to Metricom in accordance with Section 5.3.

5.3 Invoices. On or before the tenth (10th) Day of each month during the

performance of the Services (except that in the case of the initial payment under the Milestone Payment Schedule, such date shall be the expected date of issuance of the Notice to Proceed), WFI shall submit to Metricom an invoice with respect to (i) milestones achieved during the month (ii) a monthly Progress Report with respect to such milestones (or reference thereto if previously delivered to Metricom), and (iii) all other documentation required to be submitted by WFI pursuant to this Article V. WFI shall make available such documentation and materials as Metricom may reasonably require to substantiate WFI's right to payment of such Invoice in accordance with this Agreement, provided, however, WFI shall not be required to provide documentation relating to its commercial terms, including but not limited to the make-up of WFI's Project Cost, standard rates, fixed fees or amounts expressed as a percentage of other costs.

5.4 Taxes. WFI shall pay or cause to be paid when due (a) all taxes,

governmental fees, assessments, charges or levies imposed in connection with the Services (other than fees and charges for Metricom Permits and for sales and property taxes on the Components, or revenues from operation of the Services), (b) all import duties, (c) all taxes measured by wages earned by employees of WFI, any Subcontractor or any Vendor, and payroll, withholding, social security, workers' compensation and other similar employment taxes, and (d) all taxes calculated on the basis of WFI's receipts or income (collectively, "Taxes"); provided WFI shall have the right to contest any such Taxes in good faith by appropriate proceedings diligently prosecuted and, in the case of any Taxes which Metricom may be legally required to pay or which may result in lien on the Site, the Services or the Services for the payment of which WFI has posted a bond or provided other security reasonably acceptable to Metricom.

5.5 Payments. Except as set forth in this subsection, undisputed invoices or

undisputed portions thereof are payable in full within thirty (30) days upon receipt of invoice. Metricom shall review each such Invoice's and may make reasonably appropriate exceptions by providing WFI with written Notice thereof within ten (10) Days after receipt of such Invoice. Any amount of a Invoice which is disputed by Metricom as provided in this Article V shall be resolved in accordance with Section 13.1 and, once resolved, shall be paid within five (5) Business Days of the date of resolution.

5.6 Final Invoice. Upon Final Completion, WFI shall submit a final Invoice

("Final Invoice"), which shall set forth all amounts due and remaining unpaid to it pursuant to this Agreement in respect of the Project Cost.

5.7 No Obligation of Metricom to Subcontractors. Nothing contained in this

Agreement shall (i) create or constitute a contractual relationship between any Vendor or Subcontractor and Metricom, or (ii) create any obligation on the part of Metricom to any Vendor or Subcontractor. Metricom shall have no obligation to pay or to see to the payment of any moneys to any Vendor or Subcontractor, except as may otherwise be required by law.

5.8 No Acceptance By Payment. No partial payment made hereunder shall be

construed to be acceptance or approval of that part of the Services to which such partial payment relates or to relieve WFI of any of its obligations hereunder with respect thereto.

5.9 [***] . WFI [***]

ARTICLE VI WARRANTIES -----

6.1 General Warranty. WFI warrants for the period of time set forth on the

applicable Statement of Work (the "WFI Warranty Period") that:

- (a) Components. All Components shall be (i) new and of good quality

when installed, (ii) designed and manufactured, and of a grade, in accordance with recognized industry standards for such Components, (iii) free from defects in materials and workmanship and (iv) installed in accordance with manufacturer's specifications; and
- (b) Services. All Services shall be performed (i) in accordance with

accepted industry practices, (ii) in accordance with applicable Laws and Regulations in effect at or prior to the

commencement of the Agreement Effective Date, (iii) in a good and workmanlike manner, and (iv) in accordance with the Statement of Work.

6.2 Vendor Warranties. WFI shall obtain from all Vendors from which WFI

procures materials and equipment including Components warranties with respect to such equipment as are reasonably available. Such warranties shall obligate the respective Vendors to repair or replace nonconforming or defective materials and equipment. All such warranties shall be assigned to Metricom upon Acceptance. During the WFI Warranty Period, WFI shall assume all responsibility at its expense for administering and enforcing such Vendor warranties, and Metricom may rely upon and deal only with WFI with respect to such warranties. WFI's liability with respect to such warranties shall be limited to procuring available warranties from such Vendors and rendering all reasonable assistance to Metricom (short of litigation) for the purpose of enforcing the same.

6.3 Correction of Nonconforming or Defective Services. If Metricom shall

notify WFI in writing during the WFI Warranty Period that any part of the Services does not meet the standards specified in Section 6.1 (such Notice to be provided with reasonable promptness after acquiring knowledge of such nonconformity or defect and, in any event, prior to ten (10) Business Days after Metricom becomes aware of the nonconformity or defect), then WFI shall, at its own cost, promptly reperform, repair or replace, at its option, such nonconforming or defective part of the Services, within its original Statement of Work. If WFI does not promptly commence to reperform or remove and replace any nonconforming or defective Services or any part thereof, Metricom shall give WFI at least ten (10) Business Days written Notice prior to proceeding with any correction of nonconforming or defective Services that Metricom reasonably believes involves a warranty claim, and if WFI fails to respond to such Notice, Metricom may proceed with the correction of such nonconforming or defective Services and all reasonable expenses of reperforming and removal, restoration shall be charged to WFI.

6.4 Wear and Tear. WFI shall, in no event, warrant against and shall have no

liability for the effects of ordinary wear and tear or erosion or corrosion, or failure of Services due to faulty operations or maintenance by Metricom or its representatives, agents or contractors, or conditions of service more severe than specified in the Statement of Work or other technical documents included with this Agreement. Further, WFI shall have no warranty obligation or liability for defects in the Services unless Metricom demonstrates the warranty claim is not attributable to WFI's reliance upon or use of data, design criteria, drawings, specifications or other information furnished by Metricom and Metricom provided WFI an opportunity to promptly make such diagnostic tests and perform such remedial services as WFI deemed appropriate in connection with any warranty claim made by Metricom. In the event such diagnostic services do not reveal any warranted defect in the Services, the costs of such tests, inspections or other diagnostic services, plus a reasonable negotiated fee, shall be paid by Metricom.

6.5 Limitation of Warranty. The obligations contained in this Article VI

govern and supersede any other terms in this Agreement which address warranties or the quality of the Services or the Services and are WFI's sole warranty and guarantee obligations and Metricom's exclusive remedies with respect to defects in the Services and the Services after Provisional Acceptance, provided that portion of the Services to be completed after Substantial Completion (other than warranty services) shall be performed in accordance with Article II until such Services is completed in accordance with the Agreement. All of the warranties and other obligations of WFI under this Article VI relate to the WFI Warranty Period and WFI shall not be obligated to correct or to pay for the cost of correcting, defects or deficiencies which become apparent after the expiration of the WFI Warranty Period. The provisions of this Article VI shall govern, modify and supersede any other terms of this Agreement relating to the quality of the Services and except as provided in this Article VI, there are no other warranties, express or implied, with respect to WFI's performance under this Agreement.

ARTICLE VII INDEMNIFICATION

7.1 WFI's General Indemnity. WFI shall defend, indemnify and hold Metricom

and its respective affiliates, successors, assigns, employees, agents, officers and directors (such indemnified persons or entities collectively, the "Indemnified Persons") harmless from and against all damages, losses, costs and expenses (including, but not limited to, court costs and fees and expenses of counsel) (collectively, "Claims") resulting from the death or bodily injury to any person, or damage to any property to the extent caused by the sole negligent act, willful misconduct, tortious or otherwise unlawful act, error or omission by WFI or any Subcontractor to WFI.

7.2 Metricom's General Indemnity. Metricom shall defend, indemnify and hold

WFI and its affiliates, and each of their respective successors, assigns, employees, agents, officers and directors (collectively, the "WFI Indemnified Persons") harmless from and against all damages, losses, costs and expenses (including, but not limited to, court costs and fees and expenses of counsel) (collectively, "Claims") resulting from the death or bodily injury to any person, or damage to any property of Site to the extent caused by the sole negligent act, willful misconduct, tortious or otherwise unlawful act, error or omission by Metricom or contractors under Metricom's direct supervision or control.

7.3 Protection of the Services. WFI shall be responsible for and obligated

to replace, repair or reconstruct, and to furnish any Services furnished by WFI under this Agreement which are lost, damaged, or destroyed prior to the transfer of care, custody, and control of the Services or the affected portion thereof to Metricom (the "Risk of Loss Date"), provided, WFI shall not be obligated to replace, repair or reconstruct Services with respect to which proceeds of the insurance policy maintained pursuant to Section 8.1(d) have been paid for damage to the Services unless proceeds are available to finance that replacement, repair or reconstruction and Metricom shall permit such proceeds to be used to finance such replacement, repair or reconstruction. Metricom assumes all responsibility for such loss, damage or destruction following the Risk of Loss Date and WFI is released from all such liability.

7.4 Metricom's Property. Metricom assumes responsibility and risk for all

loss of or damage to property owned by or in the custody of Metricom, however such loss or damage shall occur, and agrees to maintain property damage insurance fully covering said property from such risk naming WFI as additional insured and does hereby and shall cause its insurers to waive rights of subrogation against WFI and its Vendors and Subcontractors under any insurance which Metricom may carry.

7.5 Compliance with Laws and Regulations. WFI shall indemnify and hold the

Indemnified Persons harmless from and against all Claims caused by any violation of, any Laws and Regulations by WFI or any Subcontractor.

7.6 Notice and Defense. The indemnified party shall notify the indemnifying

party in writing within ten (10) Days after the indemnified party becomes aware of any Claim for which the indemnified party seeks indemnity under this Article VII. The indemnifying party shall have charge and direction of the defense of any such Claim and the indemnified party shall render all reasonable assistance, at the indemnifying party's expense that may be required by WFI and its counsel in the defense of such Claim.

7.7 Limitations. WFI shall have no obligation to Metricom with respect to

any damage or loss to property referred to above caused by the perils of war, insurrection, revolution, nuclear reaction, or other like perils as may be excluded under the scope and limits of the insurance coverage provided pursuant to Section 8.1 (d) and WFI's liability with respect to loss, damage or injury shall not exceed the scope and limits of the insurance coverage provided pursuant to Article VIII. Nothing in this Article VII shall be construed to require WFI to indemnify any person to the extent harm results from such person's own negligence, willful misconduct or other tortious act, error or omission.

ARTICLE VIII INSURANCE

8.1 WFI's Commitment. Commencing with the Notice to Proceed with the

Services hereunder, and continuing until the earlier of Final Completion or termination of this Agreement (except with regard to "Builder's Risk" Course of Construction Insurance which shall commence and continue for the period specified in paragraph (d) below), WFI shall maintain, at its expense, insurance policies that are appropriate in scope and amount to properly cover WFI's obligations under the Agreements as follows:

- (a) Employees. Workers' compensation and/or all other social insurance

in accordance with the statutory requirements of the state, province, or country having jurisdiction over WFI's employees who are engaged in the Services, with employer's liability of one million dollars (\$1,000,000) each accident;
- (b) Public Liability. Commercial general liability insurance in a

combined single limit of two million dollars (\$2,000,000) each occurrence for bodily injury to or death of persons and/or loss of or damage to property of parties other than Metricom and excluding the Services and the Services, which policy shall contain contractual liability coverage;
- (c) Automobile. Automobile liability insurance in a combined single

limit of one million dollars (\$1,000,000) each occurrence for bodily injury to or death of persons and/or loss of or damage to property of parties other than Metricom and excluding the Services and the Services, arising from the use of motor vehicles, and shall cover operation on or off the Site of all motor vehicles licensed for highway use, whether they are owned or non-owned;
- (d) The Services. "Builder's Risk" Course of Construction insurance

protecting the respective interests of Metricom, WFI and Subcontractors covering physical loss or damage during course of construction and any materials and equipment while in transit (other than in the course of ocean marine or air transit movement, which is to be provided for pursuant to paragraph (e) below), while at the Site, awaiting and during erection, and until the Risk of Loss Date. This insurance shall be maintained to cover the replacement value of the Services at risk, to the extent available. This insurance shall not cover losses caused by the perils of war or nuclear reaction as defined in the policy of insurance nor shall it cover loss of use, business interruption, or loss of product. Metricom shall be included as an additional insured. A deductible of twenty-five thousand dollars (\$25,000) shall apply to each and every covered loss, except earthquake, flood, windstorm, hot testing, and other deductibles as specified in the contract of insurance;
- (d) Transit. Ocean Marine Cargo Insurance (if appropriate) covering any

and all materials and equipment which may be in transit to the Site by wet marine bottoms, or by air transportation, and/or by connecting conveyances. Such insurance shall be maintained to cover limits at risk.

8.2 Certificates. The foregoing insurance shall be maintained with carriers

reasonably satisfactory to Metricom, and the terms of coverage shall be as evidenced by certificates to be furnished Metricom. Such certificates shall provide that thirty (30) days' written Notice shall be given to Metricom by insurer prior to cancellation of any policy.

8.3 Waiver of Subrogation. WFI shall require its insurance carriers, with

respect to all insurance policies to be carried with respect to the Project to waive all rights of subrogation against Metricom. WFI agrees to exercise its best efforts to obtain from its Subcontractors waivers of subrogation.

ARTICLE IX TRANSFER AND ACCEPTANCE

9.1 Substantial Completion. When WFI deems that the Services, a Site or any

other portion thereof has reached Substantial Completion and is ready for initial inspection, it shall so advise Metricom.

Within [***] of such advice, Metricom shall provide written notice (i) that Substantial Completion has occurred; or (ii) why the Services, a Site, or any portion thereof has not achieved Substantial Completion. If Metricom fails to take any action within the [***], the issue shall be resolved in accordance with Section 13.1.

9.2 Care, Custody and Control. The care, custody and control of the Services

shall pass from WFI to Metricom on written agreement that the Services, a Site or any portion thereof has reached Substantial Completion, but subject to the warranty and other continuing obligations of WFI hereunder, including WFI's obligation to complete all Punch List Items outstanding as of Substantial Completion. In any event, the care, custody, and control of the Services or portion thereof shall pass to Metricom no later than the time when Metricom either starts Beneficial Use of or takes physical possession thereof. From and after the date of the transfer of the care, custody, and control of the Services or portion thereof, (a) Metricom shall assume all risks of physical loss or damage thereto and all responsibility for compliance by the Services or portion thereof with applicable safety and Environmental Laws and all other Laws and Regulations and (b) Metricom shall, and does hereby, release WFI from loss or damage to the Services, except as provided for otherwise in the Agreement, which may thereafter occur.

9.3 Creation of Punch List.

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- (a) As soon as WFI believes the state of the Services warrants such action, but in any event before commencing the Provisional Acceptance Tests, WFI will give a written Notice to Metricom that WFI is prepared to conduct a joint inspection of the Services, a Site or any portion of the Services.
 - (b) Metricom and WFI will cooperate with each other in scheduling and conducting a joint inspection of the Services, a Site or any portion of the Services as soon as reasonably possible after Metricom's receipt of WFI's Notice, but in any event within five (5) Days of its receipt. At Metricom's option, Punch List Items may be prepared and joint inspections performed on a components-by-components or systems-by-systems basis.
 - (c) Within five (5) Days of completion of any such joint inspection, but in any event within ten (10) Days of WFI's Notice to Metricom of WFI's readiness for a joint inspection of the Services, a Site or systems or components thereof, Metricom shall prepare and deliver to WFI a written description of all items of the Services (other than the Provisional Acceptance Tests or additional Services revealed by such tests or necessary to achieve Successful Completion of such tests) which Metricom, in its best good faith judgment, believes have not been completed or require revision or correction to cause them to conform with the requirements of this Agreement.
 - (d) Promptly following Metricom's delivery of its proposed list of Punch List Items to WFI, WFI shall commence and thereafter diligently pursue the completion of all items of the Services which WFI, in its best good faith judgment, believes have not been completed or require revision or correction to cause them to conform with the requirements of this Agreement.
 - (e) It is specifically understood and agreed that WFI's acceptance of or agreement on a list of Punch List Items shall not alter or diminish either WFI's obligation to complete all of the Services, or Metricom's right to require its completion, in accordance with this Agreement.

9.4 Final Completion. The final completion of the Services ("Final

Completion") shall occur on the last to occur of (a) the completion in its entirety of all physical construction of the Services in accordance with this Agreement, including, without limitation, the completion of such finish items as final painting and insulation and completion of Punch List Items, (b) the completion of all other Services in accordance with this Agreement, and (c) the Successful Completion of the Provisional Acceptance Tests.

ARTICLE X DEFAULT, TERMINATION, CANCELLATION AND SUSPENSION

10.1 Events of Default. A party shall be in default of its obligations

pursuant to this Agreement (a "WFI Default" in the case of WFI's obligations or a "Metricom Default" in the case of Metricom's obligations) upon the occurrence of any one or more of the following circumstances, unless, except as to Section 10.1 (a) below, the party's act or failure giving rise to such circumstance is excused as being the result of an event described in Article XII (Force Majeure).

- (a) Nonpayment. A party fails to pay or causes to be paid any amount that has become due and payable by a party to the other party hereunder within five (5) Days after Notice of such failure;
- (b) Breach of Representations or Covenant. Any material representation made by a party pursuant to this Agreement that shall prove to have been incorrect as of the date such representation was made or deemed to have been made; or if a party fails duly to observe or perform any of the other material covenants and agreements contained in this Agreement and such failure continues for [***] after Notice to specifying such failure, except that such failure shall not be deemed a default if, promptly after Notice, the defaulting party commences in good faith and thereafter diligently prosecutes measures which may reasonably be expected to effect a cure of such misrepresentation in such a way and by such time as shall avoid any adverse effect on the non-defaulting party's rights under this Agreement, or that party's ability to achieve its obligations under this Agreement. The cure period for breach of Sections 12.3 and 16.6 shall be [***];
- (c) Insolvency. A party becomes insolvent, or fails generally to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors;
- (d) Voluntary Bankruptcy. A party commences any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of itself or its debts or assets, or adopts an arrangement with creditors, under any bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar law of the United States or any state thereof for the relief of creditors or affecting the rights or remedies of creditors generally (collectively, "Debtor Relief Laws");
- (e) Involuntary Bankruptcy. There shall be instituted against a party under any Debtor Relief Laws any case, proceeding or action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of that party or its debts or assets, which shall be continuing and shall not have been terminated, stayed or dismissed within thirty (30) Days after commencement, or a trustee, receiver, custodian or other official is appointed for or to take possession of all or any part of the property of that party, which action remains undismissed for a period of thirty (30) Days;
- (f) Nonperformance. A party disregards any applicable Laws and Regulations, the disregard of which may have a material adverse effect on the non-defaulting party's rights under this Agreement and such disregard continues for five (5) Business Days after written Notice from the non-defaulting party; or in the case of WFI, after written Notice of default from Metricom, WFI fails to provide Metricom with a cure plan and fails to commence a cure of said default in accordance with the cure plan within five (5) Business Days.

- (g) Abandonment. A party abandons the Project (except due to a

suspension of the Services permitted pursuant to this Agreement),
which may have a material adverse effect on the non-defaulting
party's rights under this Agreement, and the defaulting party fails
to recommence the Project within five (5) Business Days after
written Notice from the non-defaulting party; or a party repudiates
this Agreement.

10.2 Metricom Remedies for WFI Default. In the event of a WFI Default,

Metricom shall have any or all of the following rights and remedies, and WFI
shall have the following obligations:

- (a) Termination. Metricom, without prejudice to any of its other rights

or remedies under this Agreement, may terminate this Agreement
immediately by delivery of a Notice of termination to WFI;
- (b) Withdrawal of WFI. If requested by Metricom, WFI shall withdraw

from the Project, assign to Metricom such of WFI's subcontracts and
Vendor contracts as Metricom may request, and remove such
Construction Aids, and materials and equipment used by and any
debris or waste materials generated by WFI in the performance of the
Services as Metricom may direct, and Metricom may take possession of
any and all designs, Construction Aids, and materials and equipment,
purchase orders, inquiries, schedules, drawings, and facilities of
WFI that Metricom deems necessary to complete of the Services;
- (c) Equitable Remedies. Metricom may seek equitable relief to cause WFI

to take action, or to refrain from taking action pursuant to this
Agreement, or to make restitution of amounts improperly received
under this Agreement: or
- (d) Damages. Metricom may seek damages equal to the reasonable costs in

excess of the Project Cost incurred by Metricom or any party acting
in Metricom's behalf in completing the Services or having the
Services completed. Metricom shall be entitled to withhold further
payments to WFI until Metricom determines that WFI is entitled under
this Agreement to further payments. Upon completion of the Services
by Metricom or third parties, the total cost of the Services shall
be determined, and Metricom shall notify WFI in writing of the
amount, if any, that WFI shall pay Metricom.

10.3 WFI Remedies for Metricom Default. In the event of an Metricom Default,

WFI shall have any or all of the following rights and remedies, in addition to
those rights and remedies that may otherwise be available to WFI under this
Agreement:

- (a) Suspension. WFI may suspend performance of the Services upon no

less than ten (10) Business Days' Notice to Metricom. In that event,
WFI shall be paid for all costs incurred and arising from or
connected with the suspension, including costs of demobilization,
stand-down time and remobilization.
- (b) Termination. WFI may terminate this Agreement upon no less than ten

(10) Business Days' Notice to Metricom;
- (c) Equitable Remedies. WFI may seek equitable relief to cause Metricom

to take action, or to refrain from taking action pursuant to this
Agreement; or
- (d) Damages. WFI may seek damages for an Metricom Default for all costs

incurred by WFI arising from the Metricom Default, including
demobilization and cancellation costs, including any charges by
Vendors and Subcontractors. Notwithstanding any provision in this
Agreement to the contrary or any certificates or representations
made by WFI to the contrary, the parties

agree in the event of an Metricom Default, WFI reserves its rights under applicable law to secure any damages suffered by WFI, whether arising from Metricom's failure to pay amount due under this Agreement or otherwise, as allowed pursuant to any statutory or equitable right permitting a Mechanics' or Materialmen's Lien.

10.4 Termination for Convenience. Metricom may, in its sole discretion,

terminate all or any part of the Services without cause at any time by giving [***] advance written Notice of termination to WFI specifying the portion of the Services to be terminated and the effective date of such termination. Immediately upon the effective date of such termination, WFI shall stop performance of the terminated Services and immediately order and commence demobilization with regard to the terminated Services. WFI shall continue to proceed with any part of the Services (if any) not terminated. Upon such termination, Metricom and WFI shall have the following rights, obligations and duties:

- (a) In case of partial termination of the Services, Metricom and WFI shall cooperate and negotiate in good faith to agree upon a Change effecting appropriate adjustments in the Project Cost, Milestone Payment Schedule and other relevant matters based upon such partial termination. In that regard, WFI shall be compensated for any additional costs arising from a partial termination, including Vendor or Subcontractor cancellation charges. Any such Change shall be incorporated in a Change Order or amendment of this Agreement;
- (b) Upon any termination pursuant to this Article X, Metricom may, at its option, elect to (a) assume the responsibility for and take title to and possession of any and all Services that is terminated at the Site, excluding Construction Aids, and/or (b) succeed to the interests of WFI in any or all purchase orders, contracts and subcontracts entered into by WFI with respect to such Services provided, (i) any such assignment is subject to the concurrent payment by Metricom of amounts due WFI under this Section 10.5, (ii) such assignment is acceptable to the respective Subcontractor or Vendor that is a party to such purchase order, contracts or subcontracts and (iii) WFI is released by Metricom and such Subcontractors and Vendors in a form acceptable to WFI from all further obligations and liability thereunder.

10.5 Suspension by Metricom. Metricom may, at any time after issuance of the

Notice to Proceed and for any reason, suspend performance of the Services or any portion thereof by giving [***] written Notice to WFI, unless WFI agrees in writing to a shorter Notice period. Such suspension shall continue for the period (the "Suspension Period") specified in the suspension Notice. Should the Services be so suspended, WFI shall be paid for all costs incurred in accordance with the provision of Article V for Services performed to the date of suspension and through demobilization and remobilization, including any suspension or cancellation charges by vendors and Subcontractors.

- (a) Resumption of Services. In the case of any suspension under this

Article X, the dates set forth in this Agreement and in the Project Schedule and other dates for performance by WFI hereunder shall be equitably extended for the Suspension Period, any WFI rights or obligations under the Agreement affected by the suspension shall be equitably adjusted and the Project Cost shall be increased to reflect substantiated increases in the cost of performance of the Services and any additional costs incurred by WFI arising from the suspension.
- (b) Termination. If, at the end of the specified Suspension Period,

Metricom has not required a resumption of the Services or has not notified WFI of any extension of the Suspension Period, WFI may elect to treat the suspension as a Termination for Convenience effective as of the commencement date of the Suspension Period, and Metricom shall pay WFI for (i) the Services performed, (ii) those other costs attributable to the suspension and (iii) any other amounts payable pursuant to Article X.

ARTICLE XI FORCE MAJEURE

11.1 Defined. "Force Majeure" as used in this Agreement means events beyond

the reasonable control of Metricom or WFI, as the case may be (an "Affected Party"), including, but not limited to, the following events: acts of God, fire, flood, earthquake, public disorder, war (declared or undeclared), sabotage, governmental acts and decrees, inability to obtain or delays in obtaining Permits, any change in Laws and Regulations, riots, labor strikes, boycotts, work slowdowns and all other labor difficulties (whether direct or indirect), subsurface conditions, breakdown or damage to necessary facilities or transportation delays, hostilities or acts of terrorism, rebellion or sabotage or damage resulting therefrom, fires, floods, explosions and accidents; provided, however, no such event shall constitute Force Majeure in the event such event is caused solely by the negligent or intentional acts, errors or omissions of, or material failure to comply with any Law or Regulation by, an Affected Party or its related and affiliated entities, or a WFI Default or an Metricom Default, as the case may be.

- (a) The more general provisions of this Section 12.1 to the contrary notwithstanding, it is specifically agreed the following specific events are to be treated as being, or not being, Force Majeure events with respect to WFI, as stipulated below, for all purposes of this Agreement:

[***]

11.2 Notice of Event. No Affected Party shall be in default under this

Agreement for failure to perform any obligation or for delay in the performance of any obligation as a result of a Force Majeure event, with the exception of any obligation to make payment of money due under this Agreement, provided the Affected Party shall give written Notice to the other party of the Force Majeure event promptly upon the Affected Party's receipt of knowledge of such event. In the case of WFI, receipt of knowledge of such event shall occur only when such event is brought to the attention of WFI's Representative (or any replacement of such person or any designee of such person in such person's absence). In the case of Metricom, receipt of knowledge of such event shall occur only when such event is brought to the attention of Metricom's Representative (or any replacement of such person or any designee of such person in such person's absence). The Affected Party shall provide the other party with (i) periodic supplemental written notices during the period of the Force Majeure regarding any change, development, progress or other relevant information concerning the Force Majeure event, and (ii) written Notice promptly of the termination of the Force Majeure event. The Affected Party shall use reasonable efforts to avoid and to minimize the effect of a Force Majeure event;

11.3 [***]. In the event [***]

ARTICLE XII INTELLECTUAL PROPERTY

12.1 Title to Plans and Specifications. Drawings and specifications prepared

by WFI pursuant to this Agreement, which Metricom may require WFI to supply in accordance with the Agreement shall become the property of Metricom after transfer of title thereto and Metricom agrees to use the information contained therein

solely for the purpose of facilitating or completing construction, maintenance, operation, modification and repair of the Facilities and any duplication thereof shall be solely for Metricom's internal use, in whole or in part, and agrees not to disclose the same or information contained therein to others for any other purpose, without the written consent of WFI. In the event Metricom uses such information for any other purpose, Metricom agrees to release, defend, indemnify and hold WFI harmless from and against any liability arising out of claims or suits asserted against WFI. Nothing herein shall be construed as limiting WFI's ownership of all rights to use its basic know-how, experience and skills, whether or not acquired during performance of the Services or to perform any engineering design or other services for any other party.

12.2 Infringement. WFI shall defend, indemnify and hold Metricom and its

respective affiliates, successors, assigns, employees, agents, officers and directors harmless from and against all damages, losses, costs and expenses (including, but not limited to, court costs and fees and expenses of counsel) resulting from any action brought against Metricom to the extent based on a claim that the drawings and specifications prepared by WFI pursuant to the Agreement infringes any patent or copyright if Metricom promptly notifies WFI of the claim, furnishes WFI a copy of each written correspondence relating to the claim and gives WFI authority, information and assistance (at WFI's expense) necessary to defend or settle the claim.

12.3 Non-Disclosure Agreements. Any written agreements between WFI and

Metricom entered into prior to the effective date hereof relating to secrecy or confidentiality of information exchanged between WFI and Metricom shall be deemed incorporated herein by reference as if fully set forth in this Agreement. The parties agree not to disclose the terms contained in this Agreement except to the extent necessary to enable the parties to fulfill their obligations under this Agreement.

12.4 Patents. WFI shall include, as a term or condition of each subcontract

and purchase order employed by it in the performance of the Services, a patent indemnification provision extending from the Vendor under such purchase order to Metricom and WFI, and to render such assistance to Metricom as may be reasonably required on a reimbursable cost basis to enforce the terms of such indemnification by Vendors.

ARTICLE XIII DISPUTE RESOLUTION

13.1 General Disputes. In the event of a dispute between the parties arising

under or relating to this Agreement, excluding any disputes related to Sections 12.3 and 16.6, which cannot be amicably resolved within five (5) Business Days by the individuals appointed pursuant to Section 2.7 and Section 3.1 hereof, such dispute shall be referred to a representative of senior management of the parties hereto for resolution. If senior management of the parties cannot amicably resolve the dispute within ten (10) Business Days the dispute shall be submitted to arbitration pursuant to Section 13.2.

13.2 Disputes Involving Changes. In the event a dispute arises pursuant to

the provisions of Article IV, which is unresolved pursuant to Section 13.1, such dispute shall be decided by binding arbitration with the firm of Judicial Arbitration & Mediation Services, Inc. - Endispute ("JAMS"), acting as the sole arbitrator in accordance with the current version of the Streamlined Arbitration Rules and Procedures of JAMS (the "Rules"). The award is final and binding, and no appeal may be taken on the grounds of error in the application of the law or finding of fact. Judgment may be entered on the award, and the award may be judicially enforced. Any other claims, disputes and other matters in question arising out of or relating to this Agreement or the breach thereof may, if the parties mutually agree, be decided by mediation or arbitration by JAMS.

13.3 Waiver of Jury Trial. To the full extent permitted by law, Metricom and

WFI hereby knowingly, voluntarily and intentionally waive any rights they may have to a trial by jury in respect to any litigation based hereon, or arising out of, under, or in connection with, this Agreement, or any course of conduct, course of dealing, statements (whether oral or written) or actions of Metricom or WFI. The parties acknowledge and agree that they have received full and sufficient consideration for this provision and that this provision is a material inducement for each party entering into this Agreement.

13.4 Enforcement Costs. In the event of any arbitration or litigation

arising out of or in connection with this Agreement between Metricom and WFI,
the prevailing party in such arbitration or litigation shall be paid by the
nonprevailing party the costs (including reasonable attorneys' fees and
expenses) incurred by such prevailing party in connection with such arbitration
or litigation.

ARTICLE XIV INJUNCTIVE RELIEF FOR BREACH

14.1 Injunctive Relief for Breach. WFI's obligations of confidentiality

under the Agreement are of a unique character that gives them particular value;
breach of any of such obligations will result in irreparable and continuing
damage to Metricom for which there will be no adequate remedy at law; and, in
the event of such breach, Metricom will be entitled to seek injunctive relief
and/or a decree for specific performance and such other and further relief as
may be proper (including monetary damages if appropriate).

ARTICLE XV LIMITATION OF LIABILITY

15.1 Exclusion of Consequential Damages. Neither Metricom or WRI shall be

liable, in any event, for any special, indirect, incidental or consequential
damages of any nature arising at any time or from any cause whatsoever,
including specifically, but without limitation, loss of profits or revenue, loss
of use of Components or the Services, non-operation or increased expense of
operation or maintenance of Components or Services, cost of capital, interest or
cost of purchased or replacement equipment or systems.

ARTICLE XVI GENERAL PROVISIONS

16.1 Independent Contractor. WFI is and shall act as an independent

contractor in the performance of its obligations under this Agreement.
Notwithstanding the foregoing, both Parties acknowledge and agree that WFI
employees, during the Initial Term and any Renewal Terms, shall be working at
the direction and management of Metricom; however, WFI shall retain full control
of and supervision over its own employees. WFI's personnel performing Services
are agents, employees or subcontractors of WFI and are not employees of
Metricom. Nothing herein shall be deemed to create any other relationship
between the Parties, including, without limitation, a partnership, joint or
shared venture, employer-employee or attorney-client relation. WFI shall be
solely liable for all matters relating to compensation, unemployment, disability
insurance, social security, withholding and all other federal, state and local
laws, rules and regulations governing such matters. WFI will honor Metricom's
request for the removal of any particular employee of WFI from the Project,
provided that Metricom has first submitted a written request to WFI setting
forth lawful and reasonable reasons for such request.

16.2 Notices. All notices pertaining to this Agreement shall be in writing

and shall be sufficient when sent (i) by registered or certified mail, return
receipt requested, upon verification of receipt; (ii) by personal delivery when
delivered personally; (iii) by overnight courier upon written verification of
receipt; or (iv) by telecopy, or facsimile transmission (with oral
confirmation), at the following address or at such other address for either
party as it shall from time to time specify in a Notice to the other party which
complies with the requirement of this Section 16.2:

If to Metricom:

[***]
General Counsel
Metricom, Inc. 980 University Avenue
Los Gatos, CA 95032
Telephone: 408-399-8200
Fax: 408-399-8274

If to WFI:

Masood Tayebi, Ph.D. President
Wireless Facilities, Inc.
San Diego Tech Center
9805 Scranton Road, Suite 100
San Diego, CA 92121
Telephone: (619) 824-2929
Fax: (619) 824-2928

16.3 Representations and Remedies. Neither party makes any representations,

covenants, warranties, or guarantees, express or implied, other than those
expressly set forth herein. Nothing herein shall be construed as limiting either
party's right to any other remedies at law, including recovery of damages for
breach of the Agreement.

16.4 Solicitation of Employment. WFI and Metricom agree that, during the

Initial Term and any Renewal Terms of this Agreement, and for [***] after the
expiration or earlier termination of this Agreement, neither Party shall solicit
nor accept for employment any employees of the other Party who have worked on or
performed Services in connection with the Project, without first obtaining the
express written consent of the other Party.

16.5 Interpretation.

(a) Waivers and Amendments. Waiver by either Party of any default

hereunder by the other Party shall not be deemed a waiver of any
other default. No provision of this Agreement shall be deemed
waived, amended or modified by either Party, unless such waiver,
amendment or modification is in writing and signed by the authorized
representative of each Party.

(b) Governing Law; Consent to Jurisdiction and Venue. This Agreement

shall be construed in accordance with the laws of the State of
California, irrespective of its conflict of law principles. Each
Party hereby agrees to submit to the in personam jurisdiction of and

consents to the laying of venue in the courts in San Diego,
California for any suit, action or proceeding between the Parties
that arises out of this Agreement or the Parties' performance of
their obligations hereunder, and expressly agrees to waive any
defense thereto.

(c) Severability. If any provision or any part of a provision of this

Agreement shall be held invalid or unenforceable, then the remaining
portions of that provision and the remainder of the Agreement shall
be construed as if not containing the particular invalid or
unenforceable provision or portion thereof, and the rights and
obligations of each Party shall be construed and enforced
accordingly.

(d) Survival. The terms, conditions and warranties contained in this

Agreement that by their sense and context are intended to survive
the termination or expiration of this Agreement shall so survive;
including, without limitation, the provisions of Sections 5, 9, 10,
14 and 16.

(e) Assignment. This Agreement is binding upon and inures to the

benefit of the Parties and their respective permitted successors and
assigns. A Party may assign its rights and/or delegate its duties
under this Agreement to any third party only with the prior written
consent, which shall not be unreasonable withheld, of the other
Party, except that an assignment to a third party that controls, is
controlled by, is under common control with, or

is the legal successor of the assigning Party shall not require the non-assigning Party's consent provided, however, that the assignee shall expressly assume the assigning Party's obligations hereunder and shall be subject to all of the terms and conditions of this Agreement. Any assignment of rights or delegation of duties under this Agreement by a Party will not release that Party from its obligations hereunder. Any assignment contrary to these provision shall be null and void.

- (f) **Headings; Construction; Incorporation of Recitals.** The headings of -----
the paragraphs of this Agreement are inserted for convenience only and are not intended to affect its meaning or interpretation. Throughout this Agreement, the singular shall apply to the plural and the plural to the singular, unless the context clearly indicates otherwise. The recitals set forth in the beginning of this Agreement are hereby incorporated and made a material part hereof.
- (g) **Further Assurance.** The Parties shall execute and deliver such -----
further documents and instruments and perform such further acts as may be reasonably be required to carry out the intent and purposes of this Agreement.
- (h) **Enforceability.** Indemnities against, releases from, assumptions of -----
and limitations on liability expressed in this Agreement, as well as waivers of subrogation rights, shall apply even in the event of the fault, negligence or strict liability of the party indemnified or released or whose liability is limited or assumed or against whom rights of subrogation are waived and shall extend to the officers, directors, employees, licensors, agents, partners and related entities of such party and its partners and related entities.
- (i) **No Third Party Beneficiaries.** The parties agree to look solely to -----
each other with respect to the obligations and liability arising in connection with this Agreement and the Services performed hereunder. This Agreement and each and every provision hereof is for the exclusive benefit of Metricom and WFI their successors and assigns and not for the benefit of any third.
- (j) **Audit Rights.** Metricom may audit and inspect WFI's records and -----
accounts covering reimbursable costs, unit rates, fixed rates, unit prices, and time and material costs for a period of one (1) year following the invoicing for such Services. The purpose of any such audit shall be only for verification of such costs, and Company shall not be required to keep records of or provide access to the make-up of lump sums, fixed rates or amounts expressed as a percentage of other costs.

16.6 **Confidentiality.** Each Party may make available ("Disclosing Party") to -----
the other ("Receiving Party") access to certain trade secrets and other confidential technical, business and financial information, including the contents of this Agreement and the Exhibits thereto (collectively, "Confidential Information"). So long as and to the extent that Confidential Information is clearly and identifiably marked "Confidential" or "Proprietary" (if in tangible form) or is not generally available to the public from other sources, each Party shall safeguard such Confidential Information in the manner in which it safeguards its own confidential information, and shall not disclose Confidential Information to its employees, contractors and agents, except to the extent necessary to enable it to fulfill its obligations under this Agreement. The Parties obligations set forth in this Section 17.8 shall not apply with respect to any portion of the Confidential Information that the Receiving Party can document by competent proof that such portion: (a) was in the public domain at the time it was communicated to the Receiving Party by the Disclosing Party; (b) entered the public domain through no fault of the Receiving Party, subsequent to the time it was communicated to the Receiving Party by the Disclosing Party; (c) was in Receiving Party's possession free of any obligation of confidence at the time it was communicated to Receiving Party by Disclosing Party; (d) was rightfully communicated to Receiving Party free of any obligation of confidence subsequent to the time it was communicated to Receiving Party by

the Disclosing Party; (e) was developed by employees or agents of Receiving Party independently of and without reference to any information communicated to Receiving Party by Disclosing Party; or (f) was communicated by Disclosing Party to an unaffiliated third party free of any obligation of confidentiality. In addition, Receiving Party may disclose the Disclosing Party's Confidential Information in response to a valid order by a court or other governmental body, as otherwise required by law. All Confidential Information furnished to the Receiving Party by the Disclosing Party is the sole and exclusive property of the Disclosing Party or its suppliers or customers.

16.7 No Conflict of Interest. During the term of this Agreement, WFI will not accept work, enter into a contract, or accept an obligation from any third party which would prevent WFI from performing its obligations under this Agreement.

16.8 Exhibit List.

- Exhibit I: Statement of Work/Deliverables
- Exhibit II: Project Schedule
- Exhibit III: Schedule of Values

16.9 Conflicting Provisions. This Agreement, as defined in this Section

16.9, sets forth the full and complete understanding of the parties as of the date first above stated, and it supersedes any and all agreements and representations made or dated prior thereto. In the event of any conflict between the following documents, the terms and provisions shall govern in the following order:

- (i) any Amendments or Changes then in effect, in the inverse order of their dates of effectiveness;
- (ii) this Agreement, excluding all Exhibits;
- (iii) the Statement of Work, Exhibit I;
- (iv) all other Exhibits.

Each party shall notify the other in writing immediately upon discovering any conflict among the documents listed above.

16.10 Entire Agreement; Modifications. This Agreement, including the

Exhibits attached hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof as of the Effective Date with respect to the Services. All prior and contemporaneous agreements, representations, statements, negotiations, understandings and undertakings, whether written or oral, are superseded by this Agreement. This Agreement may be modified only in a written document signed by both Parties.

THE PARTIES ACKNOWLEDGE AND AGREE THE TERMS AND CONDITIONS OF THIS AGREEMENT HAVE BEEN FREELY, FAIRLY AND THOROUGHLY NEGOTIATED. FURTHER, THE PARTIES ACKNOWLEDGE AND AGREE SUCH TERMS AND CONDITIONS, INCLUDING BUT NOT LIMITED TO THOSE RELATING TO WAIVERS, ALLOCATIONS OF, RELEASES FROM, INDEMNITIES AGAINST AND LIMITATIONS OF LIABILITY, WHICH MAY REQUIRE CONSPICUOUS IDENTIFICATION, HAVE NOT BEEN SO IDENTIFIED BY MUTUAL AGREEMENT AND THE PARTIES HAVE ACTUAL KNOWLEDGE OF THE INTENT AND EFFECT OF SUCH TERMS AND CONDITIONS. EACH PARTY ACKNOWLEDGES THAT IN EXECUTING THIS AGREEMENT THEY RELY SOLELY ON THEIR OWN JUDGMENT, BELIEF, AND KNOWLEDGE, AND SUCH ADVICE AS THEY MAY HAVE RECEIVED FROM THEIR OWN COUNSEL, AND THEY HAVE NOT

BEEN INFLUENCED BY ANY REPRESENTATION OR STATEMENTS MADE BY ANY OTHER PARTY OR ITS COUNSEL. NO PROVISION IN THIS AGREEMENT IS TO BE INTERPRETED FOR OR AGAINST ANY PARTY BECAUSE THAT PARTY OR ITS COUNSEL DRAFTED SUCH PROVISION.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

METRICOM, INC.

WIRELESS FACILITIES, INC.

/s/ Dale W. Marquart

/s/ Masood K. Tayebi

By: Dale W. Marquart

By: Masood K. Tayebi

Title: General Counsel

Title: President

Date: 09-27-99

Date: 09-27-99

EXHIBIT I
TO
MASTER SERVICES AGREEMENT
BETWEEN METRICOM, INC. AND WIRELESS FACILITIES, INC.
DATED SEPTEMBER 21, 1999

STATEMENT OF WORK FOR RF ENGINEERING

Services Description:

This scope of work describes the tasks to be performed for the turnkey RF engineering services ("RF Engineering Services"). The task descriptions include Metricom responsibilities, WFI responsibilities, task descriptions, and deliverables for each phase of the project.

Warranty:

In accordance with Section 6.1 of the Agreement, the WFI Warranty Period for this Part I will be [***] from the date of entitlement for payment for Punch List Complete/Site Acceptance, as defined in Exhibit III of the Agreement.

Term of Agreement:

WFI and Metricom have executed a Master Services Agreement and this Statement of Work, which, taken together, form an exclusive agreement between WFI and Metricom for the provisioning of RF Engineering Services as set forth in this Statement of Work. The exclusivity of the Agreement for RF Engineering Services expires [***], or upon completion of the [***] which occurs first, at the following rates.

1. \$[***] dollars per site up to an estimate of [***] sites
2. \$[***] dollars per site after [***] sites up to an estimate of [***] sites.

Task 1 Project Initiation

A. Services Description:

This task describes the mutual tasks and responsibilities for initiation of the RF engineering.

B. WFI Responsibilities:

[***]

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WFI Exhibit I to Master Services Agreement dated 09/21/99
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* CONFIDENTIAL TREATMENT REQUEST(ED)

[***]

C. Metricom responsibilities:

1. Provide network equipment specification documentation
2. Provide friendly/bulk site databases
3. Define GSA coverage boundaries
4. Network configuration and Decibel Planner tools training
5. Design criteria including link budget
6. Terrain Databases
7. Propagation tool software (Decibel Planner)
8. Supply drive test equipment

D. Project Initiation Deliverables:

1. Training complete
2. Engineers and drive test teams in market

Task 2: Preliminary Design

- - - - -

A. Services Description:

This task describes the mutual responsibilities required for completing the preliminary RF design.

B. WFI responsibilities:

[***]

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WFI Exhibit I to Master Services Agreement dated 09/21/99
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- - - - -

* CONFIDENTIAL TREATMENT REQUEST(ED)

[***]

C. Metricom Responsibilities:

1. Approve preliminary design
2. Attendance by approval representatives at the design review

D. Deliverables

1. Preliminary design review
2. Sign-off on primary design

Task 3: Initial Search Ring Release

- - - - -

A. Service Description:

In this task RF engineering will release search area rings to the leasing teams.

B. WFI responsibilities:

1. Prepare initial search rings
2. Release search rings to Metricom for review
3. Release search rings to site development teams as instructed by Metricom

Metricom responsibilities:

1. Provide personnel to review and approve search rings.

D. Deliverables

1. Search Ring packages issued to leasing and zoning

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WFI Exhibit I to Master Services Agreement dated 09/21/99
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- - - - -

* CONFIDENTIAL TREATMENT REQUEST(ED)

Task 4: Field Design And Candidate Approvals:

A. Services Description:

Task 4 involves the mutual responsibilities and tasks needed for RF engineering to approve site locations. The process is an iterative process with all of the disciplines.

B. WFI responsibilities:

[***]

C. Metricom responsibilities:

1. Provide approval authority and sign-off for sites

D. Deliverables:

1. RF approval and sign-off of primary candidates
2. RF candidate information forms complete

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WFI Exhibit I to Master Services Agreement dated 09/21/99
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* CONFIDENTIAL TREATMENT REQUEST(ED)

Task 5: Final Site Acceptance

- -----

A. Services Description:

This task describes the mutual responsibilities and tasks needed to accept the site.

B. WFI responsibilities:

[***]

C. Metricom responsibilities:

- 1. Provide final design approval authority

D. Deliverables:

- 1. Final design review
- 2. Delivery all site information Site Candidate Package to Metricom
- 3. RF site acceptance complete

This Statement of Work is an attachment to the Master Services Agreement between Metricom, Inc. and Wireless Facilities, Inc. dated September 21, 1999. This Statement of Work may not be modified except in writing by both Parties.

Accepted by:

Metricom, Inc. Wireless Facilities, Inc.

/s/ Dale W. Marquart

/s/ Masood K. Tayebi

By: Dale W. Marquart

By: Masood K. Tayebi

Title: General Counsel

Title: President

Date: 9-27-99

Date: 09-27-99

Metricom Confidential and Proprietary Date:

WFI Exhibit I to Master Services Agreement dated 09/21/99

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- -----

* CONFIDENTIAL TREATMENT REQUEST(ED)

EXHIBIT III
TO
MASTER SERVICES AGREEMENT
BETWEEN METRICOM, INC. AND WIRELESS FACILITIES, INC.
DATED SEPTEMBER 21, 1999

RF ENGINEERING SCHEDULE OF VALUES

PART I-PRICE SCHEDULE

WFI and Metricom have executed a Master Services Agreement that is exclusive between WFI and Metricom for all RF engineering services as follows:

1. [***] dollars per site up to an estimate of [***] sites
2. [***] dollars per site after [***] sites up to an estimate of [***] sites.

The Exclusivity Agreement for RF engineering expires [***], or after completion of [***], whichever occurs first.

PART II-MILESTONE PAYMENT SCHEDULE

RF ENGINEERING MILESTONE PAYMENT SCHEDULE

NO.	MILESTONE	PCT	DELIVERABLE
[***]	[***]	[***]	[***]

CONDITIONS

Milestone one: [***] [***]
Milestone two: [***] [***]
Milestone three: [***] [***]
Milestone four: [***] [***]

- -----
* CONFIDENTIAL TREATMENT REQUEST(ED)

PART III-PROFESSIONAL SERVICES HOURLY RATES

The hourly rates set forth below shall apply to all Services performed by WFI that are in addition to those described in the Statement of Work. Metricom shall compensate WFI on an hourly basis in accordance with the rates set forth in the table below. WFI may invoice Metricom monthly for all hourly-billed Services rendered the previous period.

1. These hourly rates do not include expenses or taxes.

WIRELESS FACILITIES, INC.
1999 Hourly Services Rates

Service Type	Employment Category	Hourly Rate	Monthly Rate
Program Management	1 Project Manager	\$ [***]	\$ [***]
	2 Project Coordinator	\$ [***]	\$ [***]
	3 Administrative Assistant	\$ [***]	\$ [***]
RF Engineering	4 Principal Engineer	\$ [***]	\$ [***]
	5 Senior Engineer	\$ [***]	\$ [***]
	6 Design Engineer	\$ [***]	\$ [***]
	7 Engineer	\$ [***]	\$ [***]
	8 Associate Engineer	\$ [***]	\$ [***]
Network Engineering	9 Technician	\$ [***]	\$ [***]
	10 Principal Engineer	\$ [***]	\$ [***]
	11 Senior Engineer	\$ [***]	\$ [***]
	12 Design Engineer	\$ [***]	\$ [***]
	13 Engineer	\$ [***]	\$ [***]
	14 Associate Engineer	\$ [***]	\$ [***]
Site Acquisition	15 Technician	\$ [***]	\$ [***]
	16 Leasing Manager	\$ [***]	\$ [***]
	17 Zoning Manager	\$ [***]	\$ [***]
	18 Site Acquisition Specialist	\$ [***]	\$ [***]
	19 Zoning Specialist	\$ [***]	\$ [***]
Construction Management	20 Paralegal	\$ [***]	\$ [***]
	21 CM Construction Manager	\$ [***]	\$ [***]
	22 CM Operations Manager	\$ [***]	\$ [***]
	23 CM Construction Engineer	\$ [***]	\$ [***]
	24 CM Project Coordinator	\$ [***]	\$ [***]
	25 CM Utility Coordinator	\$ [***]	\$ [***]
	26 CM Field Supervisor	\$ [***]	\$ [***]
Installation & Maintenance	27 Cell-site Engineer	\$ [***]	\$ [***]
	28 Switch Engineer	\$ [***]	\$ [***]
	29 Engineer Supervisor	\$ [***]	\$ [***]
	30 Sr. Installer	\$ [***]	\$ [***]
	31 Installer	\$ [***]	\$ [***]
Documentation	32 Document Controls Supervisor	\$ [***]	\$ [***]
	33 Document Controls	\$ [***]	\$ [***]
Logistics	34 Logistics Manager	\$ [***]	\$ [***]
GIS	35 GIS Manager	\$ [***]	\$ [***]
	36 GIS Specialist	\$ [***]	\$ [***]
Business Consulting	37 Sr. Partner	\$ [***]	\$ [***]
	38 Partner	\$ [***]	\$ [***]
	39 Director	\$ [***]	\$ [***]
Advanced Technology	40 Business Consultant	\$ [***]	\$ [***]
	41 Principal Staff Engineer	\$ [***]	\$ [***]
	42 Sr. Staff Engineer	\$ [***]	\$ [***]
	43 Staff Engineer	\$ [***]	\$ [***]

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WFI Exhibit III to Master Services Agreement dated September 21, 1999
Page 2 of 3

* CONFIDENTIAL TREATMENT REQUEST(ED)

PART IV-ADDITIONAL EXPENSES

Expense Summary

The following table summarizes which expenses are included in WFI's fixed pricing and which are considered pass-through expenses. WFI may invoice Metricom bi-weekly for reimbursable pass-through expenses.

	WFI Included	Metricom Provided or Reimbursed to WFI as Pass-Through expenses
Expense Summary: -----		
Architect and Engineering Services	[**]	[**]
Capital lease costs (if necessary)	[**]	[**]
Cellular Phones/Pagers	[**]	[**]
Cellular/Paging Service (project related)	[**]	[**]
Crane rental for drive testing	[**]	[**]
Construction Contractor for site construction	[**]	[**]
Easement Acquisition Costs (if necessary)	[**]	[**]
Environmental Site Assessment	[**]	[**]
Expert Testimony (if necessary)	[**]	[**]
Land-use attorney (if necessary)	[**]	[**]
Lease option payments	[**]	[**]
License & Permit Fees	[**]	[**]
Field Expenses (maps, deeds, film developing, etc.)	[**]	[**]
Formal Site Survey	[**]	[**]
Frequency Coordination Study (preliminary and final)	[**]	[**]
GIS/Mapping (as necessary)	[**]	[**]
Mechanical and Electrical Drawings	[**]	[**]
Vehicle Expenses (project related)	[**]	[**]
Personal Computers & Related Software	[**]	[**]
Office Supplies	[**]	[**]
CW Drive Test Equipment	[**]	[**]
Propagation Tools (software), terrain data bases	[**]	[**]
Propagation Tools (hardware computer and plotter)	[**]	[**]
Overnight Mail (project related)	[**]	[**]
Photo Simulations (as necessary)	[**]	[**]
Soil Tests (geotechnical testing)	[**]	[**]
Structural Analysis	[**]	[**]
Title (property ownership verification) Report Cost	[**]	[**]
Tower Stress and Foundation Analysis	[**]	[**]
Travel and Living Expenses	[**]	[**]
Zoning/Filing/Permitting Fees	[**]	[**]
EXPENSES INCLUDED IN OFFICE SPACE (See Note (1)) -----		
Telephone/FAX Service (local/long distance) (1)	[**]	[**]
Office Rent, Furniture & Equipment (1)	[**]	[**]
Utilities (1)	[**]	[**]

Note(1): Office Space will be compensated at a rate of \$[**] per square foot per month, said rate will be subject to negotiation by Metricom and WFI based on demonstrated and substantial increased actual cost in a specific market.

 * CONFIDENTIAL TREATMENT REQUEST(ED)

Task 5: Final Site Acceptance

A. Services Description:

This task describes the mutual responsibilities and tasks needed to accept the site.

B. WFI responsibilities:

[***]

C. Metricom responsibilities:

- 1. Provide final design approval authority

D. Deliverables:

- 1. Final design review
- 2. Delivery all site information Site Candidate Package to Metricom
- 3. RF site acceptance complete

This Statement of Work is an attachment to the Master Services Agreement between Metricom, Inc. and Wireless Facilities, Inc. dated September 21, 1999. This Statement of Work may not be modified except in writing by both Parties.

Accepted by:

Metricom, Inc.

Wireless Facilities, Inc.

/s/ DALE W. MARQUART

/s/ MASOOD K. TAYEBI

By: Dale W. Marquart

By: Masood K. Tayebi

Title: General Counsel

Title: President

Date: 9-27-99

Date: 09-27-99

EXHIBIT III
TO
MASTER SERVICES AGREEMENT
BETWEEN METRICOM, INC. AND WIRELESS FACILITIES, INC.
DATED SEPTEMBER 21, 1999

RF ENGINEERING SCHEDULE OF VALUES

PART I-PRICE SCHEDULE

WFI and Metricom have executed a Master Services Agreement that is exclusive between WFI and Metricom for all RF engineering services as follows:

1. [***] dollars per site up to an estimate of [***] sites
2. [***] dollars per site after [***] sites up to an estimate of [***] sites.

The Exclusivity Agreement for RF engineering expires [***], or after completion of [***], whichever occurs first.

PART II-MILESTONE PAYMENT SCHEDULE

RF ENGINEERING MILESTONE PAYMENT SCHEDULE

NO.	MILESTONE	PCT	DELIVERABLE
[***]	[***]	[***]	[***]

CONDITIONS

- Milestone one: [***] [***]
- Milestone two: [***] [***]
- Milestone three: [***] [***]
- Milestone four: [***] [***]

PART III-PROFESSIONAL SERVICES HOURLY RATES

The hourly rates set forth below shall apply to all Services performed by WFI that are in addition to those described in the Statement of Work. Metricom shall compensate WFI on an hourly basis in accordance with the rates set forth in the table below. WFI may invoice Metricom monthly for all hourly-billed Services rendered the previous period.

1. These hourly rates do not include expenses or taxes.

WIRELESS FACILITIES, INC.
1999 Hourly Services Rates

Service Type	Employment Category	Hourly Rate	Monthly Rate
Program Management	1 Project Manager	\$ [***]	\$ [***]
	2 Project Coordinator	\$ [***]	\$ [***]
	3 Administrative Assistant	\$ [***]	\$ [***]
RF Engineering	4 Principal Engineer	\$ [***]	\$ [***]
	5 Senior Engineer	\$ [***]	\$ [***]
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	7 Engineer	\$ [***]	\$ [***]
	8 Associate Engineer	\$ [***]	\$ [***]
Network Engineering	9 Technician	\$ [***]	\$ [***]
	10 Principal Engineer	\$ [***]	\$ [***]
	11 Senior Engineer	\$ [***]	\$ [***]
	12 Design Engineer	\$ [***]	\$ [***]
	13 Engineer	\$ [***]	\$ [***]
	14 Associate Engineer	\$ [***]	\$ [***]
Site Acquisition	15 Technician	\$ [***]	\$ [***]
	16 Leasing Manager	\$ [***]	\$ [***]
	17 Zoning Manager	\$ [***]	\$ [***]
	18 Site Acquisition Specialist	\$ [***]	\$ [***]
	19 Zoning Specialist	\$ [***]	\$ [***]
Construction Management	20 Paralegal	\$ [***]	\$ [***]
	21 CM Construction Manager	\$ [***]	\$ [***]
	22 CM Operations Manager	\$ [***]	\$ [***]
	23 CM Construction Engineer	\$ [***]	\$ [***]
	24 CM Project Coordinator	\$ [***]	\$ [***]
	25 CM Utility Coordinator	\$ [***]	\$ [***]
	26 CM Field Supervisor	\$ [***]	\$ [***]
Installation & Maintenance	27 Cell-site Engineer	\$ [***]	\$ [***]
	28 Switch Engineer	\$ [***]	\$ [***]
	29 Engineer Supervisor	\$ [***]	\$ [***]
	30 Sr. Installer	\$ [***]	\$ [***]
	31 Installer	\$ [***]	\$ [***]
Documentation	32 Document Controls Supervisor	\$ [***]	\$ [***]
	33 Document Controls	\$ [***]	\$ [***]
Logistics	34 Logistics Manager	\$ [***]	\$ [***]
GIS	35 GIS Manager	\$ [***]	\$ [***]
	36 GIS Specialist	\$ [***]	\$ [***]
Business Consulting	37 Sr. Partner	\$ [***]	\$ [***]
	38 Partner	\$ [***]	\$ [***]
	39 Director	\$ [***]	\$ [***]
Advanced Technology	40 Business Consultant	\$ [***]	\$ [***]
	41 Principal Staff Engineer	\$ [***]	\$ [***]
	42 Sr. Staff Engineer	\$ [***]	\$ [***]
	43 Staff Engineer	\$ [***]	\$ [***]

Metricom Confidential and Proprietary
WFI Exhibit III to Master Services Agreement dated September 21, 1999
Page 2 of 3

* CONFIDENTIAL TREATMENT REQUEST(ED)

PART IV-ADDITIONAL EXPENSES

Expense Summary

The following table summarizes which expenses are included in WFI's fixed pricing and which are considered pass-through expenses. WFI may invoice Metricom bi-weekly for reimbursable pass-through expenses.

	WFI Included	Metricom Provided or Reimbursed to WFI as Pass-Through expenses
Expense Summary:		
Architect and Engineering Services	[***]	[***]
Capital lease costs (if necessary)	[***]	[***]
Cellular Phones/Pagers	[***]	[***]
Cellular/Paging Service (project related)	[***]	[***]
Crane rental for drive testing	[***]	[***]
Construction Contractor for site construction	[***]	[***]
Easement Acquisition Costs (if necessary)	[***]	[***]
Environmental Site Assessment	[***]	[***]
Expert Testimony (if necessary)	[***]	[***]
Land-use attorney (if necessary)	[***]	[***]
Lease option payments	[***]	[***]
License & Permit Fees	[***]	[***]
Field Expenses (maps, deeds, film developing, etc.)	[***]	[***]
Formal Site Survey	[***]	[***]
Frequency Coordination Study (preliminary and final)	[***]	[***]
GIS/Mapping (as necessary)	[***]	[***]
Mechanical and Electrical Drawings	[***]	[***]
Vehicle Expenses (project related)	[***]	[***]
Personal Computers & Related Software	[***]	[***]
Office Supplies	[***]	[***]
CW Drive Test Equipment	[***]	[***]
Propagation Tools (software), terrain data bases	[***]	[***]
Propagation Tools (hardware computer and plotter)	[***]	[***]
Overnight Mail (project related)	[***]	[***]
Photo Simulations (as necessary)	[***]	[***]
Soil Tests (geotechnical testing)	[***]	[***]
Structural Analysis	[***]	[***]
Title (property ownership verification) Report Cost	[***]	[***]
Tower Stress and Foundation Analysis	[***]	[***]
Travel and Living Expenses	[***]	[***]
Zoning/Filing/Permitting Fees	[***]	[***]
EXPENSES INCLUDED IN OFFICE SPACE (See Note (1))		
Telephone/FAX Service (local/long distance) (1)	[***]	[***]
Office Rent, Furniture & Equipment (1)	[***]	[***]
Utilities (1)	[***]	[***]

Note(1): Office Space will be compensated at a rate of \$[***] per square foot per month, said rate will be subject to negotiation by Metricom and WFI based on demonstrated and substantial increased actual cost in a specific market.

* CONFIDENTIAL TREATMENT REQUEST(ED)

INDEPENDENT AUDITORS' REPORT ON SCHEDULE AND CONSENT

The Board of Directors
Wireless Facilities, Inc.:

The audits referred to in our report dated May 27, 1999, included the related financial statement schedule as of December 31, 1998, and for each of the years in the three-year period ended December 31, 1998, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the references to our firm under the headings "Selected Consolidated Financial Data" and "Experts" in the prospectus.

/s/ KPMG LLP
KPMG LLP

San Diego, California

September 28, 1999

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and the use of our report dated February 13, 1998, except for Note 8 as to which the date is April 15, 1998 relating to the financial statements of Entel Technologies, Inc. for the year ended December 31, 1997 included in Registration Statement No. 333-85515 on Form S-1 for the registration of the Common Stock of Wireless Facilities, Inc.

/s/ M.R. Weiser & Co. LLP
M.R. Weiser & Co. LLP

New York, New York

September 28, 1999