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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Commission file number 0-27231

WIRELESS FACILITIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	13-3818604
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4810 Eastgate Mall
San Diego, CA 92121
(858) 228-2000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

As of August 2, 2001 there were 45,198,077 shares of the Registrant's $0.001 par value Common Stock outstanding.

WIRELESS FACILITIES, INC.

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2001
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WIRELESS FACILITIES, INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	December 31, 2000	June 30, 2001 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18.5	$ 8.2
Accounts receivable, net	119.1	83.0
Contract management receivables	20.8	17.3
Income taxes receivable	12.7	13.9
Net deferred income tax assets	--	8.2
Other current assets	14.3	22.0
Total current assets	185.4	152.6
Property and equipment, net	20.0	20.7
Goodwill, net	64.7	61.8
Other intangibles, net	17.1	10.4
Investments in unconsolidated affiliates	9.2	8.6
Other assets	0.7	1.4
Total assets	$297.1	$255.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 15.1	$ 23.0
Accrued expenses	17.6	7.9
Contract management payables	9.2	7.4
Billings in excess of costs and profits	0.9	1.6
Line of credit payable	24.9	23.0
Notes payable--current portion	1.7	0.2
Capital lease obligation--current portion	3.5	4.2
Net deferred income tax liabilities	8.8	--
Total current liabilities	81.7	67.3
Notes payable--net of current portion	0.6	0.5
Capital lease obligation--net of current portion	7.0	6.2
Common stock to be issued	8.6	10.5
Other liabilities	0.5	4.0
Total liabilities	98.4	88.5
Minority interest in subsidiary	0.1	0.1
Stockholders' equity:		
Common stock, $0.001 par value, 195.0 shares authorized; 43.3 and 45.2 shares issued and outstanding at December 31, 2000 and June 30, 2001 (unaudited), respectively	--	--
Additional paid-in capital	156.9	170.5
Retained earnings (accumulated deficit)	43.0	(3.8)
Accumulated other comprehensive (loss) income	(1.3)	0.2
Total stockholders' equity	198.6	166.9
Total liabilities and stockholders' equity	$297.1	$255.5

See accompanying notes to unaudited consolidated financial statements.

WIRELESS FACILITIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in millions, except per share amounts)

	Three months ended June 30, 2000	Three months ended June 30, 2001	Six months ended June 30, 2000	Six months ended June 30, 2001
Revenues	$ 59.4	$ 54.7	$ 102.8	$ 107.4
Cost of revenues	33.0	32.5	58.4	71.6
Gross profit	26.4	22.2	44.4	35.8
Selling, general and administrative expenses	11.7	40.3	19.3	70.6
Depreciation and amortization	1.9	5.5	3.0	10.9
Asset impairment charges	--	12.9	--	12.9
Operating income (loss)	12.8	(36.5)	22.1	(58.6)
Other income (expense):				
Interest income	0.6	0.2	1.5	0.4
Interest expense	(0.5)	(1.0)	(0.7)	(2.1)
Foreign currency gain (loss)	0.3	(1.8)	0.1	(2.1)
Other	0.1	0.2	0.1	(0.8)
Net other income (expense)	0.5	(2.4)	1.0	(4.6)
Income (loss) before income taxes and minority interest in income of subsidiary	13.3	(38.9)	23.1	(63.2)
Provision (benefit) for income taxes	5.3	(0.6)	9.2	(16.4)
Minority interest in income of subsidiary	0.1	--	0.2	--
Net income (loss)	$ 7.9	$ (38.3)	$ 13.7	$ (46.8)
Net income (loss) per common share:				
Basic	$ 0.19	$ (0.87)	$ 0.34	$ (1.05)
Diluted	$ 0.16	$ (0.87)	$ 0.28	$ (1.05)
Weighted average common shares outstanding:				
Basic	41.3	44.1	40.9	44.7
Diluted	50.1	44.1	49.5	44.7

See accompanying notes to unaudited consolidated financial statements.

WIRELESS FACILITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Six months ended June 30, 2000	Six months ended June 30, 2001
Net cash used in operating activities	$ (17.8)	$ (7.3)
Investing activities:		
Capital expenditures	(1.0)	(2.7)
Cash paid for acquisitions, net of cash acquired	(18.1)	--
Cash paid for investments	(4.0)	--
Proceeds from sales of investments	26.0	--
Net cash provided by (used in) investing activities	2.9	(2.7)
Financing activities:		
Proceeds from issuance of common stock	5.0	4.9
Repayment of notes payable	(0.3)	(1.6)
Net borrowing (repayment) under line of credit	13.6	(1.9)
Repayment of capital lease obligation	(0.3)	(2.9)
Net cash provided by (used in) financing activities	18.0	(1.5)
Effect of exchange rate on cash and cash equivalents	(0.3)	1.2
Net increase (decrease) in cash and cash equivalents	2.8	(10.3)
Cash and cash equivalents at beginning of period	34.3	18.5
Cash and cash equivalents at end of period	$ 37.1	$ 8.2
Supplemental disclosures of noncash transactions:		
Fair value of assets acquired in acquisitions	$ 57.2	$ --
Issuance of common stock for acquisitions	(26.5)	--
Cash paid for acquisitions	(22.1)	--
Liabilities assumed in acquisitions	$ 8.6	$ --
Common stock issued for earn out provision in acquisition	$ --	$ 8.7
Common stock issued under a cashless exercise of warrants	$ 0.2	$ --
Note receivable issued for sale of equipment	$ --	$ 1.0
Property and equipment acquired under capital leases	$ 3.7	$ 2.8
Reduction of accounts receivable in exchange for notes receivable	$ --	$ 1.4
Reduction of note payable in lieu of consideration for exercise of warrants	$ 0.5	$ --
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 0.4	$ 2.1
Net cash paid (received) during the period for income taxes	$ 6.7	$ (4.2)

See accompanying notes to unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(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 in Delaware in 1998. WFI provides a full suite of outsourcing services to wireless carriers and equipment vendors, including the design, deployment and management of client networks. WFI's customers include both early-stage and mature providers of cellular, PCS and broadband data services and equipment. WFI's engagements range from small 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) Basis of Presentation

The information as of June 30, 2001, and for the three and six month periods ended June 30, 2000 and 2001 is unaudited. In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in WFI's annual consolidated financial statements for the fiscal year ended December 31, 2000, filed on Form 10-K with the Securities and Exchange Commission.

The consolidated financial statements include the accounts of WFI and its wholly-owned and majority-owned subsidiaries. WFI and its subsidiaries are collectively referred to herein as the "Company." All intercompany transactions have been eliminated in consolidation. Investments accounted for using the cost method include companies in which the Company owns less than 20% and for which the Company has no significant influence. Investments accounted for using the equity method include companies in which the Company owns more than 20% but less than 50%, or for which the Company is considered to have significant influence.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

(d) Reclassifications

Certain prior period amounts have been reclassified to conform with the current period presentation.

(e) New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS No. 141), "Business Combinations", and Statement No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets". SFAS 141 supersedes APB Opinion No. 16, "Business

Combinations" and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchases Enterprises" and eliminates pooling-of-interests accounting prospectively. SFAS No. 141 is required to be adopted for all business combinations initiated after June 30, 2001. SFAS No. 142 supersedes APB Opinion No. 17, "Intangible Assets" and changes the accounting for goodwill from an amortization method to an impairment-only approach. Under SFAS No. 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. Upon adoption of SFAS No. 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1, 2001 that do not meet the criteria for recognition under SFAS 141 will be reclassified to goodwill. The Company will adopt SFAS No. 141 immediately with regard to business combinations initiated after June 30, 2001 and SFAS No. 142 on January 1, 2002, upon which time the Company will cease amortizing goodwill and separately identifiable intangibles in accordance with the guidelines set forth in the standard. As of the date of adoption, the Company expects remaining unamortized goodwill and unamortized other intangible assets to be approximately $56.9 million and $8.3 million, respectively, all of which will be subject to the transition guidelines of SFAS No. 142. The Company is currently evaluating the impact these standards will have on its results of operations and financial position.

(2) Asset Impairment Charges

As required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", the Company reviews long-lived assets and intangibles for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recent slowdown in the economy, current economic conditions and visible trends in the telecommunications industry, triggered an impairment evaluation by the Company of its goodwill and other intangible assets. Based on the Company's analyses of the results of operations and projected future cash flows associated with certain goodwill and other intangible assets, the Company determined that impairment existed. Accordingly, the Company recorded a $12.9 million impairment charge in the second quarter of 2001 determined as the amount by which the carrying amount of the assets exceeded the present value of the estimated future cash flows. Assets determined to be impaired include goodwill and contract and workforce intangibles approximating $8.2 million in the Company's design and deployment segment and $4.7 million in its network management segment. The Company does not believe these write-downs will impair or affect the Company's ongoing operations.

(3) Earn-out on Davis Bay, LLC Acquisition

In June of 2000, the Company acquired the assets of Davis Bay, LLC, a Washington State limited liability company, for $3.0 million in cash and stock. Of the total purchase price, $2.4 million was paid through the issuance of approximately 49,000 shares of the Company's common stock. Included in the asset purchase agreement is an earn-out provision whereby the Company agrees to pay Davis Bay's selling shareholders additional consideration contingent on certain quarterly earnings results from existing and potential future contracts secured by Davis Bay for the Company. These earn-out payments are capped at $20.0 million. During the six months ended June 30, 2001, $10.5 million in additional goodwill was recorded under the earn-out provision, bringing the total earn-out up to the $20.0 million allowed under the contract. Additionally, the estimated liability of common stock to be issued related to the earn-out agreement is $10.5 million as of June 30, 2001.

(4) Recent Event with Significant Customer

As a result of Metricom, Inc.'s filing for bankruptcy protection on July 2, 2001, the Company recorded an allowance for the entire receivable balance of $13.9 million due from Metricom, Inc., in the quarter ended

June 30, 2001. The Company announced in February 2001 that Metricom, which abandoned plans for a national rollout of its "Ricochet" wireless modem service, had suspended its contract with the Company for engineering services.

(5) Net Income (Loss) Per Common Share

The Company calculates net income (loss) per share in accordance with SFAS No. 128, "Earnings Per Share". Under SFAS No. 128, basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted net income (loss) per common share reflects the effects of potentially dilutive securities. Weighted average shares used to compute net income (loss) per share are presented below (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2000	2001	2000	2001
Weighted-average shares, basic...........	41.3	44.1	40.9	44.7
Dilutive effect of stock options.........	7.8	--	7.6	--
Dilutive effect of warrants..............	1.0	--	1.0	--
Weighted-average shares, diluted.........	50.1	44.1	49.5	44.7

Options to purchase .6 million and 5.7 million shares of common stock for the three months ended June 30, 2000 and 2001, respectively, were not included in the calculation of diluted net income (loss) per share because the effect of these instruments was anti-dilutive. Options to purchase .3 million and 6.2 million shares of common stock for the six months ended June 30, 2000 and 2001, respectively, were not included in the calculation of diluted net income per share because the effect of these instruments was anti-dilutive.

(6) Segment Information

The Company's operations are organized along service lines and include three reportable industry segments: Design and Deployment, Network Management, and Business Consulting. Due to the nature of these services, the amount of capital assets used in providing services to customers is not significant. Revenues and operating income (loss) provided by the Company's industry segments for the three and six months ended June 30, 2000 and 2001 are as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2000	2001	2000	2001
Revenues:				
Design and deployment..................	$ 51.7	$ 43.5	$ 91.8	$ 81.4
Network management.....................	5.5	9.0	7.9	22.1
Business consulting....................	2.2	2.2	3.1	3.9
Total revenues.......................	$ 59.4	$ 54.7	$ 102.8	$ 107.4
Operating income (loss):				
Design and deployment..................	$ 10.2	$ (27.7)	$ 18.2	$ (45.6)
Network management.....................	1.6	(7.6)	2.5	(11.5)
Business consulting....................	1.0	(1.2)	1.4	(1.5)
Total operating income (loss)........	$ 12.8	$ (36.5)	$ 22.1	$ (58.6)

Revenues derived by geographic region are as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2000	2001	2000	2001
Revenues:				
U.S.	$44.6	$35.9	$ 76.1	$ 71.4
Central and South America	11.5	11.0	19.7	21.3
Europe, Middle East and Africa	3.3	7.8	7.0	14.7
Total revenues	$59.4	$54.7	$102.8	$107.4

(7) Subsequent Event

On July 19, 2001, the Company executed an amendment to its credit facility which, among other items, changed the minimum EBITDA covenant to exclude unusual charges up to a specified amount from the first and second quarters of the Company's fiscal 2001 financial results.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

This report contains forward-looking statements. 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," "expect," "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.

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. Moreover, neither we, nor any other person, assumes responsibility for the accuracy and completeness of the forward-looking statements. We are under no obligation to update any of the forward-looking statements after the filing of this Quarterly Report on Form 10-Q to conform such statements to actual results or to changes in our expectations.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes and other financial information appearing elsewhere in this Form 10-Q. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation to the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Risk Factors," and the audited consolidated financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended December 31, 2000 and other reports and filings made with the Securities and Exchange Commission.

Overview

Wireless Facilities, Inc. offers network business consulting, network planning, design and deployment, and network operations and maintenance services to the wireless telecommunications industry. For the six months ended June 30, 2001, our consulting, design and deployment, and network management segments contributed to 4%, 76% and 20% of our revenues, respectively. During 2000, we formed a subsidiary in the United Kingdom, Wireless Facilities International, Ltd. ("WFIL"). WFIL began servicing existing contracts and entering into new contracts in Europe, the Middle East and Africa ("EMEA") in April 2000. These contracts include services performed for many of the latest wireless technologies, including UMTS (Universal Mobile Telephone Service) broadband wireless applications, and voice and video applications. Revenues from our international operations contributed 34% of our total revenues for the six months ended June 30, 2001.

Revenues from network planning, design and deployment contracts are primarily fixed price contracts which are recognized using the percentage-of-completion method. Under the percentage-of-completion method of accounting, expenses on each project are recognized as incurred, and revenues are recognized based on a comparison of the current costs incurred for the project to date compared to the then estimated total costs of the project from start to completion. Accordingly, revenue recognized in a given period depends on the costs incurred on each individual project and the current estimate of the total costs to complete a project, determined at that time. As a result, gross margins for any single project may fluctuate from period to period. 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. For business consulting, 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 ongoing radio frequency optimization and network operations and maintenance services. With respect to these services, we recognize revenue as services are performed.

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.

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. As of December 31, 2000, we had completed the first phase of implementing a new financial management and accounting software program in our domestic operations, and as of June 30, 2001, we had completed the same software program implementation in Mexico and had started the initial phases in the United Kingdom. Such software is expected to better accommodate our growth. We expect to incur expenses in subsequent periods related to licensing the software package and related personnel costs associated with completing its implementation in our domestic and international operations. We may incur expenses related to a given project in advance of the commencement of the project 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.

Due to the recent downturn in the financial markets in general, and specifically within the telecommunications industry, many of our customers are having trouble raising money in the capital markets to fund the expansion of their businesses, including telecom network deployments and upgrades. The current volatility of the financial markets and slowdown in the U.S. economy has also intensified the uncertainty experienced by many of our customers, who are finding it increasingly difficult to predict demand for their products and services. As a result, many of our customers have and continue to slow and postpone the deployment of new wireless networks and the development of new technologies and products, which has reduced the demand for our services. Some of our customers have recently cancelled or suspended their contracts with us and many of our customers or potential customers have postponed entering into new contracts for our services. For example, during the first quarter of 2001, we announced that we received notice of contract suspension and termination from Metricom, Inc. Also due to the difficult financing and economic conditions, some of our customers may not be able to pay us for services that we have already performed. If we are not able to collect amounts owed to us, we may be required to write-off or convert significant amounts of our accounts receivable. For example, two of our customers, Metricom, Inc. and Advanced Radio Telecom filed for bankruptcy protection this year, causing us to recognize bad debt expense of $3.5 million for Advanced Radio Telecom and $13.9 million for Metricom, Inc. in the first and second quarters of fiscal 2001, respectively, which thereby negatively affected our profitability. Also, some of our contracts with our customers include billing milestones, whereby we do not bill for work performed until certain milestones are reached. However, we recognize revenue under the percentage-of-completion method of accounting. If a contract is terminated by a customer or modified before a milestone is reached, we generally will be required to renegotiate the terms of payment for work performed but not yet billed. As a result of the market conditions described above, we began to experience this in the first half of fiscal 2001 with a number of our contracts that contain billing milestones. Due to the circumstances surrounding such cancellations or modifications and the financial condition of the related customers, the amount we ultimately collect from such customers may be, and often is, discounted from the amount we have previously recorded in unbilled accounts receivable and revenue. Because we are not able to reduce our costs as fast as our revenues may decline, our costs as a percentage of revenues may increase and, correspondingly, our net earnings may decline disproportionately to any decreases in revenues. We have experienced this challenge particularly with respect to managing our employee base, and this has resulted in underutilization of employees due to the sudden reduction in the demand for our services during the first and second quarters of fiscal 2001. In response to these factors and the lack of visibility and uncertain market conditions, we have taken steps and are continuing to take steps to reduce our level of expenditures. Specifically, we have reduced our headcount by approximately 12.8% since December 31, 2000. We have also implemented a more stringent expenditure approval policy, in an effort to further reduce our costs. Additionally, we expect to continue to review our internal processes throughout 2001 and make further adjustments as necessary.

Results of Operations

Comparison of Results for the Three Months Ended June 30, 2000 to the Three Months Ended June 30, 2001

Revenues. Revenues decreased 8% from $59.4 million for the three months ended June 30, 2000 to $54.7 million for the three months ended June 30, 2001. The $4.7 million decrease was primarily attributable to the termination of certain contracts partially offset by an increase resulting from our expansion into international markets. Revenues from international markets comprised 25% of our total revenues during the three months ended June 30, 2000, compared to 34% of our total revenues during the three month period ended June 30, 2001.

Cost of Revenues. Cost of revenues decreased 2% from $33 million for the three months ended June 30, 2000 to $32.5 million for the three months ended June 30, 2001, primarily due to a corresponding reduction in contracts. Gross profit was 44% of revenues for the three months ended June 30, 2000 compared to 41% for the three months ended June 30, 2001. The decrease in gross profit is due primarily to the effects of the recent decline in the economy and specifically, in wireless telecommunications infrastructure spending, which resulted in the suspension and termination of the Metricom, Inc. contract. The sudden and unexpected loss of this customer caused the expected overall margin on the related contract to decrease due to costs incurred to demobilize staff as well as work performed on milestones that could not be completed and billed. Additionally, we have experienced pressure associated with industry price competition.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 244% from $11.7 million for the three months ended June 30, 2000 to $40.3 million for the three months ended June 30, 2001. As a percentage of revenues, selling, general and administrative expenses increased from 20% for the three months ended June 30, 2000 to 74% for the three months ended June 30, 2001. The increase was due primarily to higher staffing levels and related costs to accommodate our growth, combined with the recent downturn in the telecommunications industry, which resulted in lower utilization rates, bad debt expense of $17.2 million which included a $13.9 million allowance for the entire receivable due from Metricom, Inc., and certain unusual charges recorded in the second quarter of fiscal 2001. These unusual charges included accruals for estimated contractor liability in our Mexico subsidiary of $2.2 million and the estimated loss on our unused office space of $1.4 million.

Depreciation and Amortization Expense. Depreciation and amortization expense increased 189% from $1.9 million for the three months ended June 30, 2000 to $5.5 million for the three months ended June 30, 2001. The increase is primarily due to amortization of goodwill and other identifiable intangibles resulting from our acquisitions completed subsequent to June 30, 2000.

Asset Impairment Charges. For the second quarter of fiscal 2001, asset impairment charges were $12.9 million, compared to no charge for the second quarter of fiscal 2000. The recent slowdown in the economy, current economic conditions and visible trends in the telecommunications industry, triggered an impairment evaluation by the Company of its goodwill and other intangible assets. Based on the Company's analyses of the results of operations and projected future cash flows associated with certain goodwill and other intangible assets, the Company determined that impairment existed. Accordingly, the Company recorded a $12.9 million impairment charge in the second quarter of 2001 determined as the amount by which the carrying amount of the assets exceeded the present value of the estimated future cash flows. Assets determined to be impaired include goodwill and contract and workforce intangibles approximating $8.2 million in the Company's design and deployment segment and $4.7 million in its network management segment. The Company does not believe these write-downs will impair or affect the Company's ongoing operations.

Net Other Income (Expense). For the three months ended June 30, 2000, net other income was $0.5 million as compared to net other expense of $2.4 million for the three months ended June 30, 2001. This $2.9 million increase in expense was primarily attributable to higher interest expense resulting from increased debt outstanding during the periods under comparison and higher foreign currency transaction losses due to higher international operations activity combined with foreign currency fluctuations.

Provision for Income Taxes. Our effective income tax rate decreased from 40% for the three months ended June 30, 2000, to 1.5% for the three months ended June 30, 2001. The decrease was primarily attributable to a change in projected earnings combined with an increase in the valuation allowance on the losses from certain foreign operations. The net income tax benefit recognized in the second quarter of fiscal 2001 included an adjustment to reflect the change in the expected annual effective tax rate to 26% from the 65% rate estimated in the first quarter of fiscal 2001. The difference in the tax rate was primarily due to the effect of certain asset impairment and bad debt charges recorded in the second quarter of fiscal 2001.

Comparison of Results for the Six Months Ended June 30, 2000 to the Six Months Ended June 30, 2001

Revenues. Revenues increased 4% from $102.8 million for the six months ended June 30, 2000 to $107.4 million for the six months ended June 30, 2001. The $4.6 million increase was primarily attributable to our expansion into international markets. Revenues from international markets comprised 26% of our total revenues during the six months ended June 30, 2000, compared to 34% of our total revenues during the six month period ended June 30, 2001.

Cost of Revenues. Cost of revenues increased 23% from $58.4 million for the six months ended June 30, 2000 to $71.6 million for the six months ended June 30, 2001, primarily due to higher staffing in support of contracts. Gross profit was 43% of revenues for the six months ended June 30, 2000, compared to 33% for the six months ended June 30, 2001. The decline in gross profit is primarily attributable to the recent decline in the economy and specifically, in wireless telecommunications infrastructure spending which resulted in the suspension and termination of our contracts with Metricom, Inc. and Advanced Radio Telecom. The sudden and unexpected loss of these customers caused the expected overall margin on the related contracts to decrease and therefore a cumulative entry was recorded in the first half of fiscal 2001 to adjust the margin recorded to date to the expected final margin on the contracts. Gross profit also decreased due to costs incurred to demobilize staff as well as work performed on milestones that could not be completed and billed. Additionally, we have begun to experience pressure associated with industry price competition.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 266% from $19.3 million for the six months ended June 30, 2000 to $70.6 million for the six months ended June 30, 2001. As a percentage of revenues, selling, general and administrative expenses increased from 19% for the six months ended June 30, 2000 to 66% for the six months ended June 30, 2001. The increase is due primarily to higher staffing levels and related costs to accommodate our growth, combined with the recent downturn in the telecommunications industry, which resulted in lower utilization rates. Additionally, bad debt expense of $21.2 million which included allowances for receivables due from Metricom, Inc. of $13.9 million and Advanced Radio Telecom of $3.5 million, and certain unusual charges were recorded during the six months ended June 30, 2001. These unusual charges included accruals for estimated contractor liability in our Mexico subsidiary of $2.2 million and the estimated loss on unused office space of $1.4 million.

Depreciation and Amortization Expense. Depreciation and amortization expense increased 263% from $3.0 million for the six months ended June 30, 2000 to $10.9 million for the six months ended June 30, 2001. The increase is primarily due to the amortization of goodwill and other identifiable intangibles resulting from our acquisitions completed subsequent to June 30, 2000.

Asset Impairment Charges. For the six months ended June 30, 2001, asset impairment charges were $12.9 million, compared to no charge for the six months ended June 30, 2000. The recent slowdown in the economy, current economic conditions and visible trends in the telecommunications industry, triggered an impairment evaluation by the Company of its goodwill and other intangible assets. Based on the Company's analyses of the results of operations and projected future cash flows associated with certain goodwill and other intangible assets, the Company determined that impairment existed. Accordingly, the Company recorded a $12.9 million impairment charge in the second quarter of 2001 determined as the amount by which the carrying amount of the assets exceeded the present value of the estimated future cash flows. Assets determined to be impaired include goodwill and contract and workforce intangibles approximating $8.2 million in the Company's design and deployment segment and $4.7 million in its network management segment. The Company does not believe these write-downs will impair or affect the Company's ongoing operations.

Net Other Income (Expense). For the six months ended June 30, 2000, net other income was $1.0 million compared to net other expense of $4.6 million for the six months ended June 30, 2001. This increase in expense of $5.6 million was primarily attributable to higher interest expense resulting from increased debt outstanding during the periods under comparison, higher foreign currency transaction losses due to higher international activity combined with foreign currency fluctuations during the six months ended June 30, 2001, and the realized loss on available-for-sale investment securities related to the bankruptcy filing of Advanced Radio Telecom which was recorded in the first quarter of fiscal 2001.

Provision for Income Taxes. Our effective income tax rate decreased from 40% for the six months ended June 30, 2000, to 26% for the six months ended June 30, 2001. The decrease was primarily attributable to a change in projected earnings which included the effect of certain asset impairment and bad debt charges recorded through the six months ended June 30, 2001, combined with an increase in the valuation allowance on the losses from certain foreign operations.

Earn-out on Davis Bay, LLC Acquisition

In June of 2000, the Company acquired the assets of Davis Bay, LLC, a Washington State limited liability company, for $3.0 million in cash and stock. Of the total purchase price, $2.4 million was paid through the issuance of approximately 49,000 shares of the Company's common stock. Included in the asset purchase agreement is an earn-out provision whereby the Company agrees to pay Davis Bay's selling shareholders additional consideration contingent on certain quarterly earnings results from existing and potential future contracts secured by Davis Bay for the Company. These earn-out payments are capped at $20.0 million. During the six months ended June 30, 2001, $10.5 million in additional goodwill was recorded under the earn-out provision, bringing the total earn-out up to the $20.0 million allowed under the contract. Additionally, the estimated liability of common stock to be issued related to the earn-out agreement is $10.5 million as of June 30, 2001.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS No. 141), "Business Combinations", and Statement No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets". SFAS 141 supersedes APB Opinion No. 16, "Business Combinations" and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchases Enterprises" and eliminates pooling-of-interests accounting prospectively. SFAS No. 141 is required to be adopted for all business combinations initiated after June 30, 2001. SFAS No. 142 supersedes APB Opinion No. 17, "Intangible Assets" and changes the accounting for goodwill from an amortization method to an impairment-only approach. Under SFAS No. 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. Upon adoption of SFAS No. 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1, 2001 that do not meet the criteria for recognition under SFAS 141 will be reclassified to goodwill. The Company will adopt SFAS No. 141 immediately with regard to business combinations initiated after July 1, 2001 and SFAS No. 142 on January 1, 2002, upon which time the Company will cease amortizing goodwill and separately identifiable intangibles in accordance with the guidelines set forth in the standard. As of the date of adoption, the Company expects remaining unamortized goodwill and unamortized other intangible assets to be approximately $56.9 million and $8.3 million, respectively, all of which will be subject to the transition guidelines of SFAS No. 142. The Company is currently evaluating the impact these standards will have on its results of operations and financial position.

Liquidity and Capital Resources

Our sources of cash liquidity included cash, cash from operations, amounts available under credit facilities, and other external sources of funds. As of June 30, 2001, we had cash of $8.2 million and $23.0 million outstanding on our line of credit with a group of financial institutions.

Cash used in operations is primarily derived from our contracts in process and changes in working capital. Cash used in operations was $17.8 million and $7.3 million for the six months ended June 30, 2000 and 2001, respectively.

Cash provided by investing activities was $2.9 million for the six months ended June 30, 2000. Cash used in investing activities was $2.7 million for the six months ended June 30, 2001. Investing activities for the six months ended June 30, 2000 consisted primarily of proceeds totaling $26 million received from sales of investments, partially offset by cash paid of approximately $18.1 million for the acquisition of the assets from The Walter Group, Inc., Comcor Advisory Services, Davis Bay and a network operations center, and $4.0 million for an equity investment in Diverse Networks, Inc. Investing activities for the six months ended June 30, 2001 consisted primarily of capital expenditures.

Cash provided by financing activities for the six months ended June 30, 2000 was $18.0 million, which was primarily derived from net borrowings under the line of credit of $13.6 million and sales of common stock issued through our stock option and employee stock purchase plans of $5.0 million. Cash used in financing activities was $1.5 million for the six months ended June 30, 2001 and consisted primarily of repayment of borrowings under our line of credit, notes payable and capital lease obligations partially offset by proceeds from the issuance of common stock.

At June 30, 2001, $23.0 million was outstanding under our line of credit with a group of financial institutions. This credit facility is due on February 2004 and bears interest, at our discretion, at either (i) the greater of the bank prime rate or the Federal Funds Rate plus .5%, plus a margin of 1.25%, the ("base rate margin"), or (ii) at the London Interbank Offering Rate ("LIBOR") plus a margin of 2.25%, (the "LIBOR rate margin"). Beginning in the third quarter of 2001, the base rate margin and the LIBOR rate margin are to be determined based on certain financial ratios as of the end of the most recently ended fiscal quarter which will result in margins ranging from .75% to 1.50% and 1.75% to 2.50%, respectively. On July 19, 2001, we executed an amendment to our credit facility which, among other items, changed the minimum EBITDA covenant to exclude unusual charges up to a specified amount from the first and second quarters of our fiscal 2001 financial results.

We have no material cash commitments other than obligations under our credit facilities, promissory notes, and operating and capital leases. Future capital requirements will depend upon many factors, including the timing of payments under contracts and increases in personnel in advance of new contracts.

Risk Factors That May Affect Results of Operations and Financial Condition

You should carefully consider the following risk factors and all other information contained herein as well as the information included in our Annual Report on Form 10-K for the year ended December 31, 2000, and other reports and filings made with the Securities and Exchange Commission before investing in 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 the note regarding forward-looking statements included at the beginning of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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:

- telecom market conditions and economic conditions generally;

- 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; and

- costs of integrating technologies or businesses.

The factors substantially 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 have recently varied significantly and could continue to vary significantly in the future. You should take these factors into account when evaluating past periods, and, because of the potential variability due to these factors, you should not rely upon results of past periods as an indication of our future performance. In addition, we may from time to time provide estimates of our future performance. Such estimates are inherently uncertain and actual results are likely to deviate, perhaps substantially, from such estimates as a result of the many risks and uncertainties in our business, including those set forth in these risk factors. We undertake no duty to update such estimates if given. In addition, the long-term viability of our business could be negatively impacted if there were a sustained downward trend in our revenues and results of operations. 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.

In recent months, we have experienced a negative impact to our earnings and stock price as a result of the factors that may cause our quarterly results to fluctuate. We expect that this negative trend may continue for the foreseeable future, and at least through the third quarter of 2001. Due to the recent downturn in the financial markets in general, and specifically the slowdown in wireless telecommunications infrastructure spending, some of our customers have cancelled or suspended their contracts with us and many of our customers or potential customers have postponed entering into new contracts for our services. The reduction in the availability of capital has also delayed the completion of mergers contemplated by some of our customers, which has resulted in project delays. In addition, unfavorable economic conditions are causing some of our customers to take longer to pay us for services we perform, increasing the average number of days that our sales are outstanding. Also due to the difficult financing and economic conditions, some of our customers may not be able to pay us for services that we have already performed and two of our customers have filed for bankruptcy protection in recent months. If we are not able to collect amounts due to us, we may be required to write-off or convert significant amounts of our accounts receivable. For example, Advanced Radio Telecom's filing for bankruptcy protection caused us to recognize bad-debt expense of $3.5 million during the first quarter of 2001 and Metricom, Inc.'s filing for bankruptcy protection has caused us to recognize bad debt expense of $13.9 million for the entire Metricom receivable during the second quarter of 2001. Because we are not able to reduce our costs as fast as our revenues may decline, our costs as a percentage of revenues may increase and, correspondingly, our net earnings may decline disproportionately to any decrease in revenues. If we restructure our business in an effort to minimize our expenses, we may incur associated charges. As a result of these and other factors, it has become extremely difficult to forecast our future revenues and earnings, and any predictions we make are subject to significant change and are very uncertain.

Our success is dependent on the continued growth in the deployment of wireless networks, and to the extent that such growth cannot be sustained our business may be harmed.

The wireless telecom industry has historically experienced a dramatic rate of growth both in the United States and internationally. Recently, however, many telecom carriers have been re-evaluating their network deployment plans in response to downturns in the capital markets, changing perceptions regarding industry growth and the adoption of new wireless technologies, and a general economic slowdown in the United States. It is difficult to predict whether these changes will result in a sustained downturn in the telecom industry. If the rate of growth continues to slow and carriers continue to reduce their capital investments in wireless infrastructure or fail to expand into new geographies, our business will be significantly harmed.

The uncertainty associated with rapidly changing telecommunications technologies may also continue to negatively impact the rate of deployment of wireless networks and the demand for our services. Telecommunications service providers face significant challenges in assessing consumer demand and acceptance of rapidly changing enhanced telecommunication capabilities. If telecommunications service providers continue to perceive that the rate of acceptance of next generation telecommunications products will grow more slowly than previously expected, they may continue to slow their development of next generation technologies. Any significant sustained slowdown will further reduce the demand for our services and adversely affect our financial results.

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. In addition, uncertainties regarding the availability and allocation of spectrum have caused delays in network deployment. There has also been substantial regulatory uncertainty regarding payments owed to the United States Government by past successful wireless bidders, and such uncertainty has also 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, delays in granting the use of spectrum by the United States Government, 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 companies with limited or no operating histories and limited financial resources. These customers often must obtain significant amounts of financing to pay for their spectrum licenses, fund operations and deploy their networks. Other customers of ours rely upon outside financing to pay the considerable costs of deploying their networks. In either instance, we frequently work with such companies prior to their receipt of financing. If these companies fail to receive adequate financing or experience delays in receiving financing, particularly after we have begun working with them, our results of operations may be harmed. In addition, to the extent our customers continue to experience capital constraints, they could place pressure on us to lower the prices we charge for our services. If competitive pressures force us to make price concessions or otherwise reduce prices for our services, then our revenues or margins will decline and our results of operations 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.

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. We anticipate that our key customers will change in the future as current projects are completed and new projects begin. 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 most of our customer contracts can 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.

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 integration 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 their 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 and put downward pressure on the prices we charge for our services. Accordingly, we may not be able to represent some customers who wish to retain our services.

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

To the extent we continue to grow, our future success will depend on our ability to hire and retain additional highly skilled engineering, managerial, marketing and sales personnel. Competition for such personnel is intense, especially for engineers and project managers, and we may be unable to attract sufficiently qualified personnel in adequate numbers to meet the demand for our services in the future. In addition, as of June 30, 2001, 23% of our employees in the United States were working under H-1B visas. H-1B visas are a special class of nonimmigrant working visas for qualified aliens working in specialty occupations, including, for example, radio frequency engineers. We are aware that the Department of Labor has issued interim final regulations that place greater requirements on H-1B dependent companies, such as ours, and may restrict our ability to hire workers under the H-1B visa category in the future, as well as exposing us to significant penalties (including a prohibition on the hiring of H-1B workers) if noncompliance is determined. In addition, immigration policies are subject to rapid change and any significant changes in immigration law or regulations may further restrict our ability to continue to employ or to hire new workers on H-1B visas and could harm our business.

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

A significant percentage of our revenue is derived from fixed priced contracts which are accounted for on a percentage-of-completion basis. The portion of our revenue from fixed price contracts accounted for approximately 45% of our revenues for the six months ended June 30, 2001. 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. 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 and financial results.

Similarly, the cancellation or modification of a contract which is accounted for on a percentage-of-completion basis may adversely affect our gross margins for the period during which the contract is modified or cancelled. In the first quarter of 2001, we experienced such gross margin adjustments related to the suspension and termination of the Metricom, Inc. and Advanced Radio Telecom contracts. Under certain circumstances, a cancellation or modification of a fixed price contract could also result in us being required to reverse revenue that was recognized in a prior period, which could significantly reduce the amount of revenues recognized for the period in which the adjustment is made. For example, if we have a three year fixed price contract where the contract fee is $1 million and the initial estimated costs associated with the contract are $550,000, and if, during the first year we incur $220,000 in costs related to the contract and correspondingly estimate that the contract is 40% complete, then under the percentage-of-completion accounting method we would recognize 40%, or $400,000 in revenue during the first year of the contract. If, during the second year of the contract the project is terminated with 35% of the services deemed provided to the client, then the total revenue for the project would be adjusted downward to $350,000, and the revenue recognizable during the second year would be the total revenue earned to date, the $350,000 less the revenue previously recognized or $400,000, resulting in a reversal of $50,000 of revenue previously recognized. To the extent we experience additional adjustments such as those described above, our revenues and profit margins will be adversely affected.

Our business may be harmed if we maintain or increase our staffing levels in anticipation of one or more projects and underutilize our personnel because such projects are 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 maintain or increase our staffing levels in anticipation of one or more projects and such projects are delayed, reduced or terminated, we may underutilize these additional personnel, which would increase our general and administrative expenses, reduce our earnings and possibly harm our results of operations.

Additionally, due to current market conditions, we are faced with the challenge of managing the appropriate size of our workforce in light of projected demand for our services. If we maintain a workforce sufficient to support a resurgence in demand, then in the meantime our general and administrative expenses will be high relative to our revenues and our profitability will suffer. Alternatively, if we reduce the size of our workforce too quickly in response to any decrease in the demand for our services, then our ability to quickly respond to any resurgence in demand will be impaired. As a result, to the extent that we fail to successfully manage this challenge our financial results will be harmed.

Our short operating history, recent growth in expanding services, and more recent and sudden slowdown due to the current economic conditions in the telecommunications industry limit our ability to forecast operating results.

We have generated revenues for only six years and, thus, we have only a short history from which to predict future revenues. This limited operating experience, together with the dynamic market environment in which we operate, including fluctuating demand for our 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 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. For further financial information relating to our business, see "Management's Discussion and Analysis of Financial Condition and Operating Results."

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 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" in our Annual Report on Form 10-K for the year ended December 31, 2000.

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, 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. In addition, we have recently begun to face competition from a new class of entrants into the network services market comprised of recently laid off telecom workers who are starting their own businesses and are willing to operate with lower profit margins. To the extent that these competitors are able to gain increasing market share, our business may suffer.

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", incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2000, for a listing of such executive officers. Our future performance will be substantially dependent on our ability to retain and motivate them.

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. An important component of our business strategy is to expand our presence in new or existing markets by acquiring additional businesses. During 2000, we acquired seven businesses. We are almost continuously engaged in discussions or negotiations regarding the acquisition of businesses or strategic investments in businesses, some potentially material in relation to our size. 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.

Our failure to adequately address these risk factors may negatively affect the expected profitability from acquisitions or harm our ability to successfully negotiate future acquisitions.

We may not be successful in our efforts to integrate international acquisitions.

A key component of our business model is to expand our operations into international markets. We have accomplished this through the establishment of offices in Brazil, India and Mexico, among others, and through our acquisitions during fiscal 2000 of Questus Ltd. in the United Kingdom and Telia Academy and Telia Contracting in Sweden. International acquisitions pose a challenge to our business, as we must integrate operations despite differences in culture, language and legal environments. To date, we have limited experience with international acquisitions and face certain related risks, including:

- difficulties in staffing, managing and integrating international operations due to language, cultural or other factors;
- different or conflicting regulatory or legal requirements;
- foreign currency fluctuations; and
- distractions of significant management time and attention.

Our failure to address these risks could inhibit or preclude our efforts to pursue international acquisitions.

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

We currently have operations overseas, including offices in Mexico, the United Kingdom, India, Brazil and Sweden. For the six months ended June 30, 2001, international operations accounted for approximately 34% of our total revenues. We believe that the percentage of total revenues attributable to international operations will continue to be significant. 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;

- potential weaknesses in foreign economies, particularly in Europe, South America and Mexico;

- 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.

The majority of our international sales are currently denominated in U.S. dollars. As a result of some of our recent acquisitions as well as the growth of our foreign operations, an increasing portion of our international sales are denominated in foreign 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 and Mexican peso. In addition, we conduct business in Swedish krona and British pound sterling, and have a primary EMEA contract in Euros. 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 and financial results.

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

Our engagements often involve large scale, highly complex projects. Our performance on such projects frequently depends upon our ability to manage our relationship with our customers, effectively administer the project and deploy appropriate resources, both our own personnel and third party contractors, in a timely manner. 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 our personnel or third party contractors to meet project completion deadlines could damage our reputation, result in termination of our engagement 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.

As of June 30, 2001, executive officers and directors and their affiliates controlled 62% of our outstanding common stock and as a result are able to exercise control over matters requiring stockholder approval.

As of June 30, 2001, executive officers and directors and their affiliates beneficially owned, in the aggregate, approximately 62% of our outstanding common stock. In particular, as of June 30, 2001, our Chairman, Massih Tayebi, and our Chief Executive Officer, Masood K. Tayebi, beneficially owned, in the aggregate, approximately 44% of our outstanding common stock. In addition, other members of the Tayebi family owned, as of June 30, 2001, in the aggregate, approximately 7% of our outstanding common stock. As a result, these stockholders are able to exercise control over matters requiring stockholder approval, such as 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 further information regarding our stock ownership, see "Security Ownership of Certain Beneficial Owners and Management" incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2000.

Our stock price may be particularly volatile because of the industry of our business.

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. For further information regarding recent stock trends, see "Market for Registrant's Common Equity and Related Stockholder Matters" in our Annual Report on Form 10-K for the year ended December 31, 2000.

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 our 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 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to foreign currency risks due to both transactions and translations between a functional and reporting currency in our Mexican, Brazilian and United Kingdom subsidiaries. We currently do not hedge any of these risks in our foreign subsidiaries because (1) cash flows from foreign operations in Mexico are generally reinvested locally in Mexico, (2) foreign operations in Brazil are minimal, (3) the British pound sterling is relatively stable against the U.S. dollar, and (4) we do not believe that to do so is justified by the current exposure and the cost at this time. We are exposed to the impact of foreign currency fluctuations due to the operations of and intercompany transactions with our consolidated foreign subsidiaries. While these intercompany balances are eliminated in consolidation, exchange rate changes do affect consolidated earnings. The following table sets forth total amounts owed to our U.S. operations from our Mexican, Brazilian, and United Kingdom subsidiaries at June 30, 2000 and 2001 (denominated in U.S. dollars, in millions):

	2000	2001
Mexico	$8.6	$8.3
Brazil	$1.3	$1.4
United Kingdom	$0.1	$5.5

The potential foreign currency translation losses from a hypothetical 10% adverse change in the exchange rates from the intercompany balances at June 30, 2000 and 2001 are as follows (denominated in U.S. dollars, in millions):

	2000	2001
Mexico	$0.9	$0.8
Brazil	$0.1	$0.1
United Kingdom	$--	$0.6

In addition, we estimate that a 10% change in foreign exchange rates would impact reported operating profit by approximately $.6 million for the six months ended June 30, 2000 and 2001. This was estimated using a 10% deterioration factor to the average monthly exchange rates applied to net income or loss for each of the subsidiaries in the respective period.

We do not use derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any material fashion. Accordingly, management believes that it is not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

As of June 30, 2001, $23.0 million was outstanding under our line of credit with a group of financial institutions. The credit facility is due in February 2004 and bears interest, at our discretion, at either (i) the greater of the bank prime rate and the Federal Funds Rate plus .5%, plus a margin of 1.25%, the base rate margin, or (ii) at the London Interbank Offering Rate (LIBOR) plus 2.25%, the LIBOR rate margin. Beginning in the third quarter of 2001, the base rate margin and the LIBOR rate margin will be determined based on certain financial ratios as of the end of the most recently ended fiscal quarter which will result in margins ranging from .75% to 1.50% and 1.75% to 2.50%, respectively. The credit facility is secured by substantially all of our assets. The credit agreement contains restrictive covenants, which, among other things, require maintenance of certain financial ratios. On July 19, 2001, we executed an amendment to our credit facility agreement which, among other items, changed the minimum EBITDA covenant to exclude unusual charges up to a specified amount from the first and second quarters of our fiscal 2001 financial results.

We do not utilize any derivative financial instruments to hedge the interest rate fluctuation as our balances under the credit facility are borrowed over the short term and we currently retain the ability to pay down amounts borrowed through our operational funds. A hypothetical 10% adverse change in the weighted average interest rate for the six months ended June 30, 2001 would have increased net loss for the period by approximately

$0.1 million.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the description of the dispute with Norm Korey described in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

The Company and certain of its directors and officers are among the defendants named in five purported class action complaints filed in June 2001 in the United States District Court for the Southern District of New York on behalf of persons and entities who acquired the Company's common stock at various times on or after November 4, 1999. The complaints allege that the registration statement and prospectus dated November 4, 1999, issued by the Company in connection with the public offering of the Company's common stock contained untrue statements of material fact or omissions of material fact in violation of securities laws because the registration statement and prospectus allegedly failed to disclose that the offering's underwriters had solicited and received additional and excessive compensation and benefits beyond those listed in the registration statement and prospectus and that the offering's underwriters had entered into tie-in or other arrangements with certain of their customers which were allegedly designed to maintain, distort and/or inflate the market price of the Company's common stock in the aftermarket. The actions seek unspecified monetary damages and other relief. The Company believes these lawsuits are without merit and intends to vigorously defend against them.

In addition to the foregoing matters, from time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

Item 2. Changes in Securities

Recent Sales of Unregistered Securities

During the six months ended June 30, 2001, we issued unregistered securities in the following transactions:

1. On January 17, 2001, we issued an aggregate of 19,920 shares of common stock, valued at $.9 million, to Davis Bay, LLC. The shares were issued pursuant to an earn-out provision in the asset purchase agreement.

2. On February 6, 2001, we issued an aggregate of 216,059 shares of common stock, valued at $8.6 million, to Davis Bay, LLC. The shares were issued pursuant to an earn-out provision in the asset purchase agreement.

3. On March 30, 2001, we issued an aggregate of 899,994 shares of common stock to two members of our board of directors. The shares were issued pursuant to Warrant Agreements, dated February 28, 1997 and February 1, 1998, between the Company and each of the two members of the board of directors. The exercise prices of $.93 and $1.58 were paid in exchange for 99,996 shares and 799,998 shares of our common stock, respectively.

   The issuance of the securities in the transactions described in paragraphs (1) through (3) above were deemed to be exempt from registration under the Securities Act of 1933, as amended by virtue of Section 4(2) and/or Regulation D promulgated thereunder. The recipients represented their intentions to acquire the securities for investment purposes only and not with a view to the distribution thereof. Each of the recipients received adequate information about the Company and the Company reasonably believed that each of the recipients was an "Accredited Investor", as such term is defined in the Securities Act of 1933, as amended.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Wireless Facilities, Inc. was held on June 22, 2001. The following proposals were adopted by the votes indicated below:

1. To elect a Board of Directors to serve for the ensuing year and until their successors are elected. Elected to serve as directors were: Massih Tayebi, Ph.D., 41,203,078 for and 561,915 withheld; Masood K. Tayebi, Ph.D., 41,201,088 for and 563,905 withheld; Scott Anderson 41,651,028 for and 113,965 withheld; Scot Jarvis 41,651,022 for and 113,971 withheld; William Hoglund 41,651,234 for and 113,759 withheld; and David Lee, Ph.D., 41,655,027 for and 109,966 withheld.

2. To ratify the selection of KPMG LLP as independent auditors of the Company for its fiscal year ending December 31, 2001: 41,701,532 for, 45,477 against, and 17,984 abstained.

3. To approve the amendment to the Company's Employee Stock Purchase Plan: 31,424,921 for, 474,027 against, 44,241 abstained, and 9,821,804 broker non-votes.

4. To approve the amendment to the Company's 1999 Equity Incentive Plan: 30,231,088 for, 1,676,918 against, 35,183 abstained, and 9,821,804 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K:

(a). Exhibits:

10.1 First Amendment to Amended and Restated Credit Agreement effective July 19, 2001.

10.2 Employment Offer Letter by and between the Company and Brad Weller effective August 16, 1999.

10.3 Executive Change of Control Agreement dated as of May 11, 2001 between the Company and Brad Weller.*

----

* The Company has also entered in substantially identical Executive Change of Control Agreements with Terry Ashwill and Frankie Farjood. See Schedule I to Exhibit 10.3.

(b). Reports on Form 8-K:

None.

SIGNATURES

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

Wireless Facilities, Inc.

By: /s/ Masood K. Tayebi, Ph.D
Masood K. Tayebi, Ph.D.
Chief Executive Officer

By: /s/ Terry Ashwill
Terry Ashwill
Executive Vice President and
Chief Financial Officer

Date: August 10, 2001

INDEX TO EXHIBITS

Exhibit No.	Description
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10.3	Executive Change of Control Agreement dated as of May 11, 2001 between the Company and Brad Weller.*

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* The Company has also entered in substantially identical Executive Change of Control Agreements with Terry Ashwill and Frankie Farjood. See Schedule I to Exhibit 10.3.

EXHIBIT 10.1

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This First Amendment to Amended and Restated Credit Agreement ("Amendment") is entered into as of July 19, 2001.

RECITALS

This Amendment is entered into in reference to the following facts:

(a) The Amended and Restated Credit Agreement is dated as of February 9, 2001 and made between Wireless Facilities Inc., as Borrower, the financial institutions from time to time party thereto as Banks, Credit Suisse First Boston as Sole Lead Arranger, Administrative Agent and Collateral Agent, Bank One Arizona, N.A. as Syndication Agent, and Bank of America N.A., as Documentation Agent (as the same may be amended, restated, supplemented and otherwise modified, the "Credit Agreement"). Capitalized terms used herein, without definition shall have the meaning assigned thereto in the Credit Agreement.

(b) The Borrower, the Agents and the Banks executing this Amendment desire to amend the Credit Agreement in certain respects, subject to the terms hereof.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I - AMENDMENTS

1.1 Amendment of Section 1.1. Section 1.1 of the Credit Agreement shall be amended:

(a) by deleting the definition of EBITDA set forth therein and substituting the following therefor:

"EBITDA" shall mean for any period, the EBIT of the Borrower and its Consolidated Subsidiaries for such period adjusted by (i) adding thereto (x) the amount of all amortization of intangibles and depreciation that were deducted in arriving at such EBIT for such period and (y) to the extent, but only to the extent, deducted in determining EBIT for such period, the amounts set forth in Schedule 14 with respect to the categories described thereon; *provided* that such amounts shall not, in any event, exceed $12.0 million with respect to the first Fiscal Quarter of 2001 and shall not exceed $23.1 million with respect to the second Fiscal Quarter of 2001, and (ii) subtracting therefrom the amount of all non-cash gains that were not excluded pursuant to the definition of "Net Income" for such period, each as determined in conformity with GAAP.";

(b) by adding in alphabetical order a new definition as follows:

"First Amendment Effective Date" means July 19, 2001.";

(c) by adding at the end of the definition of "Applicable Base Rate Margin" the following:

"; *provided further*, that for the purpose of calculating Applicable Base Rate Margin, EBITDA shall be calculated in accordance with the definition of such term as in effect immediately prior to the First Amendment Effective Date.";

(d) by adding at the end of the definition of "Applicable LIBOR Margin" the following:

"; *provided further*, that for the purpose of calculating Applicable LIBOR Margin, EBITDA shall be calculated in accordance with the definition of such term as in effect immediately prior to the First Amendment Effective Date."; and

(e) by adding at the end of the definition of "Applicable Commitment Fee Percentage" the following:

"; *provided further*, that for the purpose of calculating Applicable Commitment Fee Percentage, EBITDA shall be calculated in accordance with the definition of such term as in effect immediately prior to the First Amendment Effective Date."

1.2 *Limitation on Aggregate Credit Exposures.* Section 2.1 shall be amended by adding the following Section 2.1(c):

"(c) Notwithstanding anything to the contrary contained herein, at no time during the period from October 1, 2001 through March 30, 2002, shall aggregate Credit Exposures of the Banks exceed $59.0 million."

1.3 *Additional Condition to Credit Events*. Section 4.3 shall be amended by adding the following additional Section 4.3(d):

"(d) On the date of such Credit Event (a) after giving effect to such Credit Event, the ratio of Senior Debt as of the date of such Credit Event to EBITDA for the four Fiscal Quarter period most recently ended prior to such Credit Event, shall not exceed (x) 2.75:1.00 with respect to any determination made on any date during the period from October 1, 2001 through December 30, 2001, (y) 3.55:1.00 with respect to any determination made on any date during the period from December 31, 2001 through March 30, 2002 and (z) 2:00:1.00 with respect to any determination made on any other date and (b) the Borrower shall have delivered to Banks a certificate signed by an Authorized Representative and dated as of the date of such Credit Event certifying and demonstrating compliance with the requirements of this Section 4.3(d)."

1.4 *Amendment of Section 7.9: Leverage Covenant*. Section 7.9 shall be amended in its entirety as follows:

"; *provided* that, with respect to the measurement made as of the last day of the fourth Fiscal Quarter of 2001, notwithstanding the foregoing, the Senior Leverage Ratio shall be required not to exceed 3.55:1.00."

1.5 *Amendment of Section 10.18*. Section 10.18 shall be amended to correct the typographical error therein by deleting the words "under the Existing Credit Agreement are made on or before February 9, 2000" from the second and third lines of the first sentence thereof and substituting therefor the words "on or before February 9, 2001" and further by adding at the end of such sentence, the words "under the Existing Credit Agreement are made."

1.6 *Addition of Schedule 14*. The Schedules to the Credit Agreement shall be amended by adding a new Schedule 14 in the form of Annex A to this Amendment.

1.7 *Credit Documents*. It is agreed that the definition of "Credit Document" in the Credit Agreement shall include this Amendment and each Reaffirmation of Guaranty delivered pursuant to Section 3.1(b) hereof.

ARTICLE II - REPRESENTATIONS AND WARRANTIES

2.1 Borrower Representations and Warranties. In order to induce the Agents and the Banks to enter into this Amendment the Borrower represents and warrants as follows:

(a) The Borrower has the power and authority and has taken all action necessary to execute, deliver and perform this Amendment and all other agreements and instruments executed or delivered or to be executed or delivered in connection herewith and therewith and this Amendment and such other agreements and instruments constitute the valid, binding and enforceable obligations of the Borrower (except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)).

(b) After giving effect to the amendments set forth in ARTICLE I, the Borrower's representations and warranties contained in the Credit Agreement are true and correct in all respects on and as of the date hereof as though made on and as of the date hereof (except representations and warranties made specifically as of another date which are true and correct as of such other date) and no Default or Event of Default has occurred and is continuing as of the date hereof.

2.2 Acknowledgment of Borrower. The Borrower expressly acknowledges and agrees that as of the date hereof, it has no offsets, claims or defenses whatsoever against any of the Indebtedness or Obligations.

ARTICLE III - CONDITIONS PRECEDENT

3.1 Conditions to Effectiveness of this Amendment. The effectiveness of this Amendment is subject to the satisfaction of the following conditions:

(a) Each Guarantor shall have executed and delivered to the Agent a counterpart to the Reaffirmation of Guaranty in substantially the form of the Exhibit I attached hereto (the "Reaffirmation of Guaranty").

(b) The Borrower shall have paid (i) to the Administrative Agent, for distribution to each Bank executing this Amendment, an amendment fee equal to 0.25% of such Bank's commitment; and (ii) all reasonable fees, costs and expenses owing to the Administrative Agent, the Banks and the Administrative Agent's counsel through the First Amendment Effective Date.

ARTICLE IV - GENERAL PROVISIONS

4.1 Full Force and Effect. Except as expressly amended hereby, the Credit Documents and all other documents, agreements and instruments relating to thereto are and shall remain unmodified and in full force and effect.

4.2 Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and that all of which taken together shall constitute one and the same instrument, respectively. Delivery of an executed counterpart of this Amendment by facsimile shall be equally effective as delivery of a manually executed counterpart of this Amendment. Any party delivering an executed counterpart by facsimile shall also deliver a manually executed counterpart of this Amendment, but failure to do so shall not effect the validity, enforceability, of binding effect of this Amendment.

4.3 Final Agreement. This Amendment is intended by the Borrower, the Agents and the Banks to be the final, complete, and exclusive expression of the agreement between them with respect to the subject matter hereof. This Amendment supersedes any and all prior oral or written agreements relating to the subject matter hereof.

4.4 Effectiveness. This First Amendment to the Amended and Restated Credit Agreement shall become effective on the date (the "First Amendment Effective Date") on or before July 27, 2001 on which the later of the following occurs (i) the Borrower and each of the Agents and Required Banks and Issuing Banks shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent or, in the case of the Banks and Issuing Banks, shall have given to the Administrative Agent telephone (confirmed in writing), written or telex notice (actually received) that the same has been signed and mailed to it, and (ii) the conditions precedent set forth in Article III hereof shall be satisfied or waived in accordance with the terms hereof. The Administrative Agent will give the Borrower, each Bank and each Issuing Bank prompt written notice of the occurrence of the First Amendment Effective Date.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers as of the date first above written.

WIRELESS FACILITIES, INC.
as Borrower

By: /s/ Terry Ashwill
Name: Terry Ashwill
Title: EVP/Chief Financial Officer

CREDIT SUISSE FIRST BOSTON
as a Sole Lead Arranger, Administrative Agent, Collateral Agent, an Issuing Bank and a Bank

By: Robert Hetu
Name: Robert Hetu
Title: DIRECTOR

By: /s/ William Lutkins
Name: William Lutkins
Title: Vice President

BANK OF AMERICA, N.A.
as Documentation Agent and a Bank

By: /s/ Steven K. Ahrenholz
Name: Steven K. Ahrenholz
Title: Principal

IMPERIAL BANK
as Managing Agent, or Issuing Bank and a Bank

By: /s/ Dino D'Auria
Name: Dino D'Auria
Title: SVP/Group Manager

BANK ONE, ARIZONA, N.A.
As a Syndication Agent and a Bank

By: /s/ Robert L. Cummings
Name: Robert L. Cummings
Title: Vice President

EXHIBIT I

FORM OF REAFFIRMATION OF GUARANTY

THIS REAFFIRMATION OF GUARANTY (this "Reaffirmation"), dated as of July ___, 2001, is made by the undersigned [_____] (the "Guarantor"), in favor of Credit Suisse First Boston, a bank organized under the laws of Switzerland, acting through its New York Branch ("CSFB"), as administrative agent and collateral agent (the "Agent") for the various Banks (the "Banks") from time to time party to the Credit Agreement, dated as of August 18, 1999 (as the same has been amended, restated, supplemented and otherwise modified through the date hereof (including, without limitation, by the Amended and Restated Credit Agreement dated as of February 9, 2001 among, inter alios, the Borrower, CSFB, as Administrative Agent and Collateral Agent, and the Banks (the "Amended and Restated Credit Agreement")) (the "Agreement"), among, inter alios, Wireless Facilities, Inc. (the "Borrower"), CSFB, as Administrative Agent and Collateral Agent and the Banks. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

W I T N E S S E T H

WHEREAS, the Guarantor has entered into a Guaranty, dated as of [August 21, 2000], for the benefit of the Agent and the Banks (as amended, restated, supplemented and otherwise modified from time to time (including without limitation by the Reaffirmation of the Guarantee dated as of February 9, 2000 made between the parties hereto), the "Guaranty");

WHEREAS, the Borrower, the Agent and the Required Banks propose simultaneously herewith to enter into that certain First Amendment to the Amended and Restated Credit Agreement, for the purpose of amending certain provisions of the Agreement;

WHEREAS, the execution and delivery of this Reaffirmation is a condition precedent to the effectiveness of the First Amendment to the Amended and Restated Credit Agreement; and

WHEREAS, the Guarantor desires to confirm that the Guaranty remains in full force and effect;

NOW THEREFORE, in order to induce the Agent and the Banks to enter into the First Amendment to the Amended and Restated Credit Agreement, the Guarantor hereby agrees as follows:

1. Reaffirmation. The Guarantor hereby acknowledges that it has reviewed the terms and provisions of the First Amendment to the Amended and Restated Credit Agreement and consents to the amendment of the Credit Agreement pursuant thereto and in the terms thereof. The Guarantor expressly reaffirms that, notwithstanding the execution, delivery and effectiveness of the First Amendment to the Amended and Restated Credit Agreement and any and all other agreements, documents, certificates and instruments executed and delivered in connection therewith, the Guaranty shall remain in full force and effect and will continue to guarantee to the fullest extent possible in accordance with the terms of the Guaranty, the payment and performance of all of the Guaranteed Obligations (as such term is defined in the Guaranty) now or hereafter existing under or in respect of the Credit Agreement.

Except as expressly amended hereby, the Guaranty and all other documents, agreements and instruments relating thereto are and shall remain unmodified and in full force and effect.

2. Amended and Restated Security Agreement and Pledge Agreement. (a) The Guarantor reconfirms the security interest granted to Collateral Agent pursuant to Section 2 of the Amended and Restated Security Agreement, and hereby grants to the Collateral Agent a continuing lien on and security interest in and to all Collateral as collateral security for the prompt payment and performance in full when due of the Obligations (as such term is defined in the Amended and Restated Security Agreement) (whether at stated maturity, by acceleration or otherwise).

(b) The Guarantor reconfirms the security interest granted to Collateral Agent pursuant to Section 3 of the Pledge Agreement dated as of February 9, 2001, and hereby grants to the Collateral Agent a continuing lien on and security interest in and to all Collateral as collateral security for the prompt payment and performance in full when due of the Obligations (as such term is defined in the Pledge Agreement) (whether at stated maturity, by acceleration or otherwise).

3. Governing Law. THIS REAFFIRMATION AND THE OBLIGATIONS OF THE GUARANTOR HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW), BUT OTHERWISE WITHOUT REFERENCE TO CONFLICTS OF LAW RULES.

IN WITNESS WHEREOF, the Guarantor has caused this Reaffirmation to be executed as of day and year first above written.

[ ]

By:______________________________
Name:
Title:

CREDIT SUISSE FIRST BOSTON
as Administrative Agent and Collateral Agent

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

EXHIBIT 10.2

[WFI LETTERHEAD]

August 13, 1999

Brad Weller e-mail: brad.weller@Mosaix.com
7005 NE Baker Hill Road
Bainbridge Island, WA 98110

Dear Brad:

As discussed during your recent interviews with WFI, we are a rapidly growing company seeking above average professionals wishing to contribute their skills and talents in an entrepreneurial environment of growth and individual success.

We believe you to be that type of individual, and are therefore pleased to offer you the position of General Counsel and Vice President, Legal Affairs, reporting to Massih Tayebi, Chief Executive Officer, in San Diego, CA. This letter is our formal offer of employment and requires your written acceptance within ten days of the date of this letter. If you accept this offer, we expect you to begin work at WFI as soon as possible.

Your monthly salary will be $12,500 ($150,000 annualized) paid semi-monthly, commencing on your actual date of employment and subject to such withholdings as required by law. Your position is considered exempt, and therefore, you are not eligible for overtime payments. Based on your work performance and WFI annual financial performance, you may be eligible for a bonus of up to 50% of your base salary at the Company's sole discretion on an annual, pro-rata calendar year basis beginning for the year 1999. You must be on the active payroll at the time of payment in the year 2000 in order to qualify.

WFI will pay for the expense for you to apply for the California State Bar membership and associated expenses including a preparation course for the California State Bar exam. Total expense related to this effort is limited to $2,000. Additionally, WFI will reimburse, through the normal course of business expense submittal, the costs of your membership in the American Bar Association, the Washington State Bar Association, and the American Corporate Counsel Association, as well as the reasonable cost of education requirements to maintain such memberships as approved pursuant to normal Company policies.

WFI will pay for your physical relocation of household goods and auto to the San Diego area by a corporate mover selected by WFI. Additionally, WFI will reimburse you up to six (6) months living allowance ($1,700 per month); up two (2) months automobile rental of a standard mid-size if necessary; up to 4 round trip coach airline tickets for you to secure the sale of your residence and relocate; and one one-way coach airline tickets for your family to fly to San Diego.

Enclosed is an application for employment and background consent waiver that must be completed entirely and faxed back to Kristi Buchner, Human Resources Assistant, at (858) 824-0967 immediately. Also enclosed is an employment package that must be completed entirely and returned to Kristie Buchner, Human Resources Assistant, at the above address prior to employment. Your employment or continued employment is contingent upon successfully passing this background investigation.

You will he entitled to 10 days of vacation per year accrued on a per pay period basis and prorated for the calendar year. This vacation policy is consistent for all employees. You will be accorded the same fringe benefits as provided to all other new employees. Benefits you elect may require employee contributions that will be withheld from your compensation on a TAX-FREE basis as appropriate. These benefits may be subject to change at anytime.

You will also be granted 55,000 stock options subject to Board approval which vest at 25% per year over a four year period from the date of commencement of employment. The option price will be established as of the date of Board approval. If you choose to leave WFI prior to the vesting date of any part of the Stock Options you will lose the right to those stock options. Should WFI be acquired or merged and the new company control more than 50% of the Board of Directors, or if, as a result of the acquisition or merger the shareholders of the Company prior to the transaction result in owning less than 50% of the new company immediately after the acquisition or merger, (or if, you resign due to a reduction of annual base salary or loss of title, duties or management status or responsibilities, or if you are asked to relocate), the Company will pay you a severance amount equal to six months base salary and all of your unvested options will immediately become vested upon termination of your employment.

Your employment is on an "at-will" basis, Therefore, either you or WFI may terminate your employment at any time, for any reason, with or without cause. The "at-will" nature of your employment can only be changed in writing and signed by the Vice President, Human Resources. Additional terms of your employment will be set forth in the WFI Employee Handbook, as revised from time to time.

You shall not at any time during the term of your employment, or after your employment has been terminated, disclose to third parties, utilize for your own benefit, or otherwise make use of any of the WFI's trade secrets or other confidential or proprietary information concerning WFI, except to the extent necessary to carry out your obligations to WFI.

Any controversy or claim arising out of, or relating to your employment relationship with WFI, and any agreements hereafter entered into between you and WFI in connection with your employment relationship, shall be settled by binding arbitration in accordance with the then current Employment Dispute Resolution Rules (the "rules") of the American Arbitration Association, to the extent such rules do not conflict with any provision of this paragraph. Such Arbitration shall be held in San Diego, California, before a single arbitrator selected in accordance with the Rules. Each party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of any arbitration under this paragraph. Any award, order or judgment pursuant to arbitration under this paragraph shall be deemed final and binding and may be entered and enforced in any state or federal court of competent jurisdiction. Both you and WFI agree to submit to the jurisdiction of any such court for purposes of the enforcement of any such award, order or judgment.

The terms of this letter shall become effective only upon execution of this agreement by both you and WFI. Therefore, if you accept this employment offer, please sign below and immediately send this letter to the undersigned so the appropriate WFI representative can execute this agreement on behalf of WFI, at which time the terms in this letter will become effective. As a term of employment, you must also sign and return to us the enclosed Proprietary Information and Innovations Agreement. You additionally hereby verify you have no ongoing employer/employee relationship with any former employers, and further agree not to recruit or cause to be recruited any employee of WFI for two years following your employment relationship with WFI.

This letter and the enclosed Proprietary Information and Innovations Agreement constitute the entire agreement between you and WFI regarding your employment. All prior or contemporaneous agreements, promises, communications and/or understandings between you and WFI, whether written or oral are superseded by this letter and the Proprietary Information and Innovations Agreement. These agreements may be modified or changed only by a written agreement endorsed by the Vice President of Human Resources.

Brad, we look forward to you joining the WFI team. Please do not hesitate to contact me (858) 450-7323 if you have any questions.

Very truly yours, Wireless Facilities, Inc.	Accepted and Agreed:
/s/ John F. Hodgson	/s/W. Brad Weller 8/16/99
- -------------------	-----------------------------------
John F. Hodgson Vice President, Human Resources	Candidate Signature Date

EXHIBIT 10.3

Wireless Facilities, Inc.

Executive Change in Control Agreement

This Executive Change in Control Agreement (the "Agreement") is made as of May 11, 2001, between Wireless Facilities, Inc., a Delaware corporation (the "Company") and Wm. Bradford Weller ("Executive").

Whereas, capitalized terms used herein shall have the meanings set forth in Section 3 herein;

Whereas, the Company, by means of this Agreement, seeks (i) to retain the services of Executive, and (ii) to provide incentives for Executive to exert maximum efforts for the success of the Company even in the face of a potential Change in Control; and

Whereas, the Company desires to provide Executive with protection of certain benefits in the event of the termination of his or her Continuous Service in connection with a Change in Control.

Now, Therefore, in consideration of the mutual covenants and promises set forth herein, the Company and Executive hereby agree as follows:

1. Acceleration in the Event of a Change in Control. If a Change in Control (as defined herein) occurs, then immediately upon the effective date of such Change in Control the vesting and exercisability of fifty percent (50%) of the unvested Securities held by Executive as of the such date shall be accelerated, and any reacquisition or repurchase rights held by the Company with respect to such Securities shall lapse. The balance of such unvested Securities shall vest quarterly over the following eighteen (18) months, (i.e., one-sixth (1/6th) of such unvested shares shall vest at the end of each three- (3-) month period from the effective date of such Change of Control), unless such remaining unvested Securities would have vested sooner in accordance with the terms of the grant thereof. In addition, and notwithstanding the above, within the period beginning one (1) month prior to the effective date of such Change in Control and ending eighteen (18) months after the effective date of such Change in Control, if Executive's Continuous Service terminates due to an involuntary termination thereof by the Company (including death or Disability) without Cause or due to a Constructive Termination, then all unvested Securities held by Executive as of the date of such termination of Continuous Service shall be accelerated, and any reacquisition or repurchase rights held by the Company with respect to such Securities shall lapse, as appropriate.

2. Pooling Limitation. Notwithstanding the foregoing, if acceleration of vesting and exercisability (or lapse of reacquisition or repurchase rights) provided for in Section 1 herein would cause a Change in Control transaction that is intended to be accounted for as a "pooling-of-interests" transaction to become ineligible for such accounting treatment under generally accepted accounting principles as determined by the Accountants prior to the Change in Control, such acceleration shall not occur.

3. Definitions. For purposes of this Agreement only, capitalized terms used herein shall have the following meanings:

(a) "Accountants" means the Company's independent certified public accountants.

(b) "Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Section 424(e) and (f) respectively, of the Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means, with respect to Executive, the occurrence of any of the following: (i) such Executive's conviction of any felony or any crime involving fraud or dishonesty; (ii) such Executive's participation (whether by affirmative act or omission) in a fraud, act of dishonesty or other act of misconduct against the

Company and/or its Affiliates; or (iii) such Executive's violation of any fiduciary duty or duty of loyalty owed to the Company and/or its Affiliates. Notwithstanding the foregoing, such Executive's death or Disability shall not constitute Cause as set forth herein. The determination that a termination is for Cause shall be by the Board in its sole and exclusive judgment and discretion.

(e) "Change in Control" means: (i) a sale of all or substantially all of the assets of the Company; (ii) a merger or consolidation 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 Company or other entity surviving such transaction; or (iii) an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or subsidiary of the Company or other entity controlled by the Company) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors; provided, however, that subparagraphs 2(e)(ii) and 2(e)(iii) shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Common Stock" means the common stock of the Company.

(h) "Continuous Service" means that Executive's service with the Company or an Affiliate, whether as an employee, Director or consultant, is not interrupted or terminated. Neither a change in the capacity in which Executive renders service to the Company or an Affiliate as an Employee, Consultant or Director, nor a change in the entity for which Executive renders such service, shall be deemed to interrupt or terminate Executive's Continuous Service provided that there is not otherwise any interruption or termination of service.

(i) "Constructive Termination" means the occurrence of any of the following events, conditions or actions taken by the Company without Cause and without Executive's consent:

(i) a change in Executive's material responsibilities which represents an adverse change from Executive's responsibilities (ii) a reduction in Executive's annual cash compensation (including base salary and guaranteed and discretionary bonus level(s); (iii) the Company's requiring Executive to relocate to any place outside a fifty (50) mile radius of Executive's current work site, except for reasonably required travel on the business of the Company or its Affiliates which is not materially greater than Executive's then existing travel requirements; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which Executive was participating, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to Executive (it being understood that changes to any such plans necessitated by the need to conform Executive's and the Company's other employees', as a whole, compensation and benefits packages to those of the surviving corporation and/or acquiror (as applicable) shall not alone constitute Constructive Termination unless such changes result in a substantial reduction in Executive's annual cash compensation as described in subsection (ii) above), or (B) provide Executive with compensation and benefits, in the aggregate, at least substantially similar (in terms of benefit levels and/or reward opportunities) to those provided for under each other employee benefit plan, program and practice in which Executive was participating; (v) the Executive's death or Disability; or (vi) the failure of the Company to obtain an agreement, satisfactory to Executive, from any successors and assigns to assume and agree to perform the obligations created under this Agreement.

(j) "Director" means a member of the Board of Directors of the Company.

(k) "Disability" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Securities" means shares of the Company's capital stock, options or other rights to purchase or otherwise acquire shares of the Company's capital stock (including any security exercisable or exchangeable for, or convertible into, capital stock of the Company).

4. Parachute Payments.

(a) In the event that the acceleration of vesting and exercisability and/or the lapse of reacquisition or repurchase rights provided for in Section 1 and benefits otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code, or any comparable successor provisions, and (ii) but for this section would be subject to the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (the "Excise Tax"), then Executive's benefits hereunder shall be either

(i) provided to Executive in full, or

(ii) provided to Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this section shall be made in writing in good faith by the Accountants. In the event of a reduction of benefits hereunder, Executive shall be given the choice of which benefits to reduce. For purposes of making the calculations required by this section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code, and other applicable legal authority. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this section.

(b) If, notwithstanding any reduction described in this Section 4, the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of the payment of benefits as described above, then Executive shall be obligated to pay back to the Company, within thirty (30) days after a final IRS determination or in the event that Executive challenges the final IRS determination, a final judicial determination, a portion of the payment equal to the "Repayment Amount." The Repayment Amount with respect to the payment of benefits shall be the smallest such amount, if any, as shall be required to be paid to the Company so that Executive's net after-tax proceeds with respect to any payment of benefits (after taking into account the payment of the Excise Tax and all other applicable taxes imposed on such payment) shall be maximized. The Repayment Amount with respect to the payment of benefits shall be zero if a Repayment Amount of more than zero would not result in Executive's net after-tax proceeds with respect to the payment of such benefits being maximized. If the Excise Tax is not eliminated pursuant to this paragraph, Executive shall pay the Excise Tax.

(c) Notwithstanding any other provision of this Section 4, if (i) there is a reduction in the payment of benefits as described in this section, (ii) the IRS later determines that Executive is liable for the Excise Tax, the payment of which would result in the maximization of Executive's net after-tax proceeds (calculated as if Executive's benefits had not previously been reduced), and (iii) Executive pays the Excise Tax, then the Company shall pay to Executive those benefits which were reduced pursuant to this section contemporaneously or as soon as administratively possible after Executive pays the Excise Tax so that Executive's net after-tax proceeds with respect to the payment of benefits is maximized.

(d) If Executive either (i) brings any action to enforce Executive's rights pursuant to this Section 4, or (ii) defends any legal challenge to Executive's rights hereunder, Executive shall be entitled to recover attorneys' fees and costs incurred in connection with such action, regardless of the outcome of such action; provided, however, that in the event such action is commenced by Executive, the court finds the claim was brought in good faith.

5. Adjustments Upon Changes in Capital Stock. All references to Securities referenced in this Agreement shall include and shall be appropriately adjusted by the Company to reflect any stock split, stock dividend, stock combination or other change in the Common Stock which may be made by the Company after the date of this Agreement.

6. Notices. Any notices provided for in this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to Executive, five (5) days after deposit in the United States mail, postage prepaid, addressed to Executive at the address specified in the corporate records of the Company or at such other address as Executive hereafter designates by written notice to the Company.

7. Miscellaneous.

(a) The rights and obligations of Executive under this Agreement may not be transferred or assigned without the prior written consent of the Company.

(b) This Agreement is meant to supplement the terms of any and all founder's stock purchase agreement(s), restricted stock purchase agreement(s), stock option agreement(s), warrants or other agreements covering the purchase or other acquisition of Securities by Executive (collectively, the "Securities Acquisition Agreements") whether now or hereafter existing. To the extent that the terms and conditions of any Securities Acquisition Agreement are inconsistent with the terms set forth herein, the terms and conditions of this Agreement shall be controlling. This Agreement shall not be superseded by any subsequent agreement unless such subsequent agreement is in writing, signed by Executive and such subsequent agreement specifically states that it is intended to supersede this Agreement and specifically references this "Executive Change in Control Agreement" by name.

(c) Any failure by the Company or Executive to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent either the Company or Executive from thereafter enforcing each and every other provision of this Agreement. The rights granted the Company and Executive herein are cumulative and shall not constitute a waiver of either the Company's or Executive's right to assert all other legal remedies available to it under the circumstances.

(d) Executive agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.

(e) In case any provision of this 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.

(f) Subject to the provisions of subsection 7(b) herein, this Agreement, in whole or in part, may be modified, waived or amended upon the written consent of the Company and Executive.

(g) By Executive's signature below, Executive represents that he or she is familiar with the terms and provisions of this Agreement, and hereby accepts this Agreement subject to all of the terms and provisions set forth herein. Executive has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, regardless of the law that might be applied under applicable principles of conflicts of law.

9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument.

EXECUTIVE	WIRELESS FACILITIES, INC.
/s/ Wm. Bradford Weller	/s/ Masood Tayebi, CEO
Signature	Signature
Wm. Bradford Weller	Masood Tayebi
Print Name	Print Name and Title

Schedule I

The Company has also entered into Change of Control Agreements dated as of May 11, 2001 with Terry Ashwill and Frankie Farjood. These Change of Control Agreements are identical to the Change of Control Agreement between the Company and Brad Weller, except as to the parties thereto.