WIRELESS FACILITIES INC
Form 10-K/A
September 20, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 26, 2003

o **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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, par value $0.001

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 ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes ý No ¨

The aggregate market value of the voting and non-voting stock (Common Stock) held by non-affiliates as of the last business day of most recently completed second fiscal quarter (June 27, 2003) was approximately $336.2 million, based on the closing sale price on the NASDAQ market exchange on that date.*

The number of shares outstanding of the Registrant s Common Stock was 64,026,604 as of March 1, 2004.

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*Excludes the common stock held by executive officers, directors and stockholders whose individual ownership exceeds 5% of the Common Stock outstanding at June 27, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Registrant s proxy statement for the annual meeting that was held on June 15, 2004 (the Proxy Statement), to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the Registrant s fiscal year ended December 26, 2003, are incorporated by reference into Part III of this Annual Report on Form 10-K/A.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Securities and Exchange Commission (the SEC) on September 20, 2004, is being filed for the purpose of including Items 6, 7, 8, 9A and 15 and the principal executive officer and principal financial officer certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. See Note 1 to the consolidated financial statements for information regarding the restatement of financial statements included herein.

This Amendment No. 1 on Form 10-K/A does not reflect events occurring after the filing of the original Annual Report on Form 10-K on March 8, 2004, or modify or update the disclosure presented in the original Annual Report on Form 10-K, except to reflect the revisions as described above.

WIRELESS FACILITIES, INC.

FORM 10-K/A

FOR THE FISCAL YEAR ENDED DECEMBER 26, 2003

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PART I

Item 1. Business

This Annual Report on Form 10-K/A (including the section regarding Management s Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to ide forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-K/A. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K/A reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading Risks Related to Our Business below, as well as those discussed elsewhere in this Annual Report on Form 10-K/A. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K/A. We file reports with the Securities and Exchange Commission (SEC). We make available on our website under Investor Relations/SEC Filings, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is www.wfinet.com. You can also read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K/A. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

We operate and report using a 52-53 week fiscal year ending the last Friday in December. As a result, a fifty-third week is added every five or six years. Our 52 week fiscal years consist of four equal quarters of 13 weeks each, and our 53 week fiscal years will consist of three 13 week quarters and one 14 week quarter. The financial results for our 53 week fiscal years and our 14 week fiscal quarters will not be exactly comparable to our 52 week fiscal years and our 13 week fiscal quarters. For presentation purposes, all fiscal periods presented or discussed in this report have been presented as ending on the last day of the nearest calendar month. For example, our 2003 fiscal year ended on December 26, 2003, but we present our 2003 fiscal year as ending on December 31, 2003.

Description of the Business

General

We are an independent provider of outsourced communications and security systems engineering and integration services and other technical services for the wireless communications industry, the U.S. government, and enterprise customers. We were incorporated in the state of New York on December 19, 1994 and began operations in March 1995. We reincorporated in the state of Delaware in 1998. We consummated our initial public offering on November 5, 1999. Our principal executive office is located at 4810 Eastgate Mall, San Diego, California 92121. Our telephone number is (858) 228-2000.

The principal services we provide include, but are not limited to, the design, deployment, integration, and the overall management of communications and security networks. Our work for the wireless communications industry primarily involves radio frequency engineering, site development, project management and the installation of radio equipment networks. We also provide network management services, which involve day-to-day optimization and maintenance of wireless networks. As part of our strategy, we are technology and vendor independent. We believe that this aligns our goals with those of our customers and enables us to objectively evaluate and recommend specific products or technologies. We provide network design and deployment services to wireless carriers including, but not limited to, (in alphabetical order) AT&T Wireless, Cingular, Sprint, T-Mobile, Telcel, Telefonica, Verizon and Vodafone and equipment vendors such as Ericsson, Nortel and Siemens. We have internally developed a methodology of planning and deploying wireless networks that allows us to deliver reliable and scalable network solutions, primarily on a fixed-price, time-certain basis. We believe this enables our customers to improve their ability to forecast the costs and timing of network deployment and management and increase their focus on internal core competencies while relying on us for planning, designing, deploying and managing their networks. Our work for the federal government primarily involves systems engineering, systems integration, and the outsourcing of technical services such as operational test and evaluation and program management. We also provide services in the areas of mission assurance, product and process validation and verification, and software and applications development. Our work for enterprise customers primarily involves the design, deployment, and integration of security and other in-building systems including access control and intrusion detection and is focused on opportunities to integrate wireless technology into enterprise networks, especially physical and electronic security systems, and voice and data networks.

Operating Segments

At December 31, 2003, our business was organized into four primary operating segments: business consulting, network design and deployment services, network management services, and enterprise solutions. See Note 13 to our consolidated financial statements for information with respect to revenues, operating results and long-lived assets of each segment. In 2004, we reorganized our operating segments to reflect our operations and strategic direction. Our three operating segments, effective January 1, 2004, are our Wireless Network Services segment (encompassing business consulting, design and deployment services and network management services), our Enterprise Network Services segment, and our Government Network Services segment.

Wireless Network Services Segment

Business Consulting

We provide business consulting services for all pre-deployment planning including technology assessment, market analysis, and business plan development. We study and analyze the traffic patterns, population density, topography and propagation environment in each market under consideration. We have developed a proprietary methodology to assist customers in analysis of the competitive landscape for mobile broadband services, and we use our expertise and experience to analyze the financial, engineering, competitive and technology issues applicable to a proposed technology or network deployment project. Drawing upon the demographic analysis and preliminary network dimensioning and benchmarks for deployment-related expenditures from our various functional groups and consultants, we create new business strategies or evaluate existing deployment strategies. Although the size of these projects is typically smaller in scope than design and deployment projects, they are strategically important to us because they represent opportunities to build relationships and credibility with customers during the planning phase, and they enhance our experiences with leading edge technologies.

Network Design and Deployment Services

We provide a range of services for the full design and deployment of wireless networks. Such services include:

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

Spectrum Relocation. To enable customers to use the radio frequency spectrum they have licensed, it is often necessary for customers to analyze the licensed spectrum for interference from existing users, and move these incumbent users to new frequencies. We assist our customers in accomplishing this spectrum relocation by providing complete point-to-point and point-to-multipoint line-of-sight microwave and other types of engineering and support services. Engineering and support services include identifying existing microwave or other frequency uses, negotiating relocation with incumbent users, managing and tracking relocation progress and documenting the final decommissioning and replacement of the incumbent users facilities.

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

Site Development. Site development experts acquire the rights to build wireless transmission sites, gain zoning approvals, secure building permits, and manage the construction of the site.

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

Network Management Services

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

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

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

Within these segments we have developed solutions that enable us to manage large scale deployments for the carriers and to offer specialized solutions that enable our customers to meet their objectives of increased quality, coverage and capacity on the carrier networks worldwide.

Turnkey Solutions. Traditionally, carriers engaged a number of firms or used internal personnel to build and operate their wireless networks. In this case, the carrier was responsible for the coordination and integration of the various contractors. WFI s turnkey approach allows the carrier to engage a single responsible party accountable for delivering and managing the network. Through total control of staff and resources, WFI reduces the time and cost of network deployment, management, and subsequent operation. Finally, WFI s turnkey model eliminates the need for a carrier or equipment vendor to assemble, train and retain network deployment and management staff, resulting in additional cost and schedule efficiencies.

Technology and Vendor Independence for both Mobile and Fixed Wireless Operations. We have experience in all major wireless technologies, including: conversion of analog cellular systems to digital capability (CDMA, TDMA, GSM, GPRS and iDEN); deployment of digital PCS systems and; migration to 3G network platforms to provide high speed wireless data Internet capability, such as UMTS spectrum in Europe. The critical components of our ability to meet and exceed customer expectations are our broad scope of services, our technical expertise and our technology and vendor agnosticism. Such independence allows WFI to offer its customers the most technologically advanced, objective and appropriate suite of solutions available based solely on the customer s requirements.

Fixed-Price and Time-Certain Delivery. A significant portion of our services (66% during fiscal year 2003) are sold primarily on a fixed-price, time-certain basis, where our customers pay by project increments according to defined results on a per-unit basis project site (as defined in the agreement based on milestones), rather than by the hour. By selling our services primarily on a fixed-price, time-certain basis, our customers can better forecast their capital expenditures and operating expenditures more accurately.

Proven Methodology. Our project management process enables us to meet our customers needs without compromising project quality. We have a dedicated staff employed to facilitate efficient feedback of information among the various specialized activities involved in the design and deployment of a network so that our project teams work quickly and effectively. Through this coordinated effort, and the use of Dynamic Tracker®, our proprietary project tracking software tool, we are able to continually optimize human resource deployment and deliver the most efficient and effective solutions on time and within budget.

Depth and Scale. Our principal asset is our staff, 84% of who work directly on customer projects. Our technological expertise and industry knowledge has enabled us to form strong customer relationships with established carriers and equipment vendors. In addition, we have established corporate resource centers in Mexico, Brazil, United Kingdom, Sweden and China. We believe our committed presence in these countries facilitates, and therefore, enhances our ability to customize services to meet the needs of our international customer base via a comprehensive understanding of the local economic issues, business practices and culture.

Enterprise Network Services Segment

Our Enterprise Network Services segment provides system design, deployment, integration, monitoring and support services for enterprise networks. Enterprise networks have been traditionally segregated into systems such as voice, data, access control, video surveillance, temperature control and fire alarm. We provide services that combine such systems and offer integrated solutions on an Ethernet-based platform. We also offer solutions that combine electronic security and building automation systems with fixed or wireless connectivity solutions. We aim to meet the needs of any business enterprise by understanding the needs of the particular entity, sifting through the multiple solutions and complex technologies available in the marketplace and designing, deploying, managing and maintaining a cost-effective and integrated solution that is capable of evolving as the needs of the client change with time. Our target markets are healthcare, education, government and correctional facilities as well as commercial and industrial enterprises. Our commitment to these markets and our proven ability to provide feature-rich, cost-effective solutions has allowed us to become one of the larger independent integrators for these types of systems.

Historically, the largest systems integrators serving such markets have been divisions of larger companies that also manufactured proprietary security and building automation products. As security and building systems evolve from stand-alone products into integrated systems, and finally into critical infrastructure the demand for enterprise solutions such as those offered by us are expected to increase. Volume buyers are increasingly showing a tendency to select independent vendor agnostic service providers, allowing our independence to become an important differentiator. As open standards and IP-based architecture continue to supplant vendor proprietary protocols and products in the marketplace, we believe our independent position will allow us to capture an increasing share of the systems integration market.

Our Enterprise Network Services segment also leverages our certified wireless specialists and registered communications network designers to customize wired and wireless solutions that meet the requirements of even the most sophisticated customer. A typical enterprise campus environment not only has a large number of sub-systems but also a large number of users with different and varying needs, and we are able to use both wireless and wired technologies to create a network that meets the complex requirements of our customers. For those clients who also demand the integration of licensed band wireless systems (such as cellular and PCS) within the enterprise network, we are uniquely equipped and qualified to meet these deployment challenges both independently and through leveraging the skill sets of our Wireless Network Services segment.

Government Network Services Segment

In January 2004, with the acquisition of High Technology Solutions, Inc. (HTS), we created our Government Network Services segment which provides systems engineering, systems integration, and the outsourcing of technical services such as operational test and evaluation and program management to government agencies. We also provide services in the areas of mission assurance, product and process validation and verification, and software and applications development.

Our Government Network Services segment serves the federal information technology services market, which includes the design, development, deployment, integration and management of communications and information networks. According to INPUT, a government market research firm, this market is currently in excess of $60 billion annually and includes not only spending by the Department of Defense (DoD) but also by federal civilian agencies. More importantly for us, preliminary estimates by INPUT show wireless-related spending in as much as $43 billion worth of government information technology contracts, and industry experts expect the market for wireless related spending to grow even faster than the overall government information technology market.

The growth in the government information technology market is being driven by a number of factors, including an overall desire on the part of the federal government to upgrade communication and information systems, the aging of the federal workforce, and an increase in the use of private sector outsourcing. In addition, market growth has been driven and will continue to be driven in large part by DoD information technology spending which has been increasing over the past two years at an even faster rate than the overall government information technology market. World events, political factors, and changing DoD priorities have resulted not only in the growth of the overall DoD budget, but more importantly in the significant growth of the DoD information technology budget. The end of the cold war and the emergence of new enemies and new national security threats have caused an increased emphasis on network centric warfare, information superiority and the convergence and interoperability of information systems. These changes are also bringing a significant increase in demand for wireless related technology as the government s national security efforts focus more and more on mobility, broadband connectivity, speed, efficiency, and overall effectiveness of deployment.

Our Government Network Services segment was created to leverage our core competencies in skills that are currently in great demand wireless radio frequency engineering, Internet protocol engineering, network management, project management, and physical and electronic security systems integration to capitalize on the numerous contracting opportunities available to outside service providers.

Our Government Network Services segment also focuses on the homeland security market with products and services aimed at helping first responders to emergency situations. In addition, as physical security and electronic or information security continue to converge, our Government Network Services segment plans to utilize the systems integration expertise that has been developed within the Enterprise Network Services segment to offer complete security solutions to WFI s government customers.

ISO Qualification

In November 2002, we received ISO 9001:2000 certification. This certification validates that we are among an exclusive tier of companies that possess well-defined and integrated quality measures and comprehensive programs that ensure our services are provided according to uniform standards that are considered best practices within the industry. In 2004, we are upgrading our ISO certified to system to a TL 9000 certified system. TL 9000 is a set of quality standards specifically tailored for the telecommunications industry and focuses on measurement of service, accuracy, adherence to customer requirements and monthly submission of performance metrics to the QuEST Forum. We believe that the addition of the telecommunication-specific quality standards will further prove that we are dedicated to providing a quality service to our clients.

Customers

We are an independent provider of outsourced communications and security systems engineering and integration services and other technical services for the wireless communications industry, the U.S. government, and enterprise customers. We also provide services to satellite service providers and wireless tower companies. A representative list of our customers in our wireless business during 2003 includes (in alphabetical order) AT&T Wireless, Cingular, Sprint, T-Mobile, Telcel, Telefonica, Verizon and Vodafone equipment vendors such as Ericsson, Nortel and Siemens. In our Enterprise Network Services segment, our customers include Coca Cola, Westfield Shopping Towns, Port of Texas, iPass and General Electric. Customers in our Government Network Services segment include the U.S. Air Force, U.S. Navy, Missile Defense Agency and the Department of Homeland Security.

Competition

Our market is competitive, and includes the full range of service providers. Many of the companies that we compete against have significantly greater financial, technical and marketing resources, and generate greater revenues than does WFI.

Competition in the Wireless Network Services business comes from the internal engineering departments of carrier and equipment vendors, as well as companies like American Tower, Flextronics, LCC International, Marconi Communications, General Dynamics and Whalen & Company, Inc. (a subsidiary of Tetra Tech, Inc.). We also compete with engineering and project management companies like Bechtel Corporation, Bovis Lend Lease, CH2MHill and Fluor Daniel, Inc. for the turnkey deployment of wireless networks. These companies are significant competitors given their project finance capabilities, reputations and global presence.

Competition in the Enterprise Network Services segment includes Siemens Building Technology, Johnson Controls, Ingersoll Rand and Convergent.

Competition in the Government Network Services segment includes Northrop Gruman, SAIC, Anteon International, ITT Industries, Inc., General Dynamics and Computer Sciences Corporation.

We believe that the principal competitive factors in our business include the ability to deliver results within budget (time and cost), reputation, accountability, staffing flexibility, and project management expertise, industry experience and competitive pricing. In addition, our technology independence and technical expertise in new and evolving technologies has become increasingly important. We believe that the ability to integrate these technologies, as well as equipment from multiple vendors, gives us a competitive advantage as we can offer the best technology and equipment to meet a customer s needs. We believe our ability to compete also depends on a number of additional factors including:

- competitive pricing for similar 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 responsiveness of our competitors to customer needs.

Employees

As of December 31, 2003, we employed 1,760 full time employees worldwide. None of our employees, other than our Swedish employees (approximately 57 at December 31, 2003), are represented by a labor union, and we have not experienced any work stoppages.

Risks Related to Our Business

You should carefully consider the following risk factors and all other information contained herein as well as the information included in this Annual Report in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, other than 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 and financial results could be harmed. You should refer to the other information contained in this Annual Report, including our consolidated financial statements and the related notes.

Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows, our business may be harmed.

The wireless telecommunications industry has historically experienced a dramatic rate of growth both in the United States (U.S.) and internationally. In recent years, however, many telecommunications carriers have re-evaluated their network deployment plans in response to downturns in the capital markets, changing perceptions regarding industry growth, the adoption of new wireless technologies, increasing pricing competition for subscribers and a general economic slowdown in the United States and internationally. That trend has only recently begun to change as several large carriers in the U.S. and Latin America have started to once again focus on network expansion. If the rate of growth slows or carriers reduce their capital investments in wireless infrastructure or fail to expand into new geographic areas, our business may be significantly harmed.

The uncertainty associated with rapidly changing telecommunications technologies may also 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 in acceptance of rapidly changing enhanced telecommunications capabilities. If telecommunications service providers perceive that the rate of acceptance of next generation telecommunications products will grow more slowly than previously expected, they may, as a result, slow their development of next generation technologies. Moreover, increasing price competition for subscribers could adversely affect the profitability of carriers and limit their resources for network deployment. Any significant sustained slowdown will further reduce the demand for our services and adversely affect our financial results.

The high amount of capital required to obtain radio frequencies licenses could slow the growth of the wireless communications industry and adversely affect our business.

Our growth is dependent upon the increased use of wireless communications services. In order to provide wireless communications services, carriers must obtain rights to use specific radio frequencies. The allocation of frequencies is regulated in the United States and other countries throughout the world and limited spectrum space is allocated to wireless communications services. Industry growth may be affected by the amount of capital required to obtain licenses to use new frequencies. Typically, governments sell these licenses at auctions. Over the last several years, the amount paid for these licenses has increased significantly. In addition, litigation and disputes involving companies bidding to acquire spectrum has delayed the expansion of wireless networks in the United States, and it is possible that this delay could continue for a significant amount of time. The significant cost of licenses and delays associated with disputes over license auctions may slow the growth of the industry if service providers are unable to obtain the additional capital necessary to implement the necessary infrastructure. Our business could be adversely affected if this occurs.

If wireless carriers, network equipment vendors and enterprises do not outsource their wireless telecommunications services, our business will suffer.

Our success depends upon the continued trend by wireless carriers and network equipment vendors to outsource their network design, deployment and management needs. If this trend does not continue and wireless carriers and network equipment vendors elect to perform more network deployment services themselves, our operating results and revenues may decline.

If enterprise customers do not invest in security systems and other new in-building technologies such as wireless local area networks, our business will suffer.

In 2003, we launched significant enterprise-based WLAN (Wireless Local Area Networks) and security systems initiatives. We intend to devote significant resources to developing these initiatives, but we cannot predict that we will achieve widespread market acceptance amongst the enterprises. It is possible that some enterprises will determine that their current capital constraints and other factors outweigh their need for WLANs and security systems at this time. As a result, we may incur a significant delay in the adoption of WLAN and security systems by enterprises which would harm our business.

Our failure to obtain new government contracts, the cancellation of government contracts, or a reduction in federal budget appropriations involving our services could materially adversely affect our revenues.

We anticipate that a material portion of our future revenues will come from our Government Network Services segment. Our revenues and cash flows from our Government Network Services segment may decline if a significant number of our government contracts are delayed or cancelled due to cutbacks in defense, homeland security or other federal agency budgets or for other reasons. In addition, our failure to successfully compete for and retain such government contracts could have an adverse effect on our revenues and cash flows. We cannot guarantee that we, or if we are a subcontractor that the prime contractor, will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract.

We anticipate that our Government Network Services segment will also be sensitive to changes in national and international defense and budget priorities. Demand for our services may decline if conflicts in the Middle East and other high risk areas subside, or if U.S. defense budget appropriations are reduced.

We are subject to extensive government regulation, and our failure or inability to comply with these regulations could subject us to penalties and result in a loss of our government contracts, which could adversely affect our revenues.

We must comply with and are affected by various government regulations that impact our operating costs, profit margins and our internal organization and operation of our business. We are also subject to routine audits to assure our compliance with these requirements. Our failure to comply with these regulations, rules and approvals could result in the impositions of penalties and the loss of our government contracts and disqualification as a U.S. government contractor, which could adversely affect our revenues.

We derive a significant portion of our revenues from a limited number of customers.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of customers. To the extent that any significant client uses less of our services or terminates its relationship with us, our revenues could decline significantly. As a result, the loss of any significant client could seriously harm our business. For the year ended December 31, 2003, we had one customer which comprised 24% of our revenues and our five largest customers accounted for approximately 48% of our total revenues. None of our customers are obligated to purchase additional services from us. As a result, the volume of work that we perform for a specific client is likely to vary from period to period, and a significant client in one period may not use our services in a subsequent period.

Recent business acquisitions and potential future business acquisitions could be difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.

We completed our acquisition of HTS in January 2004. In addition, since February 2003, we have acquired three other businesses. Our integration of these acquisitions will require significant management time and financial resources because we will need to integrate dispersed operations with distinct corporate cultures. We also intend to continue to expand our operations through business acquisitions over time. We recently filed an acquisition shelf registration statement on Form S-4. Once the acquisition shelf is declared effective by the SEC, it will enable us to issue up to $200 million shares or our common stock in one or more acquisition transactions.

Our failure to properly integrate businesses we acquire and to manage future acquisitions successfully could seriously harm our operating results. Also, acquisition costs could cause our quarterly operating results to vary significantly. To the extent we acquire an international operation, we will face additional risks, including:

- difficulties in staffing, managing and integrating international operations due to language, cultural or other differences;

- different or conflicting regulatory or legal requirements;

- foreign currency fluctuations; and

- diversion of significant time and attention of our management.

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

Recently, the wireless telecommunications industry has been characterized by significant consolidation activity. In particular, Cingular has recently announced plans to acquire AT&T Wireless, both of whom are significant customers of ours. This consolidation and the potential continuing trend towards future consolidation within the wireless telecommunication industry may lead to a greater ability among equipment vendors and carriers to provide a comprehensive range of network services, and may simplify integration and installation, which could lead to a reduction in demand for our services. Moreover, the consolidation of equipment vendors or carriers could reduce the number of our current or potential customers and increase the bargaining power of our remaining customers which may adversely impact our business.

If our customers do not receive sufficient financing or fail to pay us for services performed, our business may be harmed.

Some of our customers rely upon outside financing to pay the costs of deploying their networks. These customers may fail to obtain adequate financing or experience delays in receiving financing and they may choose the services of our competitors if our competitors are willing and able to provide project financing. Unfavorable economic conditions have caused and may in the future cause those customers that have adequate financing to delay deploying or upgrading their networks as they prioritize or ration their capital resources.

In addition, we have historically taken significant write-offs of our accounts receivable. In some instances we may not receive payment for services we have already performed. If our customers do not receive adequate financing or if we are required to write-off significant amounts of our accounts receivables, then our net income will decline, and our business will be harmed.

If we fail to successfully compete, our business may suffer.

Each of the vertical markets that we compete in is highly competitive. If we fail to compete successfully against current or future competitors, our business, financial condition and operating results may be harmed. We expect competition to continue and intensify in the future. We cannot be certain that we will be able to compete successfully with existing or new competitors.

Many of our current competitors have significantly greater financial, technical and marketing resources, generate greater revenues and have greater name recognition and experience than we do. This may place us at a disadvantage in responding to our competitors pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives. In addition, many of our competitors have well-established relationships with our potential clients and have extensive knowledge of the industries that we compete in. As a result, our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, and they may be able to devote more resources to the development, promotion and sale of their services that we can.

Our quarterly results fluctuate and may cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and will likely fluctuate in the future. As a result, we believe that period to period comparisons of our results of operations are not a good indication of our future performance. A number of factors, many of which are outside of our control, are likely to cause these fluctuations. Some of these factors include:

- telecommunications market conditions and economic conditions generally;
- the timing and size of network deployments 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;
- changes in our effective tax rate;
- the length of sales cycles;

the ability of certain customers to sustain capital resources to pay their trade accounts receivable balances;

reductions in the prices of services offered by our competitors;

our success in bidding on and winning new business;

changes in the actual and estimated costs and time to complete fixed-price, time-certain projects that may result in revenue adjustments for contracts where revenue is recognized under the percentage of completion method;

the timing of expansion into new markets, both domestically and internationally;

our allowance for doubtful accounts;

our sales, marketing, and administrative cost structure; and

the costs of integrating technologies or businesses that we add.

Because our operating results may vary significantly from quarter to quarter, our operating results may not meet the expectations of securities analysts and investors, and our common stock could decline significantly which may expose us to risks of securities litigation, impair our ability to attract and retain qualified individuals using equity incentives and make it more difficult to complete acquisitions using equity as consideration.

Our business is dependent upon our ability to keep pace with the latest technological changes.

The market for our services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments will result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenues from creating wireless networks that are based upon today s leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing client preferences.

Failure to properly manage projects may result in costs or claims.

Our wireless network engagements often involve large scale, highly complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors, and our own personnel, in a timely manner. Any defects or errors or failure to meet clients expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, error, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve certain performance standards. If the project or network experiences a performance problem, we may not be able to recover the additional costs we will incur, which could exceed revenues realized from a project. Finally, if we miscalculate the resources or time we need to complete a project with capped or fixed fees, our operating results could be seriously harmed.

Our failure to attract and retain key managerial, technical, selling and marketing personnel could adversely affect our business.

Our success depends upon our attracting and retaining key members of our management team. We recently announced that Masood Tayebi, our Chief Executive Officer since inception, will be transitioning to the role of Executive Chairman, and Eric DeMarco, our current President and Chief Operating Officer, will assume the role of CEO on April 1, 2004. In addition, we are currently engaged in a search for a Chief Financial Officer and General Counsel. We cannot assure you that these management transitions will not result in some disruption of our business. The loss of any of our key members might delay or prevent the achievement of our development and strategic objectives. Our future performance will be substantially dependent on our ability to attract, retain and motivate key members of our management team.

We must also continue to hire and retain additional highly skilled engineering, managerial, business development and sales personnel. In an effort to manage our costs, it is our policy to hire employees on a project-by-project basis. Upon completion of an assigned project, the employees are no longer employed by us until we elect to hire them for the next project. Competition for such highly skilled personnel in our industry is intense, especially for engineers and project managers, and we can not be certain that we will be able to hire or re-hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. If we are unable to identify, hire and integrate new employees in a timely and cost-efficient manner, our operating results will suffer.

Our failure to maintain appropriate staffing levels could adversely affect our business.

We can not be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service a major contract, particularly if the market for related personnel becomes competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which would increase our general and administrative expenses, reduce our earnings and possibly harm our results of operations. If we are unable to obtain major contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and our business may be harmed.

Government regulations of the telecommunications industry may adversely affect our business.

The wireless networks that we design, deploy and manage are subject to various FCC regulations in the United States and other international regulations. These regulations require that these networks meet certain radio frequency emission standards, not cause unallowable interference to other services, and in some cases accept interference from other services. These networks are also subject to government regulations and requirements of local standards bodies outside the United States, where we are less prominent than local competitors and have less opportunity to participate in the establishment of regulatory and standards policies. We are also subject to state and federal health, safety and environmental regulations, as well as regulations related to the handling of and access to classified information. Changes in the regulation of our activities, including changes in the allocation of available spectrum by the United States government and other governments or exclusion of our technology by a standards body, could have a harmful effect on our business, operating results, liquidity and financial position. Additionally, because we conduct business throughout the United States, many of our activities are subject to different state and local regulatory schemes, including those relating to licensing, taxes and employment matters, with which we are required to comply.

Government regulations could restrict our ability to ability to hire employees or to utilize employees effectively.

As of December 31, 2003, approximately 150 or 11% 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. The H-1B program refers to a provision of the United States Immigration and Nationality Act that allows highly skilled foreigners to work in the United States for as long as six years. Current law limits the number of foreign workers who may be issued a visa or otherwise be provided H-1B status to 195,000 through 2003. Absent other congressional action, the cap will return to 65,000 in 2004. In addition, because we are an H-1B dependent employer under the Department of Labor regulations, we could face enhanced compliance requirements and penalties.

Immigration policies are subject to rapid change, and these policies have become more stringent since the terrorist attacks on September 11, 2001. Any additional 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 otherwise restrict our ability to utilize our existing employees as we see fit, and, therefore, could harm our business.

International uncertainties and fluctuations in the value of foreign currencies could harm our profitability.

We currently have international operations, including offices in Brazil, China, Mexico, United Kingdom, Sweden and Turkey. For the year ended December 31, 2003, international operations accounted for approximately 21% of our total revenues. Our international business operations are subject to a number of material risks, including, but not limited to:

- difficulties in building and managing foreign operations;
- regulatory uncertainties in foreign countries, including changing regulations and delays in licensing carriers to build out their networks in various locations;
- difficulties in enforcing agreements and collecting receivables through foreign legal systems and addressing other legal issues;
- longer payment cycles;
- foreign and U.S. taxation issues;
- potential weaknesses in foreign economies, particularly in Europe, South America and Mexico;
- fluctuations in the value of foreign currencies;

general economic and political conditions in the markets in which we operate; and

unexpected domestic and international regulatory, economic or political changes.

Our significant international subsidiaries (i.e., in Brazil, Mexico, Sweden and United Kingdom) procure certain transactions that are denominated in U.S. dollars. Downward fluctuations in the value of foreign currencies, compared to the U.S. dollar, may make our services more expensive than local service offerings in international locations. This would make our service offerings less price 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 also conduct business in British Pound Sterling, Chinese Renminbi, Euro, Swedish Krona and Turkish Lira. We do not currently engage in currency hedging activities to limit the risks of currency fluctuations. Therefore, fluctuations in foreign currencies could have a negative impact on the profitability of our global operations, which would harm our financial results.

Future changes in financial accounting standards may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. The Financial Accounting Standards Board has announced its intention to require that companies record compensation expense in the statement of operations for employee stock options using the fair value method. Implementation of this requirement could have a significant negative effect on our reported results or impair our ability to use equity compensation to attract and retain skilled personnel. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, newly enacted SEC regulations and Nasdaq Stock Market rules, are creating uncertainty for companies such as ours. We are committed to maintaining high standards of internal controls over financial reporting, corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

A few individuals own a significant percentage of our stock.

As of December 31, 2003, our executive officers and directors and their affiliates beneficially owned, in the aggregate, approximately 35% of our outstanding common stock, after giving effect to the conversion of Series B Convertible Preferred Stock. In particular, our current Chairman and Chief Executive Officer, Masood K. Tayebi, beneficially owned, approximately 10% of our outstanding common stock. The remaining 25% is beneficially owned by certain of our other officers and directors and their affiliates. In addition, other members of the Tayebi family owned, incrementally and in the aggregate, approximately 19% of our outstanding common stock. As a result, the executive officers, directors and their affiliates are able to collectively exercise control over matters requiring stockholder approval, such as the election of directors and the approval of significant corporate transactions. These types of transactions include transactions involving an actual or potential change in control or other transactions that the non-controlling stockholders may deem to be in their best interests and in which such stockholders could receive a premium for their shares.

We may need additional capital in the future to fund the growth of our business, and financing may not be available.

We currently anticipate that our available capital resources and operating income will be sufficient to meet our expected working capital and capital expenditure requirements for at least the next 12 months. However, we cannot assure you that such resources will be sufficient to fund the long-term growth of our business. In particular, we may experience a negative operating cash flow due to billing milestones and project timelines in certain of our contracts. We may raise additional funds through public or private debt or equity financings if such financings become available on favorable terms. We also recently filed a universal shelf registration statement on Form S-3. Once declared effective by the SEC, we may sell, in one or more public offerings, shares of newly issued common stock or preferred stock, warrants or debt securities, or any combination of such securities, for proceeds in an aggregate amount of up to $200 million. Such financing or offerings would likely dilute our stockholders. In addition, we cannot assure you that any additional financing we may need will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of unanticipated opportunities, develop new products or otherwise respond to competitive pressures. In any such case, our business, operating results or financial condition could be materially adversely affected.

Litigation may harm our business or otherwise distract our management.

Substantial, complex or extended litigation could cause us to incur large expenditures and distract our management. For example, lawsuits by employees, or stockholders could be very costly and substantially disrupt our business. Disputes from time to time with such companies or individuals are not uncommon, and we cannot assure you that that we will always be able to resolve such disputes or on terms favorable to us.

Disclosure of trade secrets could aid our competitors.

We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, our employees and consultants. However, these agreements can be breached and, if they are, there may not be an adequate remedy available to us. If our trade secrets become known we may lose our competitive position.

Our stock price may be volatile, which may result in lawsuits against us and our officers and directors.

The stock market in general, and the stock prices of technology and telecommunications companies in particular, have experienced volatility that has often been unrelated to or disproportionate to the operating performance of those companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Factors which could have a significant impact on the market price of our common stock include, but are not limited to, the following:

- quarterly variations in operating results;
- announcements of new services by us or our competitors;
- the gain or loss of significant customers;
- changes in analysts earnings estimates;
- rumors or dissemination of false information;

- pricing pressures;
- short selling of our common stock;
- general conditions in the market;
- political and/or military events associated with current worldwide conflicts; and
- events affecting other companies that investors deem comparable to us.

Companies that have experienced volatility in the market price of their stock have frequently been the object of securities class action litigation. Such litigation could result in substantial costs to us and a diversion of our management s attention and resources.

Our charter documents and Delaware law may deter potential acquirers and may depress our stock price.

Certain provisions of our charter documents and Delaware law, as well as certain agreements we have with our executives, could make it substantially more difficult for a third party to acquire control of us. These provisions include:

- authorizing the board of directors to issue preferred stock;
- prohibiting cumulative voting in the election of directors;
- prohibiting stockholder action by written consent;
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at meetings of our stockholders;
- Section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a business combination with an interested stockholder unless specific conditions are met; and

a number of our executives have agreements with us that entitle them to payments in certain circumstances following a change in control.

These provisions may discourage certain types of transactions involving an actual or potential change in control and may limit our stockholders ability to approve transactions that they deem to be in their best interests. As a result, these provisions may depress our stock price.

Item 2. **Properties**

Our principal executive offices are located in approximately 93,000 square feet of office space in San Diego, California. The lease for such space expires in April 2010. Other corporate resource offices are located in the following locations: Marietta, Georgia; Wilmington, Delaware; Houston, Texas; Reston, Virginia; Sao Paulo, Brazil; Mexico City, Mexico; Stockholm, Sweden; London, U.K. and Beijing, China. The Company also leases office space to support engineering and design and deployment services in various regions throughout the continental and contiguous United States. The leases on these spaces expire at various times through March 2009. We continually evaluate our current and future space capacity in relation to current and projected future staffing levels. We believe that our existing facilities are suitable and adequate to meet our current business requirements.

Item 3. **Legal Proceedings**

Refer to Note 15 of our audited consolidated financial statements..

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

None.

PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

Market Information

Our Common Stock is listed on the NASDAQ National Market System, under the symbol WFII and has traded since November 5, 1999.

The following table sets forth the high and low sales prices for our Common Stock for the periods indicated, as reported by NASDAQ. Such quotation represents inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High	Low
Year Ended December 31, 2003:		
Fourth Quarter	$ 18.60	$ 11.14
Third Quarter	$ 15.60	$ 11.01
Second Quarter	$ 12.14	$ 5.74
First Quarter	$ 7.08	$ 5.01
Year Ended December 31, 2002:		
Fourth Quarter	$ 7.39	$ 4.05
Third Quarter	$ 5.25	$ 4.24
Second Quarter	$ 6.05	$ 4.23
First Quarter	$ 7.19	$ 3.58

On March 1, 2004, the last sale price of our Common Stock as reported by NASDAQ was $13.49 per share. On March 1, 2004, there were 245 shareholders of record of our Common Stock.

We have not declared any dividends since becoming a public company. We currently intend to retain any future earnings to finance the growth and development of the business and, therefore, do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon the future financial condition, results of operations, capital requirements, general business conditions and other relevant factors as determined by our Board of Directors.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plans as of December 31, 2003 was as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity Compensation Plans Approved by Shareholders (1)	9,029,797	$ 9.81	2,970,877(3)
Equity Compensation Plans Not Approved by Shareholders (2)	2,511,056	$ 6.99	1,689,795
	11,540,853		4,660,672

(1) Includes 1997 Stock Option Plan, 1999 Equity Incentive Plan and 1999 Employee Stock Purchase Plans

(2) Includes 2000 Non-Statutory Stock Option Plan

(3) Includes 922,811 shares reserved for issuance under the Employee Stock Purchase Plan

For more detailed information regarding our equity compensation plans, see Note 10 to our consolidated financial statements.

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto and with Management s Discussion and Analysis of Financial Condition and Results of Operations which are incorporated in Item 7 or included elsewhere in this Annual Report on Form 10 K/A.

	Year Ended December 31, (All amounts except per share data in millions)									
	1999		2000 (1) (Restated)		2001 (1) (Restated)		2002 (1) (Restated)		2003 (1) (Restated)	
Consolidated Statements of Operations Financial Data:										
Revenues	$	92.7	$	248.1	$	197.4	$	192.1	$	261.0
Gross profit	$	38.4	$	107.4	$	54.2	$	45.2	$	70.2
Operating income (loss)	$	17.6	$	42.3	$	(80.1)	$	(48.8)	$	7.9
Provision (benefit) for income taxes	$	7.2	$	19.9	$	(18.0)	$	10.1	$	(0.3)
Net income (loss)	$	9.6	$	22.5	$	(69.8)	$	(73.8)	$	9.5
Net income (loss) per share										
Basic	$	0.33	$	0.54	$	(1.52)	$	(1.53)	$	0.18
Diluted	$	0.27	$	0.45	$	(1.52)	$	(1.53)	$	0.13
Weighted average shares:										
Basic		29.1		41.8		45.9		48.1		53.4
Diluted		35.2		50.5		45.9		48.1		73.3

	As of December 31, (All amounts in millions)									
	1999		2000 (1) (Restated)		2001 (1) (Restated)		2002 (1) (Restated)		2003 (1) (Restated)	
Consolidated Balance Sheets Data:										
Cash and cash equivalents	$	34.3	$	18.5	$	61.1	$	99.1	$	86.6
Short-term investments									$	27.6
Working capital	$	91.4	$	93.6	$	85.2	$	118.4	$	146.4
Total assets	$	134.4	$	292.5	$	264.9	$	217.0	$	278.8
Total debt	$	2.7	$	37.7	$	42.1	$	2.9	$	0.7
Total stockholders equity	$	101.4	$	189.3	$	178.5	$	153.7	$	205.3

(1) The selected financial data for 2000, 2001, 2002, and 2003 has been restated to reflect the effect of the Company s restatement as discussed in Note 1(b), Restatement of prior period Financial Statements , to the accompanying consolidated financial statements.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Overview

We are an independent provider of outsourced communications and security systems engineering and integration services for the wireless communications industry, the U.S. government, and enterprise customers. The principal services we provide include, but are not limited to, the design, deployment, integration, and the overall management of communications, information technology, and security networks. Our work for the wireless communications industry primarily involves radio frequency engineering, site development, project management and the installation of radio equipment networks. We also provide network management services, which involve day-to-day optimization and maintenance of wireless networks. As a result of our acquisition of HTS, we expect our work for the federal government to primarily involve systems engineering, systems integration, and the outsourcing of technical services such as operational test and evaluation and program management. We also provide services in the areas of mission assurance, product and process validation and verification, and software and applications development. Our work for enterprise customers primarily involves the design, deployment, and integration of security and other in-building systems including access control and intrusion detection and is focused on opportunities to integrate wireless technology into enterprise networks, especially physical and electronic security systems, and voice and data networks.

Revenues from business consulting, enterprise solutions and design and deployment contracts are primarily fixed price contracts which are recognized using the percentage-of-completion method of accounting under the provisions of Statement of Position (SOP) 81-1, Accounting for Performance of Construction Type and Certain Production Type Contracts. For 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, living, travel and benefit expenses for project-related personnel, payments to third-party sub-contractors, project-related incentive compensation based upon the successful achievement of certain project performance goals, allocation of corporate overhead costs of expendable computer software and equipment, and other direct project-related expenses. Direct compensation and benefits are computed based on standard costs and actual hours billed. We review and adjust these standard costs periodically to ensure they are comparable to actual costs.

Selling, general and administrative expenses include compensation and benefits for corporate service employees and similar costs for billable employees whose time and expenses cannot be assigned to a project (underutilization costs), expendable computer software and equipment, facilities expenses and other operating expenses not directly related and/or allocated to projects. Additionally, our sales personnel and senior corporate management have, as part of their compensation packages, periodic and annual bonus/commission incentives based on the attainment of specified performance goals.

Provision (credit) for doubtful accounts includes estimated losses resulting from the financial inability of our customers to make required payments for services we have performed. We consider the following factors when determining if collection of a receivable is reasonably assured: comprehensive collection history, results of our communications with customers, the current financial position of the customer, and the relevant economic conditions in the customer s country. If we have had no prior experience with the customer, we review reports from various credit organizations to ensure that the customer has a history of paying its creditors in a reliable and effective manner. If these factors do not indicate collection is reasonably assured, revenue is deferred until such time, which is generally upon receipt of cash. If the financial condition of our customers were to deteriorate, and adversely affect their financial ability to make payments, additional allowances would be required. Additionally, on certain contracts whereby WFI performs services for a prime/general contractor, a specified percentage of the invoiced trade accounts receivable may be retained by the customer until the project is completed by WFI. We periodically review all retainages for collectibility and record allowances for doubtful accounts when deemed appropriate, based on our assessment of the associated risks. Total retainages included in accounts receivable were $0 and $1.1 million at December 31, 2002 and 2003, respectively.

Management currently considers the following events, trends and uncertainties to be important to understanding its financial condition and operating performance:

During 2003, in response to consumer demand for improved network coverage, quality, and capacity due to continued growth in subscribers, minutes of use and increased data usage, wireless carriers domestically increased capital spending on their networks resulting in a growth in our wireless network business. We expect this trend to continue in 2004.

Our Latin America operations experienced significant growth commencing in the fourth quarter of fiscal 2003 as a result of certain significant contracts awarded to us in the later part of third quarter of fiscal 2003. We expect continued growth in our overall international operations based on projected subscriber growth and marketplace competition.

Our selling, general and administrative costs decreased as a percentage of revenues in 2003 and are expected to continue to decrease as a percentage of revenue in 2004.

Our effective tax rate for the year ended December 31, 2003 was 3% and is expected to increase during 2004 as a result of expected incremental profitability. The annual and interim period effective tax rate(s) for 2004 may be lower than the statutory rates if we realize certain tax benefits as a result of exceeding projected operating results determined as of December 31, 2003. Furthermore, the 2004 effective tax rate for annual and interim reporting periods could be impacted if we achieve the favorable resolution of certain tax items that are reserved for at December 31, 2003. Finally, during 2004, if we are impacted by a change in the valuation allowance as of December 31, 2003 resulting from a change in judgment regarding the realizability of deferred tax assets beyond December 31, 2004, such effect will be recognized in the interim period in which the change occurs.

As a result of our acquisitions of three privately-held companies during 2003, we experienced an expansion in overall business and commenced operations in a new segment created during the second quarter of 2003, enterprise solutions. Our enterprise solutions segment is focused on opportunities to integrate wireless technology into enterprise networks, especially physical and electronic security systems, and voice and data networks. Additionally, we plan to evaluate additional acquisitions in 2004 in an attempt to build out a national footprint that will allow our enterprise solutions segment to leverage, to the extent feasible, related internal synergies and, therefore, become a growing component of our consolidated operations.

In January 2004, with the acquisition of High Technology Solutions, Inc. (HTS), we created our government network services segment which primarily provides systems engineering, systems integration, and the outsourcing of technical services such as operational test and evaluation and program management to federal government agencies. We also provide services in the areas of mission assurance, product and process validation and verification, and software and applications development. Our goal is to build and expand our customer relationships within the Departments of Defense and Homeland Security in order to take advantage of the significant opportunities for companies with substantial expertise in wireless technology.

We believe that continuous increases in the subscriber base, coupled with the continuous rise in minutes of use in the past several years, and growing data usage due principally to text messaging, combined with a new generation of color, camera phones, has and will continue to reduce the network quality and capacity in many geographical areas to unacceptable levels. Additionally, existing United States legislation surrounding number portability and E-911 are requiring changes to systems, business processes, and networks of wireless carriers. Consequently, many of the carriers have indicated that they will dedicate a larger percentage of their capital expenditures to improving capacity, coverage and quality within their networks. Furthermore, carriers will be forced to enhance and modify their infrastructure based on the legislative mandates regarding number portability and E-911. Our response to this trend is to continue demonstrating our ability to provide quality turnkey network deployment services and presenting the benefits of operational outsourcing. We expect these recent positive trends in the industry to contribute to ongoing improved financial performance.

Restatement of Financial Statements

The Company has restated its consolidated financial statements for the fiscal years ended December 31, 2001, 2002, and 2003 as discussed in Note 1 in the accompanying consolidated financial statements. The following management s discussion and analysis takes into account the effects of the restatements.

Critical Accounting Principles and Estimates

We have identified the following critical accounting policies that affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, stockholders equity, revenues and expenses, and related disclosures of contingent assets and liabilities. On a periodic basis, as deemed necessary, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, valuation of long-lived assets including identifiable intangibles and goodwill, accounting for income taxes including the related valuation allowance, accruals for partial self-insurance, contingencies and litigation and contingent acquisition consideration. We explain these accounting policies in the notes to the consolidated financial statements and at relevant sections in this discussion and analysis. These estimates are based on the information that is currently available and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

Revenue recognition. We derive a significant percentage of our revenue from long-term contracts and account for these contracts under the provisions of Statement of Position 81-1 (SOP 81-1), Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Revenue on time and materials contracts is recognized as services are rendered at contracted labor rates plus material and other direct costs incurred. The portion of our revenue derived from fixed price contracts accounted for approximately 66% of our revenues for the year ended December 31, 2003. Revenue on fixed price contracts is recognized using the percentage-of-completion method based on the ratio of total costs incurred to date compared to estimated total costs to complete the contract. Estimates of costs to complete include material, direct labor, overhead, and allowable general and administrative expenses. These cost estimates are reviewed and, if necessary, revised monthly on a contract-by-contract basis. If, as a result of this review, we determine that a loss on a contract is probable, then the full amount of estimated loss is charged to operations in the period it is determined that it is probable a loss will be realized from the full performance of the contract. Significant management judgments and estimates, including but not limited to the estimated costs to complete projects, must be made and used in connection with the revenue recognized in any accounting period. The revenue we recognize in a given reporting period depends on: (1) the costs we have incurred for individual projects; (2) our then current estimate of the total remaining costs to complete individual projects; and (3) the current estimated contract value associated with the projects. If, in any period, we increase or decrease our estimate of the total costs to complete a project, and/or reduce or increase the associated contract value, revenue for that period would be impacted. As a result, our gross margin in such period and in future periods may be affected. To the extent that our estimates fluctuate over time or differ from actual results, gross margins in subsequent periods may vary significantly from our estimates. Material differences may result in the amount and timing of our revenue for any period if management made different judgments or utilized different estimates.

A cancellation or modification of a fixed price contract which is accounted for using the percentage-of-completion method may adversely affect our gross margins for the period in which the contract is modified or cancelled. Under certain circumstances, a cancellation or negative modification could result in us having to reverse revenue that we recognized in a prior period, thus significantly reducing the amount of revenues we recognize for the period in which the adjustment is made. Correspondingly, a positive modification may positively affect our gross margins.

In addition, many of our contracts include milestone billings. If a contract is terminated or if the scope of a contract changes prior to a milestone billing, the amount of revenue we recognize may change, which would affect our revenue and gross margin in the period in which the contract is terminated or the scope is changed.

Allowance for (reversal of allowance for) doubtful accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the potential inability of certain customers to make required future payments on amounts due to us. Management determines the adequacy of this allowance by periodically evaluating the aging and past due nature of individual customer accounts receivable balances and considering the customer s current financial situation as well as the existing industry economic conditions and other relevant factors that would be useful towards assessing risk of collectibility. If the future financial condition of our customers were to deteriorate, resulting in their inability to make specific required payments, additions to the allowance for doubtful accounts may be required. For in depth discussion regarding transactions during the reporting period, refer to Results of Operations and Note 3 to our consolidated financial statements. In addition, if the financial condition of our customers improves and collections of amounts outstanding commence or are reasonably assured, then we may reverse previously established allowances for doubtful accounts.

Valuation of long-lived assets including intangible assets and goodwill. We recorded goodwill and finite-life intangible assets resulting from the recently and previously completed acquisitions. Management assesses the impairment of identifiable finite-life intangibles, long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable, but at a minimum on an annual basis. Factors we consider relevant which could trigger an accelerated impairment review include, but are not limited to, the following:

significant underperformance relative to historical or projected future operating results;

significant changes in the manner of our use of the acquired assets or the strategy for our overall business;

significant negative industry or economic trends;

significant decline in our stock price for a sustained period; and our market capitalization relative to net book value.

When we determine that the carrying value of intangibles, long-lived assets and related goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based substantially on a projected discounted future cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model combined with other readily available and other relevant information. Net intangible assets, long-lived assets (including investments in unconsolidated affiliates), and goodwill was $48.2 million as of December 31, 2003. As a result of our acquisition of HTS in the first quarter of 2004, the total amount of our net intangible assets, long-lived assets and goodwill will increase materially; however, as of the date of the Company's original filed Annual Report on Form 10-K, we have not yet completed the purchase price allocation related to the HTS acquisition.

On January 1, 2002, Statement of Financial Accounting Standards (SFAS) No. 142 became effective and as a result, we ceased amortization of all goodwill and indefinite lived intangible assets. Through December 31, 2001, goodwill was amortized on a straight-line basis over lives ranging from 5 to 20 years, and intangibles were amortized on a straight-line basis over lives ranging from 2 to 5 years. In lieu of amortization, we were required to perform an initial impairment review of our goodwill and intangible assets with indefinite lives in 2002 and, at a minimum, an annual impairment review thereafter unless specific evidence identified as a triggering event would warrant an accelerated review. The first step of the goodwill impairment test required the Company to determine and compare the fair value of its defined reporting units to their carrying values as of January 1, 2002. The fair value for each reporting unit was determined using a discounted cash flow valuation analysis. The carrying values of each reporting unit were determined by specifically identifying and allocating the assets and liabilities of the Company to each reporting unit based on headcount, relative revenues or costs, or other methods as deemed appropriate by management. The estimated fair values exceeded the carrying values for each reporting unit, except for one reporting unit in our design and deployment segment which had indications requiring measurement of impairment. Consequently, a $16.1 million charge was recorded as of January 1, 2002 as a cumulative effect of a change in accounting principle.

During the fourth quarters of 2002 and 2003, we documented and consistently measured the carrying value of all related goodwill, finite and indefinite life intangible assets in accordance with SFAS No. 142. Upon completion of step one of the annual impairment tests, no indication of impairment was present at the evaluation dates, December 31, 2002 and 2003.

Accounting for income taxes and tax contingencies. As part of the process of preparing our consolidated financial statements we are required to estimate our provision for income taxes in each of the tax jurisdictions in which we conduct business. This process involves estimating our actual current tax expense in conjunction with the evaluation and measurement of temporary differences resulting from differing treatment of certain items for tax and accounting purposes. These temporary timing differences result in the establishment of deferred tax assets and liabilities, which are recorded on a net basis and included in our consolidated balance sheet. We then assess on a periodic basis the probability that our net deferred tax assets will be recovered and, therefore realized from future taxable income and to the extent we believe that recovery is not probable, a valuation allowance is established to mitigate such risk resulting in an additional related provision for income taxes during the period. If we are required to further increase the valuation allowance in the future, it could have an adverse impact on our results of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, tax contingencies and any required valuation allowance, including taking into consideration the probability of the tax contingencies being incurred. Management assesses this probability based upon information provided to us by our tax advisors, our legal advisors and similar tax cases. If at a later time our assessment of the probability of these tax contingencies changes, our accrual for such tax uncertainties may increase or decrease. We have recorded a valuation allowance of $30.4 million as of December 31, 2003, due to management s overall assessment of risks and uncertainties related to our future ability to realize and, hence, utilize certain deferred tax assets, primarily consisting of certain net operating losses, carryforward temporary differences and future tax deductions resulting from certain types of stock option exercises, before they expire. The assessed adequacy of valuation allowance is based on our current estimates of combined future adjusted taxable income by each tax jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adversely adjust these estimates in future periods, our financial position and results of operations could be materially impacted. Net deferred tax assets as of December 31, 2003 were $14.1 million, which is comprised of deferred tax assets of $54.1 million, a current valuation allowance of $30.4 million and a deferred tax liability of $9.6 million. Given our historical cumulative loss position and pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) 109, Accounting for Income Taxes, limited consideration is given to future taxable income in evaluating the recoverability of our deferred tax assets and the corresponding valuation allowance placed on these assets. Based on this, management believes the valuation allowance recorded at December 31, 2003 is properly stated. However, if positive evidence of future taxable income is generated over a sufficient period of time, consideration will be given to a reduction of our valuation allowance.

The annual and interim period effective tax rate(s) for 2004 may be lower than the statutory rates if we realize certain tax benefits as a result of exceeding projected operating results determined as of December 31, 2003. Furthermore, the 2004 effective tax rate for annual and interim reporting periods could be impacted if we achieve the favorable resolution of certain tax items that are reserved for at December 31, 2003. Finally, during 2004, if we are impacted by a change in the valuation allowance as of December 31, 2003 resulting from a change in judgment regarding the realizability of deferred tax assets beyond December 31, 2004, such effect will be recognized in the interim period in which the change occurs.

Accrual for partial self-insurance. We maintain an accrual for our health and workers compensation partial self-insurance, which is a component of total accrued expenses in the consolidated balance sheets. Management determines the adequacy of these accruals based on a monthly evaluation of our historical experience and trends related to both medical and workers compensation claims and payments, information provided to us by our insurance broker, industry experience and average lag period in which claims are paid. If such information indicates that our accruals require adjustment, we will, correspondingly, revise the assumptions utilized in our methodologies and reduce or provide for additional accruals as deemed appropriate. As of December 31, 2003, the accrual for our partial self-insurance programs approximated $2.1 million. We also carry stop-loss insurance that provides coverage limiting our total exposure related to each medical and workers compensation claim incurred, as defined in the applicable insurance policies. The medical and workers compensation claims limits are $175,000 and $350,000, respectively. For the year ending December 31, 2003, we experienced one claim and zero claims that exceeded the limits for medical and workers compensation, respectively.

Contingencies and litigation. We are subject to various claims and legal actions in the ordinary course of our business. We are currently not aware of any pending or threatened litigation that we believe is reasonably likely to have a material adverse effect on us other than those items disclosed in Item 3 Legal Proceedings . If we become aware of such assessments against us, we will evaluate the probability of an adverse outcome and provide accruals or disclosures for such contingencies as necessary, in accordance with SFAS No. 5, Accounting for Contingencies .

Contingent Acquisition Consideration. From time to time, in connection with business acquisitions, we agree to make additional future payments to sellers contingent upon achievement of specific performance-based milestones by the acquired entities. Pursuant to the provisions of SFAS No. 141, such contingent liabilities are accrued, and therefore, recorded by us as liabilities when the contingency is determinable beyond a reasonable doubt and, hence, the additional consideration becomes payable. As of December 31, 2003, a contingent consideration accrual related to these arrangements totaling $3.8 million was recorded on our consolidated balance sheet and was paid to the selling shareholders during the first quarter of fiscal 2004. Assuming the acquired entities reach the minimum base performance targets in 2004 through 2006, the aggregate future contingent payments related to the measurement periods from 2003 through 2006, including the balance accrued as of December 31, 2003, would approximate a cumulative total of $11.9 million. If the acquired entities exceed the defined annual performance targets through estimated annual growth of approximately 15% based on 2003 performance, the aggregate future contingent payments could range from $29.2 to $31.0 million inclusive of the amounts accrued as of December 31, 2003 and the amounts earned from the achievement of the minimum base performance targets. The contingent consideration is calculated based on a certain multiple of defined annual earnings targets as stated in the respective purchase agreements. See Liquidity and Capital Resources and Note 1 to our consolidated financial statements for estimated range of contingent payments by year.

Results of Operations

Comparison of Results for the Year Ended December 31, 2002 to the Year Ended December 31, 2003

Revenues. Revenues increased 36% from $192.1 million for the year ended December 31, 2002 to $261.0 million for the year ended December 31, 2003. The $68.9 million increase was primarily attributable to an increase in domestic revenues of $49.8 million and an increase in international revenues of $19.1 million. Our Enterprise Solutions segment generated incremental revenues from acquisitions totaling $40.0 million during the year ended December 31, 2003. The remaining increase totaling $1.1 million from our Enterprise Solutions segment was generated from organic business growth in our WiFi technology operations. Our Latin America operations experienced significant improvement of $13.8 million from the prior year due primarily to certain significant contracts that were awarded during the third quarter of 2003 and are expected to continue throughout a significant part of 2004. Revenue in our EMEA operations also increased by $5.3 million between periods. The overall increase is primarily attributed to increased capital expenditures by carriers to expand and improve their wireless networks due to customer demands for improved network coverage, quality and capacity due to continued subscriber and minute growth, and increased data usage. Finally, we recognized gross revenues under contract management agreements of approximately $16.8 million and $16.5 million during the year ended December 31, 2002 and 2003, respectively, pursuant to the provisions of EITF 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent.

Revenues by operating segment for the years ended December 31, 2002 and 2003 are as follows (in millions):

	2002 (Restated)		2003 (Restated)		$ change	% change
Design and deployment	$	148.6	$ 173.4	$	24.8	16.7%
Network management		38.3	43.5		5.2	13.6%
Enterprise solutions			41.1		41.1	100.0%
Business consulting		5.2	3.0		(2.2)	(42.3)%
Total revenues	$	192.1	$ 261.0	$	68.9	35.9%

Revenues generated by geographic segment for the years ended December 31, 2002 and 2003 are as follows (in millions):

	2002 (Restated)		2003 (Restated)		$ change	% change
United States	$	155.4	$ 205.2	$	49.8	32.0%
EMEA		13.7	19.0		5.3	38.7%
Latin America		23.0	36.8		13.8	60.0%
Total revenues	$	192.1	$ 261.0	$	68.9	35.9%

As described in the section Critical Accounting Principles and Estimates and in the footnotes to our consolidated financial statements, a significant portion of our revenue is derived from fixed price contracts whereby revenue is calculated using the percentage-of-completion method based on the ratio of total costs incurred to date compared to estimated total costs to complete the contract. These estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated costs to complete projects, which determine the project s percent complete, must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if management makes different judgments or utilizes different estimates.

During the reporting periods contained herein, we did experience revenue and margin adjustments of certain projects based on the aforementioned factors, but the effect of such adjustments, both positive and negative, when evaluated in total were determined to be immaterial to the consolidated financial statements.

Cost of Revenues. Cost of revenues increased 30% from $146.9 million for the year ended December 31, 2002 to $190.8 million for the year ended December 31, 2003 primarily due to the corresponding increase in total revenues. The increase in cost of revenues during the 2003 period attributable to acquisitions was approximately $29.0 million. Gross margin during the year ended December 31, 2003 increased slightly from 2002 gross margin of 24% to 27% of total revenues. The overall increase in gross margin percentage is primarily attributable to realized efficiencies on the domestic projects combined with the gross margins of 27%, collectively, that was contributed by our acquired entities during 2003. This increase is partially offset by lower margins in the Latin American operations and an increasing trend by carriers to request turnkey contracts which generally require us to utilize third-party vendors, thus reducing gross margin. The lower margins in Latin America were a result of continued competitive pricing pressures.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 3% from $52.5 million to $54.1 million for the years ended December 31, 2002 and 2003, respectively. The increase is due to stock based compensation expense of $6.3 million in 2003 as a result of a stock option modification, offset partially by lower personnel related costs attributable to a reduction in the level of underutilized field personnel and significantly lower administrative expenses as a result of various successful cost reduction and cost containment programs. The decrease due to the personnel reductions is partially offset by selling, general and administrative expenses related to our acquisitions totaling $8.8 million for the year ended December 31, 2003, of which approximately $2.9 million was related to earn-out consideration, required by GAAP to be recorded as compensation expense. As a percentage of revenues, SG&A decreased from 27% in 2002 to 21% in 2003. The expected ongoing growth in our operations will require additional costs, including costs in order to effectively integrate acquired entities and comply with recent regulations implementing the Sarbanes-Oxley Act of 2002. We intend to invest appropriate resources to comply with evolving standards, and this investment will likely result in corresponding future increases in general and administrative expenses. However, as we continue to manage our cost structure and leverage our incremental revenue dollars in 2004, we expect lower selling, general and administrative expenses as a percentage of revenue.

Provision (Credit) for Doubtful Accounts. Credit for doubtful accounts was $1.2 million for the year ended December 31, 2002 compared to a provision of $0.6 million for the same period in 2003. The prior year s credit was related to collections received on a previously reserved receivable. Based on our ongoing assessment of our trade accounts receivables, management determined that an increase to our allowance for doubtful accounts was required, and as such, recorded an adjustment to the estimated allowance for doubtful accounts during 2003, resulting in the provision of $0.6 million.

Depreciation and Amortization Expense. Depreciation and amortization expense slightly decreased from $7.7 million to $7.5 million for the years ended December 31, 2002 and 2003, respectively. A decrease is primarily due to the cessation of amortization for certain finite life intangible assets in our EMEA operations (Questus and Telia Contractor business) which were deemed impaired and written off at the end of the first quarter of fiscal 2002 combined with the overall reduction of depreciation associated with assets under capital leases during 2003 was offset by increased amortization of purchased intangibles resulting from the Company s acquisitions in 2003.

Impairment of Goodwill. During the year ended 2002, we recorded a $14.6 million impairment of certain goodwill based upon our analysis of the results of operations and projected future cash flows associated with our European operations and specifically, our consulting (Questus) and network management (Telia Contracting) operations.

Other Asset Impairment and Other Charges, Net. During the year ended December 31, 2002, we recorded $20.4 million of asset impairment and other charges compared to $0.1 million during the same period in 2003. The decrease of $20.3 million is attributed primarily to the following:

Asset impairment charge

For the year ended December 31, 2002, asset impairment charges, including related penalties, totaled $7.1 million, compared to $2.2 million for the year ended December 31, 2003. In 2002, we determined that impairment existed based on our analyses of the results of operations and projected future cash flows associated with certain intangible assets and certain office equipment. Accordingly, we recorded an impairment charge of $7.1 million during the first quarter of 2002. During the fourth quarter of 2003, we assessed the utilization of certain specialized and technology-dependent field equipment and determined that certain equipment was idle and technologically impaired. These were primarily older assets which could no longer effectively nor efficiently be utilized on existing or upcoming domestic and international customer contracts. Due to the nature of this equipment and its dependence on current technology, the salvage value associated with such equipment was deemed to be nominal. Based on these combined facts and circumstances, management concluded that impairment existed and, therefore, recorded an impairment charge totaling $2.2 million, as part of our Design and Deployment operating segment in the fourth quarter of 2003.

Loss on unused office space

Based on our assessment in 2002 of the market conditions surrounding our unused office space and the likelihood of achieving certain sublease rates and the overall recoverability of our related operating lease expenses, we recorded a $10.0 million loss during the first quarter of 2002. During 2003, we reevaluated our accrual for loss on unused office space and determined that a significant portion of our corporate facility was expected to be utilized commencing in 2004. This change in estimate was primarily attributable to our acquisition of HTS that was announced in December 2003 and consummated in January 2004. As a result, we recorded a $3.2 million reversal of the accrual for unused office space during the fourth quarter of 2003.

Separation and other personnel-related costs

In response to the economic challenges in the wireless industry during 2002, we reduced our workforce across various functions, resulting in $3.3 million of severance and other personnel-related charges. The separation and other personnel-related costs totaling $1.1 million for the year ended December 31, 2003 were primarily associated with post-employment benefits related to the retirement of our former chief financial officer during the fourth quarter of 2003.

Other Income (Expense), Net. Net other income was $1.3 million for both years ended December 31, 2002 and 2003. The decrease in interest expense from 2002 of $1.7 million which was primarily attributable to lower interest expense resulting from the $33.6 million reduction of outstanding debt in the second quarter of 2002 was offset by $1.8 million related to significant negative foreign currency fluctuations experienced during the 2003 period with the Mexican Peso. Interest income associated with higher cash and short-term investments compared to the previous respective period was minimized due to the effect of lower interest rates during the majority of 2003.

Provision (benefit) for Income Taxes. Our effective income tax rate for the year ended December 31, 2002 represented a 21% income tax expense compared to a 3% income tax benefit for the year ended December 31, 2003. The tax provision of $10.1 million for the year ended December 31, 2002 included an increase to the valuation allowance on deferred tax assets based upon a revision to the projections of future taxable income and inherent risk associated with the expected achievement of consistent long-term profitability which was evaluated on a consolidated and local geographic segment basis. The increase in the valuation allowance applied to substantially all U.S., state and foreign taxable loss carryforwards and cumulative temporary differences that were accumulated in the prior reporting periods. During 2003 we realized a 3% income tax benefit as a result of a current year reduction of the related valuation allowance associated with net deferred tax assets. The reduction in the valuation allowance and associated offset to the normalized tax provision was a direct result of the corresponding tax benefits realized during the year which previously had an associated valuation allowance.

Cumulative Effect of a Change in Accounting Principle. As discussed in Note 1(b), Restatement of Prior Period Financial Statements , to our financial statements, we recorded an impairment charge of $16.1 million, in January 2002 related to our measurement of impairment of the carrying value of the goodwill of a reporting unit within our design and deployment operating segment in accordance with SFAS No. 142.

Comparison of Results for the Year Ended December 31, 2001 to the Year Ended December 31, 2002

Revenues. Revenues decreased $5.3 million, or 3.0% from $197.4 million for the year ended December 31, 2001 to $192.1 million for the year ended December 31, 2002. Our revenues were negatively affected primarily by the lack of significant improvement in the financial markets in general, and specifically within the telecommunications industry, where many of our customers had difficulty obtaining necessary capital resources to fund the expansion of their businesses. We experienced this particularly in our international operations where revenues declined from $60.7 million in 2001 to $36.7 million in 2002. Revenues from international markets comprised 31% of our total revenues during the year ended December 31, 2001 compared to 19% of our total revenues during the twelve month period ended December 31, 2002. This $24.0 million decrease in international revenues was partially offset by an overall growth in domestic operations in 2002 that was derived primarily from technology upgrades by certain large wireless carriers. Specifically, domestic revenues increased from $136.7 million in 2001 to $155.4 million in 2002, of which $67.8 million (35% of total revenues in 2002) was derived from revenues recognized under our subcontractor agreement with Bechtel Corporation. Additionally, commencing on October 1, 2001, we increased our level of service to customers under our contract management type agreements whereby we were functioning as the principal rather than the agent with respect to the customer and the vendor, resulting in higher management fees. As a result, and in accordance with the provisions of EITF 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent, we began to record prospectively for certain agreements that met the criteria set forth in EITF 99-19, the gross charges (inclusive of mark-up) in revenues and the corresponding costs payable to the respective vendors in cost of revenue. During the year ended December 31, 2002, we recognized approximately $16.8 million of gross revenues under these contract management agreements compared to $1.8 million during the year ended December 31, 2001.

Revenues by operating segment for the years ended December 31, 2001 and 2002 are as follows (in millions):

	2001 (Restated)	2002 (Restated)	$ change	% change
Design and deployment	$ 149.7	$ 148.6	$ (1.1)	(0.7)%
Network management	40.4	38.3	(2.1)	(5.2)%
Enterprise solutions				
Business consulting	7.3	5.2	(2.1)	(28.8)%
Total revenues	$ 197.4	$ 192.1	$ (5.3)	(2.7)%

Revenues generated by geographic segment for the years ended December 31, 2001 and 2002 are as follows (in millions):

	2001 (Restated)	2002 (Restated)	$ change	% change
United States	$ 136.7	$ 155.4	$ 18.7	13.7%
EMEA	22.5	13.7	(8.8)	(39.1)%
Latin America	38.2	23.0	(15.2)	(39.8)%
Total revenues	$ 197.4	$ 192.1	$ (5.3)	(2.7)%

Cost of Revenues. Cost of revenues increased from $143.2 million for the year ended December 31, 2001 to $146.9 million for the year ended December 31, 2002. Gross profit was 27% of revenues for the year ended December 31, 2001 compared to 24% for the year ended December 31, 2002. Gross profit as a percentage of revenue was negatively impacted primarily due to certain contracts with negative margins in our Latin America operations as well as continued pricing demands within the wireless telecommunications industry and related accruals associated with pricing concessions. Additionally, gross profit was reduced due to the impact of the prospective change to record contract management costs in cost of revenues, in accordance with EITF 99-19 as described above.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 35% from $81.0 million for the year ended December 31, 2001 to $52.5 million for the year ended December 31, 2002. As a percentage of revenues, selling, general and administrative expenses decreased from 41% for the year ended December 31, 2001 to 27% for the year ended December 31, 2002. This significant decrease reflects a reduction in staffing levels by 12%, or 175 employees (since December 31, 2001), and significantly lower administrative expenses as a result of various cost reduction and savings initiatives. Additionally, approximately $1.6 million of lease payments have been charged to the accrual for unused office space which has effectively reduced operating lease expense during 2002 as compared to 2001.

Provision for Doubtful Accounts. Provision for doubtful accounts was $17.2 million for the year ended December 31, 2001 compared to a credit of $1.2 million for the same period in 2002. The bad debt expense recorded during 2001 was related to receivables from certain customers who filed for bankruptcy in 2001. The credit recorded in 2002 related primarily to collections received on a receivable balance that had previously been written off in 2001 and deemed uncollectible.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased 64% from $21.6 million for the year ended December 31, 2001, to $7.7 million for the year ended December 31, 2002. The decrease is primarily due to our adoption of SFAS No. 142 whereby amortization of goodwill and intangible assets with indefinite lives ceased, effective January 1, 2002. As a result, goodwill and intangible asset amortization declined from $10.1 million in 2001 to $0 in 2002. Additionally, the decline in amortization of finite life intangibles in 2002 resulted from an impairment loss recorded in the first quarter of 2002 associated with our EMEA operations (specifically, our Questus and Telia Contracting operations). This impairment loss reduced our recorded goodwill and other intangible assets and had the effect of further reducing future amortization expense by approximately $2.4 million for certain finite-life intangible assets during 2002 that would have continued to be amortized.

Impairment of Goodwill. During the year ended 2002, we recorded a $14.6 million impairment of certain goodwill based upon our analysis of the results of operations and projected future cash flows associated with our EMEA operations. During the year ended 2001, we recorded a $10.1 million impairment of certain goodwill of our design and deployment and network management businesses.

Asset Impairment and Other Charges, Net. For the year ended December 31, 2001, asset impairment and other charges were $4.4 million, compared to $20.4 million for the year ended December 31, 2002. The increase of $16.0 million is primarily attributed to the following:

Asset impairment charge

The impairment charge of $2.8 million in 2001 resulted from visible economic trends in the telecommunications industry that triggered an impairment evaluation of our goodwill and other intangible assets in accordance with the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of . Assets determined to be impaired included contracts and workforce intangibles in our network management segment. The impairment charge of $7.1 million in 2002 was primarily driven by an accelerated decline in revenue during the first quarter of 2002 in the Company s operations in Europe, the Middle East and Africa (EMEA) and specifically, its consulting (Questus) and network management (Telia Contracting) operations. Based on this and other triggering events, and after evaluating the related discounted cash flows in relationship to the segment s identifiable net assets in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and SFAS No. 142, Goodwill and Other Intangible Assets, it was determined that such cash flows on an discounted basis would be insufficient to cover the net book value of the related identifiable net assets. As a result, the related intangible assets were deemed fully impaired and the Company recognized a charge of $5.3 million representing all indefinite life and finite life intangible assets related to EMEA at March 31, 2002. The remaining impairment charge of $1.8 million in 2002 related to certain technologically impaired equipment that could no longer accommodate specific project requirements.

Loss on unused office space

In early 2001, we implemented a planned reduction in force within all functional operating departments due to the effects of the downturn in the wireless telecommunications industry. As a result, we were left with significant excess facility capacity associated with non-cancelable operating lease commitments ranging in duration from 24 96 months. The initial provision for loss on unused office space of $1.4 million recorded during 2001 was determined based upon management s analysis, review and assessment as of March 31, 2001, of the expected realization of projected sublease income associated with the expected excess facility capacity, compared to the aggregate scheduled lease payments through the remainder of the lease terms. Management s analysis was performed on a net present value basis utilizing our estimated cost of capital as a discount rate. These factors were used as the basis in determining the estimated net present value of the sublease income in order to determine the net loss from unused office space. The initial determination and computation of estimated loss on unused office space was performed in accordance with FASB Technical Bulletin (FTB) 79-15, Accounting for Loss on a Sublease Not Involving the Disposal of a Segment .

The downturn in the wireless telecommunications industry continued for a longer period and was more severe than initially predicted. With the lack of significant new contracts during the following months, we were forced to further reduce workforce levels throughout the organization resulting in additional unused facilities associated with existing lease agreements. As other companies reduced their workforces, additional real estate became available which resulted in a reduction of estimated sublease rates and, therefore a reduction in the estimated future sublease income. We assessed the expected range of probable sublease rates giving consideration to the current market capacity of existing commercial real estate, remaining lease term, property location, and other relevant factors. Based on the expected sublease rates, remaining lease term and the estimated sublease period , management concluded an additional provision of $10.0 million was required in the first quarter of 2002.

Separation and other personnel-related costs

As described above, we addressed the challenges in the wireless industry which continued in 2002 through effective management of costs and a reduction of our workforce across various functions. During the year ended December 31, 2001, we recorded $0.2 million which reflected the initial steps to reduce costs in response to the continued downturn in the general economy and wireless industry. Severance and other unusual personnel-related charges totaling $3.3 million was recorded primarily in the first quarter of 2002 and reflect the actions to follow through on this plan.

Net Other Income (Expense). For the year ended December 31, 2001, net other expense was $7.6 Million compared to net other income of $1.3 Million for the year ended December 31, 2002. This positive change of $8.9 Million was primarily attributable to a $4.1 Million asset impairment charge in 2001, related to an investment made by the Company in 2000 in a privately-held technology company, lower interest expense of $1.5 million during 2002 resulting from the paydown of outstanding debt, higher interest income of $0.8 million generated from higher cash balances and $2.0 million of foreign exchange gain recognized during 2002 primarily from the favorable exchange rate fluctuations in the Mexican Peso.

Provision (Benefit) for Income Taxes. Our effective income tax rate for the year ended December 31, 2001 represented a 21% income tax benefit compared to a 21% income tax expense for the year ended December 31, 2002. The tax provision of $10.1 Million for the year ended December 31, 2002 reflects an increase in the valuation allowance on net deferred tax assets based upon an increase of expected risk associated with the recoverability of certain net deferred tax assets resulting from management s downward revision in projected future taxable income. The increase in the valuation allowance applies to U.S. (federal and state) and foreign taxable loss carryforwards generated in the current period, as well as an additional portion of prior year loss carryforwards and cumulative temporary differences.

Cumulative Effect of a Change in Accounting Principle. As discussed in Note 1(b), Restatement of Prior Period Financial Statements , to our financial statements, we recorded an impairment charge of $16.1 million, in January 2002 related to our measurement of impairment of the carrying value of the goodwill of a reporting unit within our design and deployment operating segment in accordance with SFAS No. 142.

Liquidity and Capital Resources

Working Capital and Cash Flows

Our sources of liquidity include cash and cash equivalents and short-term investments, cash from operations and other external sources of funds. As of December 31, 2003, we had cash and cash equivalents and short-term investments totaling $86.6 Million and $27.6 Million, respectively.

Our operating cash flow is used to finance trade accounts receivable, fund capital expenditures, and make selective acquisitions. Financing trade accounts receivable is necessary because, on average, the customers and payors for our services do not pay us as quickly as we pay our vendors and employees for their goods and services. Capital expenditures consist primarily of investment in field equipment, computer hardware and software and improvement of our physical properties in order to maintain suitable conditions to conduct our business. We expect certain additional expenditures for facility improvements in order to meet and comply with regulatory and government security requirements applicable to our Government Network Services segment.

Cash from operations is primarily derived from our customer contracts in progress and associated changes in working capital components. Cash provided by operations was $33.0 Million and $8.3 Million for the years ended December 31, 2002 and 2003, respectively. The decrease between periods of $24.7 Million is primarily due to growth of accounts receivable during the last half of 2003 associated with newly initiated projects in our Latin America operations. Based on the terms of these contracts (i.e., billing milestones and project timeline) additional resources will be required to procure services and materials to complete the projects. Our cash payments for such additional resources will not likely coincide with our collection of related accounts receivable balances as a result of the contract terms which will likely cause a negative operating cash flow over the first few months in 2004. We received the first significant level of cash collections in our Mexican operations from the Telefonica project during the first quarter of fiscal 2004. Cash collected on our trade accounts receivable balances (excluding amounts collected by the companies we acquired in 2003) were approximately $209.5 million and $228.2 million for the years ended December 31, 2002 and 2003, respectively. This $18.7 million improvement from prior year is primarily attributed to a positive shift in our customer base and an overall continued growth in domestic revenues associated with large carriers and equipment vendor contracts. Our top customers have shifted from smaller, emerging market carriers to larger, well-known and more established carriers in the industry. Additionally, we have implemented more effective collection strategies in our domestic and international operations and have continued to reduce and manage our overall operating expenses through more effective and efficient processes.

The following table depicts the trend in our quarterly consolidated days sales outstanding (DSO):

	2002	2003			
	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
DSO Consolidated	112	112	99	109	107

Cash used in investing activities was $3.7 million and $45.9 million for the years ended December 31, 2002 and 2003, respectively. Investing activities for the year ended December 31, 2002 consisted solely of capital expenditures while 2003 included $7.4 million of capital expenditures, $10.9 million related to net initial consideration paid for acquisitions of three privately-held companies and $37.3 million for purchases of short-term investments, partially offset by $9.7 million of proceeds from the sale of short-term investments. See also Note 5 to our consolidated financial statements for further discussion of our acquisitions during 2003.

Cash provided by financing activities for the year ended December 31, 2002 was $10.6 million, which consisted primarily of proceeds from issuance of Series B Convertible Preferred Stock totaling $44.9 million, net of issuance costs, and proceeds from the issuance of common stock resulting from exercises of employee stock options and purchases under our Employee Stock Purchase Plan totaling $4.9 million, offset by repayments of our line of credit and corresponding note payable totaling $33.6 million and repayment of capital lease obligations totaling $5.6 million. Cash provided by financing activities was $26.2 million for the year ended December 31, 2003. The positive cash flow from financing activities for this period consisted primarily of proceeds from the issuance of common stock totaling $29.4 million associated with exercises of employee stock options and purchases under our Employee Stock Purchase Plan, partially offset by the repayment of capital lease obligations and notes payable totaling $3.2 million.

New Financing Arrangements

On February 19, 2004 we filed a universal shelf registration statement on Form S-3 and an acquisition shelf registration statement on Form S-4 with the Securities and Exchange Commission (SEC). We have no immediate plans to raise capital under the shelf Form S-3 or to utilize the shelf Form S-4 for an acquisition transaction. Once declared effective by the SEC, the universal shelf on Form S-3 will permit us to sell, in one or more public offerings, shares of newly issued common stock, shares of newly issued preferred stock, warrants or debt securities, or any combination of such securities, for proceeds in an aggregate amount of up to $200 million. In addition, the universal shelf, once declared effective by the SEC, will permit certain stockholders who purchased our Series A and Series B preferred stock, to sell up to 5.4 million shares of common stock, all of which are currently included in our diluted share count. The acquisition shelf registration statement on Form S-4, once declared effective by the SEC, will enable us to issue up to $200 million of our newly issued common stock in one or more acquisition transactions that we may make from time to time. These transactions may include the acquisition of assets, businesses or securities, whether by purchase, merger or any other form of business combination.

Contractual Obligations and Commitments

As discussed in the Risks Related to Our Business section of this Annual Report on Form 10-K/A, our quarterly and annual operating results have fluctuated in the past and may vary in the future due to a variety of factors, many of which are external to our control. If the conditions in the commercial and/or government wireless-related industry sectors deteriorate or our customers cancel or postpone projects or if we are unable to sufficiently increase our revenues or further reduce our expenses, we may experience, in the future, a significant long-term negative impact to our financial results and cash flows from operations, thus limiting our available liquidity and capital resources.

In connection with our acquisitions made in 2003, we agreed to make additional payments to sellers contingent upon the acquired entities achievement of stated performance milestones. Pursuant to the stock purchase agreements for our recent acquisitions, we may be obligated to pay additional consideration to the selling stockholders that is contingent upon the successful achievement of specific annual earnings targets, as defined in those stock purchase agreements, for each of the years ending 2003, 2004, 2005 and 2006. The timing of recognizing the liabilities and associated expenses for future year contingent payments could be accelerated and subject to periodic re-estimation if the continuous employment clauses are rescinded from the earn-out arrangements. The timing of payments of earn-outs would not be impacted by removing such requirements. The contingent consideration is calculated based on a certain multiple of defined annual earnings targets as stated in the respective purchase agreements. As of December 31, 2003, we recorded an accrual totaling $3.8 million for contingent consideration related to the achievement of the 2003 annual earnings targets by two of the acquired entities. We paid this amount to the selling shareholders in the first quarter of 2004.

Assuming the entities acquired in 2003 reach the minimum base performance targets in 2004 through 2006, the aggregate future contingent payments related to the measurement periods from 2003 through 2006, including the balance accrued as of December 31, 2003, would approximate a cumulative total of $11.9 million. If the acquired entities exceed the defined annual performance targets through estimated annual growth of approximately 15% based on 2003 performance, the aggregate future contingent payments could likely range from $29.2 million to $31.0 million inclusive of the amounts accrued as of December 31, 2003 and the amounts earned from the achievement of the minimum base performance targets. The contingent consideration is calculated based on a certain multiple of defined annual earnings targets as stated in the respective purchase agreements.

The following table summarizes management s estimate of the potential range of future contingent consideration by year:

	2004	2005	(in millions) 2006	2007	Total
Potential range of future contingent consideration	$8.1-$8.6*	$9.4-$10.0*	$10.3-$11.0*	$1.4-$1.4*	$29.2-$31.0*
Potential portion to be recorded as compensation expense**	$3.6-$3.9	$4.1-$4.3	$1.4-$1.5		$9.1-$9.7

* Hypothetical range based on estimated annual growth of 15%.

** Potential expense is assumed to be accrued in the fiscal year earned. The $2.9 million compensation expense in fiscal 2003 is related to payments made in 2004. The timing of recognizing the liabilities and associated expenses for future year contingent payments could be accelerated and subject to periodic re-estimation if the continuous employment clauses are rescinded from the earn-out arrangements. The timing of cash payments would not be impacted by removing such requirements.

The following table summarizes our currently existing contractual obligations and other commitments at December 31, 2003, and the effect such obligations could have on our liquidity and cash flow in future periods (in millions):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital leases	$ 0.7	$ 0.5	$ 0.2	$	$
Operating leases	19.5	4.1	6.1	5.5	3.8
	$ 20.2	$ 4.6	$ 6.3	$ 5.5	$ 3.8

Except as disclosed above, we currently have no material cash commitments other than our normal recurring trade payables, and expense accruals which are currently expected to be funded through existing working capital and future cash flows from operations. Aside from these recurring operating expenses, future capital expenditures and overall expansion will depend upon many factors, including the timing of payments under existing contracts and technology requirements within the wireless telecommunications industry. Other future cash requirements may include the payment of certain tax contingencies as disclosed in Note 1(s). We continue to evaluate and use new technology including electronic equipment and software in our business operations. Additional capital expenditures may be required in order to stay competitive and effectively service our customers.

We are focused on preserving and improving cash and our overall liquidity position by continuously monitoring expenses, integrating effective cost savings programs and managing our accounts receivable collection efforts. We believe that our cash and cash equivalent balances and short-term investments will be sufficient to satisfy cash requirements for at least the next twelve months based on the current, existing level of operations. Although we cannot accurately anticipate the effect of inflation or foreign currency fluctuation on our operations, we do not believe that inflation or foreign currency fluctuation has had, or is likely in the foreseeable future to have, a material impact on our net revenues or results of operations.

Recently Issued Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 requires an investor with a majority of the variable interests (primary beneficiary) in a variable interest entity (VIE) to consolidate the entity and also requires majority and significant variable interest investors to provide certain disclosures. A VIE is an entity in which the voting equity investors do not have a controlling financial interest or the equity investment at risk is insufficient to finance the entity s activities without receiving additional subordinated financial support from the other parties. Development-stage entities that have sufficient equity invested to finance the activities they are currently engaged in and entities that are businesses, as defined in FIN 46, are not considered VIEs. The provisions of FIN 46 were effective immediately for all arrangements entered into with new VIEs created after January 31, 2003. In October 2003, the FASB deferred the effective date of FIN 46 for pre-existing VIEs to no later than February 2004. In December 2003, the FASB issued a revision to FIN 46 (FIN 46-R), which incorporated the October 2003 deferral provisions and clarified and revised the accounting guidance for VIEs. All VIEs, regardless of when created, are required to be evaluated under FIN 46-R no later than the quarter ended March 31, 2004. Management is still evaluating the effect of full adoption of FIN 46-R, but does not currently expect full adoption to have a material effect on our financial condition, results of operations or cash flows. As of December 31, 2003, we have not identified any VIEs that would require consolidation or any significant exposure to VIEs that would require disclosure.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, SFAS No. 149 clarifies under what circumstances a contract within an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 was generally effective for contracts entered into or modified after June 30, 2003. We have reviewed SFAS No. 149 and have determined it does not have a material impact on our operating results and financial position.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. We have reviewed SFAS No. 150 and have determined it does not have a material impact on our operating results and financial position.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits. SFAS No. 132 revises employers disclosures about pension plans and other postretirement benefits by requiring additional disclosures such as descriptions of the types of plan assets, investment strategies, measurement dates, plan obligations, cash flows and components of net periodic benefit costs recognized during interim periods. The statement does not change the measurement or recognition of the plans. Interim period disclosure is generally effective for our second quarter of 2004. This statement is effective for financial statements with fiscal years ending after December 15, 2003 and quarters beginning after December 15, 2003. We have reviewed SFAS No. 132 and have determined it does not have a material impact on our operating results and financial position.

In November 2002, the EITF reached a consensus on Issue No. 00-21 (EITF 00-21), Revenue Agreements with Multiple Deliverables. The consensus addresses how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. Revenue arrangements with multiple deliverables are required to be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values. The consensus also supersedes certain guidance set forth in SAB 101, which was amended in December 2003 by SAB 104. The final consensus is applicable to agreements entered into in quarters beginning after June 15, 2003. We have reviewed EITF 00-21 and have determined it does not have a material impact on our operating results and financial position.

Related Party Transactions

For detailed information regarding related party transactions, see Note 14 to our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to foreign currency risks due to both transactions and translations between functional and reporting currencies primarily in our Mexican, Brazilian and European foreign subsidiaries. We are exposed to the impact of foreign currency fluctuations due to the operations of and net monetary asset and liability positions in our Mexico, Brazil and European foreign subsidiaries. Significant monetary assets and liabilities expected to be realized in the foreseeable future include trade receivables, trade payables and certain intercompany payables that are not denominated in their local functional currencies. As of December 31, 2003, our Mexican, Brazilian and European subsidiaries were in average net liability positions (i.e., monetary liabilities were greater than monetary assets subject to foreign currency risk) of approximately $5.5 million $7.7 million and $12.1 million, respectively. The potential foreign currency translation losses from a hypothetical 10% adverse change in the exchange rates from the net liability positions at December 31, 2003 were approximately $0.5 million, $0.8 million and $1.2 million for the Mexico, Brazil and European subsidiaries, respectively.

In addition, we estimate that an immediate 10% change in foreign exchange rates would impact reported net income or loss by approximately $0.2 million for the year ended December 31, 2003. This was estimated using a 10% deterioration factor to the average monthly exchange rates applied to net income or loss for each of the related subsidiaries in the respective period.

Due to the difficulty in determining and obtaining predictable cash flow forecasts in our foreign operations based on the overall challenging economic environment and associated contract structures, we do not currently utilize any derivative financial instruments to hedge foreign currency risks.

Cash and cash equivalents as of December 31, 2003 were $86.6 million and are primarily invested in money market interest bearing accounts. Short-term investments as of December 31, 2003 were $27.6 million, comprised of commercial paper, corporate securities and bonds and U.S. government and agency debt securities. A hypothetical 10% adverse change in the average interest rate on our money market cash investments and short-term investments would have had a $0.1 million effect on net income for the year ended December 31, 2003. We currently do not utilize any derivative financial instruments to hedge interest rate risks.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is included in Part IV Item 15(a)(1) and (2) of this Annual Report on Form 10-K/A.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure.

Our current management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 240.13a-15(e) and 240.15d-15(e) of the Securities Exchange Act of 1934) as of December 31, 2003, which included an evaluation of disclosure controls and procedures applicable to the period covered by the filing of this periodic report. As noted below, we and our independent auditors have identified material weaknesses in our internal controls and procedures, as they existed as of December 31, 2003.

In connection with the restatement of our financial statements for the fiscal years 2001, 2002 and 2003, our independent auditors, KPMG LLP, issued a letter to our Audit Committee in which they noted certain matters involving our internal controls and operation that they consider to be reportable conditions , as defined under standards established by the American Institute of Certified Public Accountants, or AICPA. Reportable conditions are matters coming to the attention of our independent auditors that, in their judgment, relate to significant deficiencies in the design or operation of internal controls and could adversely affect our ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. In addition, KPMG has advised us that they consider these matters to be material weaknesses that, by themselves or in combination, result in a more than remote likelihood that a material misstatement in our financial statements will not be prevented or detected by our employees in the normal course of performing their assigned functions. The material weaknesses reported by our auditors include the following: our control activities in place during the periods impacted by the restatement were insufficient to ensure (i) that various tax exposures were accrued for on a timely basis; (ii) the proper allocation of costs on a particular fixed price contract; (iii) the appropriate classification of changes in estimates of revenues and bad debt expense on various contracts; (iv) that we identified the accounting events associated with the continuation of employee stock options following termination of certain employees; (v) that we identified the risks associated with measuring progress toward completion on a particular turnkey contract; (vi) that the carrying value of a cost method investment was reevaluated in light of changed circumstances at the investee; (vii) that a goodwill impairment charge was identified and recorded in accordance with the adoption of the new accounting standard for goodwill; (viii) that certain earn-out consideration should have been recorded as compensation expense instead of goodwill; and, (ix) that identifiable intangible assets purchased in a business combination should have been allocated amortizable value.

Based on the evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2003, which included an evaluation of the effectiveness of our disclosure controls and procedures applicable to the periods covered by the filing of this periodic report, and subject to the information set forth in this Item 9A, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were inadequate as of December 31, 2003, as further described in this Item 9A. There was no change in our internal control over financial reporting (as defined in Rules 240.13a-15(f) and 240.15d-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as described in the applicable following statements. Subsequent to December 31, 2003, and up to the filing date of this Form 10-K/A, we implemented revised control activities to support improved processes under the direction of new financial management. The revised control activities and improved processes include, among other things, expanded supervisory activities and monitoring techniques.

Based on the changes and improvements made since January 1, 2004, our management, including our principal executive officer and principal financial officer (Eric DeMarco became CEO on April 1, 2004 and Deanna Lund became CFO on May 10, 2004), believes that as of the date of this filing, our disclosure controls and procedures were designed to ensure that material information relating to our Company, including our consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within those entities. Furthermore, our management, including our principal executive officer and principal financial officer believe such controls have improved since December 31, 2003 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. We currently are designing and implementing a new controls environment to address the deficiencies described above. Our disclosure controls and procedures are not capable of preventing all instances of error or fraud. We also note that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, our disclosure controls and procedures can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, our control systems as we develop them may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management and Audit Committee have dedicated significant resources to assist in assessing the underlying issues giving rise to the restatement and in ensuring proper steps have been and are being taken to improve our control environment. Our management and Audit Committee took these actions in consultation with KPMG. That assessment found and concluded that our finance and accounting personnel had made a number of accounting and arithmetic errors, and that there was no evidence of any fraud, intentional misconduct or concealment on the part of WFI, its officers or its employees. The Audit Committee, however, also concluded that our accounting, financial reporting and the internal control functions needed improvement, including our system of documenting transactions. The Audit Committee found that our management has proactively identified a number of these issues since December 31, 2003 and has already addressed or is appropriately taking steps to address them.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

WFI believes that its disclosure controls and procedures have improved due to the scrutiny of such matters by its management and Audit Committee, its external auditors, and other persons we have engaged to assist it in assessing and improving its system of internal controls. WFI believes that its controls and procedures will continue to improve as it completes the implementation of actions identified.

Based in part upon these changes, the Company s CEO and CFO believe that as of the filing date of this Annual Report on Form 10-K/A, the Company s disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC.

The certifications of our principal executive officer and principal financial officer required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 are attached as exhibits to this Amendment No. 1 on Form 10-K/A. The disclosures set forth in this Item 9A contain information concerning the evaluation of our disclosure controls and procedures, and changes in internal control over financial reporting, referred to in paragraph 4 of the certifications. The officer certifications should be read in conjunction this Item 9A with for a more complete understanding of the topics presented.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is incorporated by reference to the information under the captions Election of Directors , Compliance with Section 16(a) of the Exchange Act and Code of Ethics of the Registrant s Proxy Statement, which we will file with the SEC within 120 days after the end of fiscal 2003.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the information under the caption Executive Compensation of the Registrant s Proxy Statement, which we will file with the SEC within 120 days after the end of fiscal 2003.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information under the captions Security Ownership of Certain Beneficial Owners and Management and **Securities Authorized for Issuance Under Equity Compensation Plans** of the Registrant s Proxy Statement, which we will file with the SEC within 120 days after the end of fiscal 2003.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated by reference to the information under the caption Certain Relationships and Related Transactions of the Registrant s Proxy Statement, which we will file with the SEC within 120 days after the end of fiscal 2003.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information under the caption Fees Paid to KPMG LLP of the Registrant s Proxy Statement, which we will file with the SEC within 120 days after the end of fiscal 2003.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Financial Statement Schedules

(1) Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2002 and 2003

Consolidated Statements of Operations for the Years Ended December 31, 2001, 2002 and 2003

Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2001, 2002 and 2003

Consolidated Statement of Cash Flows for the Years Ended December 31, 2001, 2002 and 2003

Notes to Consolidated Financial Statements

(2) Schedule II: Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits

Exhibit Number	Description of Document
2.1	Agreement of Plan of Reorganization by and among Wireless Facilities, Inc., WFI Government Services, Inc., Horseshoe Merger Sub, Inc., High Technology Solutions, Inc. and the major holders of High Technology Solutions, Inc., dated as of December 22, 2003. (8)
3.1	Amended and Restated Certificate of Incorporation.(3)
3.2	Bylaws in effect since November 5, 1999.(1)
3.3	Certificate of Designations, Preferences and Rights of Series A Preferred Stock.(3)
4.1	Reference is made to Exhibits 3.1 and 3.2.
4.2	Specimen Stock Certificate.(1)
10.1	1997 Stock Option Plan.(1)

10.2	Form of Stock Option Agreement pursuant to the 1997 Stock Option Plan and related terms and conditions.(1)
10.3	1999 Equity Incentive Plan.(1)
10.4	Form of Stock Option Agreement pursuant to the 1999 Equity Incentive Plan.(1)
10.5	1999 Employee Stock Purchase Plan and related offering documents.(1)
10.6	R&D Building Lease by and between the Company and Sorrento Tech Associates dated as of November 15, 1995, as amended.(1)
10.8	Second Amended and Restated Investor Rights Agreement by and among the Company and certain stockholders of the Company dated as of September 17, 1999.(1)
10.9	Employment Offer Letter by and between the Company and Scott Fox dated as of April 9, 1999.(1)

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10.10	Form of Indemnity Agreement by and between the Company and certain officers and directors of the Company.(1)
10.14	Form of Warrant Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 28, 1997.(1)
10.15	Form of Subscription and Representation Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 28, 1997.(1)
10.16	Form of Warrant Agreement by and between the Company and each of Scott Anderson and Scot Jarvis dated as of February 1, 1998.(1)
10.17	Form of Bill of Sale and Assignment Agreement by and between the Company and each of Massih Tayebi and Masood K. Tayebi dated as of June 30, 1999.(1)
10.21	Services Agreement by and between WFI de Mexico S. de R.L. de C.V. and Ericsson Telecom, S.A. de C.V. dated as of August 4, 1999.(1) +
10.22	Amended and Restated Master Services Agreement by and between the Company and TeleCorp Holding Communications, Inc., dated as of October 12, 1999.(1) +
10.24	Agreement by and between the Company and Siemens Aktiengesellschaft, Berlin and Mu nchen, Federal Republic of Germany, represented by the Business Unit Mobile Networks dated as of March 9, 1998.(1) +
10.25	Master Services Agreement by and between the Company and Triton PCS, Operating Company, L.L.C. dated as of January 19, 1998, as amended.(1) +
10.26	Microwave Relocation Services Agreement by and between Entel Technologies, Inc. and Triton PCS Operating Company, L.L.C. dated as of February 11, 1998.(1) +
10.27	Site Development Services Agreement by and between Entel Technologies, Inc. and Triton PCS, Inc. dated as of December 10, 1997.(1) +
10.28	Sales Agreement for Products and Services by and between the Company and Integrated Ventures, LLC dated as of April 19, 1999.(1) +
10.29	Settlement Agreement and Mutual General Release by and between the Company and Total Outsourcing, Inc dated as of June 30, 1999.(1)
10.32	Sublease Agreement by and between the Company and Franklin Templeton Corporate Services, Inc. dated as of April 14, 2000.(2)
10.33	2000 Nonstatutory Stock Option Plan.(2)
10.34	Form of Stock Option Agreement and Grant Notice used in connection with the 2000 Nonstatutory Stock Option Plan.(2)
10.35	Preferred Stock Purchase Agreement dated as of October 10, 2001 among the Company, Oak Investment Partners X, Limited Partnership, and Oak X Affiliates Fund, Limited Partnership, including Press release of Wireless Facilities, Inc. dated October 11, 2001.(3)