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NATURE OF THE ACTION

1. This action is brought by Lead Plaintiffs, John Boles and Bassam Yassine, pursuant to §21D of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78u-4, on behalf of themselves and all other persons and entities who purchased securities of Wireless Facilities, Inc. (“Wireless” or the “Company”), between April 26, 2000 and August 4, 2004, inclusive (the “Class Period”).

2. As detailed herein, throughout the Class Period, defendants (defined below) directly participated in a pervasive and intentional accounting fraud which spanned over four fiscal years and materially overstated the Company’s financial results in violation of Generally Accepted Accounting Principles (“GAAP”). Defendants engaged in these improper accounting practices in order to bolster the Company’s stock price.

3. Specifically, throughout the Class Period, defendants orchestrated and actively participated in the following improper accounting practices in direct violation of GAAP: (i) defendants failed to accurately reflect on their balance sheet certain accruals which pertained to foreign tax contingencies, and to a lesser degree, certain domestic sales and use tax contingencies; (ii) defendants failed to record material adjustments that related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values, and the timing of revenue recognition; (iii) defendants made numerous accounting errors for certain Class Period transactions listed in ¶115-171; and (iv) defendants knowingly or deliberately recklessly failed to maintain adequate internal controls and were, therefore, unable to ascertain the true financial condition of the Company. As a result of the above, the Company’s financial results were materially inflated at all relevant times.

4. To effectively conceal their improper accounting practices during the Class Period, defendants failed to accurately report their tax liability, material adjustments, and certain Class Period transactions listed in ¶115-171, in their public filings, financial statements and press releases. Defendants knew they had a duty to report that information accurately.

5. On August 4, 2004, the Company announced that it intended to restate its financial statements filed on Form 10-K for the years 2000 through 2003 to accrue for certain foreign tax...
contingencies. Specifically, the preliminary estimate of the impact of the adjustments was between
approximately 3%-8% of net income or loss for any given year from 2000-2003 for an aggregate
increase of expenses of $10-$12 million. In addition, the Company announced that it intended to
consider recording other adjustments related to various financial statement accounts that were
identified in prior years but not recorded at the time based upon the judgment that such amounts
were immaterial.

6. News of the restatement shocked the market. Shares of Wireless fell as much as 30%
and reached their 52 week low of $4.61 on August 5, 2004. That same day, First Albany Capital
downgraded the Company’s stock from Strong Buy to Neutral.

7. On September 20, 2004, the Company filed a Form 10-K/A, restating its financial
results for 2000-2003. The magnitude of the restatement shocked the investment community.
Rather than the $10-$12 million restatement which the Company had previously estimated on
August 4, 2004, the restatement included an additional $30 million due, *inter alia*, to asset
impairment charges, additional employee option expenses and expense reclassification. Moreover,
the Company indicated that it would record an additional $10-$14 million charge in the third quarter
2004 related to the remaining purchase consideration of previous acquisitions in its enterprise
business.

8. Specifically, the Company acknowledged that the primary reason for the restatement
was a determination that the Company’s balance sheet did not properly reflect certain accruals which
pertained primarily to foreign tax contingencies, and to a lesser extent, certain domestic sales and use
tax contingencies.

9. The restatement, however, recorded two other types of adjustments. The first type of
adjustment pertained to various items that had not been recorded during the Class Period that the
Company now deemed material. These adjustments were related to period cut-off errors,
reclassifications, reconciling differences that impacted asset and liability carrying values and the
timing of revenue recognition.

10. In its September 20, 2004 restatement, defendants admitted that:
(a) **Wireless Failed to Properly Accrue Foreign Tax Contingencies and Domestic Sales and Use Tax Contingencies** – Wireless failed to properly accrue for tax contingency liabilities resulting from the manner in which one of its foreign subsidiaries was structured. It also failed to properly accrue certain domestic sales and use tax liabilities. This resulted in an overstatement of income by $14.7 million in 2000-2003. See ¶¶121-125.

(b) **Wireless Improperly Calculated Revenue Under Two Contracts for the Same Customer** – one a fixed price contract and one a times and materials contract – due to improper measurement of progress on the contracts. Wireless improperly classified certain items as costs incurred in connection with the two contracts, and double-billed the customer, thus incorrectly determining the amount of revenue recognized under the two contracts. This resulted in an overstatement of assets and income by $1.5 million in 2002-2003. See ¶¶126-131.

(c) **Wireless Improperly Recorded Revenue Under the Percentage of Completion Method of Accounting** – even though it did not have the ability to make reasonable estimates of the components for which it recognized revenue, which is a prerequisite for using the percentage of completion method. In its restatement, the Company admitted that it should have used the “completed contract” method. This resulted in Wireless prematurely recognizing $6.7 million in income in 2000 and 2001. See ¶¶132-135.

(d) **Wireless Improperly Recognized Revenue Where Collectability Was Not Probable** – rather than reducing revenue up front, Wireless instead inappropriately recognized revenue related to these uncollectible amounts and recorded the uncollectible amounts as bad debt expense which overstated Wireless’ revenue. This resulted in an overstatement of revenue by $13.2 million in 2000 and 2002. See ¶¶136-140.

(e) **Wireless Improperly Failed to Take an Impairment Charge** – on an investment it had in an unconsolidated affiliate. On July 21, 2000, Wireless acquired 1.2 million shares of Class B convertible preferred stock in CommVerge Solutions Inc. (“CommVerge”) for $5 million. A variety of factors, including the capital raised by CommVerge in a financing transaction in January 2002, indicated that a substantial portion of Wireless’ investment in CommVerge was other than temporarily impaired. Indeed, evidence indicated that over 82% of Wireless’ investment
in CommVerge was impaired by year end 2001, but Wireless failed to timely take a write-down as required by GAAP. This resulted in an overstatement of assets and income by $4.1 million in 2001. See ¶¶141-146.

(f) Wireless Failed to Record Stock-Based Compensation Expense – Wireless failed to properly account for its stock-based compensation related to stock options that had previously been granted to employees who thereafter terminated their employment with Wireless. When employees left Wireless and took stock options with them, Wireless was required under GAAP to record a compensation expense related to the stock options, but failed to do so. This resulted in an under-recognition of SG&A expenses of $85.7 million in 2000 and 2003. See ¶¶147-153.

(g) Wireless Improperly Classified Intangible Assets as Goodwill to Avoid Taking Amortization Charges – during 2003, Wireless acquired three privately held companies and improperly classified their assets as goodwill instead of intangible assets to avoid taking amortization charges as required by GAAP. This resulted in an understatement of expenses by $800,000 for 2003. See ¶¶154-157.

(h) Wireless Failed to Timely Record an Impairment Charge for Goodwill Regarding Its Mexican Subsidiary – in 1998, Wireless created a Mexican Subsidiary which then purchased $75,000 worth of assets. Wireless owned 88% of the subsidiary, with the other 12% owned by defendant Masood Tayebi, defendant Massih Tayebi and Jalil (“Jay”) Tayebi. Just two years later, on January 21, 2000, Wireless purchased Jalil Tayebi’s 6% interest for a staggering $18.2 million. Wireless allocated all but $300,000 - $17.9 million of the $18.2 million purchase price – as goodwill and intended to amortize it over 20 years. In its restatement, Wireless admitted that the goodwill was impaired by January 1, 2002 (it was likely impaired at the time of the acquisition in January 2000) and took a charge of $16.1 million, writing off 100% of the remaining balance of the goodwill. This resulted in Wireless’ net loss for 2002 to be understated by 16.1 million – over 25%. See ¶¶158-166.

(i) Wireless Failed to Record Contingent Earn-out as Compensation Expense – in 2003, Wireless made two acquisitions within its Enterprise Network Solutions
segment, and in each acquisition, there was an earnout agreement with the selling shareholders which required them to remain as employees as a condition to receiving the payments. Wireless overstated its assets and income by improperly recording this earnout consideration as goodwill (an asset) instead of treating it as compensation expense as required by GAAP. This resulted in an overstatement of assets and understatement of expenses by **$2.9 million** in 2003. See ¶¶167-171.

11. The restatement had a marked effect on income and profit. The restatement wiped out every penny of profit Wireless ever made turning its total loss in net income for 2000-2003 from a $68.7 million loss to a $111.6 million loss. The results in fiscal years 2001-2003 were as follows:

### FISCAL YEAR 2001

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<tr>
<th>As Previously Reported</th>
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<th>As Restated</th>
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<tbody>
<tr>
<td>Revenue</td>
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</tr>
<tr>
<td>Diluted</td>
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<td>6.2</td>
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<tr>
<td>Net Income (Loss)</td>
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<tr>
<td>Net Income (Loss) per Share</td>
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<td>(0.20)</td>
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<td>Diluted</td>
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### FISCAL YEAR 2003

- 5 - 04-CV-1589-JAH(NLS)
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12. On November 4, 2004, Wireless released its results for the third quarter ended September 30, 2004. Wireless again shocked the market by disclosing that the third quarter 2004 charge that it previously estimated to be $10-$14 million on September 20, 2004, would actually be $23.7 million. Approximately $12.4 million was related to future earnout considerations likely to be paid over the next two years for companies in their enterprise division which was acquired in 2003. The balance was associated with the costs associated with the restatement totaling approximately $1.5 million, as well as just under $10 million in charges identified as a result of improvements in its contract administration and program management processes.

13. By restating its financial results, Wireless has admitted that its publicly-issued financial statements for each of the restated periods were not prepared in conformity with GAAP, and that Wireless materially misstated its financial condition and results of operations. Under Accounting Principles Board Opinion ("APB") No. 20, Accounting Changes, restatements are required to correct material accounting errors or irregularities that existed at the time the financial statements were prepared and issued. Thus, the restatement is an admission that each of the press releases and the quarterly reports filed with the United States Securities and Exchange Commission ("SEC") on Form 10-Q and each of the year-end reports filed with the SEC on Form 10-K during the Class Period contained untrue statements of material fact.

14. Defendants' improper accounting practices ensured that during the Class Period the Company's stock traded at artificially inflated prices. *Some defendants took full advantage of the*
artificially inflated prices and, during the Class Period, sold 7,382,698 shares for total proceeds of over $176 million.

JURISDICTION AND VENUE

15. This Court has jurisdiction over the subject matter of this action under §27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §§1331, 1337 and 1367. The claims alleged herein arise under §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC.

16. Venue is proper in this District pursuant to §27 of the Exchange Act, and 28 U.S.C. §1391(b). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to the investing public of materially false and misleading financial statements, occurred in this District. Additionally, the Company maintains a principal executive office in this Judicial District.

17. In connection with the acts, conduct and other wrongs complained of herein, the defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, the United States mail and the facilities of the national securities market.

THE PARTIES

18. Lead Plaintiffs John Boles and Bassam Yassine, as set forth in their certifications, incorporated by reference herein, purchased Wireless securities at artificially inflated prices during the Class Period.

19. Defendant Masood K. Tayebi was the Company's President until September 2000; was the Company's Chief Executive Officer ("CEO") from September 2000 through November 2003, and was the Company's Chairman of the Board of Directors from April 2002 through the present. Masood Tayebi is the brother of Massih Tayebi. Masood and Massih Tayebi co-founded the Company in 1994, and in mid-2003 the Tayebi family owned over 40% of the stock. Defendant Masood Tayebi signed the Company's false and misleading Form 10-Qs filed on August 10, 2001, November 13, 2001, May 15, 2002, August 13, 2002, November 5, 2002, May 9, 2003, August 8, 2003 and November 5, 2003; and the Company's false and misleading Form 10-Ks filed on March 17, 2001, March 19, 2002, March 21, 2003 and March 8, 2004.
20. Defendant Massih Tayebi was the Company’s CEO until September 2000, and was the Chairman of the Board of Directors until April 2002. Defendant Massih Tayebi signed the Company’s false and misleading Form 10-Qs filed on May 15, 2000, August 14, 2000, November 14, 2000 and May 15, 2001; and the Company’s false and misleading Form 10-Ks filed on March 29, 2001 and March 19, 2002.

21. Defendant Terry M. Ashwill ("Ashwill") joined the Company in September 2000 as the Company’s Chief Financial Officer ("CFO"), and served as the CFO through his retirement in early 2004. Ashwill also served as Executive Vice President at the Company from March 2001 until his retirement. Defendant Ashwill signed the Company’s false and misleading Form 10-Qs filed on May 15, 2001 and August 10, 2001; and the Company’s false and misleading Form 10-Ks filed on March 17, 2001, March 19, 2002 and March 21, 2003. Prior to coming to Wireless, Ashwill served as CFO to two other companies from 1991. Ashwill holds a B.S. from the University of Oregon and an M.B.A. from Oregon State University.


23. Defendant Eric DeMarco ("DeMarco") joined the Company in November 2003 as President and Chief Operating Officer ("COO"), and assumed the role of CEO in April of 2004. Defendant DeMarco signed the Company’s false and misleading Form 10-K filed on March 8, 2004.

24. Defendant Thomas A. Munro ("Munro") was the Company’s CFO until September 2000, and was the Company’s President from September 2000 through his retirement in February 2003. Defendant Munro signed the Company’s false and misleading Form 10-Qs filed on May 15, 2000, August 14, 2000 and November 14, 2000.
25. Defendant KPMG LLP ("KPMG") acted as the Company’s independent outside auditor at all relevant times during the Class Period. KPMG is a firm of certified public accountants. KPMG audited the Company’s false and misleading financial statements contained in the Form 10-Ks for 2000-2003. KPMG issued materially false and misleading opinions in these statements. Thus, KPMG participated in the scheme, plan and common course of conduct described herein.

26. Defendants Masood Tayebi, Massih, Tayebi, Ashwill, Stokely, DeMarco and Munro are collectively referred to hereinafter as the "Individual Defendants." During the Class Period, each of the Individual Defendants, as senior executive officers and/or directors of Wireless were privy to non-public information concerning the Company’s business, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded the fact that adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

27. Because of the Individual Defendants’ positions with the Company, they had access to the adverse undisclosed information about the Company’s business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

28. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company’s public filings, press releases and other publications as alleged herein is the collective action of the narrowly defined group of defendants identified above. Each of the Individual Defendants, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels...
and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements and financial condition as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

29. As officers and controlling persons of a publicly-held company whose securities were, and are, registered with the SEC pursuant to the Exchange Act, and were traded on the Nasdaq and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate prompt, accurate and truthful information with respect to the Company’s financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company’s publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

30. The Individual Defendants participated in the drafting, preparation and/or approval of the various public, shareholder and investor reports, and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Wireless, each of the Individual Defendants had access to the adverse undisclosed information about Wireless’ financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Wireless and its business issued or adopted by the Company materially false and misleading.

31. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class
Period. Each of the Individual Defendants was provided with copies of the documents alleged herein to be misleading prior to, or shortly after, their issuance and/or had the ability and/or the opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is, therefore, primarily liable for the representations contained therein.

32. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Wireless securities by disseminating materially false and misleading statements and/or concealing material facts. The scheme: (i) deceived the investing public regarding Wireless' business, operations, management and the intrinsic value of Wireless securities; and (ii) caused Lead Plaintiffs and other members of the class to purchase Wireless securities at artificially inflated prices.

BACKGROUND

33. Established in 1994, Wireless is headquartered in San Diego, CA. Wireless is an independent provider of systems engineering, network services and technical outsourcing for the largest wireless carriers, enterprise customers and government agencies.

34. For more than a decade, leading wireless carriers, equipment manufacturers and service providers have used the Company's engineering professionals to design, deploy, optimize and manage their critical networks. These networks serve as the backbone delivering voice, data and advanced services to millions of customers worldwide.

35. Wireless provides innovative network solutions focusing primarily on three vertical markets to leverage their expertise in RF network engineering, deployment, technical outsourcing and total project management.

36. The Company provides the design, deployment, integration and overall management of wired and wireless networks which deliver voice and data communications, and which support advanced in-building automation and security systems.

37. The Company has nearly 2,200 employees around the globe, and has office locations throughout the United States and abroad.
THE CONFIDENTIAL WITNESSES

38. A current employee of the Company, who wishes to remain anonymous has provided details concerning the falsification of the Company's financial results.\(^1\) According to CW1, Accounting Department employees have stated that senior management was aware of their foreign tax obligations in 2001. Rather than pay their tax obligations, however, the Company decided to conceal this information from the investing public. When the truth came out, the Accounting Department was completely gutted and reorganized. CW1 stated that the reasons for not making the tax payments were the market crash, cash flow problems and an attempt to hold the stock price up.

39. The Company also improperly recognized revenue using the percentage of completion revenue recognition method. According to a former employee who was a Controller with the Company in Brazil in 2003, the Company had a contract with Siemens to perform work in Brazil. Siemens, however, did not timely pay for that work. Nevertheless, this former Controller stated that the Company would book revenue on the percentage of completion revenue recognition method, despite the fact that the Company had not been paid for that work and knew such payment was problematic.

40. The former Controller stated that Masood Tayebi knew revenue from the Siemens contract was being improperly booked. In fact, the Controller discussed Siemens' delinquent payments with Masood Tayebi on "one or two occasions." Moreover, the former Controller opined that "the decision to recognize revenue [on the Siemens contract] was made by all the senior accounting persons at Wireless." The witness also discussed the problems with Siemens' delinquent payments during a number of conference calls which were held monthly to discuss and review the numbers for the Brazilian operation as well as other activities in Mexico and Latin America. The former Controller specifically remembers defendant Stokely participating in these calls on three or four occasions.

\(^1\) This person will be referred to as Confidential Witness 1 ("CW1").
41. As a result of not getting paid by Siemens, but having incurred costs in procuring supplies and materials, it was necessary for the Company’s San Diego office to regularly send infusions of cash to the Brazilian office to keep it operational.

42. Moreover, Wireless frequently recognized revenue even when there was no signed contract with the customer, according to a former Wireless Project Accountant. This witness stated that Wireless frequently performed work, billed customers and booked revenue even though it had never received signed contracts from the customers. This practice was improper and incredibly risky because collection of the revenue that had been recognized was very uncertain. In addition, the former Project Accountant stated that rather than write-off uncollectible receivables, Wireless would typically show them as current receivables for as long as a year before they were written off.

43. Wireless also engaged in “cookie jar” accounting in violation of GAAP, where it deliberately held back recognizing revenues in certain periods in order to “smooth” earnings. For example, according to the former Project Accountant, Wireless had a very large contract with Bechtel. Although the amount of revenue generated by Bechtel varied from quarter to quarter, Wireless deliberately and improperly manipulated the amount of revenue to show “steady” revenue of approximately $500,000 each quarter. For example, if Wireless billed Bechtel $600,000 in one quarter, but was only going to bill Bechtel $400,000 the next quarter, Wireless executives would direct the Project Accountant to recognize only $500,000 the first quarter (instead of $600,000) and the remaining $100,000 in the following quarter (for a total recognized in that quarter of $500,000, rather than $400,000), in violation of GAAP.

44. In addition, according to a sales/account manager with Wireless in Mexico City from January 2001 through March 2003 and a former Vice President of Business Development for Latin/Central America and the Caribbean during 2002, Wireless engaged in certain deals in Mexico with companies that had connections to the Tayebis even though these deals did not always result in Wireless getting the best terms, and even when Wireless personnel were being fired in Mexico because there was not enough work to keep them employed. Specifically, Wireless used JFR Business Corporation International S. De R.L. de C.V. ("JFR"). Rosio de los Cobos, Jay Tayebi’s girlfriend, was a principal in JFR, and Jay Tayebi holds a majority ownership in JFR. Jay Tayebi is
a brother of Masood and Massih Tayebi. This Mexico City sales/account manager stated that Wireless “had no choice” but to use JFR for certain technical work, even though JFR charged Wireless “too much for the services rendered.”

45. In some instances JFR charged Wireless for services that had not been performed and for JFR’s payroll for personnel who were not even working on projects for Wireless, according to this Mexico City sales/account manager. The witness stated that Wireless nevertheless paid for these services and personnel given the special relationship JFR enjoyed as a result of Jay Tayebi.

MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

46. The Class Period commences on April 26, 2000. At that time, Wireless reported record revenues and earnings for its first quarter ended March 31, 2000. Revenue for the quarter increased 188% to a record $43.3 million, compared to $15.0 million in the first quarter of 1999. Revenue growth reflected continued strong worldwide demand for mobile voice and personal communications services (“PCS”) as well as increased capital investment by network operators and equipment suppliers to establish wireless data networks. Net income for the quarter rose 267% to a record $5.8 million, or $0.12 per diluted share, compared to $1.6 million in net income, or $0.05 per diluted share in the corresponding quarter a year ago. The number of shares used in the calculation of Earnings Per Share (“EPS”) in the current period increased 54% from the first quarter of 1999. Also, the impact of goodwill from acquisitions was approximately $0.02 per share. Commenting on these results, defendant Massih Tayebi stated:

“WFI enjoyed a very strong quarter, which we believe demonstrates our unique value proposition as an independent provider of turnkey outsourcing services for the wireless industry .... Wireless networks are rapidly expanding to meet growing subscriber demand for enhanced voice and mobile data applications, and increasingly, carriers are building high-speed broadband wireless data networks to extend the reach of existing fiber optic networks in business settings. We continue to strengthen and expand our end-to-end service capabilities through key hires and strategic acquisitions in response to these market opportunities.

“During the quarter we made two key acquisitions. The Walter Group, an established leader in telecom network development and management consulting, provides WFI with expanded capabilities in business planning, site acquisition and program management services. The acquisition of a Network Operations Center near Dallas, Texas from Ericsson provides the Company with network management and operations capabilities that enable WFI to deliver a complete suite of network management solutions to multiple wireless operators and service providers across a
wide platform of technologies. Both of these acquisitions brought us many talented people, extended our service offerings and strengthened our customer relationships.”

... “Armed with end-to-end network deployment and management services, WFI is exceptionally well positioned to contribute to and benefit from the phenomenal growth of wireless communications and its convergence with the Internet.”

47. On May 15, 2000, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Massih Tayebi and Munro and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

48. On July 26, 2000, Wireless announced outstanding financial results with record revenues and earnings reported for the second quarter and six months ended June 30, 2000. Revenue for the second quarter increased 229% to a record $59.4 million, compared to $18.1 million in the second quarter of 1999. Sequentially, revenue grew 37% over the Company’s first quarter of 2000. Excluding the effects of goodwill charges related to acquisitions, net income, rose 632% to a record $9.3 million, or $0.18 per diluted share, compared to net income of $1.3 million, or $0.04 per diluted share in the corresponding quarter a year ago. The number of shares used in the calculation of earnings per diluted share in the current period increased 52% from the second quarter of 1999. Reported net income for the quarter rose 652% to a record $7.9 million, or $0.16 per diluted share, compared to $1.0 million in net income, or $0.03 per diluted share in the corresponding quarter a year ago. Commenting on these results, defendant Massih Tayebi stated:

“We are very pleased with the growth WFI achieved in the second quarter, driven by the phenomenal global growth in wireless telecommunications and the accelerating demand for outsourced services .... While domestic market growth in mobile voice applications continues to exceed analysts’ expectations, we are very excited about new market opportunities for wireless Internet applications and the implementation of Third Generation (3G) wireless technology.

“Recent auctions in Europe for 3G spectrum licenses and the enormous costs associated with their acquisition are driving aggressive network assessment and deployment schedules with telecom operators and equipment suppliers. While still a very small percentage of our business, we were pleased to begin several 3G engagements in the second quarter. New 3G auctions are scheduled throughout
Europe and the United States this year creating, we believe, even greater demand for outsourced services and WFI's turnkey network solutions."

49. On August 14, 2000, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Massih Tayebi and Munro and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

50. On October 25, 2000, Wireless announced financial results with record revenues and record earnings reported for the third quarter and nine months ended September 30, 2000. Revenue for the third quarter increased 207% to $73.1 million, compared to $23.8 million in the third quarter of 1999. Sequentially, revenue grew 23% over the Company’s second quarter of 2000. Excluding the effects of goodwill and other charges related to acquisitions, net income rose 238% to $10.8 million, or $0.21 per diluted share, compared to net income of $3.2 million, or $0.10 per diluted share in the corresponding quarter a year ago. Reported net income for the quarter rose 221% to $9.0 million, or $0.17 per diluted share, compared to $2.8 million in net income, or $0.08 per diluted share in the corresponding quarter a year ago. Commenting on these results, defendant Munro stated:

“We are pleased to report another excellent quarter marked by strong industry expansion of mobile voice and data networks as well as fixed wireless broadband solutions .... We see very strong demand for our voice and data planning and deployment offerings. We believe that we can continue to execute well against our goals given the large opportunity available in our marketplace.”

51. On November 14, 2000, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendant Massih Tayebi and Munro and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim
operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

52. On February 14, 2001, Wireless announced financial results for the fourth quarter and fiscal year ended December 31, 2000. Revenue for the fourth quarter increased 124% to $80.1 million, compared to $35.8 million in the fourth quarter of 1999. Excluding the effects of goodwill and other charges related to acquisitions, net income rose 164% to $12.1 million, or $0.24 per diluted share, compared to net income of $4.6 million, or $0.11 per diluted share, in the corresponding quarter a year ago. For the full year, revenues rose 176% to $255.9 million, compared to $92.7 million in 1999. Excluding the effects of goodwill and other charges related to acquisitions, net income increased 251% to $38.9 million, or $0.77 per diluted share, compared to net income of $11.1 million, or $0.31 per share, for the full year in 1999. Commenting on these results, defendant Munro stated:

"We are pleased to report our fifth consecutive quarter of increased revenues and earnings since our initial public offering in November of 1999.... Our financial performance this past year was driven by strong demand for our planning and deployment offerings for voice and data services and the excellent execution of our plan by our worldwide employee team.

* * *

"WFI continues to be active in the planning and implementation of new technologies, including mobile wireless Internet access, Third Generation (3G) mobile telephony, and fixed wireless broadband systems, all of which are in the early stages of design and deployment. WFI’s carrier clients have invested heavily in next generation wireless licenses, infrastructure and operations, and we believe that these investments will continue to drive demand for our fixed price, time certain services."

53. On March 29, 2001, Wireless filed its annual report with the SEC on Form 10-K. The Company’s Form 10-K report was signed by defendants Masood Tayebi, Massih Tayebi and Ashwill and reaffirmed the previously announced financial results. Furthermore, the Company’s Form 10-K included an Independent Auditors Report, signed by the Company’s accountants defendant KPMG, which was integrated into Wireless’ Form 10-K report and stated the following:

We have audited the accompanying consolidated balance sheets of Wireless Facilities, Inc. and subsidiaries as of December 31, 1999 and 2000, and the related statements of operations, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Facilities, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

54. The statements contained in ¶¶46-53 were materially false and misleading when made because they concealed the following: (i) that the Company had materially under reported its burgeoning foreign tax burden; (ii) that the Company failed to record material adjustments related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values and the timing of revenue recognition; (iii) that the Company made numerous and material accounting errors as detailed in ¶¶115-171; (iv) that the Company lacked adequate internal controls and was, therefore, unable to ascertain the true financial condition of the Company; and (v) that as a result of the above, the Company’s financial results were materially inflated at all relevant times.

55. In April 2001, defendant Munro was interviewed by the Wall Street Transcript. In his interview he stated, “[w]e finished the year 2000 with 176% annual revenue growth for the year,” and “[w]e’ve been very profitable, and have been profitable since they opened the doors of the Company.”

56. On May 9, 2001, Wireless announced financial results for its first quarter ended March 31, 2001. Revenue for the first quarter increased 22% to $52.7 million, compared to $43.3 million in the first quarter of 2000, but declined sequentially from the fourth quarter of 2000. Quarterly revenue was impacted by a global slowdown in wireless telecommunications spending. Excluding the effects of goodwill and other charges related to acquisitions, net loss for the quarter totaled $4.9 million, or $0.11 per diluted share, compared to net income of $6.7 million, or $0.14 per diluted share, in the corresponding quarter a year ago. The quarterly loss included pre-tax charges of
$4.6 million for losses related to a single broadband wireless customer that filed for bankruptcy protection. Excluding this charge and excluding the effects of goodwill and other charges related to acquisitions, the Company would have reported a net loss of $3.3 million, or $0.07 per diluted share. Commenting on this news, defendant Munro stated:

“It was a challenging quarter for WFI and many wireless telecommunications companies. Tight capital markets led to a sudden downturn in spending on wireless networks and created an environment of reduced visibility into new project opportunities .... Several projects that we anticipated would begin in the quarter were either cancelled or postponed.

“We remain committed to managing the Company’s resources to optimal levels to be cash flow positive and profitable as soon as possible. For our second quarter, we anticipate modest growth in revenue from the first quarter. For fiscal year 2001, we are forecasting revenues to be in a range of $215 million to $240 million.”

57. On May 15, 2001, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Massih Tayebi and Ashwill and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

58. On August 8, 2001, Wireless announced financial results for the second quarter and six months ended June 30, 2001. Revenue for the second quarter increased sequentially by 4% from the first quarter of 2001 to $54.7 million, but decreased 8% compared to the $59.4 million reported in the second quarter of 2000. The increase in sequential quarterly revenue reflected increases in both the Company’s domestic and international operations. The net reported loss for the second quarter totaled $38.3 million, or $0.87 per diluted share. Financial results for the second quarter included a number of unusual charges, a change in the effective tax rate and amortization of goodwill and other charges related to acquisitions. Excluding the effects of these charges and the change in effective tax rate, net income would have been $1.8 million, or $0.04 per diluted share compared to a net loss of $4.9 million, or $0.11 per diluted share in the first quarter of 2001. Commenting on the results, defendant Munro stated:
“Despite a wireless environment that continues to be marked by low visibility, we were able to execute our quarterly plan and now feel more encouraged regarding prospects for the second half of this year. Subscriber patterns in the United States remained strong throughout the second quarter and wireless carriers have reiterated their capital commitments to provide both voice and next-generation data services. We believe our ongoing efforts to align the Company's resources with market opportunities improved our operating metrics well above the first quarter and we remain focused on strengthening this trend through the third and fourth quarters of this year. For our third and fourth quarters, we anticipate further sequential increases in revenue and EBITDA growth, bringing fiscal year 2001 revenue into a range of $217 million to $240 million.”

59. On August 10, 2001, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Ashwill and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

60. On November 7, 2001, Wireless announced financial results for the third quarter and nine months ended September 30, 2001. Revenue for the third quarter totaled $54.8 million, an increase of $0.1 million sequentially from the second quarter of 2001, but a decrease of 25% compared to the $73.1 million reported in the third quarter of 2000. Excluding the effects of amortization of goodwill and intangibles, net income was $0.8 million, or $0.02 per diluted share, compared to pro forma net income of $1.8 million, or $0.04 per diluted share, in the second quarter of 2001. Commenting on these results, defendant Munro stated:

“Within a challenging wireless environment, the Company reported a solid quarter .... We expanded our business with several leading carrier customers including Telcel, AT&T Wireless and Verizon Wireless, however, this was offset by customer delays and cancellations of other projects, which we expected to begin in the third quarter.

“An expanding subscriber base and emerging wireless data services should drive future network infrastructure services, and in preparation, we continue to build on our customer relationships and strengthen our internal financial position.”

61. On November 13, 2001, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Stokely and
reaffirmed the previously announced financial results. With respect to its financial results, the
Company represented:

In the opinion of management, these consolidated financial statements include all
adjustments, consisting of normal recurring adjustments, necessary for a fair
presentation of the results of operations for the interim periods presented. Interim
operating results are not necessarily indicative of operating results expected in
subsequent periods or for the year as a whole.

62. On December 24, 2001, defendant Thomas A. Munro was interview by the Wall
Street Transcript. In his interview he stated, “[i]n our view, the fundamentals of our business are
certainly undervalued by the market.”

63. On February 13, 2002, Wireless announced financial results for the fourth quarter and
full year ended December 31, 2001. Revenue for the fourth quarter totaled $45.0 million, a decrease
of 18% compared to the $54.8 million reported in the third quarter of 2001 and a decrease of 44%
compared to the $80.1 million reported in the fourth quarter of 2000. Including charges for
amortization of goodwill and other intangibles resulting from prior acquisitions ($3.3 million),
severance costs ($1.5 million) and a revision in the annual effective tax rate ($4.4 million), the
reported net loss for the fourth quarter totaled $10.4 million, or $0.22 per diluted share.

Commenting on the news, defendant Munro stated:

“Wireless markets remained challenging in the fourth quarter, compounded
by a weakened world economy....While fourth quarter revenue from our domestic
operations remained about even with the third quarter, international business fell
sharply, especially in Mexico as carrier customers cut back on network spending.
Last quarter, we noted that our business with one carrier customer in Mexico was
halted and was not expected to resume in the fourth quarter. Delays in beginning
new, domestic engagements in the fourth quarter prevented us from offsetting the
decline in our international operations.”

...“On a positive note however, industry related contract activity in the first quarter
of 2002 has improved as carriers prepare to make infrastructure investments to their
networks to enhance capacity and call quality, expand network footprints to alleviate
roaming expenses, as well as deploy new technology overlays that will bring higher-
speed Internet access to mobile users. In 2001, we invested heavily to transition our
customer base from emerging carriers to a group of larger, well funded carriers, by
deepening our relationships and establishing our project expertise. Collectively, the
top ten carriers will account for close to 90 percent of the domestic capital
expenditures in 2002.

“It’s important to emphasize that our visibility into our customers’ plans has
been limited for some time, restricting our ability to forecast and provide financial
guidance. What little guidance we have been able to provide has been conditioned on
this reduced visibility and precision and reflects our best information at the time.”
64. On March 19, 2002, Wireless filed its annual report with the SEC on Form 10-K. The Company’s Form 10-K report was signed by defendants Massih Tayebi, Masood Tayebi, Ashwill and Stokely and reaffirmed the previously announced financial results. Also, the Company admitted in its Form 10-K that it knew the remaining net book value of the goodwill in WFI Mexico ("WIFM"), which it acquired on January 21, 2000 from Jay Tayebi, which was valued at $16.1 million as of December 31, 2001, "will be subject to the transition guidelines of SFAS 142 effective January 1, 2002," which states that instead of amortizing goodwill over a period of years, the Company must annually review the goodwill for impairment. Additionally, the Company claimed that "[t]he primary business purpose for WFI de Mexico and Wireless Facilities Latin America Ltda. transacting business with JFR relates to obtaining superior service and response compared to independent businesses providing such services, at market or less than market rates.... The Company believes that the amounts paid or payable under these contracts are comparable to amounts that the Company could have negotiated under contracts with unaffiliated third parties for such services." Furthermore, the Company’s Form 10-K included an Independent Auditors Report, signed by the Company’s accountants, defendant KPMG, which was integrated into Wireless’ Form 10-K report and stated the following:

We have audited the accompanying consolidated balance sheets of Wireless Facilities, Inc. and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Facilities, Inc. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.
65. The statements contained in ¶¶55-64 were materially false and misleading when made because they concealed the following: (i) that the Company had materially under reported its burgeoning foreign tax burden; (ii) that the Company failed to record material adjustments related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values and the timing of revenue recognition; (iii) that the Company made numerous and material accounting errors as detailed in ¶¶115-171; (iv) that the Company lacked adequate internal controls and was, therefore, unable to ascertain the true financial condition of the Company; (v) that the Company was paying above market prices for services rendered by JFR, and in some instances paid JFR for services not rendered or for personnel who were not even engaged on projects for Wireless as detailed in ¶¶44-45; and (vi) that as a result of the above, the Company’s financial results were materially inflated at all relevant times.

66. On May 8, 2002, Wireless released financial results for the first quarter ended March 31, 2002. The results for first quarter 2002 reflected the continued weakness in the telecommunications market, specifically the level of wireless telecom infrastructure spending during the quarter. During this period, the Company experienced a continuation of customer slowdowns and project scope reductions and postponements related to wireless network deployment, which were highlighted in its recent Annual Report on Form 10-K filed with the SEC on March 19, 2002. As announced on April 30, 2002, the Company’s revenue for the first quarter totaled $40.1 million, a decrease of 11% compared to the $45.0 million reported in the fourth quarter of 2001, and a decrease of 24% compared to the $52.7 million reported in the first quarter of 2001. The Company also announced a substantial net loss in the quarter due to the continued weakness in the wireless telecommunications market. Reported net loss for the first quarter 2002 was $71.7 million ($1.52 per basic and diluted share) compared to a reported and “As Adjusted” net loss of $10.4 million ($0.22 per basic and diluted share) and $8.7 million ($0.18 per basic and diluted share), respectively, in fourth quarter 2001, and compared to a reported and “As Adjusted” net loss of $8.5 million ($0.19 per basic and diluted share) and $7.7 million ($0.18 per basic and diluted share), respectively, in first quarter 2001. During the first quarter, the Company recorded a net provision for taxes of $10.1 million related to providing an additional valuation allowance for deferred tax assets. Cash from
operations for the quarter was $1.3 million. Total cash and cash equivalents at the end of the first quarter increased $1.2-$62.3 million. Commenting on the results, defendant Munro stated:

"Cingular’s contract award to the WFI/Bechtel partnership represents the largest award in our Company’s history and highlights the market share gains we are making in an otherwise difficult telecom environment. This marketplace continues to be characterized by cautious capital spending, with new opportunities awarded to providers who have the size, financial strength, depth of services and quality necessary to complete large-scale engagements. Our management team is very focused on aligning our total cost structure with market opportunities in order to improve profitability and cash flow. We will also continue to strengthen our relationships with carriers, equipment manufacturers and partners."

67. On May 15, 2002, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Stokely and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

68. On August 7, 2002, Wireless released financial results for the second quarter and six months ended June 30, 2002. Revenue for the second quarter totaled $46.8 million, an increase of 17% compared to the $40.1 million reported in the first quarter of 2002 and a decrease of 14% compared to the $54.7 million reported in the second quarter of 2001. Reported net income for the second quarter of 2002 was $2.2 million, or $0.04 per diluted share, compared to a reported net loss of $71.7 million, or $1.52 per diluted share, for the first quarter of 2002, and a reported net loss of $38.3 million, or $0.87 per diluted share, for the second quarter of 2001. Cash flow from operations for the quarter was $8.8 million, an increase of $7.5 million compared to the $1.3 million reported in the first quarter of 2002. Cash increased by $13.8 million from $62.3 million at March 31, 2002 to $76.1 million at June 30, 2002. Currently, the Company has no debt outstanding other than capital lease obligations of $4.5 million. Commenting on the news, defendant Masood Tayebi stated:

"Several recently implemented strategies contributed to this significant improvement in the Company’s performance. The increase in revenue has come in a very difficult operating environment as we continue to focus on strengthening our relationships with carriers, vendors and strategic partners. Our adoption of the variable cost model and consequent cost restructuring has reduced our SG&A
expense structure and increased profitability. We have also focused on strengthening our balance sheet by increasing our cash position and reducing our debt."

In the press release the Company further stated that:

On January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets," at which time the Company ceased amortization of goodwill and intangible assets with indefinite lives. As of June 30, 2002, the Company has completed its transitional impairment test of goodwill and other intangible assets pursuant to the adoption of SFAS 142. The results of the analysis indicated no impairment of goodwill and other intangibles as of January 1, 2002.

The Company further touted these false and misleading financial results to securities analysts on an August 7, 2002 conference call. During that call defendant Masood Tayebi stated:

We believe that our own positive performance or has come from a combination of factors. Our market position has improved relative to our peers, and there has been a general shakeout of the smaller financially marginal competitors. Our business development effort, particularly our strict focus on top tier carriers and lenders, has been successful; and we have established ourselves as a strong supplier of quality services to the leading companies in the wireless industry.

On August 13, 2002, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Stokely and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

On November 6, 2002, Wireless released financial results for the third quarter and nine months ended September 30, 2002. Revenue for the third quarter totaled $49.1 million, an increase of 5% compared to the $46.8 million reported in the second quarter of 2002 and a decrease of 10% compared to the $54.8 million reported in the third quarter of 2001. Net income reported for the third quarter of 2002 was $2.5 million, or $0.04 per diluted share, compared to net income of $2.2 million, or $0.04 per diluted share in the second quarter of 2002, and net loss of $2.9 million, or $0.06 per diluted share, for the third quarter of 2001. Commenting on the results, defendant Masood Tayebi stated:

"In our core business, we feel that we will continue to earn a growing market share, measured against our peers and competitors. Furthermore, we continue to
grow that portion of our business that has traditionally been performed in-house by our customers. This, combined with the changes we have made in past quarters to our cost structure and to our business model are paying off.... Our new focus on enterprise markets such as Wireless LAN and integration of alternative technologies, as well as strategic commitment to larger scale and longer term outsourcing, all position WFI to take advantage of key opportunities.”

Also, defendant Ashwill claimed that:

“While we are not in a position to declare that the telecom industry is in recovery, we are increasingly positive ... looking at the final quarter of 2002 and the first half of next year, we are optimistic that we will continue to improve our financial performance.”

Further in the press release, the Company stated:

On January 1, 2002, the Company adopted SFAS 142, “Goodwill and Other Intangible Assets,” at which time the Company ceased amortization of goodwill and intangible assets with indefinite lives. In addition, an analysis was required to determine if any impairment existed at January 1, 2002. The results of the analysis indicated no impairment of goodwill or other intangible assets.

72. These financial results were touted to securities analysts during a conference call on November 6, 2002. During that call, defendant Masood Tayebi stated:

We are very pleased to report a solid 3rd quarter. WFI delivered second sequential quarter of bottom line GAAP profitability as well as a 5 percent sequential revenue growth. We again generated cash from operations totaling 8.3 million for the 3rd quarter. The company’s results on almost every reported operating metric income statement item and balance sheet ratio showed improvement from the previous quarter and the prior year.

73. On November 5, 2002, defendant Masood Tayebi, as President and CEO, and defendant Ashwill, as CFO of Wireless, as required by the securities laws, signed and filed false certifications on behalf of themselves and Wireless with the SEC relating to Wireless’ Form 10-Q for the third quarter 2002, ending September 30, 2002, which stated that the report was truthful, the financial statements in it were accurate, Wireless’ internal disclosure and accounting controls were designed to be effective to detect and prevent fraud and had been tested and found to be effective. Each of these certifications was false as the financial statements were false and Wireless’ internal disclosure and accounting controls were ill-designed, had not been tested and were not effective, as Wireless admitted in its Amended Form 10-K filed on September 20, 2004.

74. Wireless’ top executives and directors during 2000-2003 deliberately or recklessly allowed Wireless’ internal and financial controls to be deficient and defective. Prior and subsequent
to the enactment of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), Wireless' internal controls were grossly insufficient to assure compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to protect and avoid the waste of Wireless' assets.

75. On November 13, 2002, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendants Masood Tayebi and Stokely and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

- In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

76. On February 12, 2003, Wireless released financial results for the fourth quarter and full year ended December 31, 2002. Revenue for the fourth quarter of 2002 totaled $51.0 million, an increase of 3.9% compared to the $49.1 million reported in the third quarter of 2002 and an increase of 13.3% compared to the $45.0 million reported in the fourth quarter of 2001. Net income reported for the fourth quarter of 2002 was $3.1 million, or $0.05 per diluted share, compared to net income of $2.5 million, or $0.04 per diluted share in the third quarter of 2002, and net loss of $10.4 million, or $0.22 per share, for the fourth quarter of 2001. Commenting on the results, defendant Masood Tayebi stated:

"In our core business, we feel very encouraged by what we have seen over the past three quarters .... We continue to strengthen our ongoing relationships with our top-tier carrier and vendor customers. As those relationships mature, we are seeing a steady flow of long-term profitable projects which have allowed us to build up our backlog and finish the year with three consecutive quarters of revenue growth and profitability. Furthermore, we are seeing increasingly positive results from the changes we have made to our internal cost structure and to our business model. Our balance sheet continues to get stronger, and we continue to grab increased market share relative to our peers, all of which bode well for the future.

... "While we are still cautious about the wireless industry, we are increasingly optimistic about the financial direction of WFI and its position within the overall marketplace. Strategically, our primary area of focus will remain on growing the portion of our business that has traditionally been performed in-house by our carrier and vendor customers. We will also continue to aggressively pursue the operational outsourcing model, which aligns well with our customers' initiatives, and to which WFI's skill set and operational scale are uniquely suited. Finally, we are very encouraged by the initial interest we have received in WFI's enterprise based, WLAN and security systems initiatives. This is another area that we will continue to pursue
in 2003, and from which we hope to see significant future revenues in the coming quarters.”

77. The same day these results were released, February 12, 2003, the Company held a conference call with securities analysts. During that call defendant Ashwill stated the following:

WFI’s financial results for the fourth quarter of 2002 continue to reflect very positive financial performance ....

Revenue increased for the third consecutive quarter. Gross profit increased for the third consecutive quarter [and] net cash flow from operations was extremely strong at [$14.6] million, an all-time record performance.

During that same call Masood Tayebi claimed that this was the “third consecutive quarterly increase in revenue and net income.”

78. On March 21, 2003, Wireless filed its annual report with the SEC on Form 10-K. The Company’s Form 10-K report was signed by defendants Masood Tayebi, Ashwill and Stokely and reaffirmed the previously announced financial results. Furthermore, the Company’s Form 10-K included an Independent Auditors Report, signed by the Company’s accountants, defendant KPMG, which was integrated into Wireless’ Form 10-K report and stated the following:

We have audited the accompanying consolidated balance sheets of Wireless Facilities, Inc. and subsidiaries (the Company) as of December 31, 2001 and 2002, and the related statements of operations, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Facilities, Inc. and subsidiaries as of December 31, 2001 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

79. In addition, defendant Masood Tayebi, as CEO, and defendant Stokely, as CFO of Wireless, as required by the securities laws, signed and filed false certifications on behalf of
themselves and Wireless with the SEC relating to Wireless' Form 10-K for 2002, which stated that the report was truthful, the financial statements in it were accurate, Wireless' internal disclosure and accounting controls were designed to be effective to detect and prevent fraud and had been tested and found to be effective. Each of these certifications was false as the financial statements were false and Wireless' internal disclosure and accounting controls were ill-designed, had not been tested and were not effective, as Wireless admitted in its Amended Form 10-K filed on September 20, 2004.

80. Wireless' top executives and directors during 2000-2003 deliberately or recklessly allowed Wireless' internal and financial controls to be deficient and defective. Prior and subsequent to the enactment of Sarbanes-Oxley, Wireless' internal controls were grossly insufficient to assure compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to protect and avoid the waste of Wireless' assets.

81. The statements contained in ¶¶66-78 were materially false and misleading when made because they concealed the following: (i) that the Company had materially under reported its burgeoning foreign tax burden; (ii) that the Company failed to record material adjustments related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values and the timing of revenue recognition; (iii) that the Company made numerous and material accounting errors as detailed in ¶¶115-171; (iv) that the Company lacked adequate internal controls and was, therefore, unable to ascertain the true financial condition of the Company; and (v) that as a result of the above, the Company's financial results were materially inflated at all relevant times.

82. On May 5, 2003, Wireless released financial results for the first quarter of 2003. Revenue for the first quarter of 2003 totaled $53.9 million, an increase of 5.7% compared to the $51.0 million reported in the fourth quarter of 2002 and an increase of 34.4% compared to the $40.1 million reported in the first net income for the first quarter of 2003 increased 29.0 percent to $4.0 million, or $0.06 per diluted share, compared to net income of $3.1 million, or $0.05 per diluted share in the fourth quarter of 2002. Commenting on the results, defendant Masood Tayebi stated:
"We are very pleased to report another solid quarter of financial and operational results.... We continue to excel at our core competencies and traditional business while we explore market opportunities in areas such as operational outsourcing, wireless LAN and electronic security integration.

"Despite continued market uncertainty in the wireless industry, WFI is building on its momentum from the last half of 2002 and we are excited about our prospects, especially related to our Enterprise Solutions and Outsourcing Divisions. Our core business with existing customers is strong and we are actively pursuing new opportunities that have the potential to add to our expected future growth."

83. That same day, May 5, 2003, the Company held a conference call with securities analysts. During that call, defendant Ashwill stated the following:

WFI [continues] to achieve both financial and strategic momentum in pursuit of growth plans that should yield future increases in revenue and profitability. Our financial base is strong. As we’ve said, we have over $100 million in cash and excluding capitalized lease obligations, we have no debt. Our income statement metrics, revenue, gross profit, operating income, EBITDA have all had four consecutive quarters of sequential improvement.

During that same call, Masood Tayebi stated that this was the “fourth consecutive quarterly increase in revenue and net income.”

84. On May 9, 2003, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Stokely and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

85. In addition, defendant Masood Tayebi, as CEO, and defendant Ashwill, as CFO of Wireless, as required by the securities laws, signed and filed false certifications on behalf of themselves and Wireless with the SEC relating to Wireless’ Form 10-Q for the first quarter 2003, ending March 30, 2003, which stated that the report was truthful, the financial statements in it were accurate, Wireless’ internal disclosure and accounting controls were designed to be effective to detect and prevent fraud and had been tested and found to be effective. Each of these certifications was false as the financial statements were false and Wireless’ internal disclosure and accounting
controls were ill-designed, had not been tested and were not effective, as Wireless admitted in its
Amended Form 10-K filed on September 20, 2004.

86. Wireless' top executives and directors during 2000-2003 deliberately or recklessly
allowed Wireless' internal and financial controls to be deficient and defective. Prior and subsequent
to the enactment of Sarbanes-Oxley, Wireless' internal controls were grossly insufficient to assure
compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to
protect and avoid the waste of Wireless' assets.

87. On August 4, 2003, Wireless released financial results for the second quarter ended
June 30, 2003. Revenue for the second quarter of 2003 totaled $56.8 million, an increase of 5.4%
compared to the $53.9 million reported in the first quarter of 2003 and an increase of 21.4%
compared to the $46.8 million reported in the same. Net income for the second quarter of 2003
increased 20% to $4.8 million, or $0.07 per diluted share, compared to net income of $4.0 million, or
$0.06 per diluted share for the first quarter of 2003. Net income for the second quarter of 2003 was
118.2% higher than the $2.2 million, or $0.04 per diluted share for the second quarter of 2002.
Commenting on the results, defendant Masood Tayebi stated:

"Our operating strategies once again translated into exceptional results ....
We believe our ongoing efforts to manage our business based on the strength of our
core competencies and market opportunities, especially related to our Enterprise
Solutions and Outsourcing business groups, should continue to produce results that
grow and add value to our Company."

Also, defendant Ashwill said:

"Once again, WFI continues to produce quarterly sequential improvements in
nearly every financial metric"....

88. That same day, August 4, 2003, the Company held a conference call with securities
analysts. During that call, defendant Masood Tayebi touted these false and misleading financial
results, stating:

We are very pleased to report the fifth consecutive quarterly increase in revenue and
net income. Also, we posted a 21.4 percent increase in revenue and a 118.2 percent
increase in net income compared to the second quarter of 2002. We have $10 million
net cash flow from operations, our eight consecutive cash flow, and our cash and
cash equivalents and short-term investments increased to 117.2 million at June 30th,
2003. Our balance sheet and operating metrics continue to show improvement.
89. On August 8, 2003, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by defendants Masood Tayebi and Stokely and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

90. In addition, defendant Masood Tayebi, as CEO, and defendant Ashwill, as CFO of Wireless, as required by the securities laws, signed and filed false certifications on behalf of themselves and Wireless with the SEC relating to Wireless’ Form 10-Q for the second quarter 2003, ending June 30, 2003, which stated that the report was truthful, the financial statements in it were accurate, Wireless’ internal disclosure and accounting controls were designed to be effective to detect and prevent fraud and had been tested and found to be effective. Each of these certifications was false as the financial statements were false and Wireless’ internal disclosure and accounting controls were ill-designed, had not been tested and were not effective, as Wireless admitted in its Amended Form 10-K filed on September 20, 2004.

91. Wireless’ top executives and directors during 2000-2003 deliberately or recklessly allowed Wireless’ internal and financial controls to be deficient and defective. Prior and subsequent to the enactment of Sarbanes-Oxley, Wireless’ internal controls were grossly insufficient to assure compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to protect and avoid the waste of Wireless’ assets.

92. On October 30, 2003, Wireless released financial results for the third quarter ended September 30, 2003. In a press release issued the same day, Wireless claimed that “[r]evenue, gross profit, operating income and net income increased for the sixth consecutive quarter.” Revenue for the third quarter of 2003 totaled $68.6 million, an increase of $19.5 million or 39.7% compared to the $49.1 million reported in the same quarter last year and an increase of $11.8 million or 20.8% compared to the $56.8 million reported in the second quarter of 2003. Net income of $6.6 million for the third quarter of 2003 was 164.0% higher than the $2.5 million for the third quarter of 2002.
Net income for the third quarter of 2003 increased $1.8 million or 37.5% compared to net income of $4.8 million sequentially. Earnings per share of $0.09 for the third quarter 2003 was 125.0% higher than $0.04 year over year and sequentially increased $0.02 or 28.6%. Commenting on these results, defendant Masood Tayebi stated:

"Both our Wireless Network Services (WNS) and our Enterprise Solutions businesses delivered strong results in a challenging but improving environment. Also, as we look ahead to the fourth quarter and the year 2004, we are feeling increasingly optimistic about our ability to achieve improving financial performance."

93. That same day, October 30, 2003, the Company held a conference call with securities analysts. During that call, defendant Ashwill touted the Company's false and misleading financial results, stating:

WFI's balance sheet and financial strength continue to attract marketplace opportunities for capital deployment and earnings accretion. Numerous such initiatives are currently underway.... [A]s we look ahead to the fourth quarter, and the year 2004, we're feeling increasingly optimistic about our ability to achieve improving financial performance.

94. On November 5, 2003, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendants Masood Tayebi and Stokely, and reaffirmed the previously announced financial results. With respect to its financial results, the Company represented:

In the opinion of management, these consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented. Interim operating results are not necessarily indicative of operating results expected in subsequent periods or for the year as a whole.

95. In addition, defendant Masood Tayebi, as CEO, and defendant Ashwill, as CFO of Wireless, as required by the securities laws, signed and filed false certifications on behalf of themselves and Wireless with the SEC relating to Wireless' Form 10-Q for the third quarter of 2003, ending September 30, 2003, which stated that the report was truthful, the financial statements in it were accurate, Wireless' internal disclosure and accounting controls were designed to be effective to detect and prevent fraud and had been tested and found to be effective. Each of these certifications was false as the financial statements were false and Wireless' internal disclosure and accounting...
controls were ill-designed, had not been tested and were not effective, as Wireless admitted in its Amended form 10-K filed on September 20, 2004.

96. Wireless’ top executives and directors during 2000-2003 deliberately or recklessly allowed Wireless’ internal and financial controls to be deficient and defective. Prior and subsequent to the enactment of Sarbanes-Oxley, Wireless’ internal controls were grossly insufficient to assure compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to protect and avoid the waste of Wireless’ assets.

97. On February 19, 2004, Wireless announced results for fourth quarter of 2003. Revenues for the fourth quarter of 2003 increased 63% to $82.9 million from $51.0 million in the fourth quarter of 2002. Operating income increased 216% to $7.9 million from $2.5 million in the fourth quarter of 2002. Net income increased 161% to $8.1 million from $3.1 million in the fourth quarter of 2002, and EPS increased 120% to $.11 (diluted) from $.05 (diluted) in the fourth quarter of 2002. For full fiscal year 2003, revenues increased 40% to $262.2 million from $187.0 million in 2002. Operating income increased to $22.2 million from a loss of $54.7 million in 2002. Net income increased to $23.5 million from a loss of $63.9 million in 2002, and EPS increased to $0.32 (diluted) from a loss per common share of $1.33 (diluted and basic) in fiscal 2002. Commenting on these results, defendant Masood Tayebi stated:

"Today WFI reported results for the quarter and for the year that demonstrate the extent to which our business has not only recovered from the prolonged downturn in the telecommunications industry, but has emerged stronger than at any time in our nearly ten year history"....

"As we look to 2004 and beyond, we have good reason to believe that the Company is better positioned today than at any point in our past. Strategically, we have diversified into synergistic businesses that allow us to capitalize on our engineering talent and core capabilities: the enterprise market for voice and data networks and security systems and the government market for communications and information technology systems. Operationally, we have strengthened and diversified our customer base and are well positioned for growth in each of our core markets. And financially, we have the means available to us to continue to execute on our strategy with a strong balance sheet and growing operating income".....

98. That same day, February 19, 2004, the Company held a conference call with securities analysts. During that call, defendant DeMarco misrepresented the Company's performance stating
we are encouraged by our fourth quarter results and by our success in growing our
revenue, while at the same time limiting our SG&A expense and improving our
overall profitability. But even more importantly, ... we believe that our efforts in
2003 in solidifying our relationships with the major wireless carriers and in
strategically diversifying into the government and enterprise markets have laid a
strong foundation for what we expect should be significant earnings growth in 2004
as well as beyond.

99. On March 8, 2004, Wireless filed its annual report with the SEC on Form 10-K. The
Company’s Form 10-K report was signed by defendants Masood Tayebi, DeMarco and Stokely, and
reaffirmed the previously announced financial results. Furthermore, the Company’s Form 10-K
included an Independent Auditors Report, signed by the Company’s accountants defendant KPMG,
which was integrated into Wireless’ Form 10-K report and stated the following:

We have audited the accompanying consolidated balance sheets of Wireless
Facilities, Inc. and subsidiaries (the Company) as of December 31, 2002 and 2003,
and the related statements of operations, stockholders’ equity, and cash flows for
each of the years in the three-year period ended December 31, 2003. These
consolidated financial statements are the responsibility of the Company’s
management. Our responsibility is to express an opinion on these consolidated
financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present
fairly, in all material respects, the financial position of Wireless Facilities, Inc. and
subsidiaries as of December 31, 2002 and 2003, and the results of their operations
and their cash flows for each of the years in the three-year period ended December
31, 2003 in conformity with accounting principles generally accepted in the United
States of America.

100. In addition, defendant Masood Tayebi, as CEO, and defendant Ashwill, as CFO of
Wireless, as required by the securities laws, signed and filed false certifications on behalf of
themselves and Wireless with the SEC relating to Wireless’ Form 10-K for 2003, which stated that
the report was truthful, the financial statements in it were accurate, Wireless’ internal disclosure and
accounting controls were designed to be effective to detect and prevent fraud and had been tested
and found to be effective. Each of these certifications was false as the financial statements were
false and Wireless’ internal disclosure and accounting controls were ill-designed, had not been tested
and were not effective, as Wireless admitted in its Amended Form 10-K filed on September 20, 2004.

101. Wireless' top executives and directors during 2000-2003 deliberately or recklessly allowed Wireless' internal and financial controls to be deficient and defective. Prior and subsequent to the enactment of Sarbanes-Oxley, Wireless' internal controls were grossly insufficient to assure compliance with GAAP, assure truthful and full disclosure by Wireless to its shareholders and to protect and avoid the waste of Wireless' assets.

102. The statements contained in ¶¶82-99 were materially false and misleading when made because they concealed the following: (i) that the Company had materially under reported its burgeoning foreign tax burden; (ii) that the Company failed to record material adjustments related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values and the timing of revenue recognition; (iii) that the Company made numerous and material accounting errors as detailed in ¶¶115-171; (iv) that the Company lacked adequate internal controls and was, therefore, unable to ascertain the true financial condition of the Company; and (v) that as a result of the above, the Company's financial results were materially inflated at all relevant times.

103. On April 27, 2004, Wireless reported results for the first quarter of 2004. Revenues for the first quarter of 2004 increased 82% to $98.0 million from $53.9 million in the first quarter of fiscal 2003. Operating income increased 106% to $6.6 million from $3.2 million in the first quarter of 2003. Net income increased 48% to $5.9 million from $4.0 million in the first quarter of 2003; and EPS increased 33% to $.08 (diluted) from $.06 (diluted) in the first quarter of 2003. Increased revenues in the first quarter of 2004 were a result of significant increases in WFI's Mexico and European operations, as well as increases in deployment and engineering activities for Western Wireless, Sprint and T-Mobile in the U.S. Commenting on the results, defendant DeMarco stated:

"In the first quarter, the momentum that we have been building in the wireless industry continued to drive the organic growth of WFI and resulted in higher than expected revenues. While revenues across the Company were up 82% year over year, revenues in our wireless network services business were up 42%, all of which was from organic growth. Higher than expected revenues were primarily the result of greater than expected progress on our turnkey deployment contracts. In addition, our results in our European operations were exceptionally strong this quarter with 65%
year over year growth, largely as a result of 3G activities by the major European carriers....

"In the first quarter we were also successful both domestically and internationally in bidding on and winning new engineering and deployment contracts for regional, national, and international wireless carriers. Outsourcing trends, network investment trends, and wireless market growth are all combining to serve as catalysts for the continued growth in demand for our services. In addition, in our enterprise network services division we were successful in winning two relatively large telecommunications outsourcing and security systems integration procurements that will serve as important reference accounts as we continue to execute on our enterprise strategy. And just last week, we received word from a government customer that we have been awarded a sizeable classified contract with the federal government which should contribute meaningfully to growth in our government network services division this year."

104. On that same day, April 27, 2004, the Company held a conference call with securities analysts. During that call, defendant DeMarco touted the first quarter results and the prospects for the future. Specifically, he stated:

Looking out to the remainder of 2004, we believe that the market for WNS services will continue to remain solid, as all of the factors contributing to strong first-quarter results, the outsourcing trends, network management and network investment trends, and wireless market growth, are all likely to continue.

105. On May 10, 2004, Wireless filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant DeMarco, and reaffirmed the historical financial results for first fiscal quarter of 2004.

106. The statements contained in ¶¶103-105 were materially false and misleading when made because they concealed the following: (i) that the Company had materially under reported its burgeoning foreign tax burden; (ii) that the Company failed to record material adjustments related to period cut-off errors, reclassifications, reconciling differences that impacted asset and liability carrying values and the timing of revenue recognition; (iii) that the Company made numerous and material accounting errors as detailed in ¶¶115-171; (iv) that the Company lacked adequate internal controls and was, therefore, unable to ascertain the true financial condition of the Company; and (v) that as a result of the above, the Company's financial results were materially inflated at all relevant times.
On August 4, 2004, Wireless reported results for the second quarter of 2004. In addition, the Company announced that it intended to restate its financial statements filed on Form 10-K for the years 2001 through 2003 to accrue for certain foreign tax contingencies. More specifically, the Company, in its press release, stated:

The restatement is the result of an extensive analysis by the Company that identified adjustments, which are required to properly state prior period financial statements. The restatement will not affect the Company’s reported current year operating results.

Revenues for the second quarter of fiscal 2004 increased 84% to $102.3 million from $55.5 million in the second quarter of fiscal 2003. Increased revenues in the second quarter were the result of significant increases in the Company’s international operations as well as increases in activity with Western Wireless, T-Mobile, and Sprint in the US. In addition, the acquisition that created the government network services division in the first quarter of 2004 also contributed to second quarter year over year revenue growth.

Operating income for the second quarter of 2004 was $8.9 million. Adjusted net income from continuing operations, excluding the impact of an investment asset impairment charge of $3.1 million, was $7.3 million and adjusted EPS from continuing operations was $.10 (diluted). Net income from continuing operations including the impact of the asset impairment charge was $4.2 million or $.06 per share (diluted). Net income including the impact of both the asset impairment charge and the discontinued operations charge of $2.5 million was $1.7 million or $.02 per share (diluted).

During the second quarter of 2004, the Company made the decision to divest its Scandinavian network management business. This resulted in a one time discontinued operations charge of approximately $2.5 million primarily related to contractually mandated employee severance costs that were incurred to prepare the unit for sale. All prior period results from the Scandinavian operation will be reclassified to conform to the current year presentation as a discontinued operation. The investment asset impairment charge of $3.1 million relates to a 2001 investment in a privately-held technology company that was accounted for under the cost method. Based upon recent developments, the Company determined that it is unlikely to recover the carrying value of the investment.

The restatement of prior year financial statements is the result of the Company’s recent analysis of contingent tax liabilities primarily in foreign jurisdictions. These tax contingencies were generated in prior years and require adjustments to properly state prior year financial statements. The preliminary estimate of the impact of the adjustments is between approximately 3-8% of net income or loss for any given year from 2000 to 2003 for an aggregate increase of expenses of $10 million to $12 million. In addition, the Company intends to consider recording other adjustments related to various financial statement accounts that were identified in prior years but not recorded at the time based on the judgment that such amounts were immaterial. Since the restatement will change the opening balances of certain balance sheet accounts for 2004 and the restatement process is not yet complete, the Company is currently unable to present prior year comparative data. Accordingly, the Company intends to delay the filing of its Form 10-Q for the period
ending June 30, 2004 until the amended Form 10-K/A for 2003 is filed. The Company expects to make such filings within two months. All other normal closing procedures have been completed for the quarter ended June 30, 2004. The adjustments referred to in this announcement are preliminary estimates and the Company expects to report final results when it files its Form 10-K/A. A detailed description of the restatement and other adjustments and amounts will be contained in the Form 10-K/A.

“In the second quarter, we continued to benefit from subscriber, minutes of use, and data growth in the wireless industry, combined with the continuing trend on the part of the major carriers to outsource their design, deployment, and technology upgrade activities. With our focus on diversifying our U.S. customer base and capturing significant new international business in both Europe and Latin America, we were able to grow our wireless network services business by 65% year over year. In addition, as we indicated we would do last quarter, we were able to make substantial improvements in our operating margin,” said Eric M. DeMarco, President and CEO of WFI.

Looking out to the remainder of 2004 and into 2005, we believe that the market for our services will continue to remain firm as the primary factors contributing to strong second quarter results - outsourcing and network investment trends by the carriers - are likely to continue. In addition, our business in our two other vertical markets, enterprise and government, also remains fundamentally sound. Specifically related to our outlook for the balance of 2004, while our revenue guidance remains within the range previously provided, a slightly different geographic mix of revenues combined with substantially higher than expected accounting and consulting costs related to compliance with the Sarbanes-Oxley legislation adopted by Congress last year, has caused our adjusted earnings guidance to be lower than previously anticipated. Fortunately, the bulk of the nearly $2 million we expect to spend in compliance costs in 2004 will not be recurring in 2005.

108. News of the restatement shocked the market. Shares of Wireless fell as much as 30%, and reached at one point on August 5, 2004 their 52 week low of $4.61 per share on unusually heavy trading volume.

109. Analysts were quick to react to news of the restatement. On August 4, 2004, Thomas Weisel Partners suspended their rating on Wireless pending the restatement. The next day, August 5, 2004, First Albany Capital reduced their rating on Wireless from Strong Buy to Neutral and reduced the price target to $7 from $18 per share.

110. On August 16, 2004, the Company received a letter from the Nasdaq staff indicating that the Company had failed to file its Form 10-Q for the second quarter of 2004 and, therefore, was not in compliance with the filing requirements for continued listing on Nasdaq. The Company appealed the delisting notification. That same day, the Company issued a press release stating that the restatement should be completed by September 3, 2004.
111. Contrary to the Company’s assertion, the restatement was not completed on September 3, 2004. On September 13, 2004, the Company issued a press release notifying investors that the restatement was taking longer than anticipated.

112. Finally, on September 20, 2004, the Company issued a restatement of its financial statements for the years 2000-2003. The magnitude of the restatement shocked the investment community. Rather than the $10-$12 million restatement which the Company previously estimated on August 4, 2004 regarding its failure to accrue for a contingent foreign tax liability, the restatement included not only approximately $11 million for the foreign tax contingency, but also over $30 million additional due to asset impairment charges, additional employee option expenses and expense reclassification. Furthermore, management indicated that it would record an additional $10-$14 million charge in the third quarter 2004, related to the remaining purchase consideration of previous acquisitions in its enterprise business. The combination of the restated losses and the anticipated third quarter 2004 charge wiped out every penny of profit recorded by Wireless during the prior four reporting years.

113. In an analyst report issued by Punk Ziegel & Co. on September 21, 2004, Seth Potter emphasized that the size of the restatement was “significantly larger than our expectations,” and that the restated losses and third quarter 2004 charge would “wipe out the profit recorded by WFIIE during the past four years”:

[T]he size of the restatement for the years 2000 to 2003 was significantly larger than our expectations ($42.9 million versus our expectation of $10-$12 million). Furthermore, management indicated that it would record an additional $10-$14 million charge in 3Q04 related to the remaining purchase consideration of previous acquisitions in its enterprise business while the disclosure of additional investments increases our concern regarding management’s focus on its core business.

- The restatement from 2000 to 2003 totaled $42.9 million consisting of approximately $11 million related to the foreign tax contingency with the remainder due to the combination of asset impairment charges, additional employee option expenses and expense reclassification.

- The combination of the restated losses and anticipated 3Q04 charge will wipe out the profit recorded by WFIIE during the past four years.

- We believe that the Company could incur at minimum an additional $1.0 million in legal expenses ... during the next year related to the current class action lawsuits filed.
114. On November 4, 2004, Wireless released its results for the third quarter ended September 30, 2004. Wireless again shocked the market by disclosing that the third quarter 2004 charge that it previously estimated to be $10-$14 million on September 20, 2004 would actually be $23.7 million. Approximately $12.4 million was related to future earnout considerations likely to be paid over the next two years for companies in their enterprise division which was acquired in 2003. The balance was associated with the costs associated with the restatement totaling approximately $1.5 million, as well as just under $10 million in charges identified as a result of improvements in their contract administration and program management processes.

DEFENDANTS’ ACCOUNTING FRAUD

115. As referenced above, defendants caused Wireless to falsely state the Company’s earnings, and to violate GAAP and SEC rules by overstating Wireless’ assets and revenues, understating operating expenses and overstating net income. In addition, contrary to representations and certifications, Wireless had grossly deficient internal and financial controls. Their internal control deficiencies made the following accounting manipulations possible:

(a) failure to properly accrue the Company’s foreign tax contingencies and its domestic sales and use tax contingencies;
(b) improper recognition of revenue due to improperly measuring the progress on contracts accounted for under the percentage of completion method of accounting;
(c) improper revenue recognition due to the recognition of revenue when collectibility was not probable;
(d) failure to timely record an impairment charge for an investment in an unconsolidated affiliate;
(e) failure to properly account for stock options granted to former employees upon termination of their employment;
(f) improper revenue recognition under the percentage of completion method;
(g) failure to properly amortize an intangible asset due to improper classification of it as goodwill;
(h) failure to timely record an impairment charge for goodwill associated with its 
purchase of a minority interest from a related party in a majority owned subsidiary; and 

(i) improper classification of compensation expense as goodwill.

116. Wireless has admitted to the above manipulations which misstated Wireless’ financial 
information for 2000-2003 by the following amounts:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue as Originally Reported Adjustment</td>
<td>n/a</td>
<td>(9.8)</td>
<td>5.1</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Revenue as Restated</td>
<td>n/a</td>
<td>197.4</td>
<td>192.1</td>
<td>261.0</td>
</tr>
<tr>
<td>Net Income as Originally Reported Adjustment</td>
<td>(9.3)</td>
<td>(9.7)</td>
<td>(9.9)</td>
<td>(14.0)</td>
</tr>
<tr>
<td>Net Income as Restated</td>
<td>22.5</td>
<td>(69.8)</td>
<td>(73.8)</td>
<td>9.5</td>
</tr>
<tr>
<td>(Decrease in % of Net Income)/Increase in % of Net Loss</td>
<td>(29.2%)</td>
<td>16.1%</td>
<td>15.5%</td>
<td>(59.6%)</td>
</tr>
</tbody>
</table>

117. In fact, Wireless has admitted to issuing false financial statements for four out of the 
first five years it has been a public company. In total, Wireless’ GAAP violations artificially inflated 
its income for 2000-2003 by $42.9 million. The restatement wiped out every penny of profit 
Wireless ever made turning its total loss in net income for 2000-2003 from a $68.7 million loss to a 
$111.6 million loss. A breakdown of Wireless’ accounting manipulations is provided below:

<table>
<thead>
<tr>
<th>Correcting Entries (millions of $)</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign tax contingencies</td>
<td>(4.3)</td>
<td>(2.8)</td>
<td>(5.0)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Domestic sales and use tax contingencies</td>
<td>n/a</td>
<td>(0.7)</td>
<td>(0.3)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Prior year unrecorded adjustments</td>
<td>--</td>
<td>(3.7)</td>
<td>3.7</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

2 The restatement also involved the 2000 financial statements and resulted in 2000 net income 
being inflated by $9.3 million. However, Wireless was only required to restate its financial 
statements for three years under the applicable accounting guidance. Accordingly, Wireless has not 
provided a break down of the $9.3 million from 2000. Therefore, the amounts shown on the charts 
are approximations based upon the information provided by Wireless in its restatement.
Cost misclassifications and duplicate billings on a particular contract | -- | -- | (0.1) | (1.4)
Reclassification of bad debt write-off and allowances to revenues | -- | -- | -- | --
Impairment of cost method investment | -- | (4.1) | -- | --
Stock-based compensation expense | -- | (0.1) | -- | --
Adjust measurement of progress toward completion | (5.0) | (1.7) | 7.9 | (1.2)
Reclassification of purchased intangibles & related amortization expense | -- | -- | -- | (0.8)
Impairment of Goodwill | -- | -- | (16.1) | --
Record contingent earn-out as compensation expense | -- | -- | -- | (2.9)

118. Wireless included its false financial statements and results in press releases and in its SEC filings. The SEC filings represented that the financial information presented therein was a fair statement of Wireless' financial results and that the results were prepared in accordance with GAAP.

119. These representations were false and misleading as to the financial information reported, as such financial information was not prepared in conformity with GAAP, nor was the financial information a "fair representation" of Wireless' financial condition and operations, causing the financial results to be presented in violation of GAAP and SEC rules.

120. Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and

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3 In addition to the many accounting violations that Wireless has admitted to in its restatement, Wireless also admitted that it restated its financial statements to correct errors that the Company had identified earlier but failed to correct as they deemed them to be immaterial at the time. These adjustments related to a variety of topics including period cut-off errors, reclassifications and reconciling differences that impacted asset and liability carrying values, and the timing of revenue recognition. Due to these other items, Wireless over recognized income in 2001 and 2003 by $3.7 million and $0.5 million, respectively, and under recognized income in 2002 by $3.7 million.

4 Although this accounting manipulation did not involve a charge to bottom line net income it did result in an overstatement of revenue as Wireless improperly classified certain items as expenses rather than a reduction in revenue.
inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure that would be duplicative of disclosures accompanying annual financial statements.

Failure to Properly Accrue Foreign Tax Contingencies and Domestic Sales and Use Tax Contingencies

121. During the Class Period, Wireless failed to properly accrue its foreign tax contingencies and its domestic sales and use tax contingencies. Pursuant to GAAP, as set forth in SFAS No. 109, which describes the accounting for income taxes, current tax liability should be recognized for estimated federal, foreign, state and local income taxes payable for the current year, adjusted for temporary differences.

122. In the second quarter of 2000, Wireless hired a tax manager to engage in tax restructuring of one of its foreign entities. This restructuring of its foreign entity reduced its effective tax rate from 40% to 37%, thereby improperly boosting the Company's earnings. Wireless falsely claimed that its lower tax rate was attributable to an increase in its foreign sales and benefits due to its international tax planning.

123. In fact, during the Class Period, Wireless improperly failed to record foreign tax contingencies and domestic sales and use tax contingencies. Wireless has now admitted that during the Class Period it failed to properly accrue for its tax liabilities due to the structuring of one of its foreign entities. In a conference call with analysts on August 4, 2004, DeMarco, the current President and CEO, admitted:

[A] detailed review of our foreign operations indicated that in prior years the Company had not properly accrued for certain potential tax liabilities that could result from the manner in which a foreign entity was structured. Related to this, approximately $400,000 of expense was recorded in the second quarter for the current year amounts incurred, and [] our prior year financial statements will be restated to reflect the accrual for the amounts incurred and those respective prior periods. [] Additionally, we are in the process of changing our legal structure in certain of our foreign entities and expect this process to be completed this quarter. We expect the net result of this structure change going forward to be an additional cost of approximately $200,000 per quarter to the Company.

Furthermore, the Company's Amended Form 10-K filed on September 20, 2004 stated in part:

The primary reason for the restatement was a recent determination that the Company's balance sheet did not properly reflect certain accruals which pertain
124. Again on September 20, 2004, DeMarco, the current President and CEO, admitted in a conference call with analysts:

Last month when we announced second-quarter results we indicated that as part of a detailed review of our foreign operations we learned that in prior years the Company had not properly accrued for certain potential tax liabilities that could result from the manner in which one of our foreign entities was structured. As a result, we were required to restate our financial statements for the years 2001 to 2003, primarily to reflect these foreign tax contingencies, and to a lesser extent certain domestic sales and use tax contingencies.

125. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless overstated income in 2000-2003 by a total of $14.7 million – $4.3 million in 2000, $3.5 million in 2001, $5.3 million in 2002 and $1.6 million in 2003 due to this GAAP violation.

Improper Measurement of Progress Under the Percentage of Completion Method of Accounting

126. During the Class Period, Wireless improperly recorded revenue in connection with two contracts – one a fixed price contract and one a time and materials contract – for the same customer due to improper measurement of progress on the contract.

127. One method of recognizing revenue under a long-term contract under GAAP is the percentage of completion method of accounting, as set forth in American Institute of Certified Public Accountants (“AICPA”) Statement of Position 81-1 (“SOP 81-1”), entitled Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Under this method, revenue from a contract is recognized as a contract progresses based on the ratio of total costs incurred to date compared to estimated total costs to complete the contract. Wireless uses this method for its fixed price contracts.

128. Done properly, percentage of completion accounting records revenue as it is earned, which is a fundamental requirement under GAAP. In a contract involving multiple deliveries or elements, as set forth in SEC Staff Accounting Bulletin (“SAB”) 101, entitled Revenue Recognition in Financial Statements, as revised by SAB 104, revenue is recognized when it is realized or realizable and earned. Revenue is recognized when services are rendered at contracted labor rates,
when materials are delivered and when other direct costs are incurred. Wireless uses this method for its time and materials contracts.

129. Here, Wireless admitted it improperly classified certain items as costs incurred in connection with these two contracts, and double-billed a customer for separate contracts, thus incorrectly determining the amount of revenue recognized under these two contracts.

130. Wireless has now admitted that during the Class Period it improperly calculated revenue under two of its contracts. The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

* A correction was necessary to adjust improper cost classifications between two particular contracts for the same customer that changed the percentage of completion computation on a fixed price contract and the cost incurred on a time and expense contract, all of which required the Company to record revenue and profit reductions in 2003. Additionally, duplicate billing errors were corrected on this contract at the end of 2002 and 2003.

131. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless overstated assets and income in 2002-2003 by a total of $1.5 million – $100,000 in 2002 and $1.4 million in 2003 due to this GAAP violation.

**Improper Use of Percentage of Completion Method of Accounting**

132. Wireless improperly recorded revenue under the percentage of completion method of accounting even though it did not have adequate support for estimates, which is a prerequisite for using the percentage of completion method.

133. GAAP, as set forth in SOP 81-1, states that the percentage of completion method of accounting may only be used when an entity is able to make reasonably dependable estimates as to total revenues, total costs and the extent of progress toward completion. SOP 81-1.23. Where an entity cannot make reasonable estimates it should use the completed contract method of accounting, where income is recorded once the contract has been completed. SOP 81-1.25 states in part:

* An entity using the percentage-of-completion method as its basic accounting policy should use the completed-contract method for a single contract or a group of contracts for which reasonably dependable estimates cannot be made or for which inherent hazards make estimates doubtful. Such a departure from the basis policy should be disclosed.
134. Wireless has now admitted that during the Class Period it did not have the ability to make reasonable estimates of the components for which it recognized revenue under the percentage of completion method, such that it should have used the completed contract method. The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

   A correction was necessary to adjust revenue recognition on a particular fixed price contract in which the measurement of progress toward completion had insufficient documentation or objective evidence in the prior years to support the estimated percentage of completion related to units of work performed as of December 31, 2000. The application of the unsupported percentage to the contract value resulted in the over recognition of revenue in 2000, 2001 and 2003 and the under recognition of revenue in 2002. The correction was made to record the revenue earned on this contract based upon the units of delivery method which represents the measurement of progress toward completion using actual results.

135. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless overstated income from this contract in 2000, 2001 and 2003 by approximately $5.0 million, $1.7 million and $1.2 million, respectively, and under recognized its 2002 income by $7.9 million due to this GAAP violation.5

136. During the Class Period, Wireless recorded revenue related to several customers where collectibility was not probable. GAAP, as described by Financial Accounting Standards Board ("FASB") Statement of Concepts ("FASCON") No. 5, requires that revenue be both earned and realizable (collectible) prior to recognition. See FASCON No. 5, ¶¶83-84.

137. During the Class Period, Wireless improperly recorded revenue when collectibility was not probable. Rather than reducing revenue up front, Wireless instead inappropriately recognized revenue related to these uncollectible amounts and recorded the uncollectible amounts as bad debt expense. This served to overstate Wireless’ revenue during the Class Period.


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5 Due to the early improper recognition of income under this contract in 2000 and 2001, Wireless was unable to recognize the correct amount of its 2002 revenue in its 2002 financial statements as originally prepared given it had already over recognized income in the early years.
related to these customers, despite the fact that they were either in bankruptcy and/or facing serious
financial and operating problems and collectibility was not probable at the time.

139. Wireless has now admitted that during the Class Period it improperly reported bad
debts as an expense rather than as a reduction in revenue. The Company’s Amended Form 10-K
filed on September 20, 2004 stated in part:

A correction was necessary to recognize adjustments to properly record the
write-off or establishment of allowances of accounts receivable balances as a
reduction to revenue rather than an increase to bad debt expense. Accordingly, any
subsequent reductions to these previously established allowances were adjusted as an
increase to revenue rather than as a reduction to bad debt expense.

140. Wireless has restated its 2000-2003 financial statements due to this GAAP violation.
Wireless overstated revenue in 2000 and 2002 by $4.1 million and $9.1 million, respectively, and
understated revenue in 2003 by $3.9 million due to this GAAP violation.6

Failure to Record Impairment of Investment

141. Wireless improperly failed to timely take an impairment charge on an investment it
had in an unconsolidated affiliate. Under the cost method of accounting for an investment in an
unconsolidated affiliate, a company records an investment in the stock of an investee at cost and
thereafter recognizes as income dividends received from the investee. When the investee suffers a
series of operating losses, or other factors indicate a decline in the value of the investment has
occurred which is other than temporary, a company should recognize an impairment charge. APB
No. 18, ¶6(a).

142. On July 21, 2000, Wireless acquired 1.2 million shares of Class B convertible
preferred stock in CommVerge for $5 million. A variety of factors, including the capital raised by
CommVerge in a financing transaction in January of 2002 prior to the issuance of Wireless’ 2001
Form 10-K, indicated that a substantial portion of Wireless’ investment in CommVerge was other
than temporarily impaired. Indeed, evidence indicated that over 82% of Wireless’ investment in

6 During 2003, Wireless was able to bill and collect on amounts owed from certain of these
customers and, hence, in its restatement Wireless revenue increased for 2003. Nonetheless, Wireless
was required to wait until collectibility was probable in 2003 before recognizing revenue associated
with these customers.
CommVerge was impaired by year end 2001. Despite its investment in CommVerge being impaired, Wireless failed to timely take a write-down as required by GAAP.

143. Furthermore, in Wireless' Form 10-K filed on March 8, 2003, the Company made the following representation about its investment in CommVerge:

On at least a quarterly basis, the Company obtains and reviews the financial statements and most recent forecasts of CommVerge Solutions, Inc. Based on that review and inquiries with CommVerge's management, the Company determines whether there has been other than a "temporary" impairment of its investment. Based on the periodic evaluations, the Company has concluded that the carrying value of its investment in CommVerge Solutions, Inc. has not been impaired.

144. Wireless has now admitted that during the Class Period it should have taken an impairment charge regarding its investment in CommVerge. The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

A correction was necessary to recognize an other than temporary impairment of the carrying value of an investment in a privately-held wireless network planning and deployment company. The impairment was based upon a variety of factors including the capital raised in the investee’s financing transaction in a year subsequent to the Company’s investment, which indicated that the value of the Company’s investment had significantly declined and should have been recorded as an impairment at the time of that financing.

145. In a conference call with analysts held on September 20, 2004, DeMarco, the current President and CEO, admitted:

[Related to 2001, the Company recorded an impairment of 4.1 million or approximately 75 percent of the carrying value of its investment in a privately held wireless network planning and deployment company. The impairment was based upon various factors, most importantly of which was the investee’s financing transaction in a year subsequent to WFI’s investment.

The subsequent valuation at which capital was raised indicated that WFI’s carrying value of its investment had significantly declined, and there should have been an impairment recorded at the time of that financing. Again, as with the impairment charge of goodwill discussed previously, for the purposes of these restatements the proper test is not to look at the business as it stands today, but to look at the information that was available to the Company in 2001. And this analysis showed that an impairment charge in ‘01 was appropriate.

146. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Due to the failure to record impairment as required by GAAP, Wireless overstated recognized assets and income in 2001 by $4.1 million due to this GAAP violation.
Failure to Record Stock-Based Compensation Expense

147. Wireless failed to properly account for its stock-based compensation related to stock options that had previously been granted to employees who thereafter terminated their employment with Wireless. Wireless accounts for its stock option plans using the intrinsic value-based method. Under the intrinsic value method, as prescribed by APB No. 25 and related interpretations including FASB Interpretation ("FIN") No. 44, compensation expense is measured at the date of grant only if the then-current market price of the underlying stock exceeds the amount the employee is required to pay (i.e. the exercise price of the option). Compensation expense is recorded on a straight-line basis over the applicable vesting period. APB No. 25, ¶¶10-15. APB No. 25 applies only to stock-based compensation plans to employees. FIN No. 44, ¶¶2-5.

148. A modification to the terms of a fixed stock option or award may result in an accounting consequence if the modification provides for a change in one of the following terms: (i) the life of the award; (ii) the exercise or purchase price of the award; or (iii) the number of shares the employee is entitled to receive. Under the intrinsic value method, if the modification renews a fixed award or extends the award’s life, then the compensation expense is remeasured at the date of the modification. Any intrinsic value at the modification date in excess of the compensation expense at the original grant date is recognized as income either on a straight-line basis over the remaining future service period if the award is unvested or immediately if the award is vested. FIN No. 44, ¶¶30-37.

149. Under EITF 00-23, if a former employee is no longer providing any substantive services to the company following his or her termination but in connection with that termination the employee’s outstanding awards are modified to provide for their continuation, then the awards should continue to be accounted for under APB No. 25 and the modification should be accounted for under FIN No. 44. EITF ¶¶67-68. Under the intrinsic value method, the compensation cost is remeasured at the modification date and is recognized in full at the change in status because no remaining services are required by the employee (i.e. the award is substantively vested).
150. Here, Wireless failed to properly account for its stock awards granted to its former employees at the date of their separation as Wireless failed to remeasure the awards and take the related compensation expense into income during the appropriate period as required by GAAP.

151. Wireless has now admitted that during the Class Period it improperly failed to record compensation expense related to stock options granted to former employees. The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

A correction was necessary to recognize compensation expense related to the stock options granted to certain employees that had a change in employment status. This change resulted in a modification to existing stock option grants and remeasurement of stock-based compensation expense using the intrinsic value method. The adjustment is reflected as an increase to SG&A expense.

152. In a conference call with analysts held on September 20, 2004, DeMarco, the current President and CEO, admitted:

[I]n 2003, the Company recorded compensation expense of $5.6 million related to the stock options that had been granted to certain employees who had a change in employment status during that year. What this means is that we had a few employees who left the Company in 2003 who were allowed to keep their options as part of their separation agreement. The accounting rules that cover this circumstance require that a remeasurement of the value of the stock option be made since we allowed the options to remain outstanding. A onetime, non-cash stock compensation expense should have been recorded at that time to reflect the value of these options, and as a result the restated numbers include this non-cash expense.

153. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless under recognized its selling, general and administrative expense in 2000, and 2003 by approximately $0.1 million and $5.6 million, respectively, due to this GAAP violation.7

Improper Classification of Purchased Intangibles and Related Amortization Expense

154. Wireless overstated its income throughout the Class Period by improperly classifying intangible assets as goodwill in order to avoid taking amortization charges as required by GAAP. GAAP, as set forth in SFAS No. 141, governs the accounting in a business combination such as an

7 One of the former employees was an unidentified brother of defendant Masood Tayebi, who changed his employment status in August of 2003 from employee to consultant. The change in the status of his employment resulted in the modification of the terms of the stock options that had previously been granted to him. The remeasurement of the stock options associated with this brother’s change in employment status resulted in a $3.8 million charge.
acquisition. In allocating a purchase price, a company first assigns values to tangible and intangible assets and assumed liabilities. The excess amount of the cost over the amounts allocated to the assets acquired and liabilities assumed is assigned to goodwill. SFAS No. 141, ¶¶35-43. An intangible asset should be recognized apart from goodwill if it arises from contractual or other legal rights or is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged. SFAS No. 141, ¶39.

155. During 2003, Wireless acquired three privately held companies. In its 2003 Form 10-K, the Company made the following representation about its allocation of the purchase price associated with these acquisitions:

The excess purchase price paid over the fair value of tangible and identifiable intangible net assets acquired was recorded as goodwill and other identifiable finite-life intangible assets.

156. Wireless has now admitted that during the Class Period it improperly classified assets as goodwill instead of intangible assets and as a result failed to record amortization charges. The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

A correction was necessary to recognize the value of purchased identifiable intangible assets in the acquisitions that were made in 2003. Accordingly, the Company has made a reclassification from goodwill to other intangible assets for the value of these purchased intangibles. In addition, the Company has recorded the amortization expense related to these intangible assets as an increase to operating expense.

157. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless understated expense by $800,000 for 2003 due to this GAAP violation.

Failure to Record Impairment of Goodwill

158. Wireless overstated its assets and income throughout the Class Period by failing to timely record a charge for impairment of goodwill as required by GAAP.

159. GAAP, as set forth in SFAS No. 142, requires a company to review its goodwill and intangible assets to determine if the assets are impaired. SFAS No. 142, ¶¶18-29. Goodwill should

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8 Intangible assets are required to be amortized, resulting in a quarterly charge against earnings, whereas goodwill is not amortized.
be tested annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. SFAS No. 142, ¶¶26-28. According to SFAS No. 142, ¶28:

Goodwill of a reporting unit shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

a. A significant adverse change in legal factors or in the business climate
b. An adverse action or assessment by a regulator
c. Unanticipated competition
d. A loss of key personnel
e. A more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of
f. The testing for recoverability under Statement 144 of a significant asset group within a reporting unit
g. Recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

160. In 1998, Wireless created a Mexican Subsidiary (WFIM) in which it retained an 88% ownership interest. The remaining 12% was held by the following individuals: defendant Masood Tayebi (co-founder, Chairman, President and CEO of Wireless), defendant Massih Tayebi (co-founder and former officer and director of Wireless) and Jay Tayebi (General Manager of WFIM).10 Masood, Massih and Jalil are brothers.

161. At the creation of WFIM, the subsidiary purchased all the assets of Cable and Wireless Services, a Mexican wireless communications company, for $75,000. Further at the creation of the Mexican Subsidiary, Jay Tayebi was granted the right to exchange his 6% interest in

SFAS No. 142 was a new accounting standard for reporting and evaluating goodwill, effective in 2002. Prior to SFAS No. 142, such accounting was largely governed by SFAS No. 121. Under both SFAS No. 142 and 121, a company is required to review its goodwill and determine if its assets are impaired on an annual basis or more frequently if circumstances dictate. SFAS No. 142, ¶¶26-28 and SFAS No. 121, ¶¶5-6. One of the main differences between the two standards is that under the new standard, goodwill is not amortized, while it was amortized under the previous guidance. SFAS No. 142, ¶18 and SFAS No. 121, ¶2.

Jay Tayebi continued to serve as General Manager for WFIM during the Class Period deriving a salary from WFIM.
WFIM for 430,000 shares of Wireless pursuant to a Restricted Stock Agreements. The Agreement required Wireless to repurchase and transfer the shares upon the occurrence of certain events.

162. On January 21, 2000, Wireless acquired all but 2.5% of the minority ownership interest in WFIM. Pursuant to the terms of the Restricted Stock Agreement, Jay Tayebi’s election was exercised, forcing Wireless to purchase Jay Tayebi’s 6% interest for $18.2 million through the issuance of 430,000 shares of its common stock. Of the $18.2 million purchase price, $17.9 million or 98% of the total purchase price was allocated to goodwill. The remaining $0.3 million or 2% was charged to reduce Jay Tayebi’s minority interest in WFIM as held on Wireless balance sheet. The $17.9 million of goodwill was originally amortized over a period of 20 years. Accordingly, as of December 31, 2001, the balance of the goodwill from this acquisition was $16.1 million.

163. Wireless failed to take any write-down for its impaired goodwill associated with WFIM during the Class Period. Indeed in its 2002 Form 10-K, Wireless made the following representation concerning its goodwill associated with WFIM:

The remaining net book value of goodwill was $16.1 million as of December 31, 2001 and 2002. This goodwill was subjected to evaluation for impairment under the transitional and annual provisions of SFAS No. 142 effective January 1, 2002. Based on such evaluation and related analysis, the Company determined that no impairment existed during the transitional and annual impairment tests. Furthermore, there existed no triggering events as of December 31, 2002, indicating impairment.

164. Wireless has now admitted that the goodwill associated with WFIM was impaired at least as early as January 1, 2002 and took a $16.1 million charge to write down 100% of the goodwill associated with WFIM in 2002.11 The Company’s Amended Form 10-K filed on September 20, 2004 stated in part:

Given that SFAS No. 121 – the predecessor to SFAS No. 142 – also required a company to write-down its impaired goodwill, Wireless should have taken a charge for the goodwill associated with WFIM at the time of the acquisition itself in January of 2000. The acquisition of the 6% interest in WFIM was a transaction designed solely to enrich an insider and did not provide the Company with a substantial benefit to justify the value of the transaction. WFIM was created in 1998 with Wireless taking an 88% interest in the subsidiary which held approximately $75,000 of assets. Two years later, Wireless purchased approximately 6% of WFIM’s stock from a related party for $18.2 million. Moreover, at the time of this acquisition, Wireless purchased Jay Tayebi’s 6% minority interest in WFIM at more than 60 times his current interest in the subsidiary. An asset by definition is an item that will likely provide a company with a future economic benefit as a result of past transactions or events (i.e. an item of economic value). FASCON No. 6, ¶¶25-31.
A correction was necessary to record an impairment charge as of January 1, 2002 of the carrying value of the goodwill of a reporting unit in the design and deployment segment [WFIM] in accordance with the transition rules pertaining to the adoption of SFAS No. 142. This charge was identified as a result of the Company's review of its original impairment analysis prepared in 2002 in accordance with SFAS No. 142, for which erroneous assumptions and calculation errors were discovered.

165. In Wireless' conference call held on September 20, 2004, DeMarco, the current President and CEO, further admitted:

In 2002, we also recorded an impairment charge of $16.1 million with a carrying value of the goodwill of a reporting unit within our design and deployment segment, which is now our wireless network services segment. This charge was required as a result of our review of the original impairment analysis prepared in 2002 for which a calculation error was discovered. When this error in the valuation analysis was corrected the impairment test resulted in a required non-cash asset impairment charge. While this reporting unit today is performing strongly, the impairment test must be conducted using the forecasts and related information that existed in 2002, and that information indicated that the asset's carrying value at that time was not realizable.

166. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless overstated assets and understated expenses by failing to take an impairment charge for its goodwill by at least as early as 2002. In its restatement, Wireless took a charge of $16.1 million, writing off 100% of the remaining balance of the goodwill associated with the 2000 acquisition of WFIM. This single GAAP violation by itself caused Wireless' net loss of $63.9 million for 2002 to be understated by over 25%.

Failure to Record Contingent Earn-Out as Compensation Expense

167. Wireless overstated its assets and income throughout the Class Period by improperly recording earnout consideration in a business combination as goodwill instead of treating it as compensation expense as required by GAAP. GAAP, as set forth in SFAS No. 141, states that in a business combination:

If the substance of the agreement for contingent consideration is to provide compensation for services or use of property or profit sharing, the additional consideration given shall be recognized as an expense of the appropriate periods.

SFAS No. 141, ¶34.

Nonetheless, this excessive payment to Jay Tayebi to acquire another 6% interest in a majority owned subsidiary will not provide Wireless with any future economic benefit.
168. If a portion of the consideration is contingent on continuous employment, then it must be classified as compensation expense rather than as an adjustment to purchase price via the recording of goodwill. SFAS No. 141, ¶34 and EITF 95-8, ¶¶1-3. Here, in 2003, Wireless made two acquisitions within its Enterprise Network Solutions segment. In each of these acquisitions, there was an earnout agreement with the selling shareholders. As a result of continued employment provisions in the agreements, a portion of the earnout consideration required the selling shareholder to remain as an employee as a condition to receiving the payments. Nevertheless, Wireless improperly categorized the entire earnout consideration as goodwill and classified it as an asset instead of treating the portion related to the continued employment as compensation expense.

169. Wireless has now admitted that during the Class Period it improperly classified compensation expense as goodwill (an asset) in a business combination. Wireless' Amended Form 10-K filed on September 20, 2004 stated in part:

A correction was necessary to properly reflect certain earn-out consideration amounts for its acquisitions made in 2003 within its Enterprise Network Solutions segment. The adjustments resulted in a reduction to purchase consideration, or goodwill, and increases to expense. These adjustments were a result of certain clauses that required continuous employment as a condition of receiving earn-out consideration.

170. In Wireless' conference call held on September 20, 2004, DeMarco, the current President and CEO, further admitted:

[I]n 2003, the Company adjusted the classification of earnout consideration of 2.9 million for acquisitions made in '03 within its enterprise network solutions business. These adjustments reduce goodwill and increase expense. These adjustments were a result of clauses within the purchase agreements of two of the ENS acquisitions that require certain selling shareholders to remain as employees as a condition of receiving the earnout payments. The accounting standards that cover these circumstances require that such payments be categorized as expense and not as an asset as previously reflected in the financial statements.

The Company’s intent at the time the agreements were drafted was to treat subsequent payments, if earned, as additional purchase price consideration, not as compensation expense. However, the portion of future payments that is contingent on continuous employment must be appropriately classified as an expense.

171. Wireless has restated its 2000-2003 financial statements due to this GAAP violation. Wireless overstated assets and understated expense by $2.9 million for 2003 due to this GAAP violation.
Wireless' Restatement Is an Admission of Falsity

172. As detailed above, the fact that Wireless revised and restated downward its revenues and net income is an admission that the financial statements originally issued were false and that the misstatements were material.

173. Pursuant to GAAP, as set forth in APB No. 20, the type of restatements and revisions announced by Wireless were to correct for material errors in previously issued financial statements. APB No. 20, ¶7-13. The restatement of past financial statements is a disfavored method of recognizing an accounting change as it dilutes confidence by investors in the financial statements, it makes it difficult to compare financial statements and it is often difficult, if not impossible, to generate the numbers when restatement occurs. APB No. 20, ¶14. Thus, GAAP provides that financial statements should only be restated in limited circumstances, i.e., when there is a change in the reporting entity, there is a change in accounting principles used or to correct an error in previously issued financial statements. Wireless' restatements and revisions were not due to a change in reporting entity or a change in accounting principle, but rather to errors in previously issued financial statements. Thus, the restatements and revisions were an admission by Wireless that its previously issued financial results and its public statements regarding those results were false and misleading.

Wireless' Financial Statements Violated Fundamental Concepts of GAAP

174. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including violation of the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions (FASCON No. 1, ¶34);
(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources (FASCON No. 1, ¶40); 

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50); 

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASCON No. 1, ¶42); 

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent. That information should be reliable as well as relevant, is a notion that is central to accounting (FASCON No. 2, ¶¶58-59); 

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions (FASCON No. 2, ¶79); and 

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASCON No. 2, ¶¶95, 97).

175. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities
analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

**Wireless’ Violations of SEC Regulations Due to Its Inadequate Internal Controls**

176. Section 13(b)(2) of the Exchange Act states, in pertinent part, that every reporting company must: “(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; [and] (B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that ... transactions are recorded as necessary [] to permit preparation of financial statements in conformity with [GAAP].” These provisions require an issuer to employ and supervise reliable personnel, to maintain reasonable assurances that transactions are executed as authorized, to record transactions on an issuer’s books and, at reasonable intervals, to compare accounting records with physical assets.

177. In Wireless’ 2002 Form 10-K filed on March 21, 2003, the Company made the following representation:

Under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) within 90 days of the filing date of this annual report. *Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.* There were no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in the Company’s internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

178. Wireless made substantial similar representations in its Form 10-Qs and 10-Ks during the Class Period. Beginning with the third quarter of 2002 and continuing through the first quarter of 2004, Wireless represented in each SEC filing that its “disclosure controls and procedures were effective.”

179. This representation was false as Wireless’ disclosure controls and procedures were not effective. During the Class Period, Wireless violated §13(b)(2)(A) of the Exchange Act by failing to maintain adequate internal controls in order to insure that its financial statements were prepared in conformity with GAAP and that its public filings were accurate.
Wireless has now admitted that its disclosure controls and procedures as of December 31, 2003 were inadequate. The Company's Amended Form 10-K filed on September 20, 2004 stated in part:

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 earnout 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.
181. Wireless' lack of adequate internal controls rendered Wireless' Class Period financial reporting inherently unreliable and precluded the Company from preparing financial statements that complied with GAAP. Nonetheless, throughout the Class Period, the Company regularly issued quarterly and annual financial statements without ever disclosing the existence of the significant and material deficiencies in its internal accounting controls and falsely asserted that its financial statements complied with GAAP.

**KPMG'S PARTICIPATION IN THE FRAUD**

182. Wireless perpetrated its fraud with the participation of defendant KPMG, which annually reported and falsely represented in unqualified auditor's reports, that those financial statements were fairly presented when they were not. Also, KPMG falsely represented that it had conducted its audits in accordance with Generally Accepted Auditing Standards ("GAAS"), when it had not.

183. Included in Wireless' 2000 Form 10-K filing on March 29, 2001, KPMG issued the following report with respect to Wireless' 2000 financial statements:

> We have audited the accompanying consolidated balance sheets of Wireless Facilities, Inc. and subsidiaries as of December 31, 1999 and 2000, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

> In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Facilities, Inc. and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

184. In fact, these representations were materially false and misleading as Wireless’ financial statements were not presented in conformity with GAAP, nor had KPMG conducted its audits in accordance with GAAS.

185. KPMG also consented to the incorporation of its false reports on Wireless’ financial statements in Wireless’ reports on Form 10-Ks for those years. Wireless’ issuance of, and multiple consents to reissue, materially false reports on Wireless’ 2000-2003 financial statements were themselves violations of GAAS.

186. In connection with their audit and review of Wireless’ finances and operations, KPMG had virtually limitless access to information in the Company’s books and records:

- KPMG were present at Wireless’ headquarters and key operating divisions frequently between 1999 and 2003.
- KPMG provided Wireless with substantial non-audit services to Wireless.
- KPMG had frequent conversations with Wireless’ management and employees about the Company’s operations and financial statements.
- KPMG audited and reviewed Wireless’ 1999-2003 financial statements and knew or should have known that Wireless’ financial statements were not accurate or prepared in compliance with GAAP.

187. KPMG was deliberately reckless in the course of providing professional accounting and auditing services for Wireless. KPMG reviewed Wireless’ year-end results, advised and/or opined upon the veracity of Wireless’ SEC filings and had intimate knowledge of the nature of Wireless’ business and the intricacies of Wireless’ accounting policies and internal financial controls. KPMG also attended the meetings and advised the members of the Audit Committee of Wireless’ Board of Directors.

188. As a result of its intimate knowledge of Wireless and its executives, KPMG knew, or recklessly disregarded, the accounting irregularities and improprieties at Wireless as alleged herein. KPMG consented to the inclusion of its unqualified report on Wireless’ year-end financial statements throughout the Class Period, which reports it knew, or recklessly disregarded, were materially false at the time they were issued. Despite KPMG’s reckless disregard for Wireless’ improper accounting, including the Company’s failure to properly accrue its foreign tax contingencies and its domestic sales and use tax contingencies, its improper recognition of revenue...
due to improperly measuring the progress on contracts accounted for under the percentage of completion method of accounting, its improper recognition of revenue due to the recognition of revenue when collectibility was not probable, its failure to timely record an impairment charge for an investment in an unconsolidated affiliate, its failure to properly account for stock options granted to former employees upon termination of their employment, to improperly recognize revenue under the percentage of completion method, its failure to amortize an intangible asset due to improper classification of it as goodwill, its failure to timely record an impairment charge for goodwill associated with its purchase of a minority interest from a related party in a majority owned subsidiary and its improper classification of compensation expense as goodwill, KPMG issued an unqualified audit opinion on Wireless’ financial statements during and prior to the Class Period.

189. Throughout the Class Period, KPMG provided an unequivocal opinion that Wireless’ year-end financial statements were valid and accurate and thereby violated federal securities laws by falsely reporting the Company’s financial results and financial statements.

190. KPMG enjoyed a lucrative, long-standing business relationship with Wireless’ senior management for which it has received millions of dollars. KPMG has been Wireless’ auditors since at least the time of the Company’s initial public offering in November of 1999. They provided accounting and auditing services to Wireless in addition to giving them accounting advice and consultation regarding Wireless’ annual and quarterly reports filed with the SEC during 2000-2003, which falsely overstated Wireless’ revenues and earnings. To ensure KPMG’s loyalty, Wireless also engaged KPMG to provide lucrative tax and other services to Wireless. For 2000-2003, KPMG received $1.7 million in audit fees and $1.4 million in fees for non-audit services. Importantly, in 2000 (the year in which Wireless engaged in its extensive “international tax planning”), KPMG’s fees for non-audit services was over three times the amount of fees it derived from its audit services. Further the 2000 amount was 28% higher than the total amount of fees KPMG received for all other profession services in the three years following.
191. According to Wireless in its 2004 Proxy Statement, KPMG provided Wireless with substantial tax services in 2002 and 2003. These tax services “consist[ed] of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal state and local tax compliance, planning and advice; international tax compliance, planning and advice; review of federal, state, local and international income franchising and other tax returns.”

192. KPMG has recently been implicated in a scandal involving KPMG’s promotion of abusive tax shelters to many of its corporate clients. A recent study by the U.S. Public Company Accounting Oversight Board found that KPMG accepted fees from independent-audit clients based on how much money it helped them save in taxes. In such situations, KPMG’s independence was at the very least suspect, if not impaired.

193. In a similar scandal, KPMG has also been implicated in setting up and marketing abusive foreign tax shelters to dozens of wealthy investors who then were able to claim lucrative artificial tax losses. KPMG sold these shelters from 1998-2002. According to an IRS lawsuit against KPMG, 57 wealthy investors paid up to $114 million and were able to claim tax losses of $1.4 billion. *One of these investors that KPMG sold a tax shelter to during this period was defendant Masood Tayebi.*

194. As to its audits of Wireless during the Class Period, KPMG was required to perform its audits in conformity with Statement of Accounting Standard (“SAS”) No. 82, “Consideration of Fraud in a Financial Statement Audit,” which includes auditing for misstatements arising from the misappropriation of assets. KPMG failed to comply with SAS No. 82 in their audits of Wireless’ financial statements. During the course of their audits of Wireless’ financial statements from fiscal 2000-2003, KPMG knew of or recklessly disregarded the irregularities which caused Wireless’ earnings to be misstated over several fiscal years. The very risk of fraud was a potential reportable condition which should have been reported to the audit committee and senior management.

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12 In Wireless’ previous proxy statements, it did not provide a break down for the type of non-audit fees paid to KPMG but only the amount.
195. KPMG’s failures to adequately perform their audit procedures to identify the
improprieties alleged herein and their failure to report the problems permitted the accounting errors
and irregularities to continue over a period of at least four years, leading to false and misstated
financial statements.

196. Furthermore, KPMG, as auditors, were obligated to assess Wireless’ internal
disclosure, financial and accounting controls and whether such controls had been placed in
operation, were effective and complied with Sarbanes-Oxley, including controls to provide assurance
about the safeguarding of assets, financial reporting, operations and compliance with regulations.
KPMG was required to evaluate whether poor controls might lead to or contribute to the risk that
fraud might not be detected.

197. Internal controls are essential to a company’s financial reporting, as adequately
designed internal controls provide a company with reasonable assurance on the reliability of
financial reporting, the effectiveness and efficiency of operations, and compliance with applicable
laws and regulations. Auditing Standard (“AU”) §319.06. Under auditing standards, as set forth in
§319.02.\textsuperscript{13}

\textit{In all audits, the auditor should obtain an understanding of internal control sufficient}
to plan the audit by performing procedures to understand the design of controls
relevant to an audit of financial statements, and whether they have been placed in
operation.}

198. If an auditor identifies any material weaknesses in a company’s internal controls
during an audit, then the auditor must communicate these weaknesses to the company’s audit
committee. AU §325. Further, the auditor should identify any limitations related to the internal

\textsuperscript{13} The original SAS which formed the basis for AU §319 was SAS No. 55, “Consideration of
Internal Control in a Financial Statement Audit,” issued in 1988. AU §319 was amended in 1995 by
SAS No. 78, which applies to audits of financial statements of periods beginning after January 1,
1997. This standard applies to KPMG’s audits conducted pre-2001. AU §319 was further amended
by SAS No. 94 issued May 2001 for audits of financial statements for periods beginning after June
30, 2001. This standard applies to KPMG’s audits conducted in 2002 and thereafter. A key
requirement under both standards is that an auditor is obligated to assess the company’s internal
controls.
control weaknesses in his or her audit opinion in accordance with the procedures proscribed by the professional standards.

199. Here, Wireless has admitted to "significant deficiencies" in its disclosure controls and procedures as of December 31, 2003. In its Amended Form 10-K filed on September 20, 2004, Wireless admitted that its control procedures during the Class Period were insufficient to ensure the following:

(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.

200. Despite KPMG's numerous "clean" audit reports during the Class Period, Wireless admitted to the following: to issuing false financial statements for four out of the first five years it had been a public company, to artificially inflating its income for 2000-2003 by $42.5 million – understating its overall net loss for the four year period by over 38% – and to significant deficiencies in its internal controls.

201. Furthermore, the sheer volume of Wireless’ admitted GAAP violations indicates that KPMG recklessly disregarded the Company’s insufficient internal controls. In total, Wireless engaged in at least nine separate and distinct activities in which it violated basic accounting principles for a period of at least four years. These GAAP violations led to a restatement by Wireless of its financial results for years 2000-2003, years that Wireless’ financial results had been audited by KPMG and for which KPMG had issued unqualified opinions.

KPMG’S Audit Violation Fundamental Concepts of GAAS

202. KPMG’s failure to adequately perform its audit procedures to identify the improprieties alleged herein and its failure to report the problems permitted the accounting irregularities and improprieties to continue over a period of at least four years, leading to false and
misstated financial statements. Due to KPMG's false statements and failure to identify and modify its report to identify Wireless' false financial reporting, KPMG violated the following GAAS standards:

(a) The audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor;
(b) In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor or auditors;
(c) Due professional care is to be exercised in the performance of the audit and the preparation of the report;
(d) The work is to be adequately planned and assistants, if any, are to be properly supervised;
(e) A sufficient understanding of the internal control structure is to be obtained to plan the audit and to determine the nature, timing and extent of the tests to be performed;
(f) Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit;
(g) The report shall state whether the financial statements are presented in accordance with GAAP;
(h) The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period;
(i) Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report; and
(j) The report shall either contain an expression of an opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.
DEFENDANTS' SCIENTER/INSIDER SELLING

203. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading, knew that such statements or documents would be issued or disseminated to the investing public and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Wireless, their control over, and/or receipt and/or modification of Wireless' allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Wireless, participated in the fraudulent scheme alleged herein.

204. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this Complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

205. The fact that the Company has now restated its financial results for fiscal years 2000-2003 and admitted that it reported falsified financial statements throughout the Class Period, constitutes strong circumstantial evidence of defendants' scienter. Not only does the restatement confirm that the Company's reported financial results throughout the Class Period were false, but based on the magnitude, duration and pervasiveness of the fraudulent accounting practices, all of which violated GAAP, the Company's restatement constitutes strong circumstantial evidence that each of the Individual Defendants knew, or at a minimum deliberately disregarded, the overwhelming prevalence of improper accounting practices and falsification of the Company's financial results throughout the Class Period.

206. Indeed, as seen above, CW1 has stated that senior management was aware of their foreign tax obligations as early as 2001. Nevertheless, defendants chose to conceal this information from the investing public for three years in an effort to keep Wireless securities artificially inflated.
207. The Individual Defendants were motivated to engage in such a scheme to inflate the price of Wireless stock in order to enable Wireless insiders to engage in profitable sales of their personally held Wireless stock. Some of the Individual Defendants took full advantage of the artificial inflation in the Company's stock price caused by their material misrepresentations. During the Class Period, they sold over seven million shares of stock to realize over one hundred and seventy six million dollars in proceeds.

208. While some of these stock sales were purportedly made via Rule 10(b)-501 plans, this does not immunize these insider sales as at the time the Rule 10(b)-501 plans were instituted, the Individual Defendants knew that Wireless was engaging in improper accounting in order to inflate its revenue and issuing false and misleading financial statements, and that when this information was disclosed, it would result in a sharp decline in Wireless' stock.

209. During the Class Period, defendants sold a total of 7,382,698 shares of stock for $176,038,756 in proceeds as detailed below.

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Thomas A. Munro

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Forward Contracts (1)

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Masood Tayebi's Total: 2,577,344 $79,048,911

(1) Entered into by trusts controlled by Massod Tayebi

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**Forward Contracts (2)**

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Massih Tayebi's Total: 4,450,537 | $90,102,708

(2) Entered into by trusts controlled by Massih Tayebi

Grand Totals: 7,382,698 | $176,038,756

210. Defendants' stock sales during the Class Period were highly suspicious in amount. Collectively, defendants Ashwill, Munro, Massood Tayibi and Massih Tayebi sold an average of 59.1% of their stock during the Class Period, with defendant Ashwill selling 100% of his stock as set forth below:
Summary of Defendants' Stock Sales & Dispositions

<table>
<thead>
<tr>
<th>Common Stock Owned During the Class Period</th>
<th>Shares Sold/Disposed (1)</th>
<th>Proceeds</th>
<th>Percent of Common Stock Owned During the Class Period (1) Sold</th>
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<td>Thomas A. Munro</td>
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<td>110,666</td>
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<td>Massih Tayebi</td>
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<td>$90,102,708</td>
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<td>Masood K. Tayebi</td>
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<td>2,577,344</td>
<td>$79,048,911</td>
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<td>Totals:</td>
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<td>$176,038,756</td>
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(1) Defendants Massih & Masood Tayebi's totals include shares sold/disposed pursuant to their forward contracts.

211. In addition to these stock sales, defendants received the following in salary, bonuses, other compensation and options from 2000 to 2004:

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<td>Salary</td>
<td>$52,500</td>
<td>$202,692</td>
<td>$200,942</td>
<td>$237,838</td>
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<td>Bonus</td>
<td>$46,800</td>
<td>$209,081</td>
<td></td>
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<td>Other compensation</td>
<td>$25,852</td>
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<td>$349,411</td>
<td>$2,020,519</td>
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<td>Securities underlying options</td>
<td>310,000 shares</td>
<td>191,944 shares</td>
<td>60,000 shares</td>
<td>valued at $734,397 in 2003 proxy</td>
</tr>
<tr>
<td>Dan Stokely</td>
<td>2000</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
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<tr>
<td>Salary</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
</tr>
<tr>
<td>Bonus</td>
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<td>not available</td>
<td>not available</td>
<td>not available</td>
</tr>
<tr>
<td>Other compensation</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
</tr>
<tr>
<td>Securities underlying options</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
<td>not available</td>
</tr>
<tr>
<td>KMPG</td>
<td>2000</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>$265,429</td>
<td>$264,432</td>
<td>$477,706</td>
<td>$715,000</td>
</tr>
<tr>
<td>Other Fees</td>
<td>$808,911</td>
<td>$134,888</td>
<td>$182,953$14</td>
<td>$317,000$15</td>
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212. In addition to the above stock sales and lucrative compensation packages, the Company used its stock for a number of acquisitions while the value of the Company's stock was artificially inflated. In January of 2000, the Company used 400,000 shares to acquire a 6% interest in WFIM. On January 11, 2000, the Company used 95,000 shares to acquire The Walter Group Inc. On April 25, 2000, the Company used 21,000 shares to acquire Comcor Advisory Services. On June 14, $118,000 of this total was from tax fees, while $64,000 was from to “audit-related fees.” On June 15, $130,000 of this total was from tax fees, while $187,000 was from “audit-related fees.”
On August 26, 2000, the Company used 49,000 shares to acquire Davis Bay, LLC. Finally, on August 29, 2000, the Company used 200,000 shares to acquire Questus, Ltd.

**APPLICABILITY OF FRAUD-ON-THE-MARKET DOCTRINE AND THE PRESUMPTION OF RELIANCE**

213. Lead Plaintiffs rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Wireless securities met the requirements for listing, and were listed, on Nasdaq, a highly efficient market;

(b) As a regulated issuer, the Company filed periodic public reports with the SEC and regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases;

(c) The daily trading volume of the Company's stock was substantial, with hundreds of thousands of shares traded each day;

(d) Wireless was followed by securities analysts employed by several major brokerage firms, who wrote reports that were distributed to the sales force and certain customers of such firms and were available to various automated data retrieval services;

(e) The misrepresentations and omissions alleged herein were material and would tend to induce a reasonable investor to misjudge the value of Wireless securities; and

(f) Lead Plaintiffs and the members of the class purchased securities during the Class Period without knowledge of the omitted or misrepresented facts.

214. Based upon the foregoing, Lead Plaintiffs and the other members of the class are entitled to a presumption of reliance upon the integrity of the market for Wireless securities for the purpose of class certification as well as for ultimate proof of their claims on the merits. Lead Plaintiffs will also rely, in part, upon the presumption of reliance established by material omissions and upon the actual reliance of the class members.

**NO STATUTORY SAFE HARBOR**

215. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the false statements pleaded in this complaint, because none
of the statements pleaded herein are "forward-looking statements" nor were they identified as
"forward-looking statements" when made. Nor did meaningful cautionary statements identifying
important factors that could cause actual results to differ materially from those in the statements
accompany those statements. To the extent that the statutory safe harbor does apply to any
statements pleaded herein which are deemed to be forward-looking, the defendants are liable for
those false forward-looking statements, because at the time each of those statements were made the
speaker actually knew the forward-looking statement was false and/or the statement was authorized
and/or approved by an executive officer of the Company, who actually knew that those statements
were false when made.

CLASS ALLEGATIONS

216. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil
Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those who purchased or otherwise
acquired the securities of Wireless during the Class Period and who were damaged thereby.
Excluded from the class are defendants, the officers and directors of the Company, at all relevant
times, members of their immediate families and their legal representatives, heirs, successors or
assigns and any entity in which defendants have or had a controlling interest.

217. The members of the class are so numerous that joinder of all members is
impracticable. Throughout the Class Period, the Company's securities were actively traded on the
Nasdaq. While the exact number of class members is unknown to Lead Plaintiffs at this time and
can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are
hundreds or thousands of members in the proposed class.

218. Common questions of law and fact exist as to all members of the class. Among the
questions of law and fact common to the class are:

(a) Whether the federal securities laws were violated by defendants' acts and
omissions alleged herein;
(b) Whether defendants participated in and pursued the common course of
conduct and fraudulent scheme complained of herein;
(c) Whether the documents, reports, filings, releases and statements disseminated to the class by defendants during the Class Period misrepresented material facts about the business, performance and financial condition of Wireless;

(d) Whether defendants acted knowingly or with deliberate recklessness in misrepresenting material facts;

(e) Whether the market price of Wireless securities during the Class Period was artificially inflated due to the misrepresentations complained of herein; and

(f) Whether Lead Plaintiffs and other members of the class have sustained damages and, if so, the appropriate measure thereof.

219. Lead Plaintiffs will fairly and adequately represent and protect the interests of the members of the class. Lead Plaintiffs have retained competent counsel experienced in class and securities litigation and intends to prosecute this action vigorously. Lead Plaintiffs are members of the class and do not have interests antagonistic to, or in conflict with, the interests of the other members of the class.

220. Lead Plaintiffs’ claims are typical of the claims of the members of the class. Lead Plaintiffs and all members of the class purchased Wireless securities during the Class Period at artificially inflated prices and have sustained damages arising out of the wrongful course of conduct alleged herein.

221. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Because the damages suffered by individual class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the class members individually to seek redress for the wrongful conduct alleged. Lead Plaintiffs know of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action.

COUNT I

Against All Defendants for Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder

222. Lead Plaintiffs repeat and reallege each and every allegation contained above.
223. This Count is asserted against all defendants and is based upon violations of §10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5 promulgated thereunder.

224. During the Class Period, defendants, and each of them, directly engaged in a common plan, scheme and unlawful course of conduct, pursuant to which defendants knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Lead Plaintiffs and the other members of the class, and made various deceptive and untrue statements of material facts and omitted to state material facts in order to make the statements made, in light of the circumstances under which they were made, not misleading to Lead Plaintiffs and the other members of the class. The purpose and effect of the scheme, plan and unlawful course of conduct was, among other things, to induce Lead Plaintiffs and the other members of the class to purchase or acquire Wireless securities during the Class Period at artificially inflated prices.

225. During the Class Period, defendants, pursuant to this scheme, plan and unlawful course of conduct, knowingly and recklessly issued, caused to be issued and participated in the issuance and preparation of deceptive and materially false and misleading statements to the investing public, as particularized above.

226. As a result of the dissemination of the false and misleading statements set forth above, the market price of Wireless securities was artificially inflated during the Class Period. In ignorance of the false and misleading nature of the statements described above and the deceptive and manipulative devices and contrivances employed by defendants, Lead Plaintiffs and the other members of the class relied, to their detriment, on the integrity of the market price of the securities in purchasing Wireless securities. Had Lead Plaintiffs and the other members of the class known the truth, they would not have purchased Wireless securities or would not have purchased them at the inflated prices that were paid.

227. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they had a duty to promptly disseminate truthful information that would be material to investors, in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulations S-X (17 C.F.R. §210.01 et. seq.) and other
SEC regulations, including truthful, complete and accurate information with respect to the
Company's operations and performance so that the market prices of the Company's publicly traded
securities would be based on truthful, complete and accurate information.

228. Lead Plaintiffs and the other members of the class have suffered substantial damages
as a result of the wrongs herein alleged in an amount to be proved at trial.

229. By reason of the foregoing, defendants directly violated §10(b) of the Exchange Act
and Rule 10b-5 promulgated thereunder in that they: (i) employed devices, schemes and artifices to
defraud; (ii) made untrue statements of material facts or omitted to state material facts in order to
make the statements made, in light of the circumstances under which they were made, not
misleading; or (iii) engaged in acts, practices and a course of business which operated as a fraud and
deceit upon Lead Plaintiffs and the other members of the class in connection with their purchases of
Wireless securities during the Class Period.

COUNT II

Against the Individual Defendants for Violations of Section 20(a)
of the Exchange Act

230. Lead Plaintiffs repeat and reallege each and every allegation contained above.

231. This Count is asserted against the Individual Defendants, and each of them.

232. The Individual Defendants, and each of them, acted as controlling persons of
Wireless within the meaning of §20(a) of the Exchange Act, as alleged herein. By virtue of their
high-level positions, their substantial stock ownership, participation in and/or awareness of the
Company's operations and/or intimate knowledge of the Company's true financial condition, the
Individual Defendants had the power to influence and control, and did influence and control, directly
or indirectly, the decision-making of the Company, including the content and dissemination of the
various statements which Lead Plaintiffs contend are false and misleading. The Individual
Defendants were provided with or had unlimited access to copies of the Company's reports, press
releases, public filings and other statements alleged by Lead Plaintiffs to be misleading prior to
and/or shortly after these statements were issued and had the ability to prevent the issuance of the
statements or cause the statements to be corrected.
233. The Individual Defendants were each culpable participants in the violations of §10(b) of the Exchange Act and Rule 10b-5 alleged above.

234. As set forth above, Wireless and the Individual Defendants violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this complaint. By virtue of their positions as controlling persons of Wireless, the Individual Defendants are also liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Lead Plaintiffs and other members of the class suffered damages in connection with their purchases of the Company's securities during the Class Period.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

DATED: January 31, 2005

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Co-Lead Counsel for Plaintiffs
DECLARATION OF SERVICE BY MAIL

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of San Diego, over the age of 18 years, and not a party to or interest in the within action; that declarant’s business address is 401 B Street, Suite 1600, San Diego, California 92101.

2. That on January 31, 2005, declarant served the CONSOLIDATED CLASS ACTION COMPLAINT by depositing a true copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 31st day of January, 2005, at San Diego, California.

BONNIE M. NAWIDITCH

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