

Wireless Facilities now investigating backdated options

by Kathryn Balint

SAN DIEGO - Wireless Facilities, a San Diego-based builder of wireless networks, said Monday that it is investigating backdated stock options, which will delay its fourth-quarter and 2006 financial statements and could hinder its credit.

The company is among more than 200 U.S. companies that have launched internal probes or are under federal investigation for changing the date of a stock option, which is the right to buy company shares at a set price.

Backdating, which must be properly disclosed, involves setting the date the option was granted at a point in time when the company's stock was low, so recipients profit more.

Wireless Facilities has discovered options issued between 1998 and 2003 that may have been backdated, said Deanna Lund, the company's senior vice president and chief financial officer.

The company said "there is a strong likelihood" that it will have to restate its finances. Lund said the financial impacts will not be known until after the investigation by law firm Morrison & Foerster is complete.

Eric DeMarco, president and chief executive of Wireless Facilities, said that the current management team, which has been in place since 2004, was not involved in the backdating. He said the company has been in contact with the Securities and Exchange Commission on the matter.

Because Wireless Facilities will not be able to file its 2006 financial information with the SEC by the Thursday deadline, it expects to receive a notice of delisting from Nasdaq. The company said it would appeal such a notice.

In addition, the company might fall out of compliance with its lender, KeyBank National Association, which requires Wireless Facilities to deliver audited financial statement for 2006 by March 30. According to SEC documents, Wireless Facilities had drawn \$62 million on its credit from KeyBank as of October.

Bud Leedom, publisher of California Stock Report and CaliforniaStocks.com, said Wireless Facilities is "late in the game" for investigating backdated stock options.

"You would have thought this was something they could have identified last year, as opposed to now," Leedom said.

He also said the company did investors a disservice by not giving an indication of quarterly revenue.

Wireless Facilities said its delayed fourth-quarter and year-end financial report will include a \$9.2 million charge related to the accelerated vesting of employee stock options that began in December.

The company said it will record an \$18.3 million goodwill impairment charge related to its acquisitions in 2003. And the company said it will record a \$3.4 million charge related to consolidation of headquarters.

Wireless Facilities also said its 2006 fiscal year will include \$3.2 million in losses from its European and South American operations as well as a \$5.2 million loss on the sale of its South American business.

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