ASENSIO
& COMPANY
INC.

Equity Research

747 Third Avenue
New York, NY 10017
212 702 8800

March 19, 2001

Winstar's debt collapse reflects its cash and operating crisis.

On Friday, March 16, 2001 Winstar Communications, Inc.'s 12.50% Senior Notes due 2008 (NASD Symbol: WCII, $6) traded at a record low price of $400 per $1,000 bond. Winstar's senior notes traded at a current yield of 31.25% and a yield-to-maturity of 36.8%. Winstar's senior notes traded at a 60% discount to face despite being subordinate to only approximately $2.4 billion of its $6.5 billion in debt and liabilities. This price indicates that the bonds have commenced to discount Winstar's questionable accounting practices and its actual inability to service its debts.

Winstar has $1.35 billion in credit facility debt. Participations in Winstar's credit facility are traded privately and transfers were reported last week in the low 70s. This credit facility is secured by substantially all of Winstar's current and future assets, excluding assets financed by the Lucent Technologies, Inc. (NYSE: LU, $9.99) credit facility. The market for Winstar's credit facility debt is indicating a total enterprise value of approximately $945 million. At $6 per share, Winstar's common stock price indicates a total enterprise value of over $7.1 billion, equal to 7.5 times the total enterprise value indicated by the credit facility sale. Winstar's accounting practices materially impact its reported results. Holders of Winstar's credit facility participations have far better information including details of actual asset values and receivable collections than equity analysts. We believe that the astonishing variance between the market value of Winstar's debt and its common stock results from equity analysts mistakenly relying on reported results without making necessary accounting policies adjustments.

Winstar has recognized revenues that created a slew of uncollected items, including undisclosed receivable amounts held in other assets. Its revenues include sales to related parties and non-core items such as equipment sales and installation services. Winstar's reported EBITDA excludes $1 billion of expenses capitalized outside of property and equipment and over $772 million of capitalized expenditures contained in property and equipment in excess of actual reported property and equipment purchases. Winstar's balance sheet includes investments in now-distressed companies carried at cost and receivable amounts from these same companies. Winstar has commingled $1.8 billion of dividend paying preferred obligations with the accounts of common stockholders, which effectively hides the dollar amount of preferred obligations, its common stockholders' actual capital deficit and the dilutive nature of the toxic preferreds. We believe that analysts have not reasonably adjusted their cash loss estimates to compensate for these accounting practices. As a result, Winstar's investor must now independently deal with these expense capitalization, revenue recognition, asset valuation and dilution issues.

Copyright 2003 by Asensio & Company, Inc. All rights reserved. This report should not be construed as an offer to sell or solicitation of an offer to buy any securities. Opinions expressed are subject to change without notice. This report has been prepared from original sources and data which we believe to be reliable but accuracy is not guaranteed. This research report was prepared by Asensio & Company, Inc. whose stockholders, officers and employees may from time to time acquire, hold or sell a position in the securities mentioned herein.