

March 14, 2001

***Salomon Smith Barney Issues Misleading Winstar Report.***

Last week Salomon Smith Barney issued an equity research report on Winstar communication, Inc. (Nasdaq: WCII) (Price: \$7-11/16). The report reiterated Salomon Smith Barney's speculative buy recommendation on Winstar's common stock. The report was issued in response to our public statement that Winstar possesses no ability to repay or refinance its debts, and that Winstar is worth far less than the amount it owes.

Salomon Smith Barney stated its belief that Winstar was "well funded into 2002" and that "operationally WCII continues to perform superbly." At best these belief statements are misinformed and incorrect.

Winstar is losing money and has no free cash flow. Winstar does not have sufficient cash or available credit from vendors or any other lenders to pay for its on-going operating losses, cash interest payments, capitalized cash expenditures and the cash cost of maintaining its existing property and equipment. Any representations to the contrary are simply false. Winstar has capitalized an astonishing over \$1 billion of cash expenditures, outside of licenses and property and equipment. Winstar added these expenditures to "assets" instead of writing them off as expenses that would reduce EBITDA. Furthermore, Winstar has repeatedly refused to disclose details of the composition of its revenues, its customer churn-rate, pre-paid expenses, other assets, other intangible assets, investments at cost, deferred financing cost and soft-costs included in property and equipment. Details of these material undisclosed items are necessary to perform any realistic evaluation of Winstar's operational performance. Any adjustment to Winstar's aggressive revenue accounting and capitalization of cash expenditures would negatively and materially impact Winstar's reported EBITDA and analyst's opinions of its operations. Without these disclosures, including the amount of receivables Winstar includes in its \$310 million "other asset" line, positive analysts' comments about Winstar's operational performance are simply incorrect conjectures. However, even based on the numbers Winstar does provide, which a reasonable analyst would significantly downward adjust, we find clear evidence of dismal operating results and a high default risk, which Winstar's common stock price does not yet reflect. We note that Goldman Sach's high-yield bond analysis ranked Winstar at the bottom of its survey of CLEC companies.

The Smith Barney Winstar report contains ten paragraphs, and a chart alleging to explain Winstar's bottomless, toxic preferreds. The report fails to disclose that the Winstar preferreds obligate Winstar to issue an unlimited number of common shares based on Winstar's common stock's market price. This term makes the preferreds stated conversion price irrelevant. Any estimate of the number of shares of common stock that holders of Winstar's toxic bottomless preferreds will receive without this all important disclosure is useless and misleading.