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Able's accounting fraud fully exposed.

Able Telcom Holding Corp.'s (Symbol: ABTEE) (Price: $6.8125) Form 10K included a financial statement showing net income of $2.5 million, operating cash flow of $6.9 million and shareholders' equity of $40.2 million. These figures were created using a large series of extraordinary accounting entries. In fact, adjusted to exclude only some of these obfuscating non-cash, non-operating entries, Able's actual results were a net loss of $12.8 million, negative operating cash flow of $8.4 million and shareholders' equity of $15.3 million. These figures do not include any reduction to Able's $29 million in estimated, non-cash, unearned income currently included in net income or any adjustment to the $31 million in goodwill. They also do not include Able's $10 million incurred and unrealized loss on the MCI/WorldCom, Inc. (Symbol: WCOM) refinancing, which Able expects to recognize in the first quarter.

Able restated its MFS acquisition in the fourth quarter, changing a previously reported negative goodwill of $50.7 million to a positive goodwill of $16.5 million, which was created by a $67.2 million unexplained, undisclosed adjustment. A large portion of this adjustment was used to create a reserve for losses on uncompleted contracts of $40.5 million. This so-called reserve was created by inflating the value of acquired assets not by charging earnings. Able then used $15.1 million of this artificially created reserve to increase its reported earnings without disclosure. This single non-cash, non-operating, non-recurring accounting income entry alone is 6 times greater than Able's reported net income. In the fourth quarter, Able also added $12.1 million of non-cash entries based on the alleged value of granted options directly to shareholders' equity and $17.3 million in goodwill. These entries render Able's stated earnings and cash flow useless to pay debt and expenses. As a result, Able's accounts payable increased $32.2 million, from $29.2 million to $61.4 million, in its fourth quarter. Total liabilities, excluding the new MCI/WorldCom debt and the preferred, rose $54.4 million in the same quarter to $239.2 million.

Able's unadjusted net tangible assets are a mere $8.8 million, even before the elimination of any of the above referred to non-cash entries. This shareholder equity base is absolutely insufficient to support Able's announced and expected minimum $13.3 million first quarter loss. The terms of MCI/WorldCom's security agreements, notes, master service agreement, and stock appreciation rights have been disclosed. These documents clearly establish that MCI/WorldCom's interest is to collect its debts and avoid liability under its existing performance bonds. MCI/WorldCom does not have to enrich Able's managers or rescue Able's common shareholders to meet these objectives.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.