June 26, 2002

*WorldCom admits to inappropriately inflating reported earnings by over 800%.*

WorldCom, Inc. (NASDAQ: WCOM) (Price: $0.83) admitted that it had inappropriately understated its operating expenses by $3.8 billion in the last 15 months. This effectively eliminates WorldCom’s entire reported earnings before interest and taxes during the period. WorldCom’s admission came only after retaining a new auditor to replace Andersen LLP and after recently claiming that it had sufficient cash flow to service its debts. WorldCom does not have the ability to service its debts.

WorldCom presented its so-called “shocking discoveries” in EBITDA format. In fact, the materiality of the earnings overstatement is hidden by this format. For the subject 15 month period EBIT had been reported as over $4.3 billion. This EBIT was reduced to just a mere $0.5 billion. As a result, the expense understatement accounted for practically all of WorldCom’s reported earnings before interest and taxes.

WorldCom made no admission concerning its highly questionable accounts receivable or the possible restatement of its reported results in earlier periods, which were audited by Andersen and have not been restated. These prior years may also contain similar earnings overstatements.

WorldCom claims “this matter” will not affect its services. We believe it is a baseless and untrue statement. Reported earnings as a percentage of sales was approximately 10%. Restated earnings as a percentage of sales is approximately 1%. This indicates that WorldCom has insufficient operating margins to economically maintain its current services at current prices, even without accounting for capital expenditures and interest costs. We believe AT&T (NYSE: T) (Price: $9.99) will be among the competitors that will benefit from the elimination of WorldCom’s unsustainable pricing pressure.