Able Telcom discloses SEC investigation of its accounting fraud.

Able Telcom Holding Corp. (NASDAQ: ABTE) (Price: $10.9375) yesterday announced that the U.S. Securities & Exchange Commission ("SEC") has "concerns" regarding the accounting and disclosures of its acquisition of MFS Network Technologies, Inc. ("NT") from MCI/WorldCom, Inc. (NASDAQ: WCOM). The Company claims that it is working to resolve the SEC’s concerns. The press release announcing this serious and negative development has the headline "Able Telcom Holding Corp. Announces Continued Discussions with the SEC." We believe this is intentionally misleading. Able had never disclosed that the SEC is investigating or has questioned their accounting and disclosures. The press release acknowledges that the controversy concerns at least $38.8 million.

Able’s current auditor, Arthur Anderson LLP, was hired on October 9, 1998 – Able’s seventh auditor in ten years. Able delayed the release of its audited financial statement for its fiscal year ending October 31, 1998 until February 24, 1999. In those statements, Arthur Anderson allowed the creation of a false reserve for losses on uncompleted contracts of $40.5 million. This so-called reserve was created by simply inflating the value of acquired assets, not by charging earnings. Able then used $15.3 million of this artificially created reserve to increase its reported earnings, converting a loss of $12.8 million to a net income of $2.5 million. Arthur Anderson is also the auditor for MCI/Worldcom. An Able bankruptcy may require MCI to make good on up to $495.5 million in outstanding NT performance bonds. However, merely technically avoiding declaring bankruptcy will not preserve any value for Able’s shareholders.

This was not the first time that Able’s audited statements reflected false earnings. The Company’s statements for 1993 and 1994 reported profits. These reported profits inflated Able’s stock price and permitted insiders to cash out on options and conversion rights. In 1995 and 1996 Able wrote down all of these results, eliminating all previously reported earnings.

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.