AT&T Disputes SEC Allegations

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DALLAS, March 5, 2021 /PRNewswire/ -- Today’s civil suit filed by the Securities and Exchange Commission targeting three AT&T mid-level investor relations employees for conversations they had with analysts five years ago represents a significant departure from the SEC’s own long-standing Regulation FD enforcement policy and is inconsistent with the testimony of all who participated in these conversations.

Tellingly, after spending four years investigating this matter, the SEC does not cite a single witness involved in any of these analyst calls who believes that material nonpublic information was conveyed to them.

The information discussed during these March and April 2016 conversations concerned the widely reported, industry-wide phase-out of subsidy programs for new smartphone purchases and the impact of this trend on smartphone upgrade rates and equipment revenue. Not surprisingly, without device subsidies, customers upgraded their smartphones less frequently, leading to a reduction in equipment revenue.

Not only did AT&T publicly disclose this trend on multiple occasions before the analyst calls in question, but AT&T also made clear that the declining phone sales had no material impact on its earnings. Analysts and the news media frequently wrote about this trend and investors understood that AT&T’s core business was selling connectivity (i.e., wireless service plans), not devices, and that smartphone sales were immaterial to the company’s earnings.
The evidence could not be clearer – and the lack of any market reaction to AT&T’s first quarter 2016 results confirms – there was no disclosure of material nonpublic information and no violation of Regulation FD.

The SEC's pursuit of this matter will not protect investors and instead will only serve to chill productive communications between companies and analysts, something the SEC was worried about when it adopted Regulation FD some 20 years ago. Unfortunately, this case will only create a climate of uncertainty among public companies and the analysts who cover them.

AT&T maintains the highest standards of ethics and compliance and we look forward to having our "day in court" to demonstrate conclusively that our investor relations employees complied with Regulation FD, and that the allegations in the SEC's complaints are meritless.

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*About AT&T
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