As Paul Singer's Elliott Management hedge fund takes aim at AT&T, **it's time to take on vulture capitalists that hollow out Main Street.**

On September 9, hedge fund Elliott Management launched a campaign against AT&T with a website, PR offensive, and letter to the board of directors arguing for an overhaul of the company to activate "the extraordinary value opportunity realizable at AT&T today," largely by cutting costs, laying off workers, divesting assets and extracting cash for shareholders.[1] **This predatory approach to pumping up AT&T's stock price would hollow out a major U.S. employer and critical provider of broadband and wireless services.**

CWA opposes Elliott Management's agenda at AT&T and rejects hedge fund profiteering.

The Communications Workers of America (CWA) has taken a strong stance against Elliott's agenda:

- The week Elliott Management launched its campaign against AT&T, CWA released a statement condemning Elliott's out-dated corporate raider tactics.
- CWA sent a letter to the AT&T board of directors on September 25 outlining the harmful and short-sighted nature of Elliott's proposal and urging the board to reject it and chart a more constructive path forward. The letter was also mailed to top 100 shareholders and distributed through the SEC EDGAR system online.
- CWA sent a letter on September 30 to the members of Business Roundtable calling for rejection of Elliott's attack on AT&T and adherence to the principles of inclusive prosperity articulated in its updated "Statement on the Purpose of a Corporation."
  - » Six Business Roundtable members who signed the Statement are important shareholders in AT&T - controlling over 16% of shares in contrast to Elliott Management's stake of less than 1%.
  - » Two members of Business Roundtable - AT&T Chairman, Chief Executive Officer and President Randall Stephenson and KeyCorp Chairman and Chief Executive Beth Mooney - sit on AT&T's Board of Directors.

CWA calls on elected leaders to challenge the destructive hedge fund playbook through legislative reform and by speaking out when hedge funds like Elliott seek to destroy jobs and communities for short-term gain.

CWA

The hedge fund playbook is bad for American workers and communities.

Elliott Management's plan for AT&T is straight from the billionaire hedge fund manager's playbook: Take an "activist" position in a public company, push for large cost cuts and exotic financial engineering, then reap huge short-term profits for themselves at the expense of workers and long-term investment.

We see these strategies contributing to the loss of middle class jobs, growing inequality, and the destruction of productive companies that build a strong economy today and for our children.

Paul Singer's Elliott Management is a leading vulture capitalist in this mold with approximately $35 billion under management and a record of activist investments in about 100 companies.[2] Now Elliott is taking on iconic American telecom giant AT&T, a $270 billion company with 257,000 employees, many of whom are union members.

Now is the time to stand up to Elliott's bullying tactics and serve notice on vulture hedge funds that the American people will not stand by and allow them to loot our economy to further enrich the 1%.

Elliott Management has a short-sighted plan for AT&T that will harm U.S. workers, consumers, and investors.

Cost-cutting, layoffs and divestitures: Elliott identifies "opportunities," including outsourcing and cost-cutting initiatives, that it says could save up to $10 billion dollars annually, along with potential divestitures of "non-core assets." It seeks to have AT&T consider:

- **Outsourcing jobs**, likely including those of union-represented, qualified technicians who build and service the network.
- **Closure of corporate retail stores and outsourcing work to dealers,** who are non-union and often provide low wages and sub-standard benefits.
- **Divestiture of critical assets** that serve millions of Americans, potentially including parts of AT&T's wireline footprint and its Puerto Rican network.
- **Potential separation of major content and distribution assets** that chart AT&T's growth strategy, including DirecTV and Warner Media.

These measures, if implemented, would lead directly to job losses for union workers, shifting work to low-wage contractors and further eroding the American middle class.

AT&T employs about 100,000 CWA-represented employees who earn good wages and benefits as a result of more than 80 years of collective bargaining. The quality of AT&T customer service has already suffered because of reliance on third party dealers, demonstrating the risks of excessive outsourcing for customers and workers alike.

Undermining long-term investment, enriching short-term investors. Elliott calls for AT&T to ramp up its stock buybacks and split its post-dividend free cash flow equally between debt payments and buybacks. Share buybacks are designed to boost share price and return cash to investors, benefiting short-term investors and corporate executives. Elliott's plan is exactly the kind of short term manipulation of stock price that allows a shift in focus away from long-term investment. If AT&T has to satisfy its dividend requirement, make substantial debt repayments, and carry out an equal amount of stock repurchases, the company will have a strong incentive to suppress capital expenditures and further cut costs to satisfy Wall Street's expectations.

AT&T had about $22 billion in free cash flow available after fulfilling its dividend requirement for the twelve months ending June 30, 2019. **If half of those dollars went to build broadband, rather than stock buybacks, the company could build high-speed internet over fiber-optic cable to an estimated 11 million homes and businesses.**

This type of investment is critical to our collective future, and AT&T should be encouraged to use its profits to build a more connected world, not enrich Wall Street vultures.

Elliott Management Founder and CEO Paul Singer has a track record of destroying jobs and holding poor nations for ransom.

Several of Paul Singer's strategies, carried out through Elliott Management, appear to have contributed to **extensive job loss and harm to American communities:**

- **Delphi:** Elliott and two other hedge funds used their position as creditors to intervene in bankruptcy court to block a sale of troubled auto parts manufacturer Delphi that would have preserved a substantial portion of the company's U.S. operations.[3] Instead, the hedge fund creditors demanded a bigger payout and closure of all but four U.S. plants.[4] When Delphi emerged from bankruptcy in 2009 it had 14,000 employees, down from 50,000 in 1999 - a loss of 36,000 jobs.[5] Elliott Management reportedly earned $1 billion on the deal. In 2017, Delphi spun off its powertrain division, renamed itself Aptiv[7] and today is incorporated in Jersey, a British Crown dependency.[8]

- **Cabela's:** In October 2015, Elliott Management announced that it had bought an 11.1% stake in sporting goods company Cabela's Inc.[9] Elliott recommended various ways to "maximize shareholder value," including through a sale of the company.[10] Cabela's spent a year seeking to rein in costs – including the layoff of 120 employees in its headquarters in Sidney, Nebraska.[11] In September 2017, the company completed a deal to sell itself to Bass Pro Shops, a private company based in Springfield, Missouri, for $5.5 billion.[12] Cabela's headquarters – employing 2,000 people in a town of 6,800 – was shut down. Bass Pro Shops sold Cabela's credit card operation, based in Lincoln, to Capital One but the latter shut it down in October 2018 with the loss of 153 jobs.[13] Bass shuttered Cabela's distribution center in Sidney in March 2019, eliminating another 121 jobs.[14] Elliott cashed out its investment with a 73% profit.[15]

- **Hess:** In January 2018, oil and gas producer Hess Corp announced plans to lay off 13% of its workforce soon after Elliott Management intervened and suggested the company's CEO may need to be removed if the company did not address "ongoing underperformance."[16] Elliott backed down after Hess committed to a $1 billion stock buyback program and other measures.[17]

- **Arconic:** Metals company Arconic Inc. - formerly known as Alcoa, Inc. - laid off 100 employees in its research and development division in 2018 and reduced capital expenditures by 25% after facing pressure from Elliott to cut costs.[18] It cut another 30 jobs in September 2019.[19]

- **NRG Energy:** After buying a 5.4% stake in NRG, a power generation company servicing 2.9 million customers, Elliott Management demanded asset sales, restructuring, and board representation. It met with the company in February 2017, got two seats on the board and commitments to sell assets and buy back shares.[20] Between 2017 and 2019, the company cut 45% of its workforce. Between 2017 and 2019, NRG bought back $1.789 billion in shares.[21] Elliott sold its stake in the first quarter of 2018 at a likely profit of 75%.

- **Juniper Networks:** After announcing a 6.2% stake and joining forces with activist Jana Partners, Elliot Management slammed the performance of telecom equipment company Juniper Networks in January 2014. In response, the company announced plans the next month to return $3 billion to shareholders and to appoint two board members.[22] In April, Juniper announced a workforce reduction of 6%, or about 560 jobs.[23]

- **Athena Health:** Electronic health records company Athena Health laid off 400 employees, or 9% of its workforce, in 2017 as part of a larger cost-cutting and restructuring program implemented after getting pressure from Elliott.[24]

- **Cognizant:** Global IT company Cognizant lost its impressive growth momentum after Elliott took a 4% stake and pushed for increased profitability through job cuts and cost streamlining. Elliott also called for $2.5 billion in stock buybacks and dividend payouts. In 2017, Cognizant announced job reductions up to 10,000.[25] One IT analyst called Elliott's intervention "destructive activism," and the company has struggled to regain its footing after Elliott took a 50% profit and got out.[26]

While Elliott's tactics have made Paul Singer extremely wealthy, the shareholders of his target companies have not fared as well. An analysis of interventions where Elliott recommended restructuring and cuts, as they are doing at AT&T, found that long-term stock performance often suffered. In some cases, Elliott took large profits and exited before the downturn.[27]

Profiting off poor countries' debts: Elliott Management became known as a vulture fund because of its strategy to buy debt of poor nations at extremely discounted rates and then litigate to recover the full value of the bonds, even when other creditors agree to reduced terms to allow economic recovery. Elliott is infamous for engaging in years long battles with countries including Argentina, Peru and the Congo.[28]

Elliott head Paul Singer is a funder and leader of right-wing organizations that seek to weaken workplace protections and enrich the 1%.

Paul Singer has an estimated net worth of $3.5 billion[29] and uses his wealth to influence politics and policy.

A 2012 Fortune profile called Singer "a passionate defender of the 1% and a rising Republican power broker."[30]

Singer contributed $24 million to candidates in the 2016 election cycle.[31] He is chair of the conservative Manhattan Institute[32] and his family foundation has contributed to the American Enterprise Institute and the Koch-backed Atlas Economic Research Foundation.[33] Singer was revealed to be a funder of intractable climate change denier Bjørn Lomborg, having provided nearly a third of Lomborg's foundation's revenue in 2013.[34]

The Trump-Singer connection: Trump applauded Elliot's intervention at AT&T; Singer supports Trump with millions in contributions.

In the first hours after Elliott's intervention in AT&T went public, President Trump tweeted "Great news that an activist investor is now involved with AT&T," and went on to criticize AT&T-owned CNN as "fake news," a common refrain.[35]

Singer initially opposed Trump's candidacy and the Singer-funded Washington Free Beacon hired Fusion GPS for opposition research. But after the election, Singer mended fences with a $1 million contribution to Trump's inauguration and another $1 million to the Trump PAC Future 45.[36]

The Trump administration has favored the interests of Singer and the hedge fund constituency through corporate tax cuts and the massive rollback of regulations, particularly in the financial industry. In a 2018 *New Yorker* profile, the evolution of Singer and Trump's relationship is described, including a meeting at the White House at Trump's request:

> In February of 2017, Trump rushed out to the podium in the East Room for a press briefing. "Paul Singer has just left," he announced. "As you know, Paul was very much involved with the anti-Trump, or, as they say, 'Never Trump.' And Paul just left, and he's given us his total support. And it's all about unification."[37]

Now that Elliott Management has AT&T (and consequently its business unit CNN) in its crosshairs, Trump's support for hedge fund tactics is merging with his own "fake news" agenda.

The result is a White House-endorsed takeover of Main Street companies by Wall Street financiers, benefiting the wealthiest Americans at the expense of U.S. workers and productive investment in our nation's economic future.

ENDNOTES

1. See www.ActivatingATT.com
2. Sheelah Kolhatkar, The New Yorker, “Paul Singer: Doomsday Investor,” August 20, 2018. Available at: https://www.newyorker.com/magazine/2018/08/27/paul-singer-doomsday-investor
3. Eileen Appelbaum, Rosemary Batt, Private Equity at Work: When Wall Street Manages Main Street, Russell Sage Foundation, 2014, at page 212.
4. The New York Times, “After 4 Years, Delphi Exits Bankruptcy With Sale of Assets to Lenders and G.M.,” October 6, 2009. https://www.nytimes.com/2009/10/07/business/07delphi.html
5. Ibid.
6. NY Post, “Driving off with 1.3 billion in profits,” November 18, 2011. https://nypost.com/2011/11/18/driving-off-with-1-3b-in-profits/
7. Auto News, “Delphi renames automated driving business Aptiv,” September 27, 2017. https://www.autonews.com/article/20170927/MOBILITY/170929822/delphi-renames-automated-driving-business-aptiv
8. Aptiv, Inc., Form 8-K, December4, 2017, see “State or Other Jurisdiction of Incorporation.” https://www.sec.gov/Archives/edgar/data/1521332/000119312517363912/d453817d8k.htm
9. See SEC Schedule 13D, Capela’s Inc., filed by Elliott Management, October 28, 2015. https://www.sec.gov/Archives/edgar/data/904495/000101359415000553/cabelas13d-102815.htm
10. Ibid.
11. State of Nebraska WARN notice, 2016. https://www.dol.nebraska.gov/EmploymentAndTraining/EmployerResources/LayoffsAndDownsizing/LayoffAndClosureReport
12. Sara Germano and Kevin Helliker, “Bass Pro Shops to Acquire Cabela’s,” Wall Street Journal, October 3, 2016. https://www.wsj.com/articles/bass-pro-shops-to-acquire-cabelas-1475500278?mod=article_inline; Josh Funk, “Bass Pro completes $4 billion acquisition of Cabela’s,” Associated Press, September 26, 2017. https://www.usatoday.com/story/money/2017/09/26/bass-pro-completes-4-billion-acquisition-cabelas/703078001/
13. Matt Olberding, “Capital One cutting 150 jobs in Lincoln,” Lincoln Journal Star, October 8, 2018. https://journalstar.com/business/local/capital-one-cutting-jobs-in-lincoln/article_ada4d35e-9473-5ef0-b45b-785ac73e996a.html
14. “Bass Pro Shops Closing Cabela’s Sidney Distribution Center,” Associated Press, March 8, 2019. https://www.usnews.com/news/best-states/nebraska/articles/2019-03-08/bass-pro-shops-closing-cabelas-sidney-distribution-center
15. Paige Yowell, Brad Davis and Russell Hubbard, “After Cabela’s sale to Bass Pro Shops, activist investor is cashing out,” Omaha World-Herald, October 7, 2016. https://www.omaha.com/money/after-cabela-s-sale-to-bass-pro-shops-activist-investor/article_5396e9aa-f4b9-5f84-8507-9f1dccc2f5c0.html
16. Reuters, “Hess Cutting Hundreds of Workers as it Battles Activist Investor,” January 16, 2018. https://www.reuters.com/article/us-hess-layoffs/hess-cutting-hundreds-of-workers-as-it-battles-activist-investor-idUSKBN1F524G
17. Wall Street Journal, “Hess Sets Another Buyback Amid Fight with Activist Investor,”March 8, 2018. https://www.wsj.com/articles/hess-sets-another-buyback-amid-fight-with-activist-investor-1520516992
18. Pittsburgh Post-Gazette, “Arconic CEO pledges better days ahead after spending cuts, layoffs and another split,” April 30, 2019. https://www.post-gazette.com/business/tech-news/2019/04/30/Arconic-split-layoffs-Alcoa-aluminum-John-Plant-Elliott/stories/201905010001
19. Robert Norris, “Arconic, Steelworkers dealing with 30-job loss at Tennessee Operations,” The Daily Times (Blount County), September 16, 2019.
20. See NRG Energy press release, February 13, 2017.
21. Capital IQ.
22. Don Clark and David Benoit, “Juniper Networks, Under Pressure, Unveils Buyback and Dividend Plan,” The Wall Street Journal, February 20, 2014. https://www.wsj.com/articles/juniper-enacts-buyback-and-dividend-1392933419?mod=article_inline&tesla=y
23. John Kell, “Juniper Networks to Cut Global Workforce by 6%,” The Wall Street Journal, April 2, 2014: https://www.wsj.com/articles/juniper-networks-to-cut-global-workforce-by-6-1396476881?mod=searchresults&page=2&pos=2&tesla=y

24. Health Dive, "Athenahealth to cut 9% of workforce in reaction to changing market," October 20, 2017.https://www.healthcaredive.com/news/athenahealth-workforce-cuts-earnings-report-q3/507742/

25. Business Standard, "Cognizant bows to investor pressure on costs: 10,000 likely to lose jobs," April 4, 2017. https://www.business-standard.com/article/companies/cognizant-bows-to-investor-pressure-on-costs-10-000-likely-to-lose-jobs-117040300379_1.html

26. ZDNet, "How Cognizant's digital evolution was derailed by an activist investment firm," May 28, 2019. https://www.zdnet.com/article/how-cognizants-digital-evolution-was-derailed-by-an-activist-investment-firm/

27. CWA letter to AT&T Board of Directors, September 25, 2019. Available at: https://cwafiles.org/Investor/20190925-CWA-Shareholder-Letter-ATT-Elliott-Final-As-Mailed.pdf

28. Sheelah Kolhatkar, The New Yorker, "Paul Singer: Doomsday Investor," August 20, 2018. Available at:

29. Forbes, real time net worth as of 9/20/2019. https://www.forbes.com/profile/paul-singer/#51890173795e

30. Fortune, "Mitt Romney's Hedge Fund Kingmaker," March 26, 2012. http://fortune.com/2012/03/26/mitt-romneys-hedge-fund-kingmaker/

31. Sheelah Kolhatkar, The New Yorker, "Paul Singer: Doomsday Investor," August 20, 2018.

32. Manhattan Institute, "About Us," access September 20, 2019. https://www.manhattan-institute.org/board-of-trustees

33. Paul Singer Family Foundation, Form 990 for 2011, Schedule A. Available at: https://projects.propublica.org/nonprofits/display_990/222664654/2012_04_PF%2F22-2664654_990PF_201111

34. Desmog, "Exclusive: Bjorn Lomborg Think Tank Funder Revealed As Billionaire Republican 'Vulture Capitalist' Paul Singer," February 9, 2015. https://www.desmogblog.com/2015/02/05/exclusive-bjorn-lomborg-think-tank-funder-revealed-billionaire-republican-vulture-capitalist-paul-singer

35. See tweet by the Real Donald Trump, September 9, 2019: https://twitter.com/realDonaldTrump/status/1171046014234648576

36. For inauguration contribution see Kolhatkar, New Yorker; for Future 45 contribution see, Center for Responsive Politics: https://www.opensecrets.org/pacs/pacgave2.php?cmte=C00574533&cycle=2018

37. Sheelah Kolhatkar, The New Yorker, "Paul Singer: Doomsday Investor," August 20, 2018.

CWA

501 3rd Street NW
Washington, DC 20001