

Elliott Management sees investor redemption amidst questions about its performance and jobs cuts at AT&T

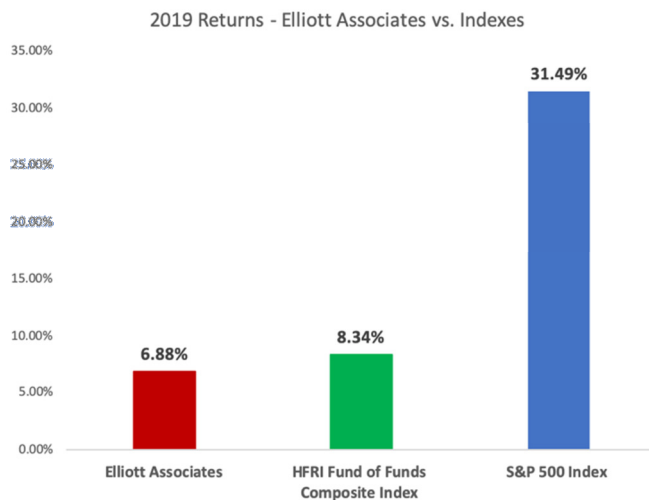
(Name),

I am writing because (investor) is an investor with hedge fund and private equity manager Elliott Management.

We have written previously on Elliott pushing for job cuts at AT&T and Elliott's underperformance over the last several years.

Both of these have continued:

Elliott Management underperformed hedge fund index, sees investor departures



Based on a report by investment consultant Cliffwater to one of Elliott's investors, the hedge fund manager's flagship Elliott Associates fund generated a net return of just 6.88% in 2019.

The hedge fund underperformed the HFRI Fund of Funds Composite Index (8.34%) and dramatically underperformed the S&P 500 Index (31.49%) in 2019.

Following poor performance, Elliott has seen investor redemptions. For example, the University of California investment office recently reported that it is in the process of phasing out its relationship with Elliott Management. As of June 30, 2019, the University of California endowment and pension funds had more than \$450 million invested with Elliott.

Following Elliott Management intervention, AT&T cuts more than 4,000 jobs and initiates \$30 billion in buybacks

In September 2019, Elliott [began an activist campaign](#) pushing telecom firm AT&T to extract profits from the company by eliminating jobs, outsourcing work, and divesting critical assets.

In late January, the [Communications Workers of America \(CWA\) reported](#) that AT&T cut 4,040 jobs during the 4th quarter of 2019. The CWA reported last year that Elliott's proposed changes

at AT&T [could lead to 30,000 workers](#) losing their jobs or facing reductions in wages, on top of harmful job cuts AT&T has already made in recent years.

Elliott won a commitment from AT&T to spend \$30 billion on stock buybacks, which will drive up its share price to enrich a small group of wealthy investors, leaving fewer resources for building next generation wireless and fiber broadband networks and training workers for the jobs of the future. Credit-rating agency Moody's has [raised concerns](#) that the large cost of the stock buyback plan puts AT&T at risk for a credit downgrade.

CWA has called on [AT&T's CEO, board of directors, the company's 100 largest investors, and the Business Roundtable](#) to reject damaging proposals from Elliott Management.

Despite putting jobs at risk at AT&T, Elliott has put little of its own capital at risk

Perhaps most striking about Elliott's activist campaign at AT&T is that despite the bluster of its public statements, the hedge fund manager does not appear to have put a substantial amount of its own capital at risk in its AT&T investment.

In late October, [Elliott reported](#) that its funds "collectively own \$3.4 billion in common stock and economic equivalents of AT&T Inc." Yet in a [mid-February filing with the SEC](#), Elliott shows that it is making only a very small financial outlay upfront as it owns just 5 million shares of AT&T stock, worth around \$195 million.

The remainder of Elliott's holdings come in the form of derivatives, including 202,500 call options to purchase AT&T shares (bought for pennies on the dollar and worth \$791 million as of December 31, if exercised) and an undisclosed amount of "synthetic long exposure" through the sale of puts, according to Elliott Management sources.

In sum, Elliott made less than 10% of its claimed investment in AT&T through a small purchase of AT&T equity (0.068% of AT&T's outstanding shares) and the remaining 90% through derivatives that are largely undisclosed.

Despite making demands that have led to real job losses for AT&T employees, the hedge fund's actual investment in the company appears to be much smaller than it claimed.

We believe investors such as [Investor] should ask Elliott a series of questions about its activist campaign at AT&T:

- **What will be the projected impact on jobs from Elliott's proposed actions at AT&T, particularly frontline roles in retail, call centers and among technicians who build and maintain the network? How many jobs have been cut or detrimentally impacted at other companies where Elliott has run activist campaigns in recent years?**
- **How does Elliott's proposal, with its focus on share buybacks, avoid appearing to be a short-term play aimed at self-enrichment rather than supporting the long-term health of AT&T, its investors and stakeholders? Has Elliott fully evaluated the**

opportunities for investment to improve AT&T's network and competitive positioning, and if so, why did Elliott's letter to the AT&T board mention no concrete proposals focused on investment and network build-out?

- What efforts has Elliott made to recruit other institutional investors with more significant stakes in AT&T to publicly support its activist campaign? If any efforts were made, what were the results? If no efforts have been made, why not? How much of Elliott's ownership of AT&T is actual share ownership versus ownership of derivatives entitling it to purchase shares?**

This inquiry regarding Elliott's controversial intervention at AT&T is especially important given that the firm [announced late last year that it is seeking to raise an additional \\$4 billion for its hedge fund](#) and may come back to (investor) seeking additional capital.

Regards,

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