

RANDALL STEPHENSON

- Thank you for joining us on such short notice.
- In a moment, you're going to hear from our legal team. But first I want to make a few points.
- Obviously, we're surprised to be here and, candidly, I'm troubled by it.
- Jeff Bewkes and I entered into this deal with decades of clear legal precedent demonstrating how this merger would be evaluated.
- When we announced this deal, the best legal minds in the country agreed that this transaction would be approved since our companies do not compete with each other.
- But ... here we are.

REMARKS AS PREPARED TO BE DELIVERED

- The government has filed a lawsuit ... and it stretches the reach of antitrust-law beyond the breaking point.
- All in an effort to stop this combination.
- This comes at a time when the communications and media industries are undergoing radical change.
- Massive, large-scale internet companies with market caps in the hundreds of billions of dollars are creating tons of original content and distributing it ... directly to consumers.
- This is disrupting both industries.
- And it is being done at a level and pace we could not have imagined only 5 years ago.

REMARKS AS PREPARED TO BE DELIVERED

- Netflix distributes their content to over 100M customers.
- Amazon distributes content to its Prime members — reported to be more than 60M.
- Google and Facebook reach and distribute content to billions of customers.
- And the government contends that AT&T ... with 25M TV customers ... and Turner ... with a single digit share of all media watched ... will have unlawful market power.
- This defies logic. And it is unprecedented.
- I have done a lot of deals in my career but I've never done one where we have disagreed with the Department of Justice so much on even the most basic facts.

- Despite our disagreements... we have offered concrete and substantial solutions.
 - And as we head to court, we will continue to offer solutions that will allow the transaction to close.
 - It cannot be lost in the noise that combining these two companies will produce significant, tangible consumer benefits.
 - And every day spent litigating this deal is a day wasted in delivering those benefits to our customers.
- But we will not settle this matter out of simple expediency.
- Because the rule of law is at issue here.
 - Consistency in the application of the law is critical in a free-market economy.
 - And it is equally important for preserving confidence in our government ... confidence that they will fairly adjudicate the matters brought before them.

- When the government suddenly, without notice or due process, discards decades of legal precedent, businesses large and small are left with no guideposts.
- Every business combination or significant investment becomes subject to the whim of the regulator.
- And as we're seeing here, that's a roll of the dice.
- We have no intention of proposing a solution that is beyond what the rule of law would require.
 - If there are legitimate concerns, there are plenty of solutions within the precedent and the DOJ's own guidelines
 - And we will continue to press for solutions.

- Before I hand this over to the legal team, I need to address the elephant in the room.
 - There has been a lot of reporting and speculation whether this is all about CNN.
 - Frankly, I don't know.
 - But nobody should be surprised that the question keeps coming up.
 - Because we've witnessed such an abrupt change in the application of antitrust law.
 - But the bottom line is that we cannot and will not be party to any agreement that would even give the perception of compromising the First Amendment's protections of the press.
 - So, any agreement that results in us forfeiting **control** of CNN, directly or indirectly, is a non-starter.
 - We believe quite strongly that **any** divestiture of **our** assets or Time Warner's assets is **NOT** required under the law.

- And we have no intention of backing down from the Government's lawsuit.
- We are in it to win.
- And absent a reasonable compromise that doesn't violate our principles, we expect to do just that.
- David ...

DAVID MCATEE

- To underscore Randall's point on the rule of law, I should stress that the last time the Department of Justice tried a vertical merger case was in the Carter administration, when the government lost at trial.
- Before that, you have to go back to the Nixon administration to find a time that a court has blocked a vertical merger.
- In the nearly 50 years since, mergers like ours have been routinely approved because they benefit consumers without removing any competitor from the marketplace.

REMARKS AS PREPARED TO BE DELIVERED

- That is the legal precedent upon which the parties relied when we entered this transaction, and under that precedent, we see no reason for our merger to be treated any differently.

DAN PETROCELLI

- Thank you, David.
- Today's suit by the Department of Justice to block this merger represents a serious and very troubling departure from decades of legal precedent and antitrust policy.
- As David mentioned, the last time the DOJ blocked a merger like this in Court was when Richard Nixon was President.
- The good news is that in our system of justice the DOJ's lawsuit is not the final word.
- It's the Court who will settle the issue and will do so based on the evidence, facts, and law.
- In a merger case like this, the DOJ has the burden of proof in court.
- They will need to prove competitive harm.

REMARKS AS PREPARED TO BE DELIVERED

- It's a burden they have not been able to meet in half a century.
- And one they clearly cannot meet in this case.
- I've been representing AT&T and Time Warner throughout the DOJ's review of this merger transaction over the past year.
- I personally have sat through days and days of sworn testimony by senior executives from both companies who explained to DOJ every aspect of this merger, including
 - How it will create a more efficient company,
 - How it will enable the combined company to better compete.
 - And how it will bring about new and exciting video content and other offerings to consumers.
- The record of evidence before the DOJ could not be more clear and convincing that this merger will not harm competition or consumers.
- And that is what you would expect from a merger like this, because it's a classic vertical merger --

combining two companies that don't compete with each other.

- Time Warner is an owner of content. AT&T is a distributor of content.
- Under basic principles of law and economics, the combination of these two non-competing, complementary companies should pose no antitrust problem.
- Before he was nominated to lead the Antitrust Division, Makan Delrahim himself publicly acknowledged this when he said he didn't see this deal posing "a major antitrust problem."
- [Please play the tape].
- And Mr. Delrahim was right.
- There is no antitrust problem with this merger.
- The merger will not eliminate competitors.
- Your bill will not go up.
- The combined company will not keep CNN or TNN or HBO or any other network to itself.

REMARKS AS PREPARED TO BE DELIVERED

- The theories in the DOJ's complaint have no proof and make no sense in the real world.
- We are confident that the law and facts will prevail and the merger will proceed.