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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-- against --

**AT&T, INC.,
CHRISTOPHER C. WOMACK,
KENT D. EVANS, and
MICHAEL J. BLACK,**

Defendants.

21 Civ. ____ ()

ECF Case

**COMPLAINT
AND JURY DEMAND**

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendants AT&T, Inc. (“AT&T”), Christopher C. Womack (“Womack”), Kent D. Evans (“Evans”), and Michael J. Black (“Black”) (collectively, “Defendants”) alleges as follows:

SUMMARY OF THE ALLEGATIONS

1. In March and April of 2016, Defendant AT&T, aided and abetted by Defendants Womack, Evans, and Black, executives in its Investor Relations (“IR”) Department, repeatedly violated Regulation FD (Fair Disclosure)—a Commission rule aimed at promoting investor

confidence in the integrity of the capital markets by prohibiting selective disclosures by issuers of material nonpublic information to securities analysts, among others—by disclosing AT&T’s projected and actual financial results during phone calls Womack, Evans, and Black held with equity stock analysts from approximately 20 Wall Street firms on a one-on-one basis.

2. In early March 2016, AT&T and its executives, including Womack, Evans, and Black, learned that a steeper-than-expected decline in smartphone sales by AT&T would cause its revenue for the first quarter of 2016 (“1Q16”) to fall short of analysts’ estimates. In fact, AT&T’s “equipment upgrade rate” (i.e., the rate at which existing customers purchased new smartphones) would be a record low for the company, with the result that AT&T’s consolidated gross revenue was expected to fall more than \$1 billion below the consensus estimate—that is, the average of the forecasts for all analysts covering AT&T.

3. Fearful of a revenue miss at the end of the quarter, AT&T’s Chief Financial Officer instructed AT&T’s IR Department to “work[] the analysts who still have equipment revenue too high.”

4. In turn, the Director of Investor Relations (“IR Director”) instructed Womack, Evans, and Black to speak to analysts privately on a one-by-one basis about their estimates in order to “walk the analysts down”—i.e., induce analysts to reduce their individual estimates. The goal was to induce enough analysts to lower their estimates so that the consensus revenue estimate would fall to the level that AT&T expected to report to the public—i.e., AT&T would not have a revenue miss, which would have been the company’s third consecutive quarterly miss.

5. Between March 9 and April 26, 2016, Womack, Evans, and Black called approximately 20 separate analyst firms and spoke to analysts in order to induce them to lower their revenue estimate and thereby reduce the consensus estimate to the level that AT&T

expected to report. During these calls, Womack, Evans, and Black intentionally disclosed material nonpublic information regarding AT&T's results to date. Depending on the firm and the date of the call, Womack, Evans, and Black disclosed AT&T's projected or actual equipment upgrade rate, its projected or actual wireless equipment revenue amount (presented as a percentage decrease compared with the first quarter of 2015), or both.

6. On some of Black's calls to analysts, he represented to the analysts that he was conveying publicly available consensus estimates, when in fact he was providing AT&T's own internal projected or actual results. Black knew or recklessly disregarded that he was misrepresenting the information he was conveying to analysts because he tracked AT&T's calculation of consensus estimates—none of which matched the information he provided on the calls with analysts.

7. Womack, Evans, and Black knew or recklessly disregarded that the information that they provided to the analysts during these calls was both material and nonpublic. Among other things, they knew that they were prohibited from selectively disclosing AT&T's internal revenue and related data to analysts, and they did so with the expectation that the analysts would act on the information to substantially reduce the estimates they published for investors. Their knowing or reckless conduct is also evidenced by, for example, Black's efforts to disguise the internal information he was presenting as "consensus," the fact that the analysts' initial estimates deviated so far from AT&T's projected and actual results that the group needed to call approximately 20 separate firms to bring the consensus down to where AT&T could meet it, and that they presented the equipment upgrade rate as a "record low" during some of these calls.

8. The analyst firms that received these calls promptly adjusted their revenue estimates, resulting in a reduced consensus revenue forecast for 1Q16 that AT&T beat when it announced earnings on April 26, 2016, in a Form 8-K filed with the Commission.

VIOLATIONS

9. By engaging in the conduct set forth in this Complaint, Defendant AT&T violated, and Defendants Womack, Evans, and Black aided and abetted AT&T's violations of, Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Regulation FD [17 C.F.R. § 243.100 *et seq.*] thereunder.

10. Unless Defendants are permanently restrained and enjoined, they will again engage in the acts, practices, and courses of business set forth in this Complaint, and in acts, practices, and courses of business of similar type and object.

NATURE OF THE PROCEEDING AND RELIEF SOUGHT

11. The Commission brings this action pursuant to the authority conferred upon it by Sections 21(d)(1), (d)(3), and (d)(5) of the Exchange Act [15 U.S.C. §§ 78u(d)(1), (d)(3), and (d)(5)] seeking a final judgment: (a) permanently restraining and enjoining AT&T, Womack, Evans, and Black from engaging in the acts, practices, and courses of business alleged herein; and (b) imposing civil monetary penalties on AT&T, Womack, Evans, and Black pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Sections 21(d) and (e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Defendants, directly or indirectly, made use of the means or instruments of transportation or communication in, and the

means or instrumentalities of, interstate commerce in connection with the transactions, acts, practices, and courses of business alleged herein.

13. Venue is proper in the Southern District of New York pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Among other things, AT&T transacts business within this district, including but not limited to providing services and operating retail establishments within the district, and AT&T issues stock traded on the New York Stock Exchange, and Defendants Womack, Evans, and Black made multiple telephone calls to stock analysts based in this district.

DEFENDANTS

14. **AT&T**, a Delaware corporation headquartered in Dallas, Texas, is a telecommunications company. AT&T's stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is traded on the New York Stock Exchange under the ticker "T."

15. **Womack**, age 54, is a resident of Columbia, New Jersey, and an Executive Director in AT&T's IR Department. During the relevant period, Womack worked in AT&T's Bedminster, New Jersey office.

16. **Evans**, age 64, is a resident of Brookhaven, Georgia, and an Associate Vice President in AT&T's IR Department. During the relevant period, Evans worked in AT&T's Atlanta, Georgia office, where AT&T's Mobile Division is located.

17. **Black**, age 56, is a resident of Bloomsbury, New Jersey, and a Finance Director in AT&T's IR Department. During the relevant period, Black worked in AT&T's Bedminster, New Jersey office.



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