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The following is a transcript of a live interview with AT&T CEO Randall Stephenson and Time Warner Inc. CEO Jeff Bewkes posted on the website of the Wall Street Journal on October 25, 2016:

P R O C E E D I N G S

INTRODUCTORY SPEAKER: All right, what would you buy if I gave you 85 billion dollars? AT&T just bought Bugs Bunny, Batman, and the Baratheon family, it's the deal of the fall, and I'm sure you've got a lot of questions, and we've built in some time for that today.

To get things started let's bring out the deputy editor in chief, Rebecca Blumenstein, also the CEO of AT&T, Randall Stephenson, and the chairman and CEO of Time Warner, Jeff Bewkes.

MS. BLUMENSTEIN: Well, thanks so much to you both for coming all the way, after announcing the biggest media deal in years.

I -- I want to cut to the

chase: Time Warner was bought once before, tell me why it's going to turn out better this time.

MR. STEPHENSON: Well, we didn't try before, all right? I'll start there.

But this -- this deal was about one thing, and that was, how could we change the game in this ecosystem, because if there was ever an environment that was begging for innovation it is this environment.

And if you think about what's happened in this system literally you have 20 million households now who have left the premium content system. They're not buying a bundle of premium content, they're gone, they're not around, and this is one of the things we're trying to do, how do you begin to do something to access that -- that segment of the market.

MS. BLUMENSTEIN: So they've kind of cut the cord?

MR. STEPHENSON: Yeah, they've cut the cord. They're not even engaged in the premium ecosystem anymore.

And then so we're going to launch, at the end of next month, November, a product that we think does this, and that's what this deal is about, and I think it's important to understand it, it's Direct TV Now is what we're calling it, but this is, for the first time, a hundred plus premium channels, all right? This isn't the junk nobody wants. This is a hundred plus premium channels, purely over the top, a mobile centric platform for $35 a month, all right? It has all of Jeff's content, it has all the premium content that you know and love, you like to watch, $35 a month, and that includes your mobile streaming costs, all right? Streaming it over the mobile internet. So 35 bucks pretty much all in, we think this is big. We think it's a game changer.

MS. BLUMENSTEIN: So you're making more news now by announcing the price point.

MR. STEPHENSON: We haven't announced the price point before but we're announcing it right now. And as you think about people saying this is nothing but a way to increase prices, no, this is a way to drive pricing down in the marketplace. We think this is really important.

And I think there's something else that's important, and it's instructive to how you consider this deal, and that is: That would not be possible, we started trying to develop this product over a year ago, it would not be possible had we not done the Direct TV deal, it would be impossible, because we had been trying to do this for the last three years.

We cannot get the media companies to participate in this until we have scale, in fact, interestingly enough, one of the last companies to finally come in to this hundred channel package was Fox. They were the last ones to come in.

And I think what's equally instructive is one of the first ones in was NBC Universal, which I think is ironic, when you think that the one company that is vertically integrated, like we're talking about doing, is one of the first ones in doing the innovation in the marketplace.

And I would tell you one of the other first ones in was this guy, we got TBS, TNT, all of those channels we got in early in the game. And -- and I think that's a really important observation, that if you want to innovate you're going to have to have scale, you're going to have to have content that will allow you to innovate.

And so to that end, just considering that, there was a lot of noise yesterday around what this new company looks like, and -- and what people should be concerned with.

And we have, internally, at AT&T, that Jeff's team will be introduced to, we call it our Magna Carta: What are the guiding principles as you put these two companies together. And it starts with, "Dear AT&T executives, with distribution assets, Direct TV, our mobility company, number one principle of the Magna Carta is: Recognize, Time Warner will continue to distribute their content widely and broadly. You're now going to get exclusive access to Time Warner content. They've built a franchise on wide and broad distribution that's going to continue.

Time Warner, when you come in, point number two, our distribution businesses are going to continue to distribute a wide variety of content. That's what the customers expect and want, a hundred channels of premium content, that will not change. Time Warner don't expect that to be premium.

MS. BLUMENSTEIN: So you're vowing you're not going to take any price advantage?

MR. STEPHENSON: We're actually trying to bring prices down, $35, you know, find that in the marketplace with wireless streaming, right?

Principle number three, and this is to the AT&T board, when you own a news company independence is sacrosanct. You must protect the independent editorial privileges of that news organization. And to the extent your customers deem otherwise you damage the brand of a CNN, specifically.

Fourth is, Time Warner is going to become the launching pad for innovation. Time Warner is what we're going to try to touch these third rails that the industry will not and has not touched. It's where we're going to begin to experiment and test, how can you bring a la carte pricing into the ecosystem? How can you do that?

I think this is going to be a really important innovation. It's also the place where we'll begin to develop new ad support models, where you can net $35 price point, these content costs are not going to be flat. So how can we develop new ad models that will allow us to keep the price point in check offsetting the price increases on content?

I think that's really, really important. And then last element of our Magna Carta is: We are going to be a head-to-head nationwide competitor with the cable ecosystem.

And 5G deployment is a game changer. We will be a new competitor nationwide with 5G. And so the intent is to bring Time Warner and AT&T together and create a very new and a very different kind of competitor, nationwide, in the cable ecosystem.

So that's how we're framing

this, this is what we're trying to become as a company.

MS. BLUMENSTEIN: So Jeff, are you trying to right the historical wrong of AOL, in part, here? You have come out previously against the distribution coming together.

MR. BEWKES: No, no, no, we're way past that. I've got to add an example, if I could, and I think it will resonate with everybody here: It was about seven years ago that we at Time Warner we saw that the world wanted to go to VOD. We already had it at HBO. Richard's here, he talked this morning, we had done at VOD at HBO 15 or 20 years ago, but we knew people wanted it on every channel.

So we want and literally

unilaterally at Time Warner we put all our channels out on VOD. We gave a contract with no negotiation, no change, any distributor, large or small, could take it, and what did it say? It said: "You can have the right, cable, telco, satellite, anybody, you can have the right to have all our channels on VOD, if you didn't have it before, you don't pay us for this, provided, really, one thing, you don't charge consumers for it, you don't create a package where if you pay extra you get it, another guy doesn't pay he doesn't get it, it's got to be go -- got to go to everybody."

And we also said: "You can't tie your broadband service to your video service, because anybody that's got a video

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service, anybody who's paid for" -- which we all know 80 percent, 90 percent of the people have paid for CNN, Fox News, et cetera, you get it, what happened? Seven years ago.

So we waited, year after year we've talked about this, the old media business, the other media companies, the distributors, they didn't offer this to consumers, even though it was sitting there for no charge. Why not? Because the old distribution company they -- some of them did, we can go through who did it better than others, but basically they didn't want to make the plan investments in what you have to do to provide that, they didn't have either the skill or the scale to do the interfaces, which everybody

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out here knows so well is important when you have more and more volume of programming you need a better interface to find it and recommend it and share it, et cetera.

So that was on the distributor side. But then you look at the other network companies, they didn't offer it, either. Why not? They were waiting for years for this renewal negotiation or that renewal negotiation. That's not how you change consumer behavior.

What you want, and we wanted this seven years ago, we want you to go to your TV dial or your tablet or your mobile device and you should be able to get any network on that, on demand, because the originators of the program, whether it's NBC or TNT, or HBO, we paid for the program. You

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paid for it, you ought to have it, there's no cost to doing it on DOD.

So now we come to this stitch, we've made some progress, there, but you all know what did it force consumers to do in this interim period? They all had to go out and pay extra money to get library SVOD services, for the very same programming that should have been available on VOD all along.

So we would say, and we've been saying this since 1995, every channel in the country, every network should look like HBO or Netflix. There's no reason it can't.

And now we have a distribution platform where we can, together, put out a launching pad of services. And do we want it to be just our channels? No. We want it to be all the most important channels,

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just this way I've described just now.

MS. BLUMENSTEIN: A question for both of you: How much of this is offense and how much is defense? I mean, Randall, your core business wireless subscribers are down, ATT subscribers are down, I mean, is this, in a sense, almost to vet the company deal?

MR. STEPHENSON: I don't know how you characterize it, vet the company deal, when you buy an asset like this that is EPS accretive, cash flow accretive, enhances dividend coverages, keep credit metrics that are credit quality, talk great credit quality.

So I don't see how you can characterize that as defensive. It's just something where you have customers, you have a known demand that customers have, this isn't one of those that you have to do a lot of guessing and swing for the fences and hope for the best.

We know what the customers want. It's really, really obvious. They want premium content in a mobile environment. We have had a really difficult time getting that put together. It's been really hard.

This is a way where we can actually begin to move much, much faster at bringing bundled premium content over a mobile environment to our customer. It's no more complicated than that.

MS. BLUMENSTEIN: Regulators and politicians have come up to me against the deal. Donald Trump has said he would nix it, and actually went further and said

that he would try to do -- undo
Comcast NBC Universal. Tim Kaine
has said he has concerns that it
would raise consumer prices.
And there seems to be a
growing sense at the Department of
Justice and the FCC about this
state of mega deals and true
antitrust concerns.
What is -- what is your
response, are you surprised by
this?
MR. STEPHENSON: Not
surprised. They're uninformed
comments.
...(APPLAUSE)...
MR. STEPHENSON: Anybody --
anybody who characterizes this as
a means to raise prices is
ignoring the basic premise of what
we're trying do here.
Again, a $35 product we

bring into the market to innovate on and find new ways of bringing content to customers, that's not a medium for raising prices.

Also, vertical integrations are rarely a means for raising prices. You're not changing the market structure in any way, shape, or form. You're not changing the broadband market, you're not changing the wireless market.

When we wake up, after this deal is approved, the wireless market will look exactly the same as it does today and the media market will look the same as it does today.

So this is not -- this is not a combination that typically, you know, gains that kind of horizontal type merger scrutiny, in fact, it's really important to know it is a, by every technical definition, a vertical merger integration. And vertical merger integrations are historically approved.

Now, it doesn't mean they're approved carte blanche. Regulators will have some concerns with this, I'm quite confident they will. Those concerns are invariably remedied with conditions.

So we anticipate there will be a good, fulsome review and discussion about this.

MR. BEWKES: You know, we ought to talk about advertising, because if you're looking into competition this is going to be extremely helpful to increase competition in advertising. And I think, since we are west of the mountains, at least where I live, we all need more competition in advertising because what we've been seeing is growing concentration to a duopoly and digital enabled advertising.

MS. BLUMENSTEIN: You're talking Facebook and Google?

MR. BEWKES: Yes, I am. And I hope some of you -- I know that the Google and Facebook people, because we work with them and know them well, there's one thing they love and that's innovation and competition. And we are here to help. We are. We're going to bring more of that, and that's good not only for -- that's basically a very good development for all media companies, because when you create the ability to have the same kind of digitally powered advertising you get so many benefits, you know, competition always helps consumers, and it gives advertisers better choices.

But it, most important, allows the consumer experience watching video to have more relevant ads, less intrusive and interruptive ads. Therefore, they're more valuable. Therefore, more of the burden of cost of content goes to advertising rather than to people.

Again, more competition, lower prices, better for consumers.

MS. BLUMENSTEIN: Randall, explain how these less intrusive ads are going to work, because they seem a bit intrusive, I have to say. You're going to be able to target homes? You're going to be able to pretty much know what people are watching and then use that data to --

MR. BEWKES: I think we should get the Google and Facebook people come up.

MS. BLUMENSTEIN: The last question is in a bit.

MR. STEPHENSON: How that works? So we have in the market today an addressable advertising platform. And we do have some unique viewership data on our platform. You know, we have the largest video distribution platform in US right now. So we have some unique viewership data.

We anonymized that data. We would never say, Rebecca, send Rebecca an ad. But there are, you know, 25, 50 Rebeccas out there who have a certain viewership pattern. And that viewership pattern informs what type of advertising that individual would find interesting and relevant to them, and so literally begin to direct and address advertising to a segment of the market that has a known viewing pattern or discernible viewing pattern.

MS. BLUMENSTEIN: And you think this will allow you to compete better with Facebook and Google, specifically.

MR. STEPHENSON: I think it will allow us to do a lot of things, specifically provide advertising that's more relevant to the user. I think that's really, really important, and I think also it will allow us to defray the content cost ensuing, because content costs, in spite of

what people write about this
industry, they're not going down.
The content costs continue to
escalate.

And if we really want to
keep that retail price point in
check and keep 20 million homes
that are not on the system from
growing dramatically over time we
have to find ways to keep those
prices down.

MS. BLUMENSTEIN: Jeff, I
can't let you off the hook too
quickly about the regulators.
There seems to be a sense that
maybe they erred in not attaching
enough conditions to the Comcast
merger. And that's something that
there's a sense out there that
that's something that's going to
hurt this merger.

What's your view of this?

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MR. BEWKES: I'm not an expert in that merger. I think, if I understand this, and I may be not exactly right, the reporting, at that time, much of the condition on what they thought -- what NBC or the content-side should should do in terms of making content available, that may be as much on what the distributor should do, I'm not sure about that.

Do you know?

MR. STEPHENSON: Yeah, they actually -- well, the distributors, they were going after two things. They were trying to remedy the vertical integration. There were two concerns they had, that neutrality was a big one, there is.

MR. BEWKES: Yeah.

MR. STEPHENSON: And so they put conditions all over that thing to ensure that they preserved the principals of that neutrality. And the second was they wanted to protect the introduction of over-the-top content players.

And so net neutrality, you guys from Google, you won, right? It's done. We don't have to worry about that one, anymore. The boogieman's gone, he's in a box, you won't have to worry about that neutrality anymore.

As it relates to OTT, Jeff and I have talked and we've concluded that Netflix is probably going to be okay now. They might make it. We don't think it's necessary to protect the OTT guys that much anymore.

So the two issues that were

really relevant and critical six
years ago are largely they're kind
of matured and they've aged and
they're kind of not as relevant
now.

MR. BEWKES: If you don't
take it from us, Reed was here
last month and he said he was
fine.

MR. STEPHENSON: He said he
was fine as long as the broadband
connection was the same for him as
for everybody else, and that's net
neutrality, that's what net
neutrality is.

MS. BLUMENSTEIN: In the
options market this morning placed
a 29 percent chance of this deal
going through. Are the markets
just pessimistic?

MR. BEWKES: Obviously we
think so or else would we still be

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sitting here?

MR. STEPHENSON: I think the markets are too pessimistic. I wish I could buy Time Warner stock in advance, I would probably buy some. I feel pretty good about -- about this deal. Once it gets into the hands of the regulators the filings are done, the professionals, who actually do these things for a living, get into it, I think the data and the law will dictate how this deal was handled.

MS. BLUMENSTEIN: You made a call that didn't go so well with T-Mobile. Does this -- I mean, would you say that --

MR. STEPHENSON: You're just bringing all kinds of pleasant issues up, aren't you?

MS. BLUMENSTEIN: It's my

job.

MR. STEPHENSON: Let's go back to AOL. Let's go back to AOL, okay?

(Laughter)

MS. BLUMENSTEIN: Would you say the regulatory risk of this deal, you talked about it, I guess it came together quickly, but for a couple of months was that the biggest call you had to make, is your lawyer the person who this came down to, is this something that you would say is a close call?

MR. STEPHENSON: Look, this is not T-Mobile close. T-Mobile was a classic horizontal merger. We actually thought, based on the way the DOJ had defined the market in multiple transaction, before, that even that horizontal merger

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would be good, but that was -- we knew, going in, that one was a high-risk deal, that's why they had such a breakup deal because the company was requiring high risk.

So we knew going in that that one had a lot of risk around it, because it was a classic horizontal merger. You were taking a competitor, a nationwide competitor, out of the marketplace.

Recognize, this one, you can't even compare the two. This is, once again, a vertical merger. No -- no competitive environment is changing, in the least, here. The media competitive environment is not changing, the Telecom market is not changing.

MS. BLUMENSTEIN: I want to

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talk a bit about how the deal came together. Apparently, you both had lunch and you brought it up to Jeff. You were a bit surprised. You both come from very different cultures and companies and, Jeff, I guess the question is to you, I mean, obviously 20th Century Fox tried to -- tried to buy you a couple years ago and you said no.

What -- what was different when Randall asked?

MR. BEWKES: Well, what we were -- you know, time got us on, first of all. Secondly, the Fox, Time Warner or any kind of media horizontal, that's a horizontal merger, it has not only different issues, including regulatory ones involved in it, it also, because of that, doesn't provide the kind of resource and capabilities

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changes either to Fox or to us
that something like this would.
So I think the difference,
now, is -- and you could do this
in light of our Time Warner Cable
spin, as well, seven/eight years
ago, what you have now, we all
know this, and it's, you know, I'm
-- for me, saying it to all of
you, you're out here living in the
digital world, very cleanly, you
got the distribution platforms or
the distribution pipes becoming
not dumb, smarter all the time.
And so everything needs to
be seamless across the in-home
television, the mobile device
going out the house, you got to
have that, we all know you have to
have much better curation,
navigation, recommendation, easy
ability to find things, because

with that you need full view ID of broadband enables you to have, and all of that in the evolution of the distribution platform means that there's much more ability to customize off for us, either what you offer to subscribe to, what product, individually, you might want to look at, because there's more and more of it all the time, how the advertising works to support it, which is no longer point to mass, you know, you buy a 30 and a -- you know, for five million people watching something when some advertisers can do it for the advertiser for particular people that are interested in that product.

So with all of those changes what we all needed in the media business, and I think it's true of all media network companies, is we need the distribution industry to be more capable in bringing those benefits to network TV and even movie releases and all of that, and that's what AT&T offers, that huge scale of direct selling platform, direct customer relationships, consumer data about what people want, for both content origination and delivery, and also for advertising support, all better for consumers, you all know that, that's what occurs at Google, Facebook, YouTube, Netflix, et cetera.

So that's what the advantage of this is, that time has come. Now, that doesn't mean that every media network company needs to be co-owned and operated with distribution plants, because if

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you have this kind of change in the distribution ecosystem what we think is going to happen, and Randall said at the beginning, we don't want network packages that are reduced to our networks and not -- there's people that are interested in T&T are interested in FX. They tend to like those shows. If they like HBO they like Netflix and Showtime.

So we want the right packages for consumers. And we think what this will do is cause adoption of other network companies to do what we've tried to do, we didn't get followed in terms of consumer benefits as much as we'd hoped, and it will have the other distribution platforms make the same innovations because if they don't the consumers are

the ones who are in charge of all
this, and they're going to get
what they want.
And if the media business,
with its distribution, doesn't
give it then they are going to get
it through the next industry.
And, you know, that's the, quote,
tech industry also very helpful in
terms of the innovations that
they've brought to this, but we
all know they're all coming
together. I mean, that's why
we're doing it.
MS. BLUMENSTEIN: Randall,
before we go to questions I just
have to ask you about culture and
some execution. You have come up
from your very working days to a
phone company. You have
installers, and you have calling
centers, and Time Warner is a very

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different culture.

MR. BEWKES: We have a call center. We have a call center.

MS. BLUMENSTEIN: How are you -- how are you -- I mean, Time Warner's creative, are you going to be committed to keeping it a separate unit? You're -- you're not going to interfere with calls and Game of Thrones and CNN? You're going to --

MR. STEPHENSON: He does want to do the casting on Game of Thrones. He told me that.

JEFF; I know Richard's here, this is going to be a little awkward. We have a guy that runs the network that I think would be great at running HBO. And so I think --

MS. BLUMENSTEIN: You mean the phone network, then?

MR. STEPHENSON: No, look, I understand, I'll be the first to tell you, I've never run a movie studio. I don't know the first thing about it, and I've never run a premium content delivery company, like HBO. I don't know the first thing about it.

And so we will be conscious and thoughtful about how we organize this, and the way it will be organized is Time Warner will be a wholly-owned, separate subsidiary of AT&T, that's just -- that's how we'll structure it, and we'll have the experts that know how to run these businesses running these businesses.

We'll have to figure out the management art and even the management science on how to affect these issues that we're talking about, how do we allow our viewership data to begin to influence content creation, Richard? And how do we begin to use that data on content that has been created? How do we direct it and promote it to the right audiences and so forth? How do we use that data to begin to inform and actually affect the advertising avails that are within the Turner Network?

I mean, there's so many advertising avails in there that as we get really good and targeted at addressable advertising we think we can change the yield on advertising within Turner Networks.

And so there's going to be a management challenge on how do you affect that, right? And how do you put mechanisms in place to cause that to happen.

I feel really confident that's a logistical -- we've done harder logistical issues than that, before, with difficult organizational challenges.

So I -- look, I know there are different cultures and we'll be protective of the cultures to ensure we don't destroy the business. But I am not that concerned that we can't manage through it.

MS. BLUMENSTEIN: And I think you're heading over to the movie studio, after this, I understand?

MR. STEPHENSON: That's right. I'm going to unbutton my shirt, like Richards, over there.

MS. BLUMENSTEIN: I would

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like to open it up to questions, if there are any. I see one right here in the front. There's a mic. Please identify yourself.

MR. SANDS: Hi, my name is Christian Sands, I'm the strategy of Sky Catch. I think the strategy is sound, very simple, very smart, premium content for mobile, excellent.

What is Time Warner and AT&T going to do to amplify their infrastructure or to get to more homes more places?

MR. STEPHENSON: So I'll take that, Jeff. You can add on.

But look, one of the fundamental underpinnings of this deal, the reasons I can get so enthusiastic about it, this is three, five years downstream, but we are in an all-out push of getting the standard set around 5G, around getting the vendor community going on 5G.

Where our software defined networking technology is ramping and is scaling, which is critical for scaling content delivery at the level we're talking about doing here, when 5G is up and deployed it becomes a nationwide platform of video delivery, period. Hear me on this. This is a one gig network capability --

MS. BLUMENSTEIN: When is that?

MR. STEPHENSON: -- that is wireless and mobile.

What is that?

MS. BLUMENSTEIN: When is 5G up?

MR. STEPHENSON: We'll be deploying in 2018. And they'll scale, probably, in the 2019, 2020 time horizon. But this is exciting, all right? And it's exciting for content, it's exciting for video delivery, but it's exciting for autonomous cards.

The guys at Zooks need 5G to get autonomous cars on the roads in San Francisco by 2020. It's really important. Virtual reality, you guys working on virtual reality and augmented reality, you need this for that, you guys working on health care applications, and so forth, you need 5G, low latency, really fast networks with high capacity, that's -- I got to tell you, that's one of the reasons I get most enthusiastic about what we're trying to put together here.

MS. BLUMENSTEIN: Any other questions? Right in the back, there.

>> (Inaudible) Now, would there be an alternative to see how direct TV, you wouldn't necessarily need a satellite dish, you would actually get the content. And now you, Sterling, spoke about offering $35 over 100 channels, it's really exciting to see the portfolio of apps that you have, now, bringing in HBO Go, HBO Now, how do you actually look at the portfolio of apps, because you have so many ways to distribute the content, and how will that affect, certainly, pricing packages as well as the distribution across cities and the way consumers connect as to content?

MR. STEPHENSON: Okay, it's a good question, because -- look, I -- for a long time there are going to be households, like many of you in this room, where you need three 80-inch screens in your house, streaming 4K, you know, into your home. You're a heavy video centric, sport centric content consumer, and multiple streams, satellite delivery is going to be the vehicle for that, for a long, long time, all right? I -- just for that kind of distribution it's going to be hard the amounts of bandwidth, okay?

You start working down, there's going to be different segments of the market you deliver that content differently, okay? I do believe, you know, in the future, that one of the

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pre-premium means for delivering content will be with out set top boxes, be web, all right? As the web continues to get integrations go down, that starts to get really exciting, because take it to its extreme, Direct TV Now, $35.

How do you get to a $35 price point with the prices these guys charge for content, right? The way you get there is you don't have a satellite dish on a hooked roof, you don't have a technician going out and spending four hours to install it, you don't have a 5, 6, 7 hundred dollar set top box.

You go to the web, you download an app, you subscribe and you're streaming Direct TV Now and all of the content that these guys provide.

That's a radical concept,

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right? That's how costs come down dramatically and that's how you hit a $35 price point in the marketplace.

So it's going to be a wide range of offerings, some wireless only, some satellite, some in between.

MS. BLUMENSTEIN: Jeff, how do you feel about getting back into the cable business?

MR. BEWKES: It's great. We've been working with and trying to evolve the cable and all the other distribution businesses for 30 years. So we are always on that game. We're always trying to do that.

MS. BLUMENSTEIN: So you're serious about forming a competitor to cable, a nationwide competitor to cable?

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MR. STEPHENSON: I can't tell you -- I border on evangelical about it, all right?

MR. BEWKES: You can hear that.

MR. STEPHENSON: This is the most exciting thing I've been a part of in a long time and I can't wait.

MS. BLUMENSTEIN: More questions? This is my friend, Oren. Here comes the mic.

OREN: Thank you, Oren Michaels, from Cloudery.

Twenty years ago next year David Eisenberg wrote The Rise of the Stupid Network. He was an employee of AT&T and was fired for writing it, very impressions, and Warren begins content company, essentially, at the time, twisting themselves into pretzels to

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optimize for the parent company's network quality independence, were more nimble and able to take whatever network they wanted.

Most of the people in this room are now moving to the cloud, where we're getting out of the business of owning our own atoms and dealing with our bits.

Why are you guys, through -- going in the exact opposite direction when everybody seems to want to not own the hardware if they're -- if they're creating the -- the value on top?

MR. STEPHENSON: You go ahead.

MR. BEWKES: So your premise or his seems to be that at that time the content companies he was looking at were changing either what they did or where they put it

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in order to serve whoever their vertical, that was it.

OREN: The network area has limitations federally in distribution.

MR. BEWKES: Yeah, well, I think the difference with that, because that would be bad for the content, whether it was the Fox content or ours, what -- what -- you know, one owned or one not.

The problem now, and if you go and look at -- and I'm sure many of you in internet-based companies tried to do this, when you innovate with media rights you encounter the fact that media rights are pretty complicated in video because there are Windows and there's all these things that you've all seen, that's why it's been hard to innovate in media

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because it's kind of difficult to get an innovation in and then have it get applied essentially universally, across an entire suite of networks, or to break up network groupings and so forth.

I don't think that is what we're looking at, here. We're certainly not, in our case, and you've said it and I've said it, we both know this, we would never, in our media business at Time Warner, and we have never did, including in the AOL days, restrict or change what we're doing in either the innovation of our distribution for our content, how our content works, the form of the content, we always wanted to be maximally delivered by every kind of distribution.

What this is about is

catalyzing that, not restricting it, it would be idiotic to restrict it.

MR. STEPHENSON: And to perhaps challenge the fundamental premise of your statement, that as you begin to push more and more content to the cloud that it requires less and less in terms of smartness, if you will, out of the network, it's the opposite, in fact, we're experiencing just the opposite.

The more you guys push more and more into the cloud the more it's requiring greater and greater intelligence out of the network.

And one could argue, wow, shouldn't you be commoditizing the network the more you get into the cloud? No. The more companies that are putting mission critical capabilities into the cloud the more it scares the hell out of them on security, the more it worries them about quality of service, all right?

You just run some of these mission critical applications over the open internet you're not going to like it.

We have a product, and you'll see it as it relates to what we're going to be doing here together, called Net Bond. It was created and invented and patented just for this purpose, because people want to put stuff in the Amazon cloud, mission critical information, applications, compute and so forth, they say, but I'm scared to death of it, I need security.

And so we have created Net

Bond and we have bonded every major cloud provider, Amazon, Microsoft, Azure, salesforce.com, I can go on and on and on, to ensure that our customers, when they take a smart phone out of their pocket and go to access an application or data in the cloud it never touches the public internet, that is their number one requirement.

That's what this product is, it is exploding. Connections of Net Bond are up 4X this year. The traffic over Net Bond, connections are up 4X, the traffic is up 8X, that tells you how much people are concentrating mission critical applications.

We go to 5G and we -- that -- our Direct TV Now is a cloud-based platform for

delivering content, all right?
You can't just do that over the
open internet. There have to be
elements of it that you control
end-to-end, the CEN has to be on
your control.
There's a sophistication in
delivering this, and a true what I
would call cable-like experience.
And so I would suggest to you the
more you push elements into the
cloud the more sophisticated and
smart the networking elements have
to become.
MS. BLUMENSTEIN: Well,
unfortunately we're out of time.
Thank you both so much for coming,
it's a fascinating topic.
MR. STEPHENSON: Thank you
very much.
MR. BEWKES: Thank you.
Appreciate it.
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(Concluded at 2:27 p.m.)

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this communication, including financial estimates and statements as to the expected timing, completion and effects of the proposed merger between AT&T and Time Warner, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements. Such forward-looking statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T and Time Warner and are subject to significant risks and uncertainties outside of our control.

Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, (2) the risk that Time Warner stockholders may not adopt the merger agreement, (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, (4) risks that any of the closing conditions to the proposed merger may not be satisfied in a timely manner, (5) risks related to disruption of management time from ongoing business operations due to the proposed merger, (6) failure to realize the benefits expected from the proposed merger and (7) the effect of the announcement of the proposed merger on the ability of Time Warner and AT&T to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally. Discussions of additional risks and uncertainties are and will be contained in AT&T's and Time Warner's filings with the Securities and Exchange Commission. Neither AT&T nor Time Warner is under any obligation, and each expressly disclaim any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise. Persons reading this communication are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

No Offer or Solicitation

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Additional Information and Where to Find It

In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, containing a proxy statement/prospectus with the Securities and Exchange Commission ("SEC"). AT&T and Time Warner will make the proxy statement/prospectus available to their respective stockholders and AT&T and Time Warner will file other documents regarding the proposed merger with the SEC. This communication is not intended to be, and is not, a substitute for such filings or for any other document that AT&T or Time Warner may file with the SEC in connection with the proposed merger. STOCKHOLDERS OF TIME WARNER ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS CAREFULLY WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT AT&T, TIME WARNER AND THE PROPOSED MERGER. Investors and security holders will be able to obtain copies of the proxy statement/prospectus as well as other filings containing information about AT&T and Time Warner once they become available, without charge, at the SEC's website, http://www.sec.gov. Copies of documents filed with the SEC by AT&T will be made available free of charge on AT&T's investor relations website at http://phx.corporate-ir.net/phoenix.zhtml?c=113088&p=irol-sec. Copies of documents filed with the SEC by Time Warner will be made available free of charge on Time Warner's investor relations website at http://ir.timewarner.com/phoenix.zhtml?c=70972&p=irol-sec.

Participants in Solicitation

AT&T, Time Warner and certain of their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from the holders of Time Warner common stock in respect to the proposed merger. Information about the directors and executive officers of AT&T is set forth in the proxy statement for AT&T's 2016 Annual Meeting of Stockholders, which was filed with the SEC on March 11, 2016. Information about the directors and executive officers of Time Warner is set forth in the proxy statement for Time Warner's 2016 Annual Meeting of Stockholders, which was filed with the SEC on May 19, 2016. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed merger when it becomes available and other relevant materials filed with the SEC.  These documents will be available free of charge from the sources indicated above.

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