



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

THE AMALGAMATED BANK, as Trustee)	
for the Longview LargeCap 500 Index Fund,)	
Longview LargeCap 500 Index VEBA Fund,)	
Longview Quantitative LargeCap Fund, and)	
Longview Quantitative LargeCap VEBA Fund,)	
and CENTRAL LABORERS PENSION)	C.A. No.
FUND,)	
)	
)	
Plaintiffs,)	
)	
v.)	
)	
K. RUPERT MURDOCH, JAMES)	
MURDOCH, LACHLAN MURDOCH,)	
CHASE CAREY, DAVID F. DEVOE, JOEL)	
KLEIN, ARTHUR M. SISKIND, ROD)	
EDDINGTON, ANDREW S.B. KNIGHT,)	
THOMAS J. PERKINS, PETER BARNES,)	
JOSÉ MARÍA AZNAR, NATALIE)	
BANCROFT, KENNETH E. COWLEY, VIET)	
DINH and JOHN L. THORNTON,)	
)	
)	
Defendants,)	
)	
-and-)	
)	
NEWS CORPORATION,)	
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)	
Nominal Defendant.)	
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)	
)	

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

The Amalgamated Bank, as Trustee for the LongView LargeCap 500 Index Fund, LongView LargeCap 500 Index VEBA Fund, LongView Quantitative LargeCap Fund, and LongView Quantitative LargeCap VEBA Fund (“Amalgamated Bank”), and Central Laborers Pension Fund (“Central Laborers”) (together with Amalgamated Bank,

“Plaintiffs”), by and through their undersigned counsel, assert this action on behalf of News Corporation (“News Corp” or the “Company”) against defendants Rupert Murdoch, James Murdoch, Lachlan Murdoch, Chase Carey, David F. DeVoe, Joel Klein, Arthur M. Siskind, Rod Eddington, Andrew S.B. Knight, Thomas J. Perkins, Peter Barnes, José María Aznar, Natalie Bancroft, Kenneth E. Cowley, Viet Dinh, and John L. Thornton (the “Individual Defendants” or the “Board”). Plaintiffs make the following allegations upon knowledge as to themselves and upon information and belief (including the investigation of counsel and review of publicly available information) as to all other matters, and allege as follows.

SUMMARY OF THE ACTION

1. Plaintiffs bring this shareholder derivative action to address the unlawful plan and scheme of Rupert Murdoch (“Murdoch”)—News Corp’s founder, Chairman, Chief Executive Officer and controlling shareholder—to use £415 million (approximately \$675 million) of News Corp’s cash to buy Shine Group Ltd. (“Shine”), the television and film production company run and majority-owned by his daughter Elisabeth Murdoch (the “Transaction”). Murdoch’s admitted purpose in entering into the Transaction is to bring Elisabeth back to the family business—News Corp—and onto News Corp’s Board of Directors. Once the prodigal daughter is back into the News Corp fold, she will vie with her brothers, Board members James Murdoch and Lachlan Murdoch, for the position of successor to Rupert Murdoch’s global media dynasty. In short, Murdoch is causing News Corp to pay \$675 million for nepotism.

2. In breach of their fiduciary duties to the Company, News Corp's Board has approved the Transaction without question or challenge to Murdoch. The Transaction is unquestionably unfairly priced since, by a number of metrics, News Corp has agreed to pay a far higher price than was paid in comparable transactions in the last year. Further, even if there were some business justification for News Corp to acquire a television production company, there is no reason for it to acquire Shine in particular except to reward Murdoch's family member and to perpetuate his family's involvement in the senior management of News Corp.

3. Although the Transaction makes little or no business sense for News Corp, and is far above a price any independent, disinterested third-party would pay for Shine, it is unsurprising that the Transaction was approved by News Corp's Board. Throughout his tenure, Murdoch has treated News Corp like a wholly-owned family candy store. Blurring the distinction between public and family business, the Board has enabled Murdoch to: (i) obtain excessive compensation for himself; (ii) undertake actions designed to maintain Murdoch's control over News Corp; (iii) engage in activities using News Corp resources that have no business justification other than some personal/political purpose of Murdoch; and (iv) impose rampant nepotism in the conduct of the business of the Company. In addition, the Board's lax oversight over Murdoch has allowed him and/or his senior executives to embroil News Corp in apparently illegal behavior.

4. The Board's unwillingness to prevent Murdoch from using the Company's money to achieve his own agenda is not surprising since the vast majority of the Board's

members, including the members of the ostensibly independent Audit Committee, are wholly lacking in independence since they are Murdoch family members or long-time friends, News Corp executives, or persons who have business relationships with Murdoch and his media empire.

5. In agreeing to the Transaction, which is patently intended to further the selfish interests of News Corp's controlling shareholder at the expense of News Corp, the Individual Defendants breached their fiduciary duties to the Company. Additionally, the entire fairness standard applies to the Transaction, as Murdoch, News Corp's Chairman and CEO and controlling shareholder, stands on both sides of the deal. The Transaction violates the entire fairness standard both on the basis of price and process.

JURISDICTION

6. This Court has jurisdiction over this action pursuant to 10 Del. C. § 341.

7. As directors of Delaware Corporations, the Individual Defendants have consented to the jurisdiction of this Court pursuant to 10 Del. C. § 3114.

8. This Court has jurisdiction over News Corp pursuant to 10 Del. C. § 3111.

THE PARTIES

9. Plaintiff Amalgamated Bank ("Amalgamated") is a New York state chartered bank that manages approximately \$12 billion for institutional investors, including Taft-Hartley plans and public employee pension funds. Amalgamated has locations in New York, New Jersey, California, Nevada, and Washington D.C., with its main office located in Manhattan. Amalgamated brings this action as Trustee for the LongView LargeCap 500 Index Fund, LongView LargeCap 500 Index VEBA Fund,

LongView Quantitative LargeCap Fund, and LongView Quantitative LargeCap VEBA Fund. Amalgamated, through the Funds, holds nearly 1 million shares of News Corp common stock.

10. Plaintiff Central Laborers Pension Fund is an Illinois-based Taft-Hartley pension fund that owns shares of News Corp and has been a shareholder at all times relevant to the claims asserted herein.

11. Nominal Defendant News Corp is a Delaware corporation with its principal executive offices located at 1211 Avenue of the Americas, New York, New York. News Corp is the world's biggest and most influential media company. Its properties include the Fox networks, *The Wall Street Journal*, British Sky Broadcasting Group ("BSkyB") and the *New York Post*. It also owns 49 percent of NDS Group Limited ("NDS"). Both BSKyB and NDS have managers and board members who are related to Murdoch and/or are senior executives/Board members at News Corp.

12. Defendant K. Rupert Murdoch ("Murdoch") has been Chief Executive Officer of the Company since 1979 and its Chairman since 1991. Although only owning 12 percent of the overall equity of the Company, the Murdoch family, through the Murdoch Family Trust, beneficially owns almost 40% of News Corp's voting Class B common stock, and thus has effective control over corporate matters. Murdoch also enjoys the public support of Prince Alwaleed bin Talal, who wields an additional 7% of the voting power. In addition to his positions at News Corp, Murdoch served as a Director of BSKyB from 1990 to 2007, as a Director of Gemstar-TV Guide International Inc. ("Gemstar-TV Guide") from 2001 to 2008, as a Director of DirecTV from 2003 to

2008 and as a Director of China Netcom Group Corporation (Hong Kong) Limited from 2001 to 2005. Murdoch is the father of James Murdoch, Lachlan Murdoch and Elisabeth Murdoch.

13. Defendant James R. Murdoch (“James Murdoch”) has been a Director and the Chairman and Chief Executive, Europe and Asia of the Company since 2007. James Murdoch was the Chief Executive Officer of BSkyB from 2003 to 2007. He has served as a Director of BSkyB since 2003 and as its Non-Executive Chairman since 2007. James Murdoch has served as a Director of NDS Group since 2009. James Murdoch was the Chairman and Chief Executive Officer of STAR Group Limited, a subsidiary of the Company, from 2000 to 2003. He previously served as an Executive Vice President of the Company, and served as a member of the Board from 2000 to 2003. James Murdoch is the son of Murdoch and the brother of Lachlan Murdoch and Elisabeth Murdoch.

14. Defendant Lachlan K. Murdoch (“Lachlan Murdoch”) has been a Director of the Company since 1996. Lachlan Murdoch has served as the Executive Chairman of Illyria Pty Ltd, a private investment company, since 2005. He served as an advisor to the Company from 2005 to 2007, and served as its Deputy Chief Operating Officer from 2000 to 2005. Lachlan Murdoch served as a Director of NDS from 2002 to 2005. Lachlan Murdoch is the son of Murdoch and the brother of James Murdoch and Elisabeth Murdoch.

15. Defendant Chase Carey (“Carey”) has been the President, Chief Operating Officer and Deputy Chairman of the Board since July 2009. Carey previously served the Company and its affiliates in numerous roles beginning in 1988, including as Co-Chief

Operating Officer from 1996 to 2002, as a consultant from 2002 to 2003 and as a Director from 1996 to 2007. Carey has served as the Chairman of the Supervisory Board of Sky Deutschland AG, a German pay-television operator and affiliate of the Company, since July 2010. Carey served as a President and Chief Executive Officer of DirecTV from 2003 to 2009 and as a Director of DirecTV from 2003 to June 2010. Carey also served as a Director of BSkyB from 2003 to 2008.

16. Defendant David F. DeVoe (“DeVoe”) has been a Director of the Company and its Chief Financial Officer since 1990. DeVoe has served as Senior Executive Vice President of the Company since 1996. DeVoe has been a Director of BSkyB since 1994 and a Director of NDS since 1996. He served as a Director of DirecTV from 2003 to 2008.

17. Defendant Joel Klein (“Klein”) joined the Board of Directors of the Company and serves as Executive Vice President, Office of the Chairman, effective January 2011. Klein is also the Chief Executive Officer of News Corp’s education division. Klein served as the New York City schools chancellor from 2002 to 2010.

18. Defendant Arthur M. Siskind (“Siskind”) has been a Director of the Company since 1991 and the Senior Advisor to Murdoch since 2005. Siskind served as the Company’s Group General Counsel from 1991 to 2005, as Senior Executive Vice President from 1996 to 2005 and as Executive Vice President from 1991 to 1996. Siskind has served as a Director of BSkyB since 1991 and as a Director of NDS from 1996 to 2009.

19. Defendant Sir Roderick I. Eddington (“Eddington”) has been a Director of the Company since 1999, and serves as the Chairman of the Audit Committee and as a member of the Compensation Committee. Eddington has served as Non-Executive Chairman, Australia and New Zealand of J.P. Morgan since 2006. Significantly, J.P. Morgan, the entity for whom Eddington works, was retained by Shine in February of 2011, as Shine’s “strategic advisor.” JP Morgan also is the adviser to BSkyB on the proposed acquisition of it by News Corp. In February 2011, JP Morgan served as the sole book-runner for the \$2.5 billion debt offering by News America Inc., a company owned by News Corp. Previously, Eddington served as a Director of News Limited, News Corp’s principal subsidiary in Australia, from 1998 until 2000, and as Chairman of Ansett Holdings Limited and as a Director of each of Ansett Australia Limited and Ansett Australia Holdings Limited from 1997 until 2000. Until then, News Corp owned 50% of Ansett Australia.

20. Defendant Andrew S. B. Knight (“Knight”) has been a Director of the Company since 1991, and serves as Chairman of the Compensation Committee and as a member of the Audit Committee. Knight has been the Chairman of J. Rothschild Capital Management Limited since 2008. Knight was the Chairman of News International, a subsidiary of the Company, from 1990 to 1995.

21. Defendant Thomas J. Perkins (“Perkins”) has been a Director of the Company since 1996 and serves as a member of the Audit, the Compensation and the Nominating and Corporate Governance Committees. Perkins has been a partner of Kleiner Perkins Caufield & Byers, a venture capital company, since 1972.

22. Defendant Peter L. Barnes (“Barnes”) has been a Director of the Company since 2004 and is a member of the Audit Committee. Barnes has been a Director of Ansell Limited since 2001 and its Chairman since 2005. Barnes has been a Director of Metcash Limited since 1999, serving as its Deputy Chairman since 2007.

23. Defendant José María Aznar (“Aznar”) has been a Director of the Company since 2006. Aznar has been the President of the Foundation for Social Studies and Analysis since 1989. He has been a Distinguished Scholar at the Edmund A. Walsh School of Foreign Services at Georgetown University since 2004. Aznar is the Honorary President of the Partido Popular of Spain and served as its Executive President from 1990 to 2004. Aznar was a member of The State Council of Spain from 2005 to 2006. Aznar served as the President of Spain from the 1996 to 2004.

24. Defendant Natalie Bancroft (“Bancroft”) has been a Director of the Company since 2007. Bancroft is a professionally trained opera singer and is a graduate of the L’Institut de Ribaupierre in Lausanne, Switzerland. In connection with the Company’s acquisition of Dow Jones, Bancroft was appointed as a Director pursuant to the terms of an agreement whereby the Company agreed to elect a member of the Bancroft family or another mutually agreed upon individual to the Board.

25. Defendant Kenneth E. Cowley (“Cowley”) has been a Director of the Company since 1979 and serves as a member of the Nominating and Corporate Governance Committee. Cowley has been the executive Chairman of RM Williams Holdings Pty Limited, an Australian apparel company, since 1994. Cowley served as a

senior executive of News Limited, a subsidiary of the Company, from 1964 to 1997, including as its Chairman and Chief Executive from 1980 to 1997.

26. Defendant Viet Dinh (“Dinh”) has been a Director of the Company since 2004 and serves as Chairman of the Nominating and Corporate Governance Committee and as a member of the Compensation Committee. Dinh has received hundreds of thousands of dollars from News Corp for serving in those roles. He has been a Professor of Law at Georgetown University Law Center since 1996. Dinh has served as Principal of Bancroft Associates PLLC since 2003 and as Principal of Bancroft Capital Management since 2006.

27. Defendant John L. Thornton (“Thornton”) has been a Director of the Company since 2004 and serves as a member of the Compensation and the Nominating and Corporate Governance Committees. He has received hundreds of thousands of dollars from News Corp from serving in those roles. Thornton has been a Professor and Director of Global Leadership at Tsinghua University School of Economics and Management in Beijing since 2003 and a Director and Non-Executive Chairman of HSBC North America Holdings Inc. since 2008. Thornton served as President and Co-Chief Operating Officer of The Goldman Sachs Group, Inc. (“Goldman Sachs”) from 1999 until 2003 and as a Senior Advisor to Goldman Sachs from 2003 to 2004.

SUBSTANTIVE ALLEGATIONS

A. **MURDOCH HISTORICALLY HAS OPERATED NEWS CORP AS HIS OWN PRIVATE FIEFDOM WITH LITTLE OR NO EFFECTIVE OVERSIGHT FROM THE BOARD**

28. Murdoch, who has amassed a personal fortune of over \$6 billion, historically has been enabled by the Board to run News Corp as little more than a sole proprietorship. His record running News Corp is replete with questionable governance practices, excessive compensation and insider dealings, with little or no opposition or even apparent oversight from the Board. The lack of Board oversight and constraint on Murdoch's actions is so well understood in financial circles that valuation of News Corp is subject to the "Murdoch discount." In a February 7, 2009 article, the *Financial Times* noted: "In good times, investors in News Corp fret about 'the Murdoch discount' - the worry hanging over the stock that at any moment its dominating chairman and chief executive might decide to spend shareholders' money on a large investment with uncertain payback." Similarly, in an August 2, 2010 valuation analysis of News Corp, Evercore Partners Inc. stated: "Given the Murdoch family dominance, the dual class structure, and the fact that the Murdoch interests may not be totally aligned with those of public shareholders, we use a higher 30% discount in calculating our public market valuation."

29. Other analysts view News Corp similarly.

- Bear Stearns Cos. Inc., June 15, 2006: "We note that News Corp. has historically traded at a discount to its U.S. peers given acquisition risk and a complexity discount."
- Credit Suisse Group, November 3, 2010: "We are maintaining our Neutral Rating on News Corp., which is trading at ~6 EV/EBITDA"

on our FY11 estimate, a -27% discount to its peers, relative to its historical 10%-50% discount.”

30. The existence of the Murdoch discount is the result of an extensive history of self-dealing by Murdoch, who uses News Corp to push through corporate transactions for his own benefit or that of his family members. Time after time, the Board of News Corp failed to act in the best interest of the shareholders, and instead permitted related-party transactions and Murdoch-driven deals to proceed despite the harm they would cause the Company. The results of this behavior have had a significant negative impact on News Corp. In fact, News Corp’s total 10-year return has been negative 11% and its 1-year, 3-year and 5-year returns are all below peer average.

31. There are a number of examples of behavior that show a Board that has totally abdicated its responsibility of independent oversight and has become a rubberstamp for the desires of its domineering CEO, ranging from approving: (i) excessive compensation for Murdoch; (ii) actions designed to maintain Murdoch’s control over News Corp; (iii) actions that have no business justification other than some personal/political purpose of Murdoch; and (iv) extreme levels of nepotism in the conduct of the business of the Company. In addition, the Board’s lax oversight over Murdoch has allowed him and/or his senior executives to embroil News Corp in apparently illegal behavior.

1. Excessive Compensation

32. The Board has allowed Murdoch to be paid excessively in his capacity as Chief Executive Officer and the Chairman of the Board. In the last three fiscal years alone, he has made nearly \$75 million for serving as the Company’s Chairman and CEO,

which includes an extraordinarily high annual base salary of \$8.1 million. He also receives annual cash bonuses and discretionary grants of time-based restricted stock units and was entitled to a maximum bonus of \$25 million in fiscal 2009. During that same period, News Corp's stock has had a negative return and has underperformed the S&P 500. News Corp's stock has also underperformed its peers—such as Viacom, Time Warner and Disney— by a large margin. At the same time, the base salary of the chief executive officers of News Corp's peers were dwarfed by Murdoch's base salary. In fact, Murdoch was ranked 178 out of 189, basically at the bottom, of chief executive officers listed in *Forbes's* April 28, 2010 “Bang For The Buck” report ranking chief executive officers' performance versus pay.

2. Actions Designed To Maintain Murdoch's Control Over News Corp

33. In 2004, John Malone's Liberty Media built up a 19 percent voting stake in News Corp. At the time, Murdoch controlled 31% of News Corp's voting shares. In 2006, Murdoch agreed to sell News Corp's 38% stake in DirecTV to Liberty Media, and in the process bought back all of Liberty Media's News Corp voting shares. Given DirecTV's success up to that time, News Corp should have obtained a sizeable premium for its DirecTV stake. Murdoch, however, was willing to forgo the premium from Liberty Media because, by treating the transaction essentially as a buyback, and retiring Liberty Media's 188 million shares, Murdoch increased his control of News Corp to almost 40%. The 2006 asset swap with DirecTV not only unwound News Corp's 20-year quest to gain a foothold in the U.S. satellite TV industry consummated only three years earlier, but cost shareholders \$11 billion in forgone value. However, for Murdoch, the

deal with Liberty Media removed Malone as a potential threat to the Murdoch family's control of News Corp.

34. Further, because of his concern with losing control of the Company, Murdoch had imposed a strong anti-takeover poison pill on News Corp adopted to thwart Liberty Media's attempted takeover bid. When the Company decided to reincorporate in Delaware, Murdoch promised shareholders, in order to obtain their vote on the reincorporation, that there would be "no long-term poison pills."

35. Notwithstanding Murdoch's promise to shareholders, at his behest, the Board unilaterally extended the Company's anti-takeover "poison pill" defense, further entrenching Murdoch family. As a result, in 2005, a large group of News Corp's institutional investors sued News Corp, Rupert Murdoch and the Board in Delaware Chancery Court, charging them with renegeing on the promise. Ultimately, the lawsuit settled and News Corp agreed to put the controversial extension of the poison pill defense provision to full shareholder vote at its next annual meeting.

3. Furthering Murdoch's Personal/Political Agenda

36. In 2007, Murdoch caused News Corp to pay \$5 billion, or a whopping **70 percent premium** to Dow Jones's profits, for a cyclically challenged business in a market (newspapers) that was universally understood to be in steep decline. Murdoch's true and hardly disguised aim in buying Dow Jones was its publication, the *Wall Street Journal*, which Murdoch coveted because, through it, he could further his conservative political bent by controlling the paper's editorial content.

37. As analyst BTIG LLC noted in a May 28, 2010 comment on the Dow Jones deal: “You would be hard pressed to find anyone inside News Corp (without the name of Murdoch) who wanted to acquire Dow Jones at the price News Corp was paying, but the deal happened because Murdoch wanted it to.” Within eighteen months of that acquisition, News Corp was forced to write-down half of the value of the deal (\$2.8 billion).

38. Just within the last year, as part of a personal effort to support his conservative journalistic vision and to harm his rival the *New York Times*, News Corp is offering steep discounts to advertise in its *New York Post* and *The Wall Street Journal* newspapers. The *Financial Times* reported that, in presentations to potential advertisers that it had reviewed, News Corp appears to have offered discounts of between 79% and 83% for full-page ads in the *Journal* and the *Post*. Murdoch is causing his papers to undertake these discounts which will only exacerbate the papers’ losses. This move is widely perceived as a direct attack on the advertising base of the *Times*. The *Post* is already loses tens of millions of dollars per year and can ill-afford more simply to fuel Murdoch’s vendetta against the *Times*.

39. As part of his attack on the *Times*, Murdoch also has decided within the last year decided to use valuable News Corp resources to add a New York edition to *The Wall Street Journal*. There was no meaningful business advantage to expanding the *Journal*. The additional content would create no new readership market nor cause readers to completely switch away to from the *Times*. Advertisers—which had (and have) been a diminishing revenue source for all print media—would have no reason to

risk adding substantial amounts of their budget toward the *Journal*. A New York edition of the *Journal* would not cause the demise of the *Times*, only increased costs to News Corp to start, staff and sustain the new edition. Murdoch's decision – wholly unopposed by the Board –thus constituted nothing more than an expensive ego trip aimed at kicking the *Times*.

40. Most recently, it was revealed that News Corp, in furtherance of Murdoch's conservative political agenda, donated \$1 million each to the Republican Governors Association ("RGA") and U.S. Chamber of Commerce, raising the ire of shareholders about Murdoch's use of corporate funds to promote partisan attack ads. Murdoch admitted to the online news service, *www.Politico.com*, that he made the donation to the RGA because of his personal friendship with former Fox News host and Republican gubernatorial candidate John Kasich; he also acknowledged that he expected the donation to the U.S. Chamber of Commerce to remain secret.

4. Approval Of A High Level Of Nepotism Within News Corp's Management

41. Through his dominion and control over the Company and the Board, Murdoch has made News Corp a "family business" – a practice he seeks to continue with the proposed Transaction. Murdoch has two (soon to be three) family members on News Corp's Board, and/or in high executive positions in the Company.

42. Murdoch's son, defendant Lachlan Murdoch, was elevated at a very young age at Murdoch's behest to very senior executive positions within the Company. Furthermore, he was handed a seat on the Board which he continues to hold even though

he left the Company in 2005, dashing Murdoch's intention that Lachlan take over the reigns of the Murdoch media empire.

43. Murdoch's other son, James, was installed at News Corp in 1996 when Murdoch caused the Company to buy an 80 percent stake in James's start-up Rawkus hip-hop record label for an undisclosed sum. Rawkus closed in 2004.

44. Murdoch ensured that James rose rapidly within the Company to where he is now a Director and the Chairman and Chief Executive, Europe and Asia, responsible for such far flung News Corp assets as News International, SKY Italia and STAR TV. He is also non-executive chairman of British Sky Broadcasting ("BSkyB"), in which News Corporation has a controlling minority stake and which it will soon own outright. Until the deal with Elisabeth, James has been considered the heir-apparent to Murdoch's media dynasty.

45. In addition to larding the executive ranks of the Company with his offspring, Murdoch constantly engages in transactions designed to benefit family members. For example, the Transaction is not the first time Murdoch helped his daughter and her business: in 1994, Murdoch found two California TV stations for Elisabeth and her then-husband to buy, and he guaranteed the \$35 million loan they took out to buy the stations. They flipped them less than two years later for a \$12 million profit. Murdoch family money also seeded Elisabeth's company, Shine, which, once it was up and running, grew at a frenzied pace through acquisitions of other production companies.

46. Further, nearly all of Murdoch's other family members have had a chance to drink from the proverbial News Corp well. According to the Company's most recent

Proxy Statement, the Company engaged Wendi Murdoch, Murdoch's wife, through May 31, 2010 to provide "strategic advice" for the development of the MySpace business in China. For these services, Mrs. Murdoch was paid approximately \$92,000 in fiscal 2010 alone.

47. The Proxy Statement also notes that Freud Communications, which is controlled by Matthew Freud, Elisabeth Murdoch's husband, provided "external support to the press and publicity activities of the Company" during fiscal 2010. The Company paid Freud Communications approximately \$350,000 in fees for fiscal year ended June 30, 2010.

48. Prudence MacLeod, Murdoch's daughter from his first marriage and half-sister of James, Lachlan and Elisabeth Murdoch, is a member of the Board of Directors of Advertiser Newspapers, a subsidiary of the Company and, according to the Company's most recent Proxy Statement, receives director fees for serving in that position. Alasdair MacLeod, Prudence MacLeod's husband and the son-in-law of Murdoch, until January 2010 was a salaried employee of News Limited, a subsidiary of the Company.

5. Instances Of Improper Or Illegal Behavior At News Corp

49. In addition to the numerous oversight issues noted above, the Board has allowed Murdoch to put News Corp in highly compromising situations that fly in the face of proper corporate governance. For example:

- In January 2008, News Corp settled for nearly \$11 million a lawsuit that had been filed by Judith Regan, a former News Corp employee, who accused the company of asking her to lie to federal investigators about Bernard Kerik, the former New York City police commissioner who was once her lover, and had tried to smear her. (On February 24, 2011, *The New York Times* revealed

that it was none other than Roger E. Ailes, the powerful chairman of Fox News and a News Corp Board member, whom Ms. Regan accused of urging her to lie.)

- News Corp has been embroiled in a scandal over its news gathering practices. In July 2009, James Murdoch approved a \$1.1 million payment to settle phone-tapping allegations against a newspaper, and news reports suggested that two tabloid newspapers owned by the News Corp had engaged in the widespread use of private investigators to illegally hack into the cell phone messages of public officials and celebrities in Britain. Just last month, a “lost” hoard of emails sent by senior executives in Murdoch’s newspaper empire at the height of the phone-hacking scandal were found, prompting further criminal investigations.
- In January 2010, News Corp announced that it settled a price-fixing lawsuit for \$500 million brought by Valassis Communications, Inc., a media and marketing services company. The lawsuit accused News Corp’s marketing unit of predatory pricing and coercive long term contracts with packaged goods companies and supermarkets; Valassis had already won a \$300 million verdict against News Corp in state court.

B. BACKGROUND OF THE TRANSACTION

1. Elizabeth Murdoch Leaves Her Father’s Employ And Finds Shine With Family Money And News Corp Support

50. As was the case with Murdoch’s sons James and Lachlan, Elisabeth Murdoch began her career working under her father. In the early 1990s, she started at FX Networks. She left FX Networks and went to BSkyB, the satellite broadcaster in which News Corp has a controlling minority stake (and which Murdoch has been aggressively attempting to own outright through a proposed purchase by New Corp of the remaining two-thirds of BSkyB that News Corp does not yet own). In 2000, she left her father’s employ after feuding with her then-boss at BSkyB, Samuel Chisholm.

51. Elisabeth Murdoch formed Shine in 2001. According to news reports, Murdoch provided substantial financing to Elisabeth to start her company. Since then, Shine's growth has been due primarily to aggressive acquisitions of other companies. Shine has twenty five production companies worldwide including Dragonfly, Kudos, Princess Productions and Shine TV, and produces such TV shows as "The Biggest Loser," "MasterChef," "The Office" and "Ugly Betty." It had reported revenue of approximately \$400 million in 2009.

52. In addition to providing startup money, News Corp has been a substantial source of revenue to Elisabeth and Shine. As reported by News Corp in its Proxy Statement on Schedule 14A filed with the Securities & Exchange Commission filed on August 31, 2010, in the past year alone, News Corp subsidiaries entered into production and distribution arrangements with Shine pursuant to which Shine was paid nearly \$12 million. Further, Murdoch permitted Emiliano Caleznuk, a senior executive with News Corp.'s Fox Television Studios Inc., to leave Fox in August 2010 to head Shine's operations in the Americas.

2. The Transaction Furthers Murdoch's Goal of Returning His Daughter To The Family Business

53. While at the same time Murdoch was providing support to Shine, his overriding goal was to return Elisabeth to New Corp, and he has been doggedly pursuing that with single-minded focus. As *CNNMoney.com* reported on February 25, 2009, Murdoch's then second-in-command, Peter Chernin, was leaving and Murdoch wanted his daughter at that point to join the Board. She rebuffed him at that time.

54. According to the February 21, 2011 edition of *guardian.co.uk*, over the last year, Elisabeth Murdoch has been a non-voting observer of the Board which allows her to sit in on Board meetings.

55. That shadow role for Elisabeth, however, was not enough for Murdoch. According to industry sources, Murdoch has explicitly stated that he would purchase Elisabeth's business in order to get her back into the family fold. According to Michael Wolff, editorial director of AdWeek Media and author of *The Man Who Owns The News: Inside The Secret World of Rupert Murdoch*, "Murdoch told me if he had to buy his daughter's company to get her to come back to News Corp. he certainly would...." Other analysts agree. For example, Ken Doctor, a veteran news industry analyst for Outsell and author of "Newsonomics: Twelve New Trends That Will Shape the News You Get," has noted that Murdoch's history of family business ties is obvious: "Certainly, most public companies separate out family dynasty from business decision-making...[b]ut the two have always been intertwined at News Corp, and the acquisition of Shine fits that tradition." Shockingly, Murdoch has explicitly acknowledged his dynastic family ambitions. In a 2009 interview with Sky News, Murdoch said he is "sure" one of his children will emerge to succeed him: "Every parent likes to see that."

56. Using vast amounts of News Corp's money—approximately \$675 million—Murdoch announced on February 21, 2011 his latest move in his quest to shore up the News Corp-Murdoch family dynasty. On that day, News Corp issued a press release titled "*News Corporation and Shine Group Reach Agreement in Principle for News Corporation to Acquire Shine Group*" which stated as follows:

New York, NY, February 21, 2011 – News Corporation and Shine Group, the international television production group, announced today they have reached an agreement in principle for News Corporation to acquire 100 percent of Shine Group for an enterprise value of £415 million. The parties have signed a non-binding letter of intent and will now proceed with the regulatory filings required for the transaction.

“This is a unique and exciting opportunity for us. Shine is a leader in the global television production business with a proven track record of developing hit shows and new formats worldwide,” said Chase Carey, News Corporation Deputy Chairman, President and Chief Operating Officer. “We have every confidence that Shine will be an important part of the expansion strategy for our worldwide TV operations.”

Elisabeth Murdoch, Chairman and CEO Shine Group said: “In a rapidly consolidating global TV industry, this alliance uniquely provides the conditions in which Shine Group can continue to lead and prosper. News Corporation is the partner that enables us to maintain our aspiration to be best in class across all our sectors, and prepares and equips us for future growth. Shine shares News Corporation’s long-standing belief in creative excellence and ambitious expansion. I could not be happier or more proud that from such modest beginnings Shine will join such an extraordinary group of companies.”

Rupert Murdoch, Chairman and Chief Executive Officer of News Corporation commented: “Shine has an outstanding creative team that has built a significant independent production company in major markets in very few years, and I look forward to them becoming an important part of our varied and large content creation activities. I expect Liz Murdoch to join the board of News Corporation on completion of this transaction.”

News Corporation and Shine Group will continue to negotiate the final terms of the long-form stock purchase agreement. This will be subject to customary closing conditions including approval by the audit committee and the full board of News Corporation, receipt of an independent fairness opinion, and Shine Group board approval. Upon successful completion of the transaction, Shine Group will report to Mr. Carey.

57. Elisabeth Murdoch owns 53% of Shine, Sony Pictures Entertainment (“Sony”) owns 20%, BSkyB owns 13% and certain minority shareholders own the rest. Thus, in exchange for letting her father’s company own Shine, Elisabeth Murdoch will receive approximately \$320 million of News Corp’s money, and she will continue to

oversee Shine Group once it becomes part of News Corp's operations. Equally important, she will be handed a seat on News Corp's Board on a silver platter from her father. Murdoch, for his part, will have the satisfaction of having planted yet another family member in the senior hierarchy of News Corp.

58. Murdoch's purpose of bringing his daughter into the fold by purchasing her company has met widespread criticism. Allan Sloan, in an article for *Forbes*, flatly asserted that "all-in-the-family deal-making just isn't right for a public company." Similarly, *Daily Variety*, in a March 4, 2011 article, stated: "Wall Street was not quite as enamored with News Corp.'s \$675 million buyout of production company Shine Group, which promises to bring News Corp. chairman Rupert Murdoch's daughter and Shine topper Elisabeth back into the family business. Critics said the deal smacked of family favoritism and was not shareholder friendly."

C. THE TRANSACTION WAS NOT ENTIRELY FAIR

1. The Board Overvalued Shine

59. While Murdoch will have his daughter back on the Board and in his corner, and while Elisabeth Murdoch's company will gain nearly \$700 million from the Transaction (and she personally nearly \$320 million), News Corp is significantly overpaying for a company that News Corp has no justifiable business reason to own.

60. Shine's enterprise value to EBITDA multiple relative to its peers suggests the price is very high. Shine's 2009 EBITDA is approximately £28.4 million, putting the deal's enterprise value/EBITDA multiple at almost 15x (based on an enterprise value for the deal of £415 million). However, Shine's peers' mean enterprise value/EBITDA

multiple is only 5.8x and the median is only 5.6x. Further, looking at estimate 2010 data for Shine, its estimated EBITDA of approximately £35 million results in an enterprise value/EBITDA multiple of nearly 12x, still more than twice that of its peers:

Summary of Shine Group Ltd. Public Comparables: Enterprise Value Multiples vs. Shine Transaction Multiples

Company	As Of Date	LTM Net Sales (millions)	EBITDA Margin	EBIT Margin	Enterprise Value (millions)	LTM EBITDA (millions)	LTM EBIT (millions)	Enterprise Value/EBITDA Multiple	Enterprise Value/EBIT Multiple
Pinewood Shepperton PLC	12/31/2010	£38.97	38.72%	28.84%	£111.73	£15.09	£11.24	7.40x	9.94x
DQ Entertainment	9/30/2010	\$41.10	41.07%	25.25%	\$86.35	\$16.88	\$10.38	5.12x	8.32x
STV Group PLC	6/30/2010	£98.50	16.35%	13.50%	£88.35	£16.10	£13.30	5.49x	6.64x
Eros International PLC	9/30/2010	\$161.20	76.71%	36.73%	\$582.05	\$123.65	\$59.21	4.71x	9.83x
							Mean	5.84x	8.68x
							Median	5.62x	9.08x
								EV/EBITDA Multiple	EV/EBIT Multiple

Shine Group Ltd. Deal Multiples

Enterprise Value of Transaction (mlns)	£415.00	
2009 Shine Group EBITDA (mlns)	£28.40	14.61x
2010 Shine Group EBITDA (mln)	£35.00	11.86x
2011 Shine Group EBITDA Forecast (mlns)	£50.00	8.30x
2009 Shine Group EBIT (mlns)	£15.46	26.85x

61. In addition, the average EBITDA multiple for recent comparable television/multi-media production company equity deals is 7.16x compared to a 10.43x 2010 EBITDA multiple for the Shine deal (based on a equity value of the proposed acquisition of £365 million) and a 2009 EBITDA multiple of 12.85x:

**Summary of Shine Group Ltd. Comparable Transactions:
TV and Multimedia Deals LTM Between \$100 Million and \$1 Billion**

Equity Deal
Multiples:

Target	Acquiror	Date	Value (millions)	Revenue	EBITDA	Enterprise Value	Total Assets
Ten Network Holdings Ltd	James Packer	10/20/2010	AUD 245.00	1.74x	10.40x	0.93x	0.98x
Shed Media PLC	Time Warner Inc.	10/13/2010	£108.35	1.08x	5.05x	1.19x	0.81x
Ten Network Holdings Ltd	Hancock Prospecting Pty	11/22/2010	AUD 165.60	1.67x	7.96x	0.96x	0.99x
Indian Film Co. Ltd	Viacom 18 Media Pvt Ltd	11/19/2010	£63.56	3.20x	5.22x	3.31x	0.92x
					Average	7.16x	

Shine Group Ltd. Deal Multiples

Equity Value of Transaction (mlns)	£365.00		
Shine Group 2009 Revenue (mlns)	£257.88	1.42x	
Shine Group 2009 EBITDA (mlns)	£28.40		12.85x
Shine Group 2010 EBITDA (mln)	£35.00		10.43x
Shine Group 2011 EBITDA Forecast (mlns)	£50.00		7.30x
Shine Group Enterprise/Equity Value	£415.00		0.88x
Shine Group 2009 Total Assets (mlns)	£336.09		1.09x

62. Finally, a comparison of the multiples implicit in the Shine deal to certain multiples of companies comparable to News Corp provides still further evidence that the deal is outside the bounds of any reasonable price. Examining the trailing twelve months (“TTM”) enterprise value of News Corp’s peers divided by their EBIT and EBITDA multiples results in averages for News Corp’s peers of 8.12x (EBITDA) and 15.86x

(EBIT). The values from the Shine transaction are much greater: 14.61x (2009 EBITDA), 11.86x (2010 EBITDA) and 26.85x (2009 EBIT):

News Corp and Comparable Companies Enterprise Value Multiples

Name	Stock Price	Market Cap (mlns)	P/E	EV to TTM EBITDA	EV to TTM EBIT
NEWS CORP-B	17.84	\$44,888	12.72	8.60	9.49
WALT DISNEY CO/THE	42.42	\$80,559	18.32	10.12	11.30
COMCAST CORP-CLASS A	24.94	\$68,619	18.85	6.40	10.96
TIME WARNER INC	37.42	\$40,894	15.33	8.34	8.81
DIRECTV-CLASS A	45.72	\$38,118	18.34	7.44	10.85
THOMSON REUTERS CORP	38.24	\$32,422	25.68	13.21	26.94
VIACOM INC-CLASS B	43.94	\$26,566	15.33	9.25	9.25
TIME WARNER CABLE	70.9	\$24,346	18.27	6.48	11.60
DISCOVERY COMMUNICATIONS-A	42.62	\$17,361	24.10	13.55	10.92
CBS CORP-CLASS B NON VOTING	22.03	\$15,005	19.59	8.32	9.81
PEARSON PLC	1013	\$13,292	17.26	10.91	12.75
CABLEVISION SYSTEMS-NY GRP-A	36.36	\$10,578	25.31	8.22	14.54
DISH NETWORK CORP-A	22.62	\$10,022	9.38	4.67	6.26
LIBERTY MEDIA CORP-INTER A	16.54	\$9,892	15.20	8.60	11.53
GANNETT CO	16.16	\$3,873	6.53	4.91	5.77
WASHINGTON POST-CLASS B	415.49	\$3,509	9.56	3.39	5.09
FAIRFAX MEDIA LTD	1.345	\$3,192	11.03	6.89	8.48
DREAMWORKS ANIMATION SKG-A	28.1	\$2,368	17.21	12.42	14.70
CONSOLIDATED MEDIA HOLDINGS	2.98	\$1,689	20.11		
NEW YORK TIMES CO-A	9.76	\$1,435	11.85	5.52	7.31
WEST AUSTRALIAN NEWSPAPERS	5.53	\$1,226	12.21	8.50	11.01
WARNER MUSIC GROUP CORP	5.95	\$922		8.06	37.19
LIONS GATE ENTERTAINMENT COR	5.82	\$796		5.37	88.00
NEWS CORP PEER AVERAGE MULTIPLES				8.12	15.86
				EV to TTM EBITDA	EV to TTM EBIT

Shine Group Ltd. Deal Multiples

Enterprise Value of Transaction (mlns)	£415.00	
	0	
2009 Shine Group EBITDA (mlns)	£28.40	14.61x
2010 Shine Group EBITDA (mln)	£35.00	11.86x

2011 Shine Group EBITDA Forecast (mlns)	£50.00	8.30x	
2009 Shine Group EBIT (mlns)	£15.46		26.85x

63. Analysts have been resoundingly critical of the Transaction. For example, as reported by *Law360* on February 22, 2011, Barclays Capital Inc. research analyst Anthony J. DiClemente noted that the purchase price for Shine is nearly 12-13 times Shine’s \$46 million in adjusted earnings in 2009 and stated: “Rupert Murdoch has preferred to grow his company through acquisitions and internal investment, as opposed to shareholder returns.”

64. Another equities analyst, Michael Nathanson of The Nomura Group, thought the Transaction would result in significant fallout, observing:

We can’t help but think that News Corp’s acquisition of a Murdoch family-owned company will be seen by some as more evidence that the company is not as shareholder friendly as its peers. In fact, as happened post News Corp’s Dow Jones acquisition (albeit at a much higher purchase price), we think this deal will likely return News Corp to the penalty box and restrain its multiple expansion for the near future. . . . News Corp. could be shunned by some institutional investors who see more shareholder-friendly actions and clear capital return strategies at other media companies.”

2. The Transaction Provides No Apparent Benefit And Could Harm The Company

65. Tellingly missing from the announcement of the Transaction is any statement of how News Corp will benefit from owning Shine. The February 21, 2011 press release is devoid of any suggestion of any real synergies to the Company by owning Shine. Ultimately, the Transaction provides no material benefits to the Company, only succor to Murdoch, knowing that he will add another chink in his armor of control.

66. Additionally, the Transaction may compromise News Corp's efforts to buy the remaining 61% of BSkyB that it does not yet own. News Corp has been trying to purchase the rest of the shares in that company but the deal rested on British regulatory approval which News Corp obtained in early March 2011. The BSkyB purchase will be an all cash transaction that would require most of News Corp's cash and require the need for additional debt. According to News Corp: "If the Company makes a binding offer and proceeds with the proposed transaction, the Company plans to finance the transaction by using a significant portion of the available cash on its balance sheet plus borrowed funds. Potential fluctuations in the British pound sterling may increase or decrease the amount of cash needed to effect a potential transaction." The Transaction with Shine could result in News Corp's need for greater borrowing/interest/leverage and therefore risk, or a lower probability that News Corp could/would complete the BSkyB deal at all. According to Nomura Group's Michael Nathanson, "We had erroneously believed that the BSkyB deal would limit the company's ability to irritate shareholders as that deal would absorb all of News Corp's cash balance."

D. THE TRANSACTION WAS THE PRODUCT OF AN UNFAIR PROCESS

1. The Audit Committee Is Incapable Of Independently Evaluating The Transaction

67. Thumbing their noses at proper corporate governance practices, Murdoch and the Board gave no thought to appointing a special committee of truly independent outside directors to evaluate the Transaction. As shown below, the reason there is no independent committee of the board to review the transaction is because there is not a

single Individual Defendant who is independent of Murdoch or who has shown the least willingness to oppose Murdoch's overwhelming control over News Corp.

68. The Transaction will be evaluated by the Board's Audit Committee. According to the Company's most recent Proxy Statement, the stated purpose of the Audit Committee is to assist the Board in its oversight of, among other things, the review, approval and ratification of transactions with related parties. The Audit Committee consists of Eddington, who serves as Chairman, and Board members Barnes, Knight and Perkins. Murdoch exerts tremendous control over the Board due to his ownership interests and position. In fact, he dominates News Corp's Board. Thus, despite rhetoric about the purpose of the Audit Committee, the Audit Committee is destined to acquiesce to the stated wishes of Murdoch and give the Transaction a gloss of legitimacy by "papering" the proposed Transaction.

69. Moreover, given the composition of the Audit Committee it would be impossible for the Committee to actually render an assessment independent from that of Murdoch. A majority of the members of the Audit Committee would be prevented from providing a disinterested and independent examination as a result of the financial compensation they receive from the Company, their close ties to Murdoch, and other professional and financial conflicts.

70. Eddington, Chairman of the Audit Committee, serves as the Company's Lead Director – a position closely aligned with that of Chairman and CEO Rupert Murdoch. Eddington has been a director of News Corp for well over a decade. Since 2006 alone, he has been paid over \$1.1 million in compensation (including fees and stock

awards). Eddington has also served as Non-Executive Chairman, Australia and New Zealand of JP Morgan since 2006. JP Morgan is the adviser to BSkyB on the proposed acquisition by News Corp. Additionally, Elisabeth Murdoch's company, Shine, confirmed that it had hired JP Morgan Chase as a strategic adviser. In February 2011, JP Morgan served as the sole book-runner for the \$2.5 billion debt offering by News America Inc., a company owned by News Corp. Previously, Eddington served as a Director of News Limited, News Corp's principal subsidiary in Australia, from 1998 until 2000, and as Chairman of Ansett Holdings Limited and as a Director of each of Ansett Australia Limited and Ansett Australia Holdings Limited from 1997 until 2000. Until then, News Corp owned 50% of Ansett Australia. Further, according to *The Guardian*, in 2010, News Corp's minority shareholders planned to vote against Eddington's re-election to the Board in protest of Murdoch's donation of approximately \$2 million to Republican Party interests. Eddington's long tenure as a Board member, his relationship with Rupert Murdoch, and his various interrelated business relationships prevent him from providing an independent and disinterested evaluation of the Transaction.

71. Knight has been a Director of the Company for two decades and, since just 2006 alone, has made well over \$1 million in fees and stock awards as compensation for serving in that role. Knight has been the Chairman of J. Rothschild Capital Management Limited since 2008. He was the Chairman of News International, a subsidiary of the Company, from 1990 to 1995. Knight served a Director of Rothschild Investment Trust Capital Partners plc from 1997 to 2008. According to media reports, Lord (Jacob) Rothschild and Rupert Murdoch each purchased equity stakes in Genie Oil and Gas Inc.

with both serving on Genie Energy's Strategic Advisory Board. Jacob Rothschild is Chairman of the J. Rothschild group of companies and of Rothschild Investment Trust Capital Partners plc on whose Board Mr. Knight served. Murdoch reportedly named Knight as his "backstop and successor" at News Corp prior to Knight retiring from an executive position in June 1994. Knight's twenty-year tenure as a Board member, his ongoing relationship with Murdoch, and his former employment with the Company prevent him from providing an independent and disinterested evaluation of the Transaction.

72. Perkins has been a Director of the Company since 1996, and has received well over than \$1 million in compensation for serving in that role. Perkins is a personal friend of Rupert Murdoch and Murdoch provided an endorsement for Perkins' pulp novel *Sex and the Single Zillionaire*. Perkins' long tenure as a Board member and his personal relationship with Rupert Murdoch prevent him from providing an independent and disinterested evaluation of the Transaction.

73. Barnes has been a Director of the Company since 2004. Over the years, Barnes has been paid well over \$1 million in fees and stock awards as compensation for serving in that role. The stock and options awards granted to him in 2007 and 2008 alone had a grant date fair value of more than \$1 million. Although nominally independent, Barnes's unremarkable tenure on the Audit Committee in failing to ever reject a transaction that Murdoch wanted to push through demonstrates his inability to provide any meaningful oversight of interested transactions which prevents him from providing an independent and disinterested evaluation of this Transaction.

2. News Corp Failed To Retain Its Own Advisor In Connection With The Transaction Or To Consider Alternatives To Shine

74. There is no evidence that the Board, or anyone at News Corp other than Murdoch, analyzed whether this was an appropriate deal or an appropriate price. There has been no disclosure that, before the deal was announced, News Corp, the Board as a whole or the Audit Committee retained any independent financial advisor to evaluate the appropriateness of acquiring Shine or whether the price was fair to News Corp. In fact, the only entity to have an outside advisor was Shine, which retained J.P Morgan, whose head of operations in Australia and New Zealand is none other than Eddington, the Audit Committee Chairman.

75. The only outside entity advising on the News Corp side of the Transaction is an unnamed entity that will provide a fairness opinion. No such opinion, however, has been made public – if it even exists.

76. It further appears that to the extent the Board did any evaluation whatever of the Transaction, it never exercised any initiative to explore meaningful alternatives to Shine or even considered whether News Corp should buy a television production company at all. If News Corp wanted to buy a production company, the Board should have canvassed the scores of production companies that exist to find the best fit. It defies logic that of all those companies, Murdoch's daughter's company was coincidentally chosen after such a canvass of the market.

DERIVATIVE ALLEGATIONS

77. Plaintiffs bring this action derivatively to redress injuries suffered by the Company as a direct result of the breaches of fiduciary duties by the Individual Defendants.

78. Plaintiffs have owned News Corp stock continuously during the time of the wrongful course of conduct by the Individual Defendants alleged herein and continue to hold News Corp stock.

79. Plaintiffs will adequately and fairly represent the interests of News Corp and its shareholders in enforcing and prosecuting its rights and have retained counsel competent and experienced in shareholder derivative litigation.

DEMAND ON THE NEWS CORP BOARD IS EXCUSED AS FUTILE

80. Plaintiffs have not made demand on the News Corp Board to bring suit asserting the claims set forth herein because pre-suit demand was excused as a matter of law.

81. First, the acquisition of Shine from Elisabeth Murdoch is plainly an interested transaction and, as alleged above, is not entirely fair to the Company – in terms of both price and process. Because the acquisition of Shine is not entirely fair to the Company, the Transaction cannot be deemed a product of the valid exercise of business judgment and demand is excused as a matter of law.

82. Second, a majority of the News Corp Board members suffer from conflicts of interest and divided loyalties that preclude them from exercising independent business judgment. Notably, six directors are either Murdoch family members or News Corp.

employees who are beholden to Murdoch for their livelihoods. Eight directors have served on the Board for over ten years and five of those have served over nineteen years. While experienced directors are typically important assets, long-tenured directors can also become insufficiently independent of management—an issue that can have serious consequences when a small number of them join forces to dominate board decision-making. Because they are interested, the Board members' actions with respect to the facts alleged herein are subject to entire fairness review, and the business judgment rule is not applicable.

83. As of the date of the filing of this complaint, the News Corp Board consisted of the following sixteen directors: Defendants Rupert Murdoch, James R. Murdoch, Lachlan K. Murdoch, Chase Carey, David F. DeVoe, Joel Klein, Arthur M. Siskind, Roderick I. Eddington, Andrew S.B. Knight, Thomas J. Perkins, Peter Barnes, José María Aznar, Natalie Bancroft, Kenneth E. Cowley, Viet Dinh, John L. Thornton. Six are clearly not independent as they are Murdoch family members and/or are employees of News Corp. Moreover, all of them have, over time, shown either unwillingness or inability to challenge Rupert Murdoch's control over the Company. In addition, all of the directors receive significant financial compensation and benefits from their positions on the Board.

84. Rupert Murdoch as the father of Elisabeth Murdoch, the majority owner of Shine, clearly stands on both side of the Transaction. Given Murdoch's overwhelming personal and financial interests in the Transaction, the fact that he stands on both sides of

the Transaction, and his position in the Company, Murdoch is unable to fairly and impartially consider a demand.

85. James Murdoch is a Murdoch scion and the brother of Lachlan Murdoch and Elisabeth Murdoch. According to the *New York Times*, “James Murdoch joined the News Corporation in 1996, after the company bought his critically acclaimed yet money-losing record label, Rawkus Records.” James Murdoch’s entry into News Corp not only provides further evidence of Rupert Murdoch’s predilection for nepotism but also serves as a harbinger for the present Transaction. Since joining News Corp, James Murdoch has served, *inter alia*, as an Executive Vice President, Chairman and CEO of News Corp’s subsidiary, STAR Group Limited, and has been a Director and the Chairman and Chief Executive, Europe and Asia since 2007. James Murdoch previously served as a Board member from 2000 to 2003. James Murdoch receives an executive salary and his total compensation according to the Company’s most recent Proxy Statement was more than \$10 million. In addition to his owned interest in the company, discussed above, he also receives annual cash bonuses and discretionary grants of time-based restricted stock units. In just the years 2008 -2010, the grant date fair value of stock and option awards that he has been given totaled more than \$10 million. James Murdoch serves on the board of BSkyB with fellow News Corp Board members David F. DeVoe and Arthur Siskind, as well as News Corp executive Tom Mockridge. As discussed above, News Corp owns approximately 39% of BSkyB and is in the process of attempting to acquire the remainder of the company. James Murdoch has been a Director of NDS since 2009. NDS is a private company owned by the Permira Funds and News Corp. Daniel F.

DeVoe also serves as a Director of NDS and Arthur Siskind previously served on that entity's board.

86. James Murdoch has worked for his father, Rupert Murdoch, since 1996 and been given opportunities and advancements on account of his father. Analysts consider James as the likely "heir apparent" of News Corp. James' sister Elisabeth stands to gain millions of dollars from the proposed Transaction. James Murdoch is both financially and personally interested in the actions challenged herein and lacks independence from the other Board members, particularly Rupert Murdoch, and is therefore unable to legitimately consider a demand.

87. Lachlan Murdoch is the son of Rupert Murdoch and the brother of James Murdoch and Elisabeth Murdoch. Lachlan Murdoch has been a Board member since 1996 for which he has been paid over \$4.3 million. He also has options currently worth millions of dollars. He served as an advisor to the Company from 2005 to 2007 and was Deputy Chief Operating Officer from 2000 to 2005. At the time he quit the Company Lachlan was making nearly \$8 million in executive compensation. Although Lachlan Murdoch's more linear career path to News Corp executive may have obviated the need for the acquisition of an independent family-owned business, his position is no less interested than that of his brother James. Lachlan Murdoch worked for his father, Rupert Murdoch, from approximately 1995 to 2005 and was given opportunities and advancements on account of his father. Lachlan's sister Elisabeth stands to gain millions of dollars from the proposed Transaction. Lachlan Murdoch is both financially and personally interested in the actions challenged herein and lacks independence from the

other Board members, particularly Rupert Murdoch, and is therefore unable to legitimately consider a demand.

88. Chase Carey has been the President, Chief Operating Officer and Deputy Chairman of the Board since July 2009. Carey receives an annual salary of approximately \$8.1 million and received a signing bonus in 2009 of \$10 million. Carey was entitled to an annual bonus of \$25 million in fiscal 2009. Carey's total executive compensation in 2010 alone was more than \$26 million. In 2007 alone, Carey received over \$960,000 as a director as a result of a change in pension value and nondisqualified compensation earnings. Carey previously served the Company in numerous roles beginning in 1988, including as Co-Chief Operating Officer from 1996 to 2002, as a consultant from 2002 to 2003 and as a Director from 1996 to 2007. Carey has served in executive and/or director positions with affiliates of News Corp for which he has been handsomely paid, including serving as: the Chairman of the Supervisory Board of Sky Deutschland AG, an affiliate of the Company; President and Chief Executive Officer of DirecTV from 2003 to 2009 and as a Director of DirecTV from 2003 to June 2010; and a Director of BSkyB from 2003 to 2008. In June 2009, when Carey resigned from DirecTV and returned to News Corp as Murdoch's second in command, that shake-up was seen as intended to preserve the family succession line at News Corp. In announcing the change in top level News Corp personnel, Murdoch described Carey as "one of my closest advisers and friends for years." Carey's long time friendship with Murdoch, his tenure with the Company and his exorbitant executive compensation prevent him from

asserting independent judgment and he is, therefore, unable to objectively consider a demand.

89. DeVoe has been a Director of the Company and its Chief Financial Officer since 1990. DeVoe has served as Senior Executive Vice President of the Company since 1996. DeVoe has been a Director of BSkyB since 1994 and a Director of NDS since 1996. He served as a Director of DirecTV from 2003 to 2008. In addition to the fees he has earned and will continue to earn as a director of News Corp and its affiliates, DeVoe's total summary executive compensation in 2010 alone was more than \$7 million. In addition, since 2006, DeVoe has been granted News Corp stock and options awards valued at more than \$8 million. DeVoe's son, David F. DeVoe, Jr., is a salaried employee of Fox Entertainment Group, Inc., a subsidiary of the Company, serving as its Deputy Chief Financial Officer and as an Executive Vice President. DeVoe's long tenure with the Company and as a Board member, his executive compensation, his relationship with the Murdochs and his son's employment with a News Corp subsidiary, prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

90. Siskind has been a Director of the Company since 1991 and held senior executive positions at News Corp to 2005, including serving as the Company's Group General Counsel for nearly fifteen years and as Executive Vice President and then Senior Executive Vice President from 1991 to 2005. In 2005 alone, Siskind earned nearly \$7 million in executive compensation. As a Board member, he also is handsomely rewarded; in 2010 alone, Siskind received over \$3.7 million (which reflected a change in

pension value and nondisqualified compensation earnings). He is a close ally of Murdoch, serving as his Senior Advisor since 2005. He has served as a Director of BSKyB since 1991 (where he currently serves alongside James Murdoch) and as a Director of NDS from 1996 to 2009 for which positions he has received compensation. Kenneth Siskind, son of Arthur Siskind, is a Managing Director of Allen & Company LLC, a United States based investment bank, which provided investment advisory services to the Company during the fiscal year ended June 30, 2009 related to the sale of certain of the Company's television stations. The fees paid to Allen & Company were approximately \$17.5 million. Siskind teaches at Georgetown together with his co-Board members Dinh and Aznar. Siskind's twenty-year tenure as a Board member, his long relationship with the Murdoch family, his prior executive compensation, and his son's financially beneficial business relationship with News Corp, prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

91. Eddington has been a Director of the Company since 1999 and, as noted above, has been paid very handsomely by News Corp for serving in that role. Eddington has served as Non-Executive Chairman, Australia and New Zealand of JP Morgan since 2006. Eddington's relationship with JP Morgan is significant because of JP Morgan's business dealings with News Corp and related entities. JP Morgan is the adviser to BSKyB on the proposed acquisition by News Corp and, Elisabeth Murdoch's company, Shine, confirmed that it had hired JP Morgan Chase as a financial adviser for potential deals. In February of this year, JP Morgan served as the sole book-runner for the \$2.5bn debt offering by News America Inc., a company owned by News Corp.

92. Previously, Eddington served as a Director of News Limited, News Corp's principal subsidiary in Australia, from 1998 until 2000, and as Chairman of Ansett Holdings Limited and as a Director of each of Ansett Australia Limited and Ansett Australia Holdings Limited from 1997 until 2000. Ansett Australia was an asset of News Corporation until 2000 (50%). Ansett Australia is a wholly owned subsidiary of Ansett Holdings Limited which was equally owned by Air New Zealand and News Corporation Ltd. According to *The Guardian*, last year, minority shareholders planned to vote against Eddington's re-election to the Board in protest of Rupert Murdoch's donation of approximately \$2 million to Republican Party interests. Eddington's long tenure as a Board member, his close relationship with Murdoch, and his various interrelated business relationships prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

93. Andrew S.B. Knight has been a Director of the Company since 1991. As noted above, Knight has received well over \$1 million from the Company for being on the Board. He has been the Chairman of J. Rothschild Capital Management Limited since 2008. Knight served as a Director of Rothschild Investment Trust Capital Partners plc from 1997 to 2008. Knight's association with the Rothschild entities is significant because it evidences further ties between Knight and Rupert Murdoch. According to media reports, Lord (Jacob) Rothschild and Rupert Murdoch each purchased equity stakes in Genie Oil and Gas Inc. with both serving on Genie Energy's Strategic Advisory Board. Jacob Rothschild is Chairman of the J. Rothschild group of companies and of Rothschild Investment Trust Capital Partners plc on whose Board Mr. Knight served.

Murdoch even named Knight his “backstop and successor” at News Corp in the 1990’s. Knight’s twenty-year tenure as a Board member, his ongoing relationship with Murdoch, and his former employment with the Company prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

94. Thomas J. Perkins has been a Director of the Company since 1996. In addition to being handsomely paid for serving as a Board member, Perkins is a personal friend of Rupert Murdoch. In fact, Murdoch provided an endorsement for Perkins’ pulp novel *Sex and the Single Zillionaire*. Perkins’ long tenure as a Board member and his personal relationship with Rupert Murdoch prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

95. Peter Barnes has been a Director of the Company since 2004 and is a member of the Audit Committee. As noted above, Barnes has received well over \$1 million in fees and stock option awards as compensation for serving in those roles. As demonstrated by the numerous transactions that the Board simply let Murdoch push through without any oversight whatever (most notably the Dow Jones acquisition and the DirecTV sale), Barnes has had a wholly unremarkable tenure on the Audit Committee, thus demonstrating his inability to provide any meaningful oversight over the Transaction and he cannot validly exercise business judgment in considering a demand.

96. Natalie Bancroft has been a Director of the Company since 2007. She receives hundreds of thousands of dollars for serving in that role. She is a professional ballet dancer and trained as an opera singer. Bancroft was appointed as a Director as part of the agreement Murdoch orchestrated to buy Dow Jones. According to news sources,

Bancroft was handpicked by Murdoch as a possible end run around the wishes of the Bancroft family. Reportedly, Rupert Murdoch did not interview the Bancroft family's nominees for the position; "he simply handed the job to Natalie." Given that she owes her position and its associated compensation to Rupert Murdoch, and with no business experience of her own, Bancroft is unlikely to challenge Rupert Murdoch's dominance of the News Corp Board and she is therefore unable to objectively consider a demand.

97. Kenneth E. Cowley has been a Director of the Company since 1979 – as long as Rupert Murdoch has been CEO—and serves as a member of the Nominating and Corporate Governance Committee. Cowley served as a senior executive of News Limited, a subsidiary of the Company, from 1964 to 1997, including as its Chairman and Chief Executive from 1980 to 1997. Cowley has received millions of dollars for serving as a director. Cowley's over thirty-year tenure as a Board member, his ongoing relationship with Rupert Murdoch, and his former employment with the Company prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

98. Joel Klein joined the Board of Directors of the Company and serves as Executive Vice President, Office of the Chairman, effective January 2011 and as Chief Executive Officer of News Corp's education division. For serving as a News Corp executive, Klein is paid a \$2 million base salary and received a \$1 million signing bonus. He gets a "car allowance" of \$1,200 per month. In addition, Klein is eligible to receive an annual bonus targeted at not less than \$1.5 million, and he will be entitled to participate in and to receive awards of stock options, stock appreciation rights and other

bonuses and other incentive compensation pursuant to the Company's plans, as well as profit-sharing, pension, health, welfare and death benefits and substantial payments upon termination of employment. His current and very recent employment with News Corp, and the emollients his position provides, prevent him from asserting independent judgment and he is, therefore, unable to objectively consider a demand.

99. José María Aznar is a long time friend of Murdoch. Murdoch appointed Aznar as a Board member in 2006. According to a June 22, 2006 article on *www.marketingmagazine.co.uk*, by that time, Murdoch and Aznar had been friends for several years. In fact, Murdoch attended the wedding of Aznar's daughter in 2002. Aznar teaches at Georgetown University with his fellow Board members Dinh and Siskind. Since joining News Corp's Board in 2006, Aznar has received hundreds of thousands of dollars in compensation and stock awards.

100. In addition, Aznar, Dinh and Thornton are nominally outside directors but they hardly constitute a majority in this instance. Their three-member minority assuming, *arguendo*, that they were to actually challenge the Transaction is not enough of a voice to prevent the Transaction. Moreover, Murdoch, with the Board's complicity has a history, pattern and practice of engaging in improper practices that fly in the face of proper corporate governance. Not one of these three individuals has established a reputation for challenging Murdoch's authority or control.

101. The Board's inability to take appropriate action to address Murdoch's and the other Board members' breaches of fiduciary duties is most aptly and recently borne out by the decision on behalf of the Company—a decision undoubtedly made by

Murdoch and endorsed by the other Board members—to completely ignore and fail to respond, as required by 8 *Del. C.* §220, to a letter sent by plaintiff Central Laborers pursuant to that statute, and received by the Company on February 8, 2011, requesting inspection of the Company’s documents pertaining to the matters set forth herein.

102. Under these circumstances, the News Corp Board cannot be expected to bring the claims asserted herein, and the actions of the Board challenged herein are not protected from judicial scrutiny. Demand is therefore excused.

CAUSES OF ACTION

COUNT I (Breach of Fiduciary Duty) (Derivatively Against Individual Defendants)

103. Plaintiffs reallege the preceding paragraphs as set forth above and incorporate them herein by reference.

104. The Individual Defendants, as Directors of News Corp, are fiduciaries of the Company and its shareholders. As such, they owe the Company the highest duties of loyalty, care, candor and good faith and fair dealing.

105. The Individual Defendants breached their fiduciary duties by failing to fairly evaluate the Transaction and permitting the purchase of Shine at an excessive and inequitable price.

106. In contemplating, planning, and/or effecting the foregoing conduct, the Individual Defendants were not acting in good faith toward the Company and breached their fiduciary duties.

107. As a result of these actions of the Individual Defendants, the Company has been and will be damaged.

108. Plaintiffs have no adequate remedy at law.

COUNT II
(Breach of Fiduciary Duty)
(Derivatively Against Rupert Murdoch)

109. Plaintiffs reallege the preceding paragraphs as set forth above and incorporate them herein by reference.

110. Defendant Rupert Murdoch, as a controlling shareholder, is a fiduciary of the Company and its shareholders. As such Rupert Murdoch owes them the highest duties of loyalty, care, candor and good faith and fair dealing.

111. Defendant Rupert Murdoch breached his fiduciary duties by using his control over News Corp and the Individual Defendants to cause the Company to allow the Transaction and permit the purchase of Shine at an excessive price, despite knowing that such acquisition would ultimately be detrimental to the Company.

112. In contemplating, planning, and/or effecting the foregoing conduct and in pursuing and structuring the Transaction, Rupert Murdoch did not act in good faith and breached his fiduciary duties to the Company.

113. As a result of the actions of Rupert Murdoch, the Company has been and will be damaged.

114. Plaintiffs have no adequate remedy at law.

WHEREFORE, Plaintiffs pray for judgment as follows:

- a) for an order declaring that the Defendants breached their fiduciary duties to the Company;

- b) for an order awarding damages, together with pre- and post-judgment interest to the Company;
- c) for Plaintiffs' costs and expenses incurred in this action, including, but not limited to, experts' and attorneys' fees; and
- d) for such other and further relief as may be just and proper.

DATED: March 16, 2011

GRANT & EISENHOFER P.A.

/s/ Geoffrey C. Jarvis _____

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