



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

NEW ORLEANS EMPLOYEES'
RETIREMENT SYSTEM, on behalf of itself
and all other similarly situated shareholders
of NEWS CORPORATION and derivatively
on behalf of nominal defendant NEWS
CORPORATION,

Plaintiff,

C.A. No. _____

v.

JOSÉ MARÍA AZNAR, NATALIE
BANCROFT, PETER BARNES, CHASE
CAREY, KENNETH E. COWLEY, DAVID
F. DEVOE, VIET DINH, ROD
EDDINGTON, JOEL KLEIN, ANDREW
S.B. KNIGHT, JAMES MURDOCH, K.
RUPERT MURDOCH, LACHLAN
MURDOCH, THOMAS J. PERKINS,
ARTHUR M. SISKIND, and JOHN L.
THORNTON,

Defendants,

and

NEWS CORPORATION, a Delaware
corporation

Nominal Defendant.

VERIFIED SHAREHOLDER CLASS ACTION AND DERIVATIVE COMPLAINT

Plaintiff, New Orleans Employees' Retirement System ("NOERS" or "Plaintiff"), on behalf of itself and all other similarly situated public shareholders of News Corporation ("News Corp" or the "Company") and for the benefit of nominal defendant News Corp, brings the following Verified Shareholder Class Action and Derivative Complaint (the "Complaint") against the members of the board of directors of News Corp (the "News Corp Board" or

“Board”). The allegations of the Complaint are based on the knowledge of Plaintiff as to itself, and on information and belief, including the investigation of counsel and review of publicly available information as to all other matters.

INTRODUCTION

1. Some corporate transactions are so inherently conflicted, so intuitively unfair, that the only purpose of creating structural protections like a “special committee” is to manipulate the inherent deference of Delaware law to “paper the record” in order to perpetuate thievery from the corporation’s shareholders. This case presents a chairman, corporate founder and controlling shareholder with a history of manipulating the corporate machinery to serve his own self-interest at the expense of his shareholders, proposing to purchase his daughter’s business venture for \$675 million. In this circumstance, Delaware law has to remain grounded in the reality of the situation. A committee comprised of the founder’s hand-chosen directors will not cause that tiger to change his spots.

2. The wily corporate strongman at the heart of this case is Rupert Murdoch (“Murdoch”) – News Corp’s founder, Chairman, Chief Executive Officer (“CEO”) and controlling shareholder. In a blatant act of nepotism, Murdoch is preparing to have News Corp purchase his daughter Elisabeth Murdoch’s media company Shine Group Ltd. (“Shine”) at an inflated price that is decidedly over market value (the “Transaction”). In addition, Murdoch intends to appoint his daughter to the News Corp Board.

3. The acquisition of Shine requires News Corp to pay nearly thirteen (13) times Shine’s 2009 reported EBITDA, a price that is well above the multiple paid in similar transactions during the previous year. The appointment of Elisabeth Murdoch to the board of

directors of a company with a market capitalization of over \$42 billion can only be explained by her namesake.

4. Like other domineering corporate founders, Murdoch offers no apologies for his acts and does not conceal his self-interested use of power. Murdoch's admitted purpose in entering into the Transaction is to bring his daughter into the family business. Upon joining News Corp, Ms. Murdoch will contend with her brothers, Board members James Murdoch and Lachlan Murdoch, for the privilege of succeeding their father as controller of the Murdoch global media empire.

5. In breach of their fiduciary duties to the Company and its shareholders, the News Corp Board approved the Transaction without fully informing themselves of all available alternatives or questioning Murdoch's motives. The Transaction is unfairly priced by a multitude of metrics, and even if there was 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 daughter and to further saturate News Corp's ranks with Murdoch's children.

6. 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 the News Corp Board. Throughout his reign, Murdoch has treated News Corp like a feudal kingdom and now seeks to anoint his heir apparent. Cowering to his every wish, the Board has willingly enabled Murdoch to, among other things: (i) impose rampant nepotism in the Company's business conduct; (ii) undertake actions designed to maintain Murdoch's control over News Corp; and (iii) engage in activities using News Corp's resources that have no business justification other than fulfilling Murdoch's personal or political ambitions.

7. The Board's failure to prevent Murdoch from using the Company's money to advance his own personal agenda is not surprising because the vast majority of the Board's members, including the members of the Board's Audit Committee (the "Audit Committee"), lack any real independence since they are Murdoch family members or long-time friends, News Corp executives, or persons who have important business relationships with Murdoch and his media empire.

8. Under Delaware law, 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 proposed deal. As more fully alleged herein, the Transaction violates the entire fairness standard both on the basis of price and process.

9. Finally, while the News Corp Board is empowered to appoint directors to the Board in the event of a vacancy created through its expansion, Delaware law requires that this appointment be made in compliance with the directors' fiduciary duties. This obligation requires that the best interest of the corporation and its shareholders takes precedence over Murdoch's uniquely personal interests. As explained herein, Elisabeth Murdoch's appointment to the Board is improper and not in the best interest of the Company or its shareholders, and serves only to further serve Rupert Murdoch's whims at the expense of News Corp. shareholders.

10. Through this action, Plaintiff seeks to, among other things, amend the terms of the Transaction, compel full disclosure of all material information relating to the Transaction, and prevent the appointment of Elisabeth Murdoch to the News Corp Board.

JURISDICTION

11. This Court has jurisdiction over this action pursuant to 10 Del. C. § 341. As directors of Delaware corporations, the Individual Defendants (as defined below) have consented

to the jurisdiction of this Court pursuant to 10 Del. C. § 3114. This Court has jurisdiction over News Corp pursuant to 10 Del. C. § 3111.

THE PARTIES

12. Plaintiff NOERS is a shareholder of News Corp and has owned shares of News Corp common stock continuously throughout the relevant time period.

13. Nominal Defendant News Corp is a diversified global media company with operations in the following eight segments: (i) Filmed Entertainment, (ii) Television, (iii) Cable Network Programming, (iv) Direct Broadcast Satellite, (v) Integrated Marketing Services, (vi) Newspapers and Information Services, (vii) Book Publishing, and (viii) Other. The Company's properties include the Fox networks, The Wall Street Journal, British Sky Broadcasting Group ("BSkyB") and the New York Post. It also owns 49% of NDS Group Limited ("NDS"). News Corp is incorporated under the laws of the State of Delaware, with its principal executive offices located at 1211 Avenue of the Americas, New York, New York. The Company is publicly traded on the NASDAQ under the ticker symbol "NWSA."

14. Defendant Jose Maria Aznar ("Aznar") has served as a member of the News Corp Board since 2006. Aznar served as the President of Spain from 1996 to 2004.

15. Defendant Natalie Bancroft ("Bancroft") has served as a member of the News Corp Board since 2007. In connection with News Corp's acquisition of Dow Jones & Company, Inc. ("Dow Jones"), Bancroft was appointed to the News Corp Board 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.

16. Defendant Peter Barnes (“Barnes”) has served as a member of the News Corp Board since 2004. Barnes serves on the Audit Committee which will be evaluating the Transaction.

17. Defendant Chase Carey (“Carey”) has served as News Corp’s President, Chief Operating Officer and Deputy Chairman of the Board since July 2009. 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 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 CEO of The DIRECTV Group, Inc. (“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.

18. Defendant Kenneth E. Cowley (“Cowley”) has served as a member of the News Corp Board since 1979. 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.

19. Defendant David F. Devoe (“Devoe”) has served as a member of the News Corp Board and as the Company’s Chief Financial Officer (“CFO”) since 1990. Devoe served as Senior Executive Vice President of the Company since 1996. Devoe has also served as a director of BSkyB since 1994 and a director of NDS since 1996. Additionally, he served as a director of DIRECTV from 2003 to 2008.

20. Defendant Viet Dinh (“Dinh”) has served as a member of the News Corp Board since 2004. Dinh has also served as Principal of Bancroft Associates PLLC since 2003 and as Principal of Bancroft Capital Management since 2006.

21. Defendant Roderick I. Eddington (“Eddington”) has served as a member of the News Corp Board since 1999. Eddington has served as J.P. Morgan’s Non-Executive Chairman, Australia and New Zealand since 2006. J.P. Morgan, the entity for whom Eddington works, was retained by Shine in February 2011 as Shine’s “strategic advisor.” J.P. Morgan also is the adviser to BSkyB on the proposed acquisition of it by News Corp. In February 2011, J.P. Morgan also 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 to 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. Eddington serves as Chairman of the Audit Committee which will be evaluating the Transaction.

22. Defendant Joel Klein (“Klein”) has served as a member of the News Corp Board and as Executive Vice President, Office of the Chairman since January 2011. Klein also serves as the CEO of New Corp’s education division.

23. Defendant Andrew S.B. Knight (“Knight”) has served as a member of the News Corp Board since 1991. Knight has been 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 serves on the Audit Committee which will be evaluating the Transaction.

24. Defendant James Murdoch has served as a member of the News Corp Board and as Chairman and Chief Executive, Europe and Asia of the Company since 2007. James Murdoch was the CEO of BSkyB from 2003 to 2007. James Murdoch has served as a director of BSkyB since 2003 and as its Non-Executive Chairman since 2007. He has served as a director of NDS since 2009. James Murdoch was the Chairman and CEO 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.

25. Defendant K. Rupert Murdoch has been CEO of the Company since 1979 and its Chairman since 1991. Despite owning only 12% of the Company's outstanding equity, Murdoch, 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 Saudi Prince Alwaleed bin Talal, who wields an additional 7% of the Company's voting power. Murdoch also 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 ("China Netcom") from 2001 to 2005. Murdoch is the father of James Murdoch, Lachlan Murdoch and Elisabeth Murdoch.

26. Defendant Lachlan K. Murdoch has served as a member of the News Corp Board since 1996. Lachlan Murdoch served as an advisor to the Company from 2005 to 2007 and served as its Deputy Chief Operating Officer from 2000 to 2005. He 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.

27. Defendant Thomas J. Perkins (“Perkins”) has served as a member of the News Corp Board since 1996. Perkins serves on the Audit Committee which will be evaluating the Transaction.

28. Defendant Arthur M. Siskind (“Siskind”) has served as a member of the News Corp Board since 1991 and Senior Advisor to the Chairman of the Company 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.

29. Defendant John L. Thornton (“Thornton”) has served as a member of the News Corp Board since 2004. Thornton served as a director of China Netcom from 2004 to 2008.

30. The defendants listed in paragraphs 14 through 29 above are collectively referred to herein as the “Individual Defendants.”

SUBSTANTIVE ALLEGATIONS

I. Despite Its Public Company Status, Murdoch Runs News Corp Like His Own Private Fiefdom

31. Murdoch, who has amassed a personal fortune of over \$6 billion, has historically run News Corp as little more than his own sole proprietorship. The Company’s history is replete with nepotism, questionable governance practices, and insider dealings, with little to no opposition or oversight from the Board.

A. Murdoch Has Exhibited Unabashed Nepotism In Operating The Company

32. Through his domination and control over the Company and the Board (as described below), Murdoch has taken numerous steps to ensure that News Corp is “all in the family.” The Transaction is just another shameless maneuver to position his heirs to control the

future of News Corp. Indeed, by installing Elisabeth Murdoch on the Board, roughly one quarter of the News Corp. Board will have the surname “Murdoch.”

33. Murdoch’s son, Lachlan Murdoch, was elevated at a young age (at Murdoch’s behest) to senior executive positions within the Company that were seemingly beyond his qualifications. In addition, Lachlan was handed a seat on the Board which he continues to hold even though he left the Company in 2005, undermining Murdoch’s plan that Lachlan take over the executive reins of the Murdoch media empire.

34. Murdoch’s other son, James, joined News Corp in 1996 when Murdoch forced the Company to buy an 80% stake in James’s start-up Rawkus hip-hop record label. Rawkus was shut down in 2004.

35. Murdoch ensured that James rose rapidly within the Company’s hierarchy. Currently, James is a director and the Chairman and News Corp’s Chief Executive, Europe and Asia, responsible for Company properties like News International, SKY Italia and STAR TV. He is also non-executive chairman of BSkyB, in which News Corporation has a controlling minority stake and will soon own outright. Until the announcement of the Transaction, James Murdoch was considered the heir-apparent to Murdoch’s media empire.

36. In addition to promoting his children to senior positions beyond their qualifications, Murdoch constantly forces the Company to engage in transactions designed solely to benefit his family members.

37. Nearly all of Murdoch’s family has had a chance to profit from Murdoch’s control of News Corp. According to the Company’s most recent annual proxy statement (the “Proxy Statement”), the Company retained Wendi Murdoch, Murdoch’s third wife, 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.

38. The Proxy Statement also notes that Freud Communications, which is controlled by Matthew Freud, Elisabeth Murdoch’s second husband, provided “external support to the press and publicity activities of the Company” during fiscal 2010. For spinning Rupert’s version of events to the media, the Company paid Freud Communications approximately \$350,000 in fees for the fiscal year ended June 30, 2010.

39. Prudence MacLeod, Murdoch’s daughter from his first marriage, is a member of the board of directors of Advertiser Newspapers, a subsidiary of the Company and, according to the Proxy Statement, Prudence MacLeod receives director fees for serving in that position. Alasdair MacLeod, Prudence MacLeod’s husband and the son-in-law of Murdoch, was a salaried employee of News Limited, another subsidiary of the Company, until January 2010.

B. Murdoch’s Actions To Enhance His Control Over News Corp

40. In addition to stuffing the News Corp’s boardroom and executive offices with his family, Murdoch, with the Board’s acquiescence, has taken a series of actions to enhance his control over News Corp.

41. In 2004, John Malone’s Liberty Media built up a 19% 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. The deal with Liberty accomplished Murdoch's goal of removing Malone from a position of power at News Corp, leaving the Company in Murdoch's sole control, at shareholders' expense.

42. Despite Murdoch's explicit promise that when News Corp reincorporated in Delaware there would be "no long-term poison pills," the Board (at Murdoch's request) unilaterally extended the Company's anti-takeover "poison pill" defense, further entrenching the Murdoch family. As a result, in 2005, a large group of News Corp's institutional investors sued News Corp, Murdoch and the Board in this Court, charging them with reneging on the promise. Pursuant to a settlement agreement, News Corp agreed to put the controversial extension of the poison pill to a shareholder vote at its next annual meeting.

C. Murdoch Freely Spends News Corp Funds To Advance His Own Agenda

43. For years, Murdoch has spent the Company's money to advance his personal interests. In 2007, News Corp (at Murdoch's request) purchased newspaper publisher Dow Jones for \$5 billion. The purchase price represented a whopping 70% premium, an exorbitant price for a cyclically challenged company whose business prospects were in steep decline. Murdoch's true and hardly disguised aim in buying Dow Jones was its flagship publication, the *Wall Street Journal*. Murdoch coveted the Journal because ownership would allow him to further his conservative political bent by controlling the paper's editorial content.

44. As analyst at BTIG LLC noted in a May 28, 2010 comment that: "[y]ou 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).

45. 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* already loses tens of millions of dollars per year and can ill-afford additional losses simply to fuel Murdoch’s personal vendetta against the *Times*.

46. Even more recently, News Corp, in furtherance of Murdoch’s conservative political agenda, donated \$1 million to each of 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.

D. The “Murdoch Discount”

47. 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.”

48. In a February 7, 2009 article, the *Financial Times* noted: “[i]n 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."

49. Similarly, in an August 2, 2010 valuation analysis of News Corp, Evercore Partners stated: "[g]iven 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."

50. Other analysts share Evercore's views of News Corp. In a June 15, 2006 note, Bear Stearns informed clients, "News Corp. has historically traded at a discount to its U.S. peers given acquisition risk and a complexity discount."

51. 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. Repeatedly, the News Corp Board 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. This behavior has resulted in 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 averages.

52. If Delaware law is applied to restrain Murdoch's abuse of his corporate kingdom, all News Corp. shareholders will benefit, and the stock price will reflect such an improvement in the protection of minority investors.

II. Background of the Transaction

A. Elisabeth Murdoch Leaves The News Corp Nest To Found Shine

53. After graduating from Vassar College in the early 1990's, Elisabeth went to work for her father, becoming the manager of program acquisitions at FX Networks ("FX"), a member of the FOX family of networks.

54. After a few years, Elisabeth left FX and went to BSkyB, the satellite broadcaster in which News Corp has a significant minority stake (and which Murdoch has been aggressively attempting to own outright through a proposed purchase by News Corp of the remaining two-thirds of BSkyB that News Corp does not already own).

55. During her time at BSkyB, Elisabeth was the second-in-command to Sam Chisholm ("Chisholm"), a respected New Zealand television executive. After some public quarreling with Chisholm, in 2000, Elisabeth veered out on her own as a television and film producer in London.

56. In March 2001, Elisabeth founded Shine, a British media company. A significant source of the funds for the venture came from Murdoch family money. Additionally, BSkyB contributed 5% of Shine's start-up capital. Murdoch's financial support for his daughter's business continued over the years. For example, according to News Corp's Proxy Statement filed on Schedule 14A dated August 31, 2010, News Corp subsidiaries entered into production and distribution arrangements with Shine pursuant to which Shine was paid nearly \$12 million.

B. Murdoch Seeks His Daughter's Return to News Corp

57. While Murdoch (and as a result, News Corp. itself) was supporting Shine, his overriding goal was for Elisabeth to return to News Corp. As *CNNMoney.com* reported on February 25, 2009, Murdoch's then second-in-command, Peter Chernin, was leaving and

Murdoch wanted his daughter then to join the Board. Thinking she could prosper outside of the family fold, Elisabeth rebuffed her father at that time. Following this rejection, Murdoch thought of clever ways to keep Elisabeth involved in the “family business.”

58. *First*, Murdoch invited Elisabeth to be a non-voting observer of the Board, a position that allowed what should have been a corporate outsider to sit in on News Corp Board meetings. This shadow role for his daughter, 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....*”

59. *Second*, Murdoch orchestrated a \$675 million transaction aimed at shoring up his family’s control of News Corp. The terms of this arrangement call for Elisabeth to shift her 53% stake in Shine to her father’s company in exchange for approximately \$320 million of News Corp’s cash. And, Elisabeth will continue to oversee Shine once it becomes part of News Corp’s operations. Equally important, she will be handed a seat on News Corp’s Board 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.

60. Murdoch’s decision to have News Corp acquire his daughter’s 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."

61. 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."

III. The Transaction Was Not Entirely Fair

A. News Corp Agrees To Buy Shine At An Inflated Price

62. The Transaction is a naked and selfish endeavor by Murdoch to further infuse the upper ranks of News Corp with his offspring. Even if the Transaction could be described as serving a rational business purpose, the Transaction does not meet the exacting standards of entire fairness which apply in the present circumstances.

63. While the Transaction will fulfill Murdoch's desire to have his daughter on the Board and will enrich Elisabeth by roughly \$320 million, News Corp is significantly overpaying for a company which it has no legitimate business reason to purchase, and certainly not at the offer price.

64. Shine's enterprise value to EBITDA multiple relative to its peers confirms the price is exorbitant. 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). Compared to Shine's peers' mean enterprise value/EBITDA multiple of only 5.8x and median of only 5.6x, this multiple is inexplicable. Further, looking at estimated 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.

65. Moreover, 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.

66. Finally, a comparison of the multiples paid in the Shine deal to certain multiples of companies comparable to News Corp provides further evidence that the offer price is unreasonably high. 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).

67. Analysts have been extremely critical of the Transaction. Michael Nathanson, an equities analyst at The Nomura Group, stated that the Transaction would result in significant fallout and result in shareholder aversion to News Corp stock. Nathanson added,

“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.*” (emphasis added)

68. Further evidence that News Corp is wildly overpaying in connection with the Transaction is Shine’s failure to garner even modest attention from other possible suitors. Shine’s lack of attention from other potential media buyers reveals not only Shine’s questionable

value, but also a consensus that the Transaction will hurt News Corp and competitors are eager to let that happen.

69. Without judicial intervention, this self-interested purchase at a bloated price will almost surely be consummated. The woefully conflicted Audit Committee (as detailed below) will simply “rubber-stamp” Murdoch’s latest act of nepotism.

B. The Transaction Was The Product of A Flawed Process

70. The News Corp Board did not take steps to adequately and fairly evaluate the Transaction on behalf of the Company or its shareholders. While an outside unnamed entity has allegedly been retained to advise News Corp on the Transaction, any purported fairness opinion supporting the Transaction has yet to be made public. Abandoning proper corporate governance practices, Murdoch and the Board did not appoint a special committee of truly independent outside directors to evaluate the Transaction. As detailed below, no compilation of Board members could constitute an independent committee because there is not a single Individual Defendant who is truly independent of Murdoch or who has shown the least willingness to oppose Murdoch’s domination over News Corp.

71. The Transaction will allegedly be evaluated by the Board’s Audit Committee, which consists of director Eddington, who serves as Chairman, and Board members Barnes, Knight and Perkins. According to the Proxy, 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. This purpose is undermined by the fact that Murdoch dominates and controls News Corp’s Board and in turn the Audit Committee. Given the composition of the Audit Committee, it would be impossible for it 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. *See* “Demand on the News Corp Board is Excused as Futile,” ¶ 87-90.

72. Moreover, neither the News Corp Board nor anyone at News Corp (other than Murdoch), analyzed whether the Transaction is warranted or in the best interests of the Company. Indeed, the Individual Defendants have failed to disclose whether – before agreeing to the Transaction – News Corp, the Board or the Audit Committee retained any independent financial advisors to evaluate the appropriateness of the deal. Nor have the Individual Defendants disclosed whether the contemplated purchase price of \$675 million is fair to News Corp. Seemingly the only entity to rely on an outside advisor was Shine, which retained Audit Committee Chairman Eddington’s employer, J.P. Morgan.

IV. The Appointment of Elisabeth Murdoch to the News Corp Board Violates the Board’s Fiduciary Duties

73. News Corp’s Amended and Restated Bylaws (the “Bylaws”) provide the Board will discretion to expand and appoint additional directors.

Article II, § 1 - “the total number of directors constituting the entire Board shall be not less than three with the then-authorized number of directors being fixed from time to time exclusively by the Board.”

Article II, § 2 - Newly created vacancies “shall be filled solely by the affirmative vote of a majority of the remaining directors then in office.”

74. However, under Delaware law, new appointments to the Board must still be made in accordance with the directors’ fiduciary duties to the Corporation and its shareholders. Indeed, it would be a dereliction of duty on the part of the Board if it were to repeatedly and irrationally expand the Board to dilute the voting power of those directors rightfully elected by

the Corporations shareholders, or appoint a director so unqualified as to harm the Company's reputation or operations.

75. There is no cognizable benefit to the Company or its shareholders in expanding the size of the News Corp Board as a result of the Transaction. Shine is a company roughly 1/100th the size of News Corp and it is nonsensical that its acquisition warrants a board seat.

76. The Board has yet to properly articulate why it chose to increase the number of News Corp Board seats, and shareholders can only be left to believe that the motivation was, as with the Transaction, to further Murdoch's objective of bringing Elisabeth within the lucrative News Corp umbrella.

77. In addition, the Board has failed to articulate how it is that Ms. Murdoch is qualified to serve on the News Corp Board, aside from her namesake. Even if the Board did, or plans to, actually vote on Elisabeth's appointment in accordance with the Bylaws, her appointment must still be made in a manner the Board reasonably believes to be in the best interests of the Company and its shareholders. The appointment appears only to benefit the Murdoch family, tightening their grip on the Company.

78. Further, since Elisabeth's appointment is clearly a material event, News Corp shareholders are entitled to full disclosure around the circumstances and decision of her appointment. The Board has failed to do so in breach of its fiduciary duties of loyalty, due care, and candor.

DERIVATIVE ALLEGATIONS

79. Plaintiff brings this action derivatively to redress injuries suffered by the Company as a direct result of the breaches of fiduciary duties by the Individual Defendants.

80. Plaintiff has owned News Corp stock continuously during this time and the wrongful course of conduct by the Individual Defendants alleged herein and continues to hold News Corp stock.

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

DEMAND ON THE NEWS CORP BOARD IS EXECUSED AS FUTILE

82. Plaintiff has not made a 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.

83. *First*, News Corp's acquisition of Shine from Elisabeth Murdoch at the behest of her father is clearly an interested transaction and does not meet the exacting entire fairness standard. Because the Transaction is not entirely fair to the Company, it cannot be deemed a product of the valid exercise of business judgment and demand is excused as a matter of law.

84. *Second*, a majority of the News Corp Board suffers from incapacitating conflicts that preclude them from exercising independent judgment. As of the date of the filing of this Complaint, the Board consisted of the following sixteen directors: Defendants Jose Maria Aznar, Natalie Bancroft, Peter Barnes, Chase Carey, Kenneth E. Cowley, David F. DeVoe, Viet Dinh, Roderick I. Eddington, Joel Klein, Andrew S.B. Knight, James Murdoch, Lachlan K. Murdoch, Rupert Murdoch, Thomas J. Perkins, Arthur M. Siskind, and John L. Thornton.

85. Three members of the Board – Rupert Murdoch, James Murdoch and Lachlan Murdoch – are clearly not independent as they are Murdoch family members.

- a. **Rupert Murdoch** as the father of Elisabeth Murdoch, whose company News Corp is purchasing, clearly stands on both sides of the Transaction.

As a result of Murdoch's long-standing desire to bring Elisabeth back into the News Corp fold, he is unable to fairly and impartially consider a demand.

- b. **James Murdoch**, as the brother of Elisabeth Murdoch, is not disinterested in connection with the Transaction. James Murdoch would also not go against the will of his father so there is no chance he would impartially consider a demand relating to the Transaction. Moreover, James would not objectively consider a demand and risk the substantial benefits he receives from News Corp and related entities. 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 Proxy Statement was more than \$10 million. In addition to his owned interest in the Company, 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 Devoe and 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 part-owned by News Corp in which Defendant DeVoe serves as a director and Defendant Siskind previously served as a director.

- c. **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.

86. Four other members of the Board – Chase Carey, David Devoe, Arthur Siskind and Joel Klein – are also not independent because they are employees of News Corp. By heeding the wishes of Murdoch for many years, these Company employees have been rewarded with lavish compensation.

- a. **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 non-disqualified 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 CEO 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.

b. **David DeVoe** has been a director of the Company and its CFO 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 CFO 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.

c. **Arthur 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.

- d. **Joel Klein** joined the Board and serves as Executive Vice President, Office of the Chairman, effective January 2011 and as CEO 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 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.

87. **Rod 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 J.P. Morgan since 2006. Eddington's relationship with J.P. Morgan is significant because of J.P. Morgan's business dealings with News Corp and related entities. J.P. Morgan is the adviser to BSKyB on the proposed acquisition by News Corp and, Elisabeth Murdoch's company, Shine, confirmed that it had hired J.P. Morgan as a financial adviser for potential deals. In February of this year, J.P. 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. 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.

88. **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.

89. **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.

90. **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.

91. **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 News Corp executed when it purchased 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, its associated compensation and the liquidity of her Dow Jones holdings 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.

92. **Kenneth E. Cowley** has been a director of the Company since 1979 – as long as Rupert Murdoch has been CEO. 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.

93. **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.

94. 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.

95. 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.

CLASS ACTION ALLEGATIONS

96. Plaintiff brings this action pursuant to Rule 23 of the Rules of the Court of Chancery, individually and on behalf of all other holders of News Corp's common stock (except defendants herein and any persons, firm, trust, corporation or other entity related to or affiliated with them and their successors in interest) who are or will be threatened with injury arising from Defendants' wrongful actions, as more fully described herein (the "Class").

97. This action is properly maintainable as a class action.

98. The Class is so numerous that joinder of all members is impracticable. The Company has thousands of shareholders who are scattered throughout the United States and the world. As of January 26, 2011, there were 1,826,457,096 shares of News Corp Class A Common Stock outstanding.

99. There are questions of law and fact common to the Class including, *inter alia*, whether:

- a. The Individual Defendants breached their fiduciary duties by agreeing to expand the News Corp Board;
- b. The Individual Defendants breached their fiduciary duties by agreeing to appoint Elisabeth Murdoch to the News Corp Board;
- c. The Individual Defendants breached their fiduciary duties by failing to fully disclose all material information relating to the Transaction, the expansion of the Board, and the appointment of Elisabeth Murdoch to the Board;
- d. The Individual Defendants breached their fiduciary duties by favoring the interests of Murdoch over those of shareholders and the Company;

- e. Plaintiff and the other members of the Class are being and will continue to be injured by the wrongful conduct alleged herein and, if so, what is the proper remedy and/or measure of damages; and
Plaintiff and the other members of the Class will be damaged irreparably by Defendants' conduct.

100. Plaintiff is committed to prosecuting the action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class, and Plaintiff has the same interests as the other members of the Class. Plaintiff is an adequate representative of the Class.

101. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class, which would as a practical matter be disjunctive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

102. Defendants have acted, or refused to act, on grounds generally applicable to, and causing injury to, the Class and, therefore, preliminary and final injunctive relief on behalf of the Class, as a whole, is appropriate.

COUNT I

BREACH OF FIDUCIARY DUTY AGAINST THE INDIVIDUAL DEFENDANTS

103. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

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. The Individual Defendants also breached their fiduciary duties by offering Elisabeth Murdoch a Board seat upon consummation of the Transaction.

107. 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.

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

109. Plaintiffs have no adequate remedy at law.

COUNT II

BREACH OF FIDUCIARY DUTY AGAINST RUPERT MURDOCH

110. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

111. 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.

112. 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.

113. Murdoch also breached his fiduciary duties by using his control to pressure the Board into appointing his daughter to the Board upon consummation of the Transaction.

114. 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.

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

116. Plaintiff has no adequate remedy at law.

RELIEF REQUESTED

WHEREFORE, Plaintiff demands judgment as follows:

a. Finding that the Defendants breached their fiduciary duties to the Company in agreeing to the Transaction;

b. Finding that the Defendants breached their fiduciary duties to the Class by agreeing to expand the Board and appoint Elisabeth Murdoch to fill the newly-created vacancy;

c. Finding that the Defendants breached their duty of candor by failing to disclose all material information relating to the Transaction, the expansion of the Board, and the appointment of Elisabeth Murdoch to the Board;

d. Requiring that the Board seek an independent valuation of Shine and retain nationally recognized financial advisors to opine on the fairness of the Transaction to the Company;

e. Awarding damages, together with pre- and post-judgment interest to the Company;

f. Awarding Plaintiff the costs and disbursements of this action, including attorneys', accountants', and experts' fees; and

f. Awarding such other and further relief as is just and equitable.

Dated: March 23, 2011

/s/ Geoffrey C. Jarvis

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