



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

CENTRAL LABORERS PENSION FUND,)
)
)
Plaintiff,) C.A. No.
v.)
)
NEWS CORPORATION,)
)
)
Defendant. _____)

**COMPLAINT PURSUANT TO 8 DEL. C. §220
TO COMPEL INSPECTION OF BOOKS AND RECORDS**

Plaintiff Central Laborers Pension Fund (“Central Laborers”), as and for its Complaint, herein alleges, upon knowledge as to itself and its own actions, and upon information and belief as to all other matters, as follows:

NATURE OF THE ACTION

1. In this action, plaintiff seeks to enforce its right to inspect certain corporate books and records of defendant News Corporation (“News Corp” or the “Company”), a Delaware corporation, pursuant to 8 *Del. C.* § 220 (“Section 220”). Plaintiff seeks to inspect these documents in order to investigate possible breaches of fiduciary duty on the part of News Corp’s Board of Directors, including its Chairman, Chief Executive Officer and controlling shareholder, Rupert Murdoch (“Murdoch”), in allowing Murdoch to cause News Corp to spend \$675 million to buy Shine Group (“Shine”), a company controlled by Murdoch’s daughter, Elisabeth Murdoch (the “Transaction”), for no valid business purpose. Murdoch has made clear that an express purpose of the Transaction is to bring Elisabeth back to the family business—News Corp—and onto News Corp’s Board of Directors.

2. As set forth herein, plaintiff believes that News Corp has improperly agreed to enter into the Transaction with Murdoch’s daughter at terms unfair to the Company, and for the

purpose of furthering Murdoch's single-minded goal of maintaining his, and over the long-term, his family's, control over his vast media empire, to the detriment of the Company.

PARTIES

3. 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.

4. 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*.

JURISDICTION

5. This Court has exclusive jurisdiction over this action pursuant to 8 *Del. C.* § 220(c).

FACTUAL BACKGROUND

6. On February 21, 2011, Murdoch announced 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.

7. 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 by her father. Murdoch, for his part, will have the satisfaction of having planted yet another family member in the senior hierarchy of News Corp, having already placed his two sons, James Murdoch and Lachlan Murdoch, on the Board.

8. Murdoch’s stated purpose for 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 14, 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.”

9. The Transaction is unquestionably unfairly priced. News Corp has agreed to pay nearly 13 times Shine’s 2009 reported EBITDA, a price that is well above the multiple paid in similar transactions in the last year. 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. 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. Moreover, 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).

10. 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."

11. 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."

12. Even if the price were not unfair, the deal is not the best use of News Corp's cash. News Corp is already in the throes of a proposed acquisition of the remaining 61% of BSKyB that it does not yet own for the very expensive price of \$12.6 billion. A Nomura analyst noted that News Corp's acquisition of Shine will further drain the company's cash position which is already tight due to its impending acquisition of BSKyB. As he observed: "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."

13. 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. If News Corp wanted to buy a production company, it should have canvassed the scores of such companies that exist to find the best fit.

14. 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. Elisabeth Murdoch also worked under her father at FX Networks before moving to BSkyB. She left FX Networks after feuding with her then-boss, Sam Chisholm. 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. In addition, in fiscal 2010 alone Shine made nearly \$12 million from production and distribution arrangements with certain News Corp subsidiaries.

15. The Board has already preliminarily approved the Transaction. 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, tasked with approving the Transaction, 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. Two Board members are sons of Murdoch whom he planted on the Board: James Murdoch, who is also the Chairman and Chief Executive Officer of News Corp's European and Asian businesses, the Executive Director on News Corp's Board and a member of the Office of the Chairman and a non-executive Chairman of BSkyB; and Lachlan Murdoch, who was a senior executive at News Corp, pulling in \$8 million in annual compensation by the time he quit in 2005.

16. The Board members' divided loyalties, conflicting financial and professional interests or are simply incapable of standing up to Murdoch, all of which precluded them from fairly evaluating the Transaction. The Board is composed of 16 members, six of whom clearly are not independent, including three Murdoch family members. Of the ten ostensibly independent directors, one is the managing director of J.P. Morgan Australia, an affiliate of the company (J.P. Morgan Chase) that recently was retained as Shine's strategic advisor and which also was retained by BSKyB in connection with Murdoch effort to obtain total control over that company, three are former employees, one has double-digit tenure and two appear little more than "honorary appointees" (former Spanish Prime Minister Jose Aznar and Natalie Bancroft, a 30-year old professional ballerina).

17. Further, the pliant Board has allowed Murdoch has been allowed to push through deals regardless of the deleterious impact they would have on the Company's financial situation. Each of these transactions was designed to further Murdoch's personal agenda (whether personal, political or to ensure his control over the company) rather than the interests of News Corp.

PLAINTIFF CENTRAL LABORERS' DEMAND LETTER

18. In consideration of the foregoing facts, Plaintiff Central Laborers seeks to investigate whether the Board members complied with their fiduciary duties to the Company and its shareholders as it relates to the Transaction.

19. Consequently, on March 7, 2011, Central Laborers' counsel sent by overnight mail a narrowly-tailored demand letter (the "Demand Letter") to Lawrence A. Jacobs, Esquire, News Corp's Group General Counsel, demanding the right to inspect the books, records and

documents of News Corp relating to the various matters described herein. The Demand Letter was delivered to News Corp on March 8, 2011, at 10:09 a.m..

20. The letter was accompanied by a proper power of attorney form authorizing its counsel to make demand, and an affidavit attesting to Central Laborers' holdings in News Corp. Central Laborers requested the Company produce or allow the inspection of the following documents:

- a) All documents reflecting communications between or among (a) Elisabeth Murdoch, Shine, or anyone or any entity acting on her or its behalf and (b) any directors, officers, or employees of News Corp or its subsidiaries, or anyone or any entity acting on behalf of News Corp, regarding any potential acquisition of Shine by News Corp at any time from 2001 to the present date;
- b) All documents reflecting communications between or among (a) Elisabeth Murdoch, Shine, or anyone or any entity acting on her or its behalf and (b) any directors, officers, or employees of News Corp or its subsidiaries, or anyone or any entity acting on behalf of News Corp, relating to the proposed acquisition of Shine by News Corp as announced in the February 21, 2011 Press Release;
- c) All documents relating to News Corp's consideration of a potential acquisition of Shine, including but not limited to the minutes and materials from News Corp's Board of Directors (the "Board") and/or Board committee meetings where such a potential acquisition was discussed;
- d) All documents relating to News Corp's decision not to appoint a special committee to evaluate the possible acquisition of Shine, including but not limited to the minutes and materials from the Board and/or Board committee meetings where the decision regarding whether to form and appoint a special committee was discussed;
- e) All documents relating to or reflecting negotiations of the terms of News Corp's proposed acquisition of Shine;
- f) All documents that News Corp or anyone or any entity acting on behalf of News Corp received from Shine in connection with any potential acquisition of Shine by News Corp;
- g) All documents reflecting information that was reviewed and/or considered by the Board or any committee appointed by News Corp to consider any potential acquisition of Shine;

- h) All documents concerning any due diligence performed in connection with News Corp's potential acquisition of Shine as disclosed in the February 21, 2011 Press Release;
- i) All documents reflecting valuations of Shine which were performed by or on behalf of News Corp in connection with News Corp's proposed acquisition of Shine as disclosed in the February 21, 2011 Press Release;
- j) All fairness opinions obtained by News Corp with respect to News Corp's proposed acquisition of Shine as disclosed in the February 21, 2011 Press Release;
- k) All documents reflecting the reasons for News Corp's proposed acquisition of Shine;
- l) All agreements, letters of intent, or drafts thereof, relating to the potential acquisition of Shine by News Corp as disclosed in the February 21, 2011 Press Release;
- m) All documents from January 2009 to date concerning News Corp's consideration, if any, of a potential acquisition of any international television production companies other than Shine, including but not limited to the minutes and materials from the board and/or board committee meetings where such potential other targets were discussed;
- n) Documents sufficient to identify every business transaction, without regard to the time period, between or among Shine and News Corp and/or any of its subsidiaries, and the amounts paid to Shine by News Corp and/or its subsidiaries in connection with each such transaction;
- o) All documents reflecting any communications between or among Elizabeth Murdoch, Rupert Murdoch, News Corp, any directors or officers of News Corp, or anyone acting on behalf of any of the foregoing, regarding the possibility or potential of Elizabeth Murdoch joining the Board, without limitation by any time period;
- p) All documents reflecting any discussions by or among the members of the Board regarding the possibility or potential of Elizabeth Murdoch joining the Board, without limitation by any time period;
- q) All documents relating to the statement by Rupert Murdoch that "I expect Liz Murdoch to join the board of News Corporation on completion of this transaction" included in the February 21, 2011 Press Release;
- r) Documents reflecting any and all personal, familial, financial, or business relationships, other than their service as directors of News Corp or its subsidiaries, between any members of the Board, and any of the following: (a) Rupert Murdoch; (b) Elisabeth Murdoch; (c) Shine; (d) News Corp or any of its subsidiaries or affiliates; or (e) any other entity owned or controlled by Rupert Murdoch or any of his family members, without regard to any time period;

- s) All documents concerning discussions, communications and decisions as to the nominations of the current members of the Board, and the placement of such directors on any committees of the Board; and
- t) All minutes and resolutions of the Board, or any committees thereof, reflecting the vote of the Board or committee on any proposals made by Rupert Murdoch or on which Rupert Murdoch voted.

A copy of the Demand Letter is attached hereto as Exhibit A.

21. The Demand Letter enumerated the following legitimate and proper purposes for the inspection of the books, records and documents:

- a) the possibility of certain directors' breaches of fiduciary duty in connection with News Corp's proposed acquisition of Shine;
- b) the propriety of the decision to allow News Corp to expend significant amounts of cash, and at this particular juncture, to acquire Shine;
- c) the propriety of decision to acquire Shine as opposed to any other international television production companies;
- d) the extent to which the fact that Elisabeth Murdoch runs Shine is the motivation for News Corp's interest in buying her company;
- e) whether any valuation of the transaction was appropriate;
- f) whether the price News Corp will pay for Shine is fair to News Corp and its shareholders; and
- g) the independence and disinterest of the Board, and to determine whether a presuit demand is necessary or would be excused prior to commencing any derivative action on behalf of the Company.

22. These purposes are reasonably related to Central Laborers' interest as a stockholder of the Company, and the inspection is not sought for a purpose that is in the interest of a business or object other than the business of the Company.

23. The books and records sought are narrowly tailored to serve Plaintiffs' purposes in sending the Demand Letter.

24. Pursuant to 8 *Del. C.* § 220(c), News Corp. was required to respond to the Demand Letter within 5 business days of service thereof, or March 15, 2011.

25. News Corp did not respond to the Demand Letter on or before March 15, 2011, and has not responded to the Demand Letter as of the filing of this Complaint.

26. News Corp continues to violate its statutory obligation to respond to plaintiff's proper § 220 demand. It is apparent that without court intervention, News Corp will not comply with plaintiff's request under to 8 *Del. C.* §220.

COUNT I
(Demand for Inspection Pursuant to 8 Del. C. §220)

27. Plaintiff repeats and realleges all of the preceding allegations as if fully set forth herein.

28. On March 7, 2011, Plaintiff made written demand upon News Corp for the inspection of the books, records and documents set forth in the Demand Letter.

29. Plaintiff has complied fully with all requirements under § 220 of the Delaware General Corporation Law respecting the form and manner of making a demand for inspection of News Corp's books, records and documents.

30. Plaintiff's demand for inspection is for proper purposes, and the documents identified in the Demand Letter are essential and sufficient to that purpose.

31. More than five business days have passed since News Corp received the Demand Letter, and the Company has not provided Plaintiff with access, or agreed to provide it with access to the materials set forth in the Demand Letter.

32. By reason of the foregoing and pursuant to 8 *Del. C.* § 220, Plaintiff is entitled to an order permitting it to inspect and make copies of the books and records set forth in the Demand Letter.

33. Plaintiff has no adequate remedy at law.

WHEREFORE, plaintiff prays for the following relief:

A. An order summarily requiring News Corp to immediately permit the inspection and copying of each and every book and record requested by its demand;

B. An order directing News Corp to pay reasonable attorneys' fees and expenses in connection with plaintiffs Section 220 demand and litigation; and

C. Such other relief as this Court deems just and appropriate.

DATED: March 16, 2011

GRANT & EISENHOFER P.A.

/s/ Michael J. Barry

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