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## CtW Investment Group Questions Independence of New News Corp Director James W. Breyer

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WASHINGTON, Sept. 9, 2011 /PRNewswire/ -- In a letter to the News Corp (Nasdaq: NWS) board of directors, CtW Investment Group questions the independence of newly appointed director James W. Breyer, and calls on the board to disclose more fully the extent of Mr. Breyer's past relationship with News Corp and its senior executives. The letter points out that in addition to a number of past transactions between Mr. Breyer's Accel Management Inc. and News Corp, Mr. Breyer has reportedly invested in one venture alongside Mrs. Wendi Murdoch (the wife of Chairman and CEO Rupert Murdoch). The letter also points to a transaction between Accel and Wal-Mart Stores Inc. on whose board Mr. Breyer has served since 2001, which appears to violate the NYSE listing standards for director independence, and to the substantial shareholder vote against his re-election to the Dell, Inc. board earlier this year.

Full letter below.

September 8, 2011

Viet D. Dinh  
Chairman, Nominating & Corporate Governance Committee  
News Corporation  
1211 Avenue of the America  
New York, NY 10036

Dear Mr. Dinh:

We are concerned that in describing newly independent director James W. Breyer as "independent," News Corp has failed to disclose close business relationships between the company and Accel Management Inc., of which Mr. Breyer is a general partner. These relationships include Accel

investments in the recently sold News Corp subsidiary MySpace, as well as an Accel investment in a MySpace subsidiary that has employed Wendi Murdoch[i], the wife of Chairman and CEO Rupert Murdoch. These relationships, and others detailed below, call into question the classification of Mr. Breyer as independent of News Corp. management. Moreover, Mr. Breyer's personal history as a director at public companies including Wal-Mart and Dell causes us further concern. Like News Corp, Wal-Mart has repeatedly engaged in transactions with Accel Partners, from which Mr. Breyer stands to personally benefit in ways not available to shareholders in general. At Dell, Mr. Breyer has failed to attend at least 75% of board meetings over the past year, and his re-nomination as a director was rejected by 41% of Dell shareholders[ii].

The News Corp board's failure to respond in a timely and effective way to evidence of systemic utilization of illegal practices by News International and other News Corp subsidiaries, has already led to substantial shareholder losses, government inquiries, and shareholder demands for a credible internal investigation. Unfortunately, by appointing Mr. Breyer without fully disclosing his company's past relationships with News Corp and with Murdoch family members, the board has once again chosen insulation rather than the investigation shareholders demand.

The CtW Investment Group works with pension funds sponsored by unions affiliated with Change to Win, a coalition of unions representing six million members. These funds, together with public pension funds in which members of CtW unions participate, are substantial long-term News Corp shareholders.

### Accel's Numerous Transactions with News Corp

Since at least 2001, Mr. Breyer and Accel have undertaken a number of investments in companies where News Corp was also an investor, or where individuals linked to News Corp played a prominent role. For instance, both Accel and News Corp were investors in BizTravel.com, a business-oriented travel site that failed in the wake of 9-11.[iii] In 2007 Accel, through its joint venture with IDG partners, invested in MySpace China, a subsidiary of News Corp's MySpace, which at the time employed Wendi Murdoch (nee Deng) as its Chief Strategy Officer.[iv] Mrs. Murdoch is the wife of News Corp Chairman and CEO Rupert Murdoch. In 2011, Mr. Breyer and Mrs. Murdoch were both reported to be investors in Art.sy, an art discovery and shopping site.[v] Starting in 1998, Accel made a series of investments in video-production company Omneon, in which News Corp was also an investor.[vi] In 2007 and again in 2009, Accel invested in online advertising firm OpenX Technologies Inc., whose chairman Jonathan Miller was appointed Chief Digital Officer of News Corp in 2009.[vii] In 2006, Accel hired Richard

Yanowitch as a Venture Partner; previously, Mr. Yanowitch had been a director and Vice Chairman of NDS, a News Corp subsidiary, and also served as a senior consultant to News Corp, where he reported directly to Mr. Murdoch.[viii] More broadly, Mr. Breyer has been reported to "spend considerable time" with Mr. Murdoch.[ix]

This extensive series of interconnections between Mr. Breyer and Accel on the one hand, and News Corp, News Corp employees, and Mr. and Mrs. Murdoch on the other, undermines the claim that Mr. Breyer is a truly independent director who can provide the objectivity and accountability that News Corp shareholders so desperately need. Instead, Mr. Breyer appointment continues Mr. Murdoch's nepotistic practice of installing family members, employees, and friends on News Corp's board, precisely in order to avoid being held accountable to public shareholders.

### Accel's Wal-Mart Transactions

Since 2001, Mr. Breyer has been a director at Wal-Mart, and since June 2006 he has been Wal-Mart's presiding director.[x] Nevertheless, Accel and Wal-Mart have engaged in at least two transactions during his tenure on the board, one of which appears to violate the independence standards maintained by the NYSE. First, in 2000, Wal-Mart partnered with Accel to spin off walmart.com as a joint venture.[xi] After several disappointing redesigns of the site, Wal-Mart agreed to buy out Accel's stake in walmart.com in July 2001.[xii] Secondly, on May 3, 2011 Wal-Mart purchased Kosmix Inc. from Accel and other investors for a reported \$300 million[xiii]. In a series of communications between CtW Investment Group and Wal-Mart, the company claimed that the proceeds received by Accel pursuant to this transaction did not exceed the 2% of consolidated annual revenue standard established in the NYSE listing requirements to determine if a director is independent.

Our own analysis of data available on Capital IQ suggests, however, that the Kosmix transaction very likely violated this standard: we find that between 2006 and 2008 Kosmix raised \$55 million from Accel and 14 other investors.[xiv] Assuming that participants in each round contributed an equal share of the total amount raised in that round, we estimate that Accel invested \$4.53 million, primarily on behalf of its Fund IX, giving it an 8.24% share of Kosmix equity. Assuming further that the reported \$300 million price tag paid by Wal-Mart is roughly on target, Accel and its limited partners would have realized proceeds from this sale of \$24.7 million. We finally assume that Accel had no co-investment or other direct stake in Kosmix, and so Accel Management Inc. received only "carried interest" on this transaction, which we conservatively estimate at 20% of profits above 20%. This generates an estimated return to Accel of \$3.86 million, or 24% of the \$16 million annual revenue Capital IQ reports

for Accel for the year ended 12/31/10. While we have no way of knowing Accel's revenue for the past 12 months, it certainly appears that James Breyer cannot be considered an independent director at Wal-Mart. Moreover, Mr. Breyer's experience at Wal-Mart should give News Corp shareholders pause to consider whether a director whose firm has engaged in repeated transactions with a company on whose board he sits will be likely to maintain the objectivity and independence from management that News Corp's board currently requires.

### Overboarding and Shareholder Dissatisfaction at Dell

In addition to News Corp and Wal-Mart, Mr. Breyer serves on the board Dell, Inc. as well as on the boards of approximately 15 private companies, not including boards overseeing venture capital funds or joint ventures.[xv] Perhaps as a consequence of serving on so many boards, Mr. Breyer has had difficulty meeting his obligations to the public companies on whose boards he sits, and in 2010 he failed to attend at least 75% of Dell's board meetings. As a result, at Dell's last annual meeting, shareholders controlling 41% of the shares voted were withheld from his bid for reelection[xvi]. Of course, during that timeframe Mr. Breyer was not yet a News Corp director, suggesting that his existing commitments leave him very little time to attend to his new duties at News Corp. Absent some substantial reduction in other commitments, it is hard to see how Mr. Breyer will be able to provide the attention and focus that News Corp shareholders need in order to see the value of their investment restored. The extent of the turmoil currently facing News Corp -- the criminal investigations, heightened regulatory scrutiny, liability issues, and clouded succession issues -- demand a director who can devote considerable time to his responsibilities.

### Conclusion

We are very concerned that, following more than four years of inaction that allowed a burgeoning internal crisis to go unaddressed, News Corp's board is once again acquiescing to management's priorities in nominating directors and failing to disclose needed information to shareholders. The selection of Mr. Breyer, who has no investigative experience, no regulatory or law-enforcement background, and no track record of strong, independent leadership at the board's on which he served, adds nothing to the board's ability to root out any corrupt and illegal practices or determine how they seemingly went unchecked for so long. Moreover, News Corp has failed to disclose to shareholders the extent of Mr. Breyer and Accel's past transactions with the company, with News Corp employees,

and with Rupert Murdoch and his family. Absent such disclosures, shareholders can only conclude that Mr. Breyer's nomination represents a continuation of the acquiescent behavior News Corp's board desperately needs to shed.

Sincerely,

Richard Clayton  
Research Director

Cc: Jose Maria Aznar, Natalie Bancroft, Peter L. Barnes, James W. Breyer, Chase Carey, David F. DeVoe, Sir Roderick Eddington, Joel Klein, Andrew Knight, James R. Murdoch, K. Rupert Murdoch, Lachlan Murdoch

[i] Bruce Einhorn, "MySpace China Looks for Answers after Setback" Bloomberg Businessweek October 17, 2008.

[ii] The Corporate Library, James W. Breyer Governance Profile, downloaded September 2, 2011

[iii] Joseph Gallivan, "Biztravel.com Grounded After WTC Terror" The New York Post September 25, 2001

[iv] Bruce Einhorn, "MySpace China Looks for Answers after Setback" Bloomberg Businessweek October 17, 2008; Patrick Frater, "It's a Sino the Times" Variety, September 24, 2007; "MySpace-China preparations underway" UPI January 29, 2007

[v] Laurie Segall, "Wealthy investors add art startups to their collections" CNNMoney April 26, 2011

[vi] Jgb "Video's Omneon sells for \$274M to Harmonic" alarm:clock May 6, 2010

[vii] Mary Kathleen Flynn, "OpenX raises \$10M" Daily Deal May 26, 2009

[viii] News release from NDS, "Richard Yanowitch Resigns from Board of NDS Group plc" November 1, 2006

[ix] "Big Bucks, Big Thinker" The Daily Beast May 21, 2006

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[x] Wal-Mart proxy statement on Form DEF14A filed with the SEC on April 14, 2006

[xi] Stacey Collett, "Updated Wal-Mart site offers travel services" Computerworld January 10, 2000; Todd R. Weiss, "Walmart.com shuts down at Top of Holiday Retail Season" Computerworld October 9, 2000; Ted Kemp, "Walmart.com: A Tangled Web" Internet Week December 18, 2000

[xii] AP Online "Wal-Mart to Buy Stake in Walmart.com"

[xiii] Anthony Ha, "Wal-Mart may have paid \$300M+ for Kosmix" SocialBeat.com April 18, 2011

[xiv] Capital IQ; Chris V. Nicholson, "Wal-Mart Buys Social Media Firm Kosmix" New York Times April 19, 2011

[xv] Capital IQ

[xvi] The Corporate Library, James W. Breyer Governance Profile, downloaded September 2, 2011

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